



Congreso Nacional de Minería
Desafíos del sector en el posconflicto
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A Report on Colombia: Mining Policy Perceptions

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Thanks to the
Asociación Colombiana de Minería
for the invitation

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Agenda

- Mining survey background
- Colombia's performance
- The importance of mining policy

The Goal

The goal is to provide information that will help with the dialogue among the public, government and the mining industry.

It is important that the public and government understand the challenges the mining industry faces both on the policy and price fronts, how the two relate, and the costs or benefits to Colombia in jobs and prosperity.

All this is about
sensible and predictable
regulation and taxation,
not left or right political or
environmentalist viewpoints.

Note that Sweden and Finland are in
the top 10 and Norway is 12th.

The Fraser Institute Mining Survey

Background

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The 2015 Survey

- Sent to 3800 executives at exploration, development, and mining consulting companies
 - Asked to respond only for jurisdictions which they know
- Responses from 449 executives; 12% response rate
- Representing US\$2.2 billion in exploration spending in 2015 and US\$2.5 billion in 2014

Survey Methodology



- Survey participants in 15 policy areas
 - For example, “Taxation Regime” or “Political Stability”
 - Asked whether deters or encourages investment on a scale of 1-5
- Policy Perception Index
 - A composite measure of all 15 policy areas that considers responses from all 5 response categories
 - Standardized scores are estimated for each jurisdiction on each policy variable and then added up and normalized to a scale of 0 (worst) to 100 (best)


What follows may be disappointing but it highlights the need to continue improving policy and communicating it.

With commodity prices flat,
high risk=high rewards
is no longer adequate

Now price risk is higher and
potential rewards are lower.

Good policy is essential for
today and tomorrow.


Taxes, Miners, Hi-Tech, and Venture Investors.

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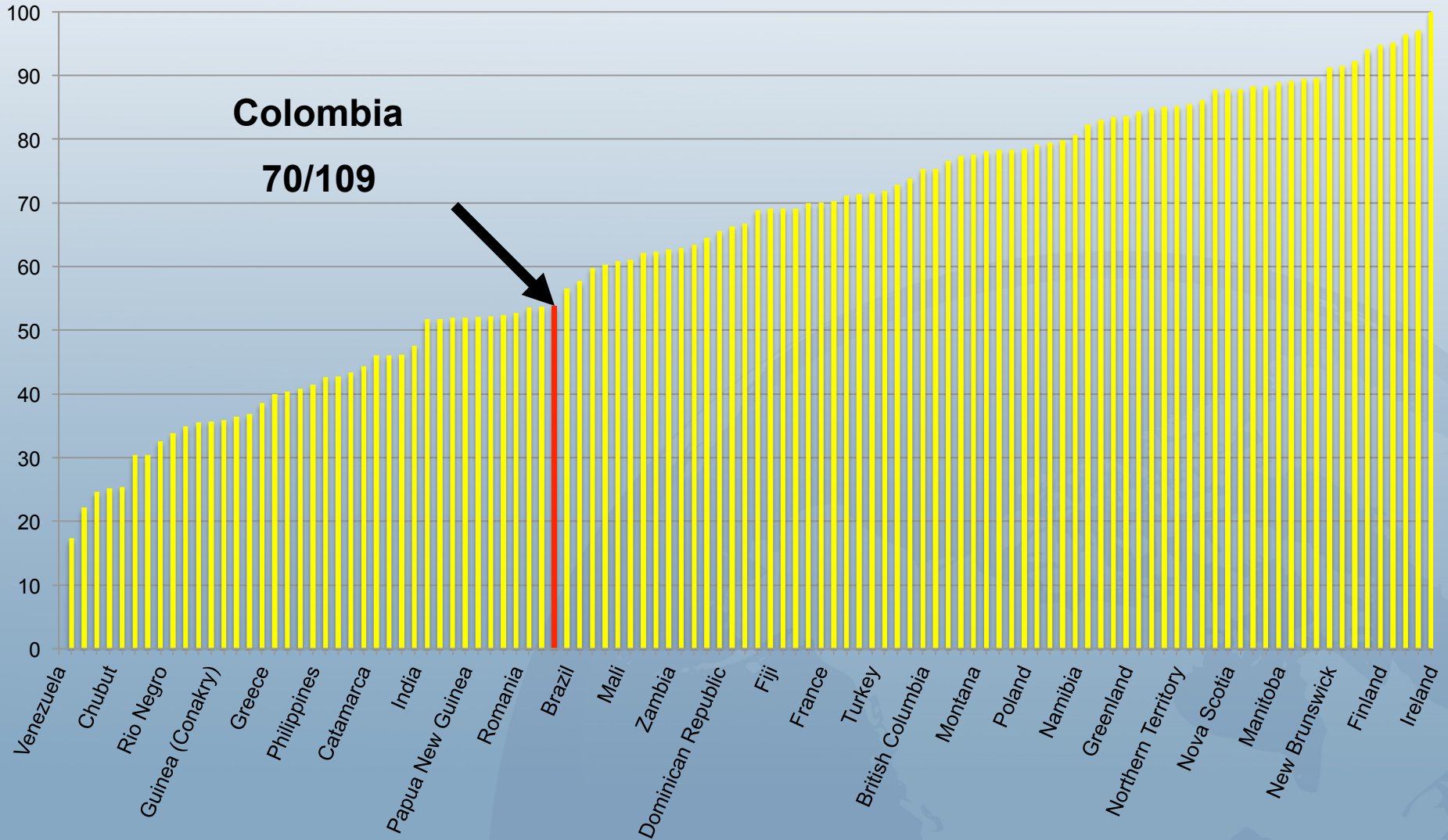
Good steps

- Industry support for the implementation of the Extractive Industries Transparency Initiative (EITI)
- The creation of this association

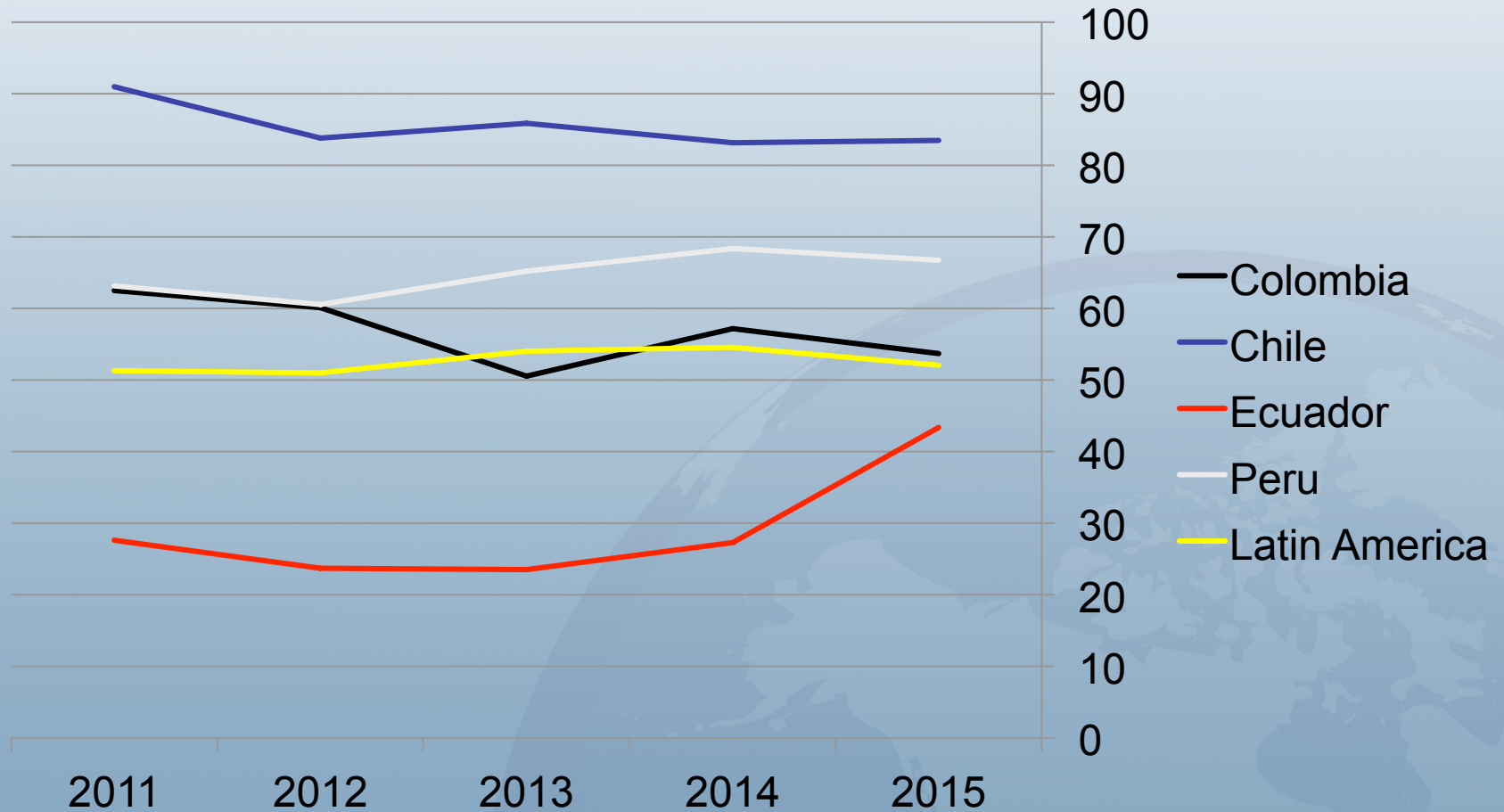
Policy Potential Index

- A composite index of the 15 policy areas we examine
 - 0 is worst policy; 100 is best
- 
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2015 Policy Perception Index



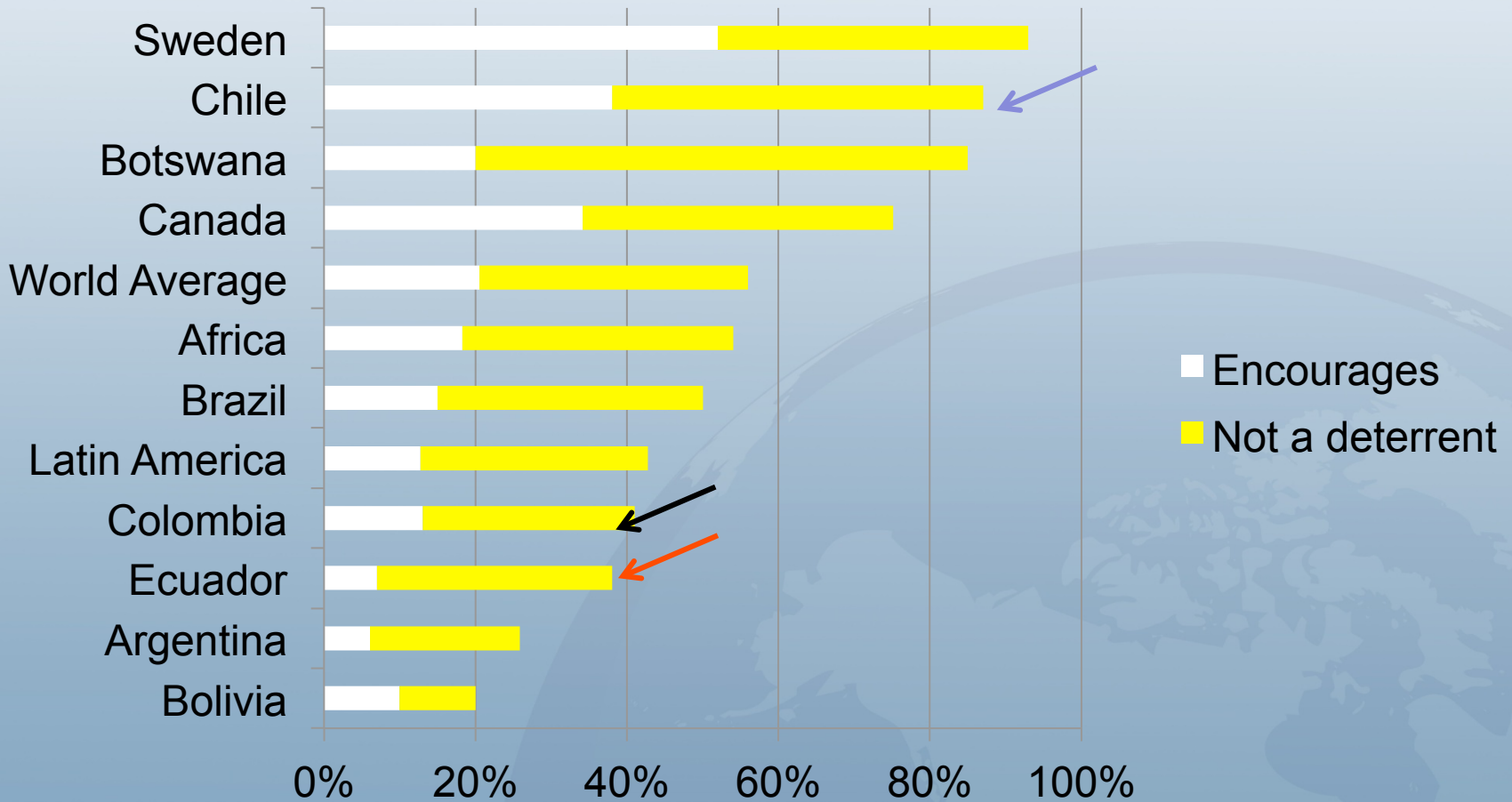
Some History: Colombia's comparative policy potential scores



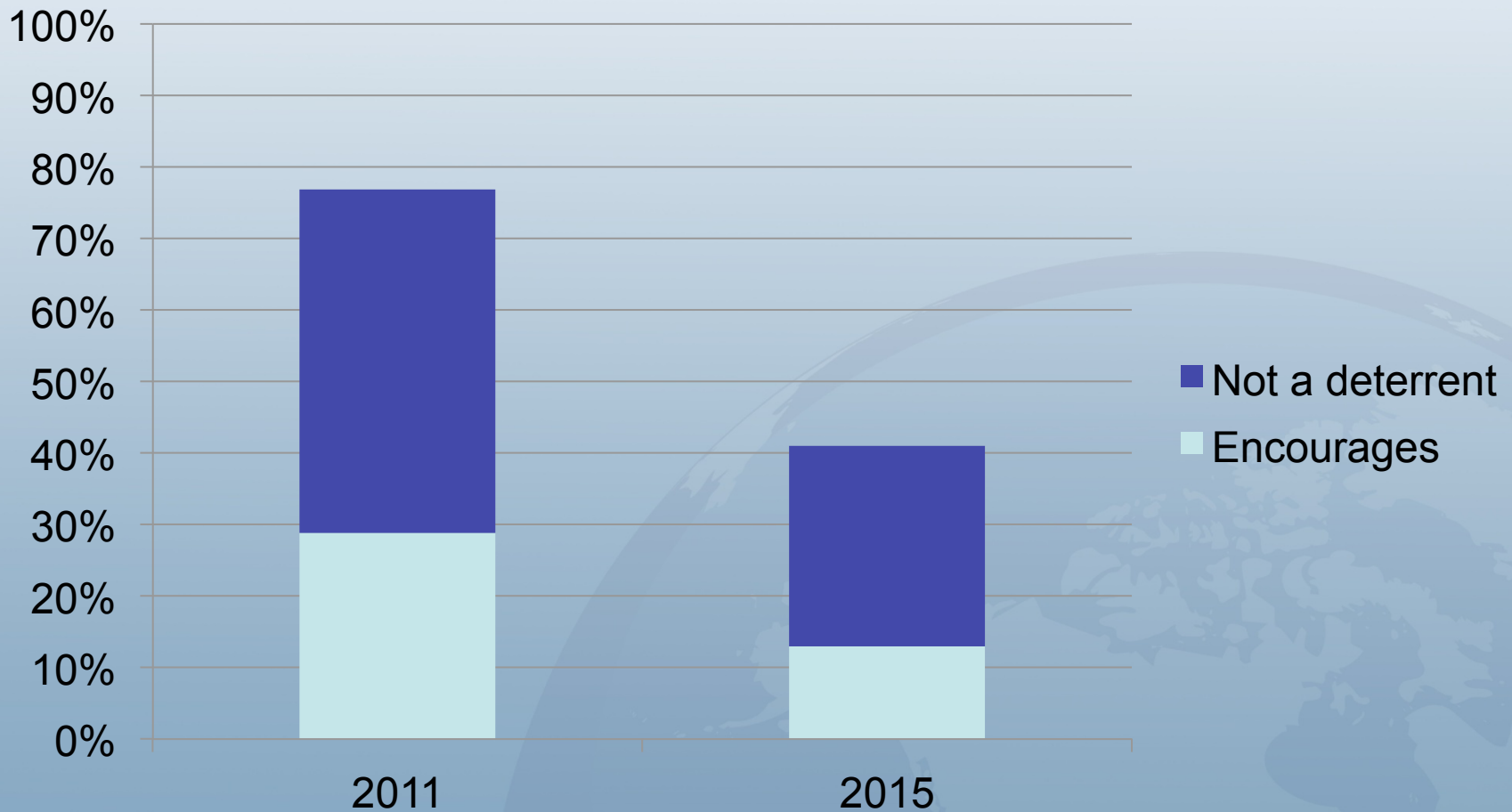
Best practices vs current practices



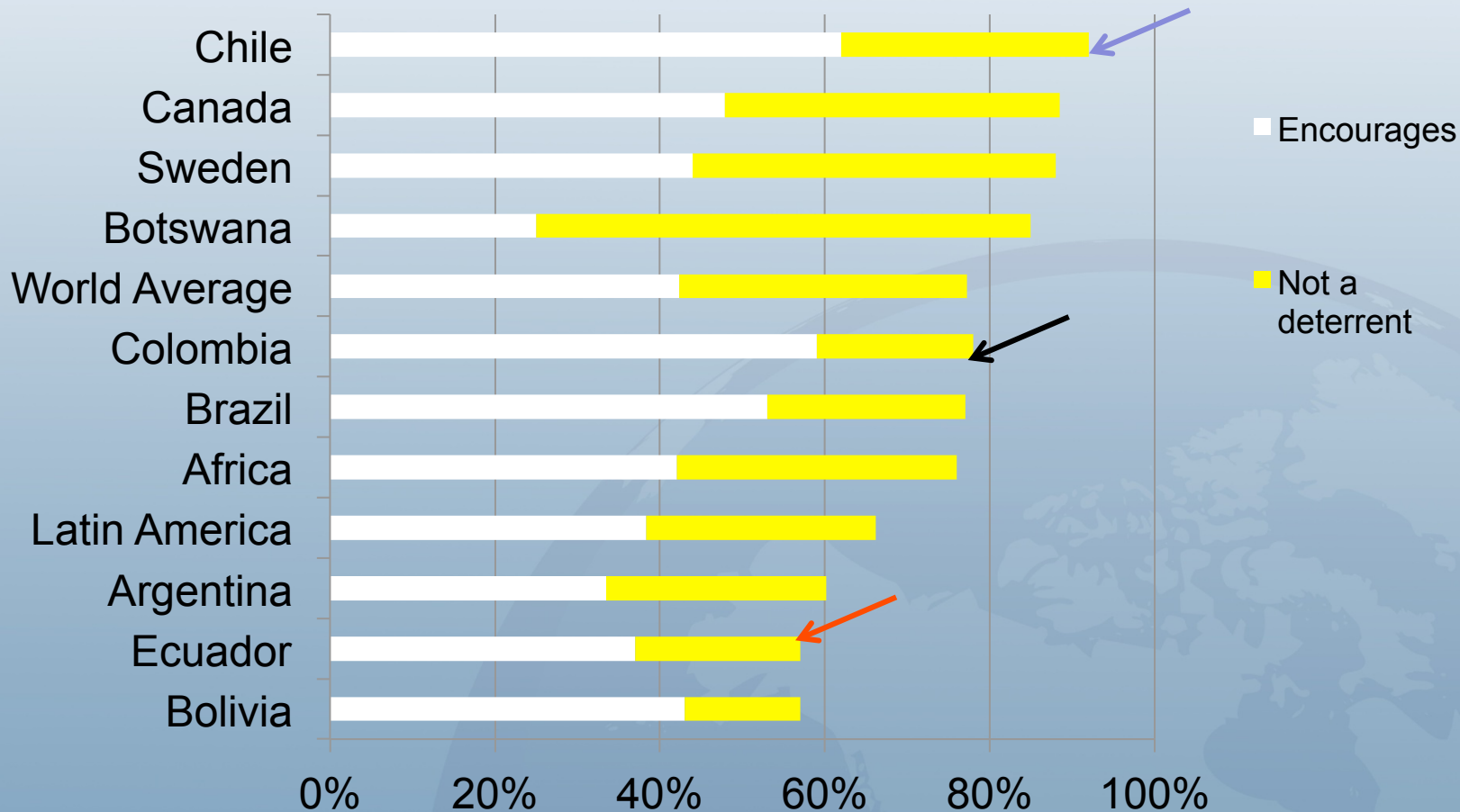
Mineral Potential, Assuming Current Regulation / Land Use restrictions



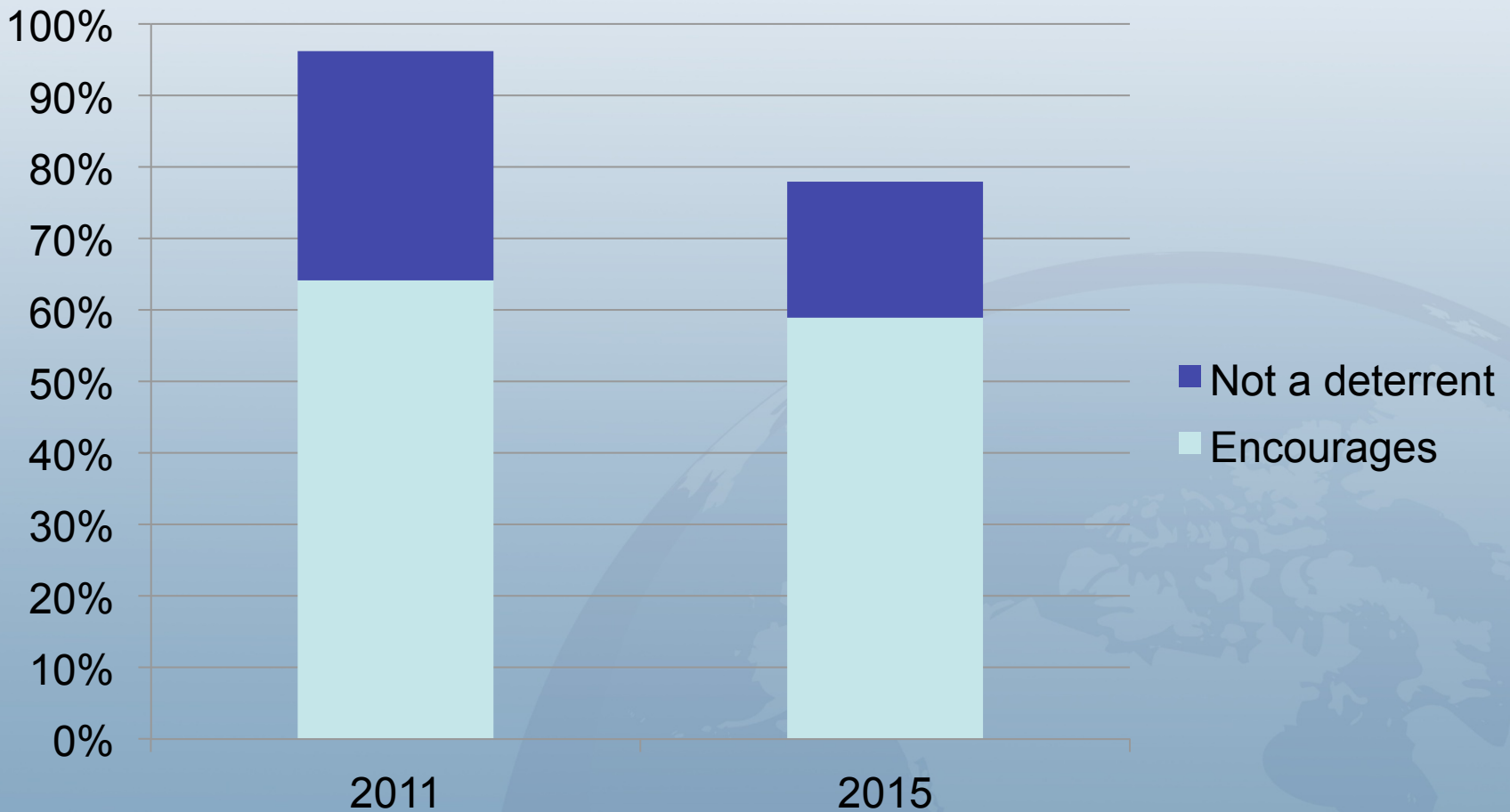
Mineral Potential, Assuming Current Regulation / Land Use Restrictions



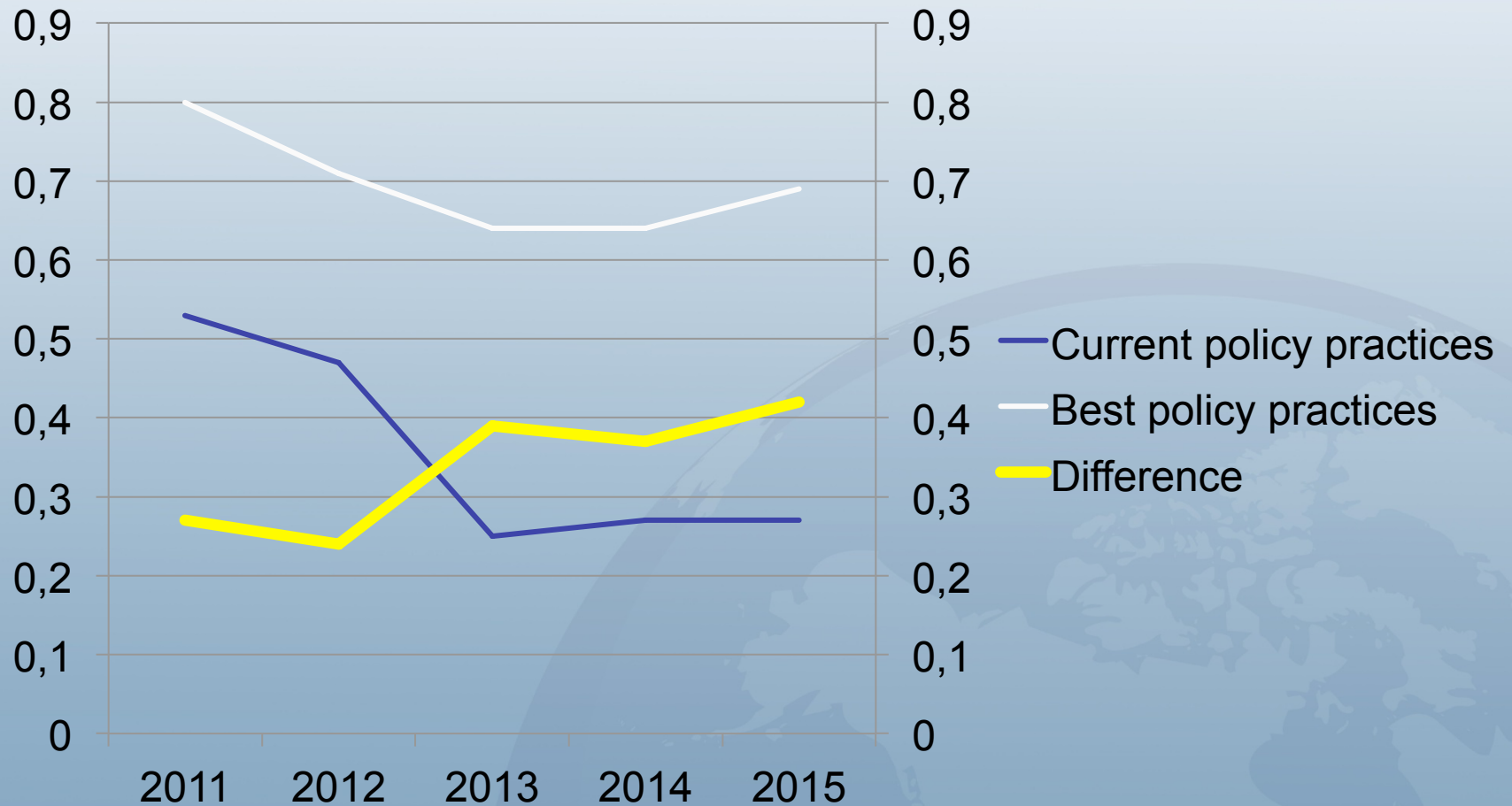
Mineral Potential, Assuming Policies Based on Best Practices (i.e. world class regulatory environment, highly competitive taxation, no political risk or uncertainty, and a fully stable mining regime)



Mineral Potential, Assuming Policies Based on Best Practices



Mineral potential



Individual Policy Areas

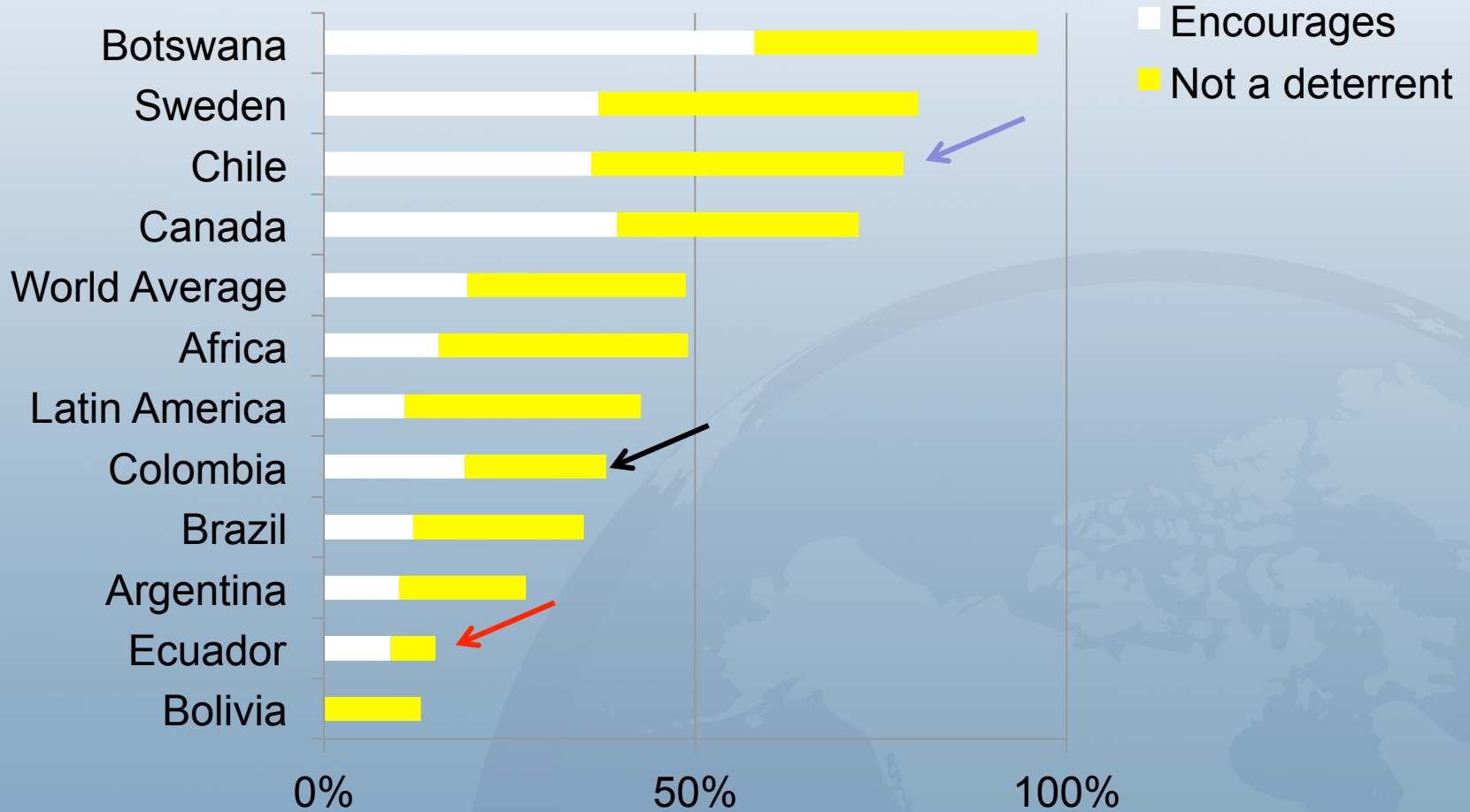


Compared to the gold standard in mining

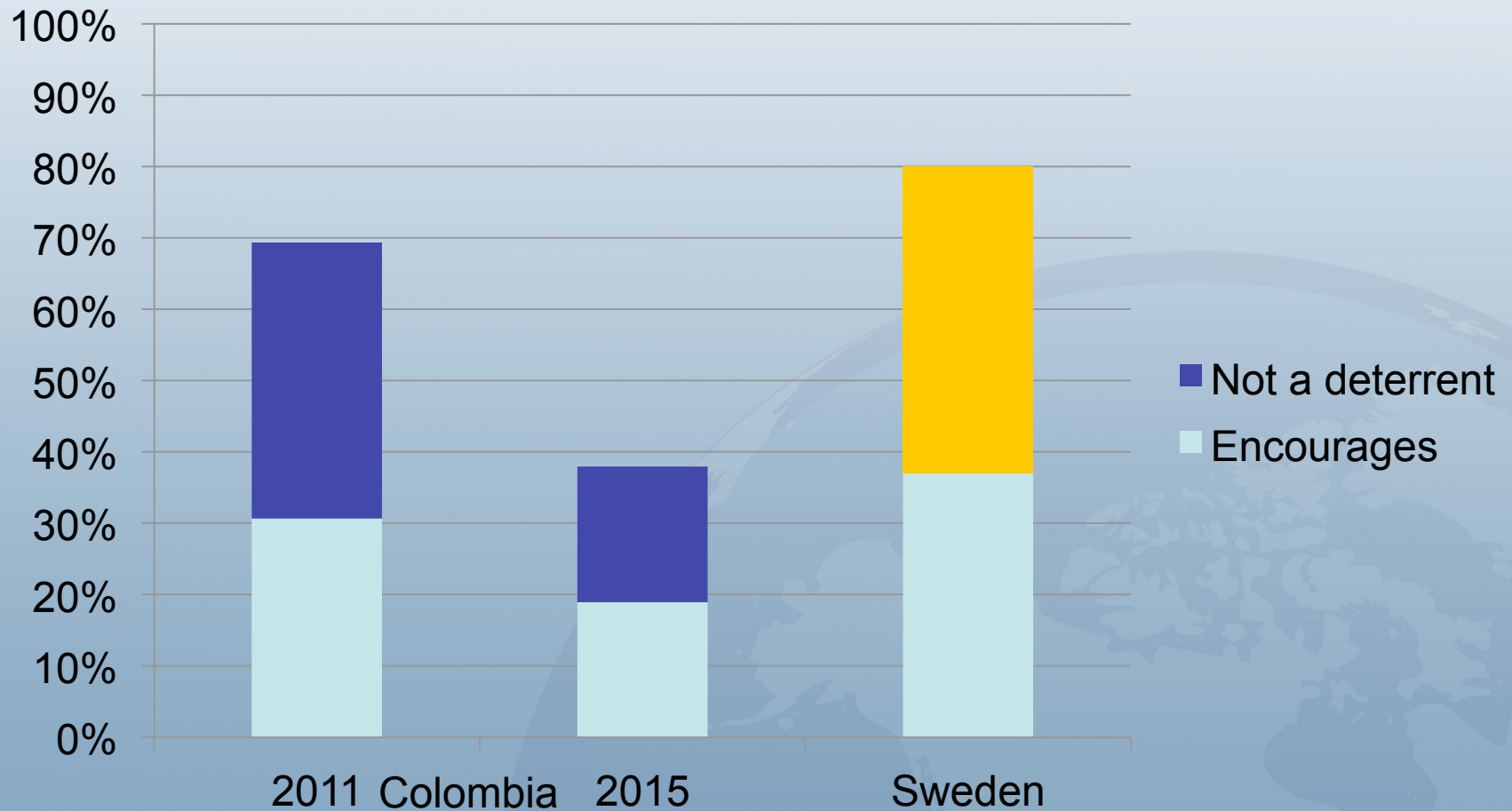
Sweden

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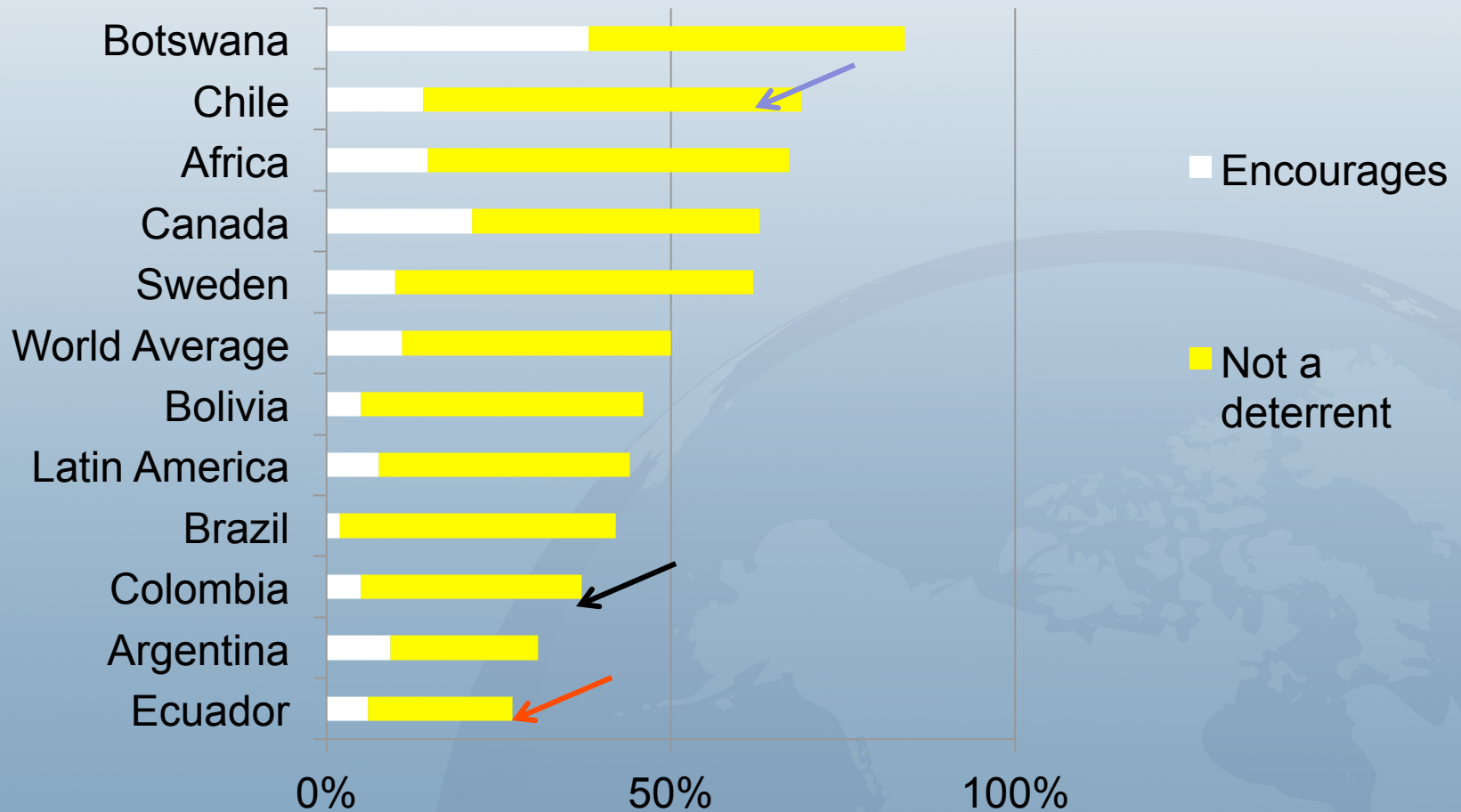
Uncertainty Concerning the Administration, Interpretation, and Enforcement of Existing Regulations



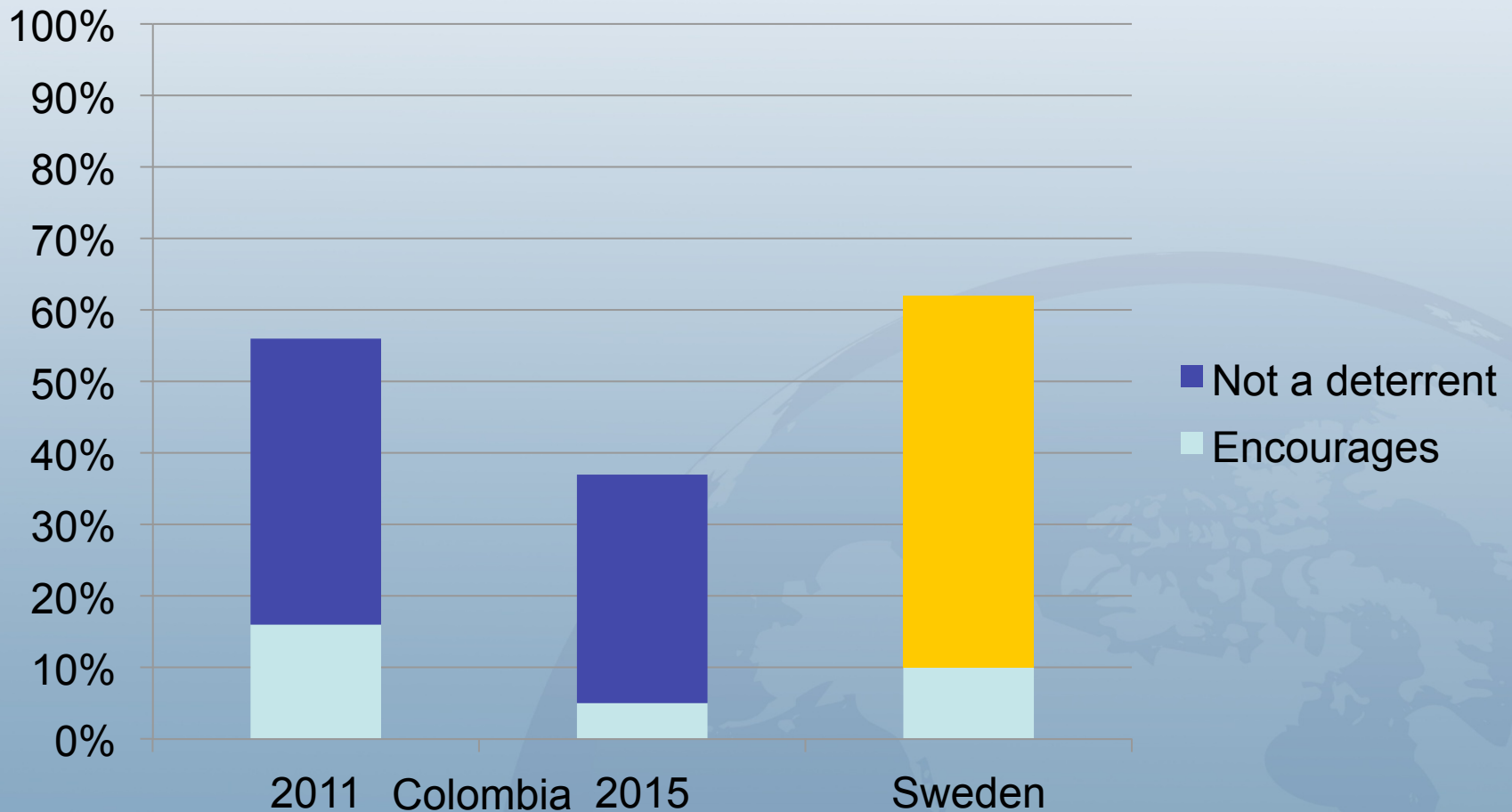
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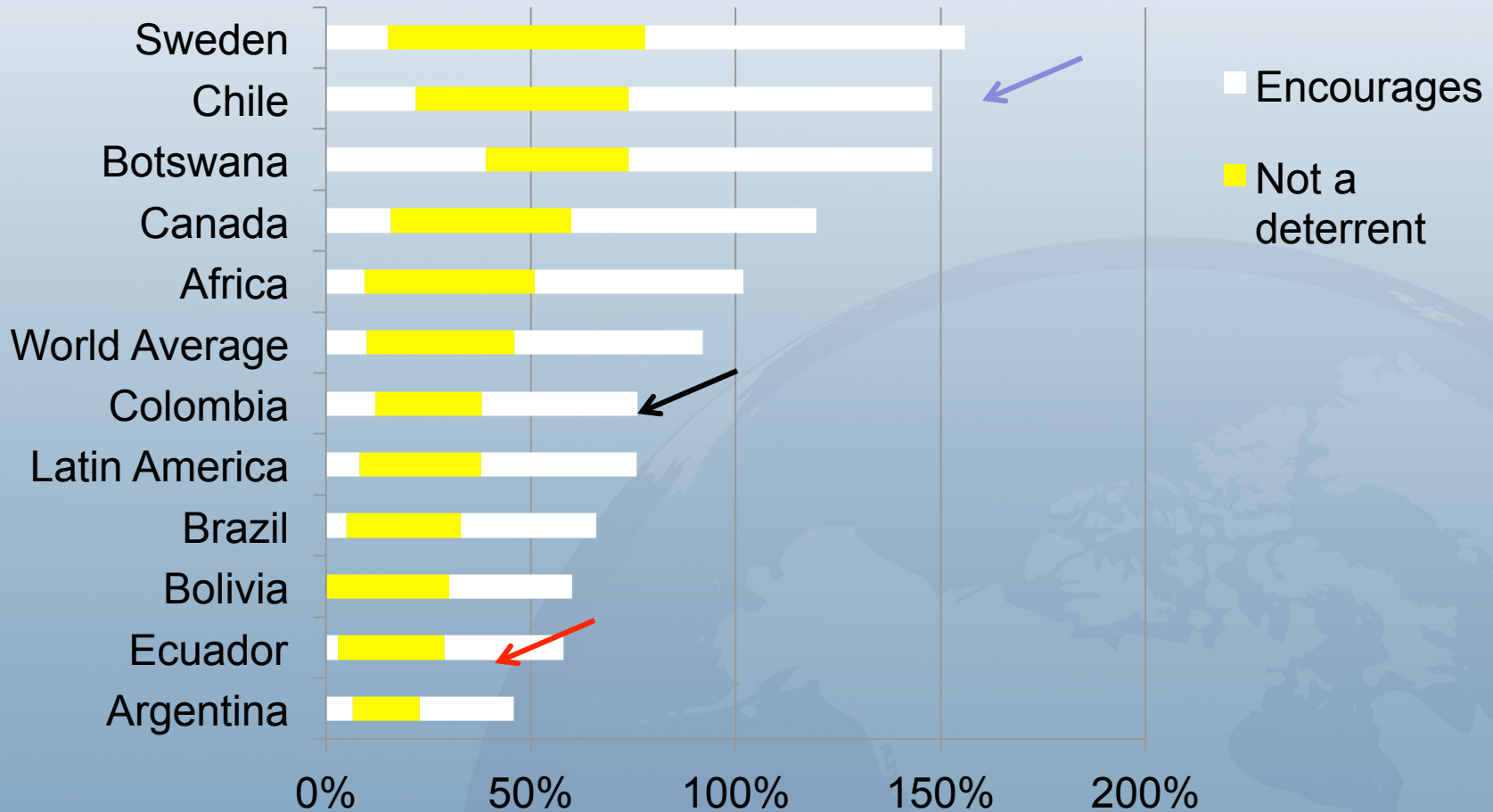
Uncertainty Concerning Environmental Regulations



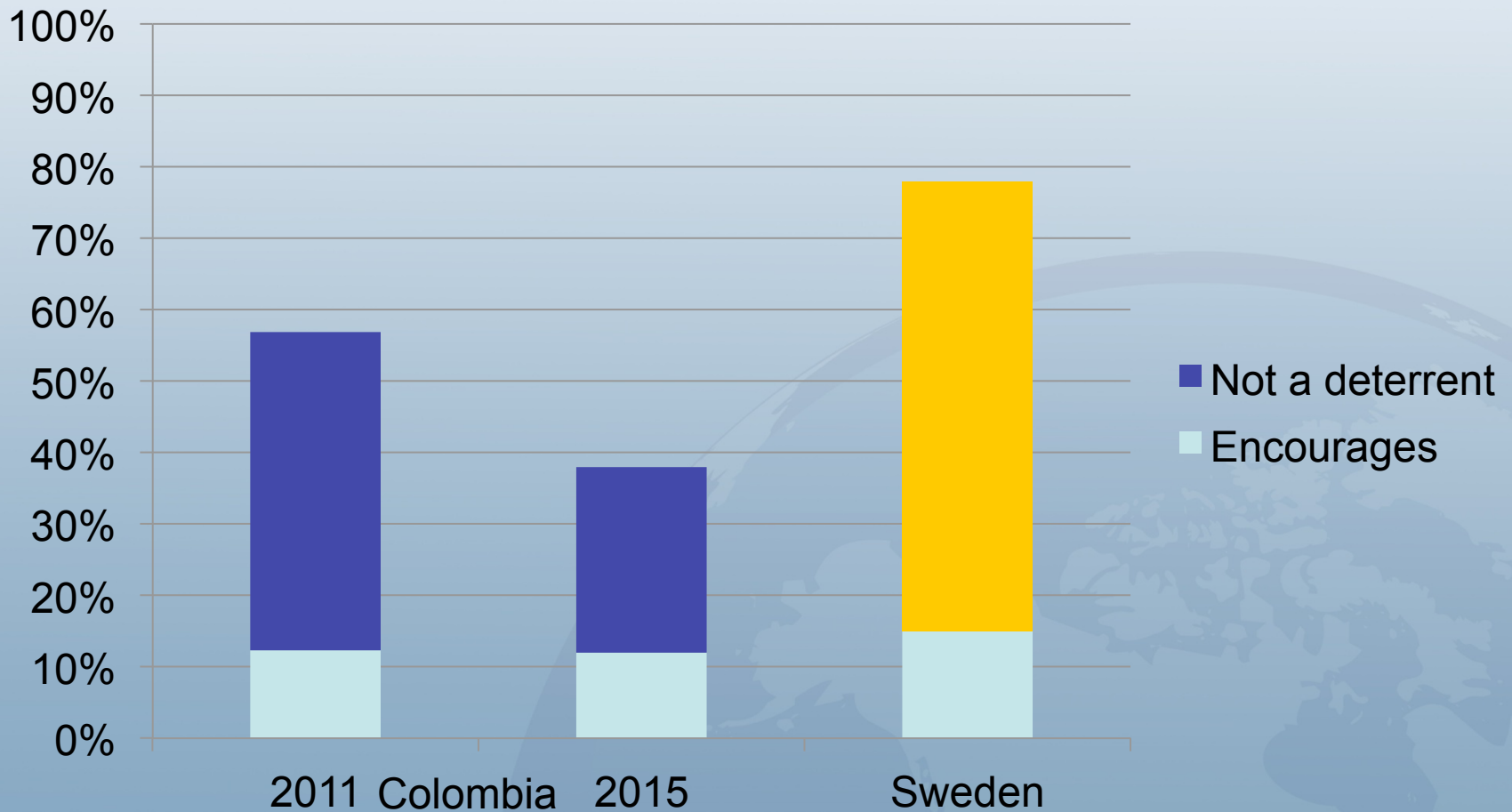
Uncertainty Concerning Environmental Regulations



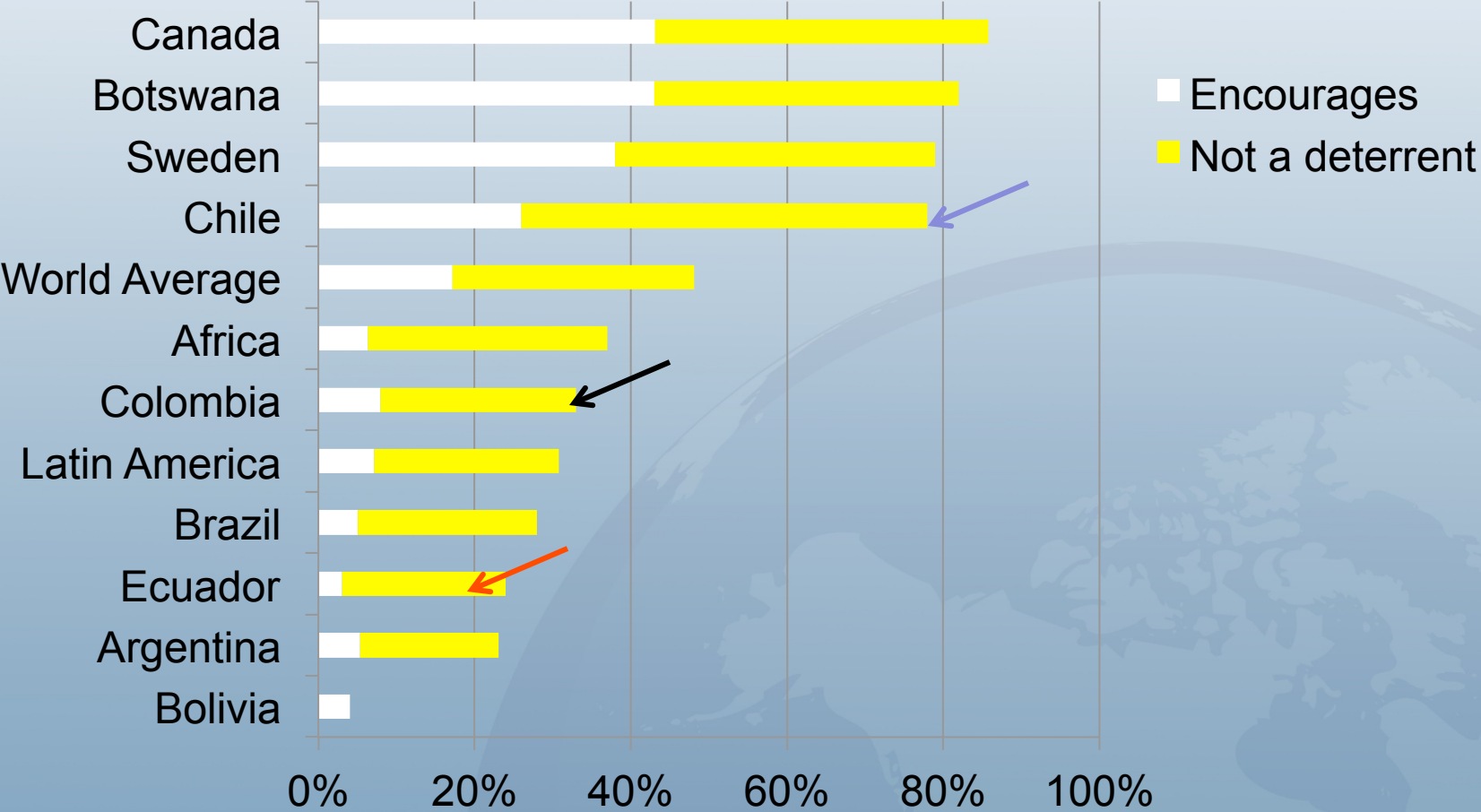
Regulatory Duplication and Inconsistencies (includes federal/provincial, federal/state, inter-departmental overlap, etc,)



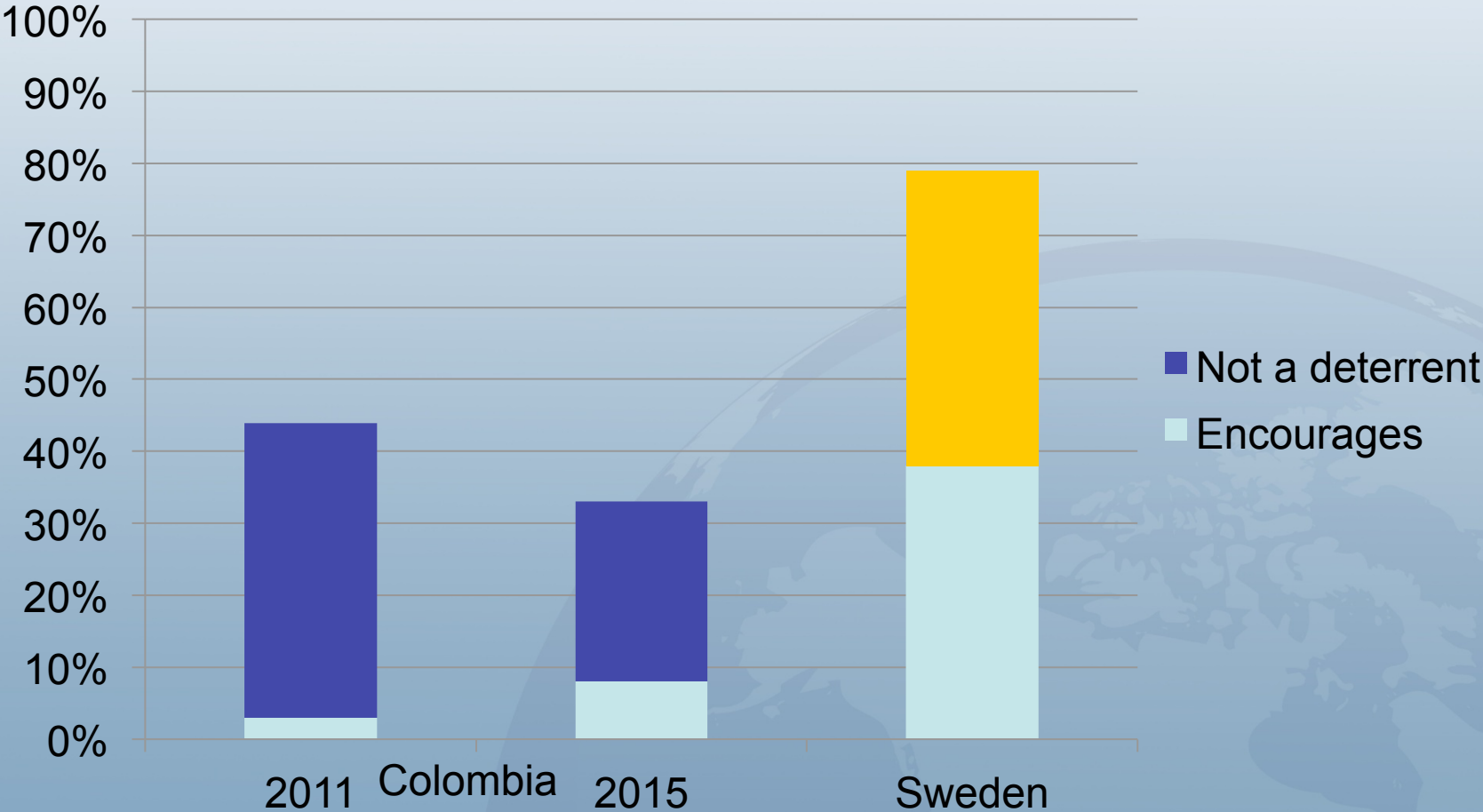
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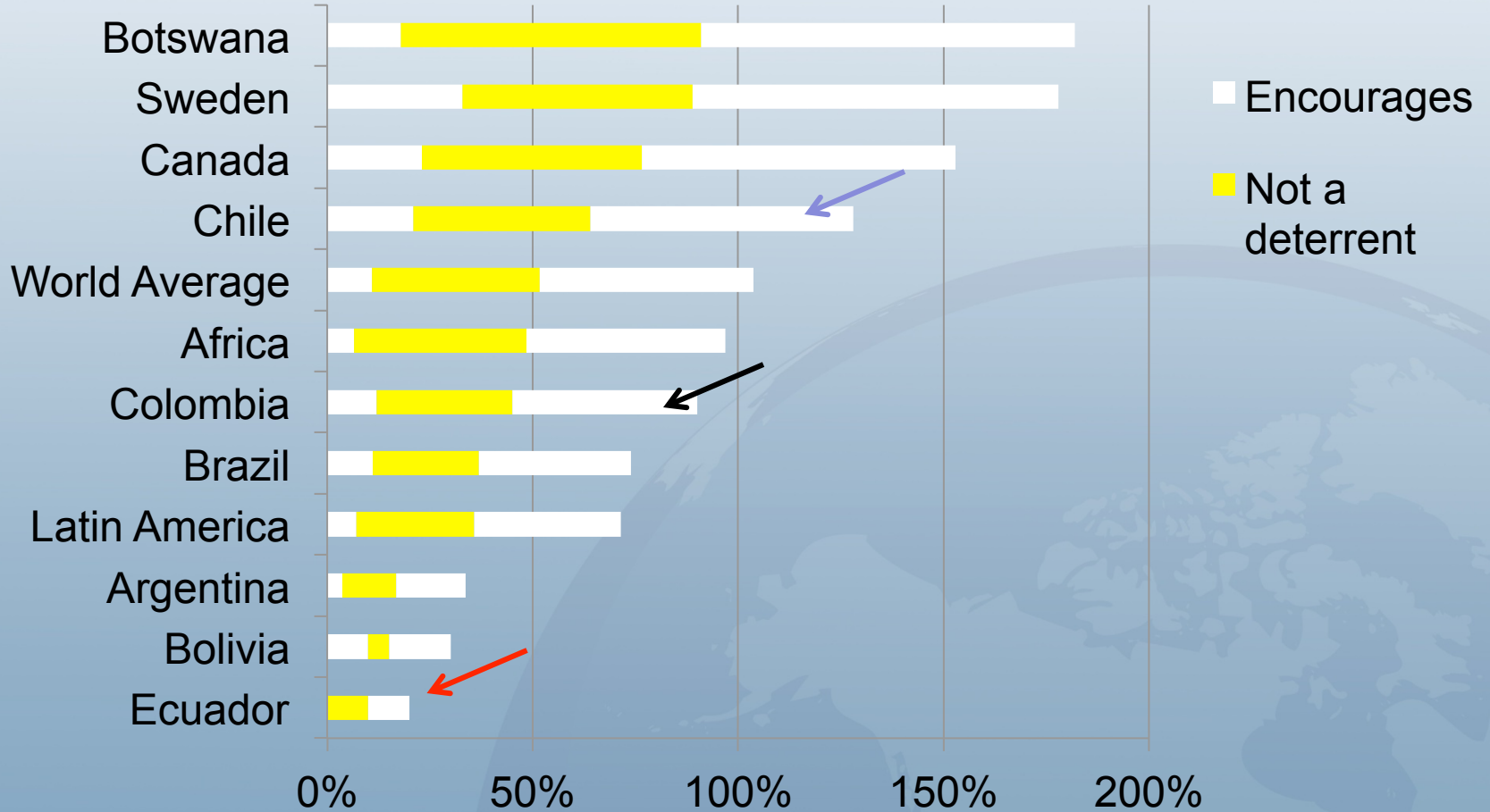
Legal System (legal processes that are fair, transparent, non-corrupt, timely, efficiently administered, etc.)



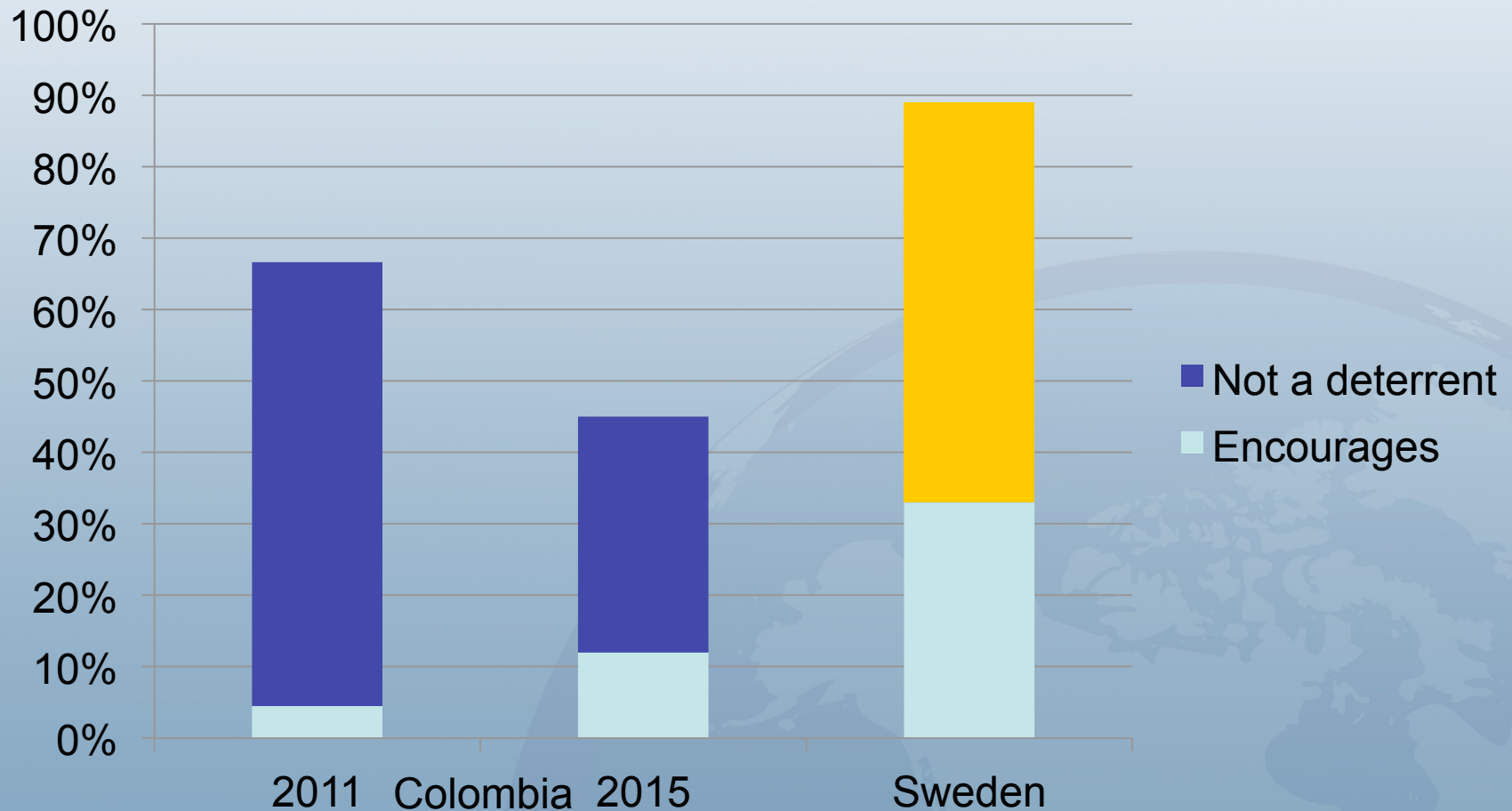
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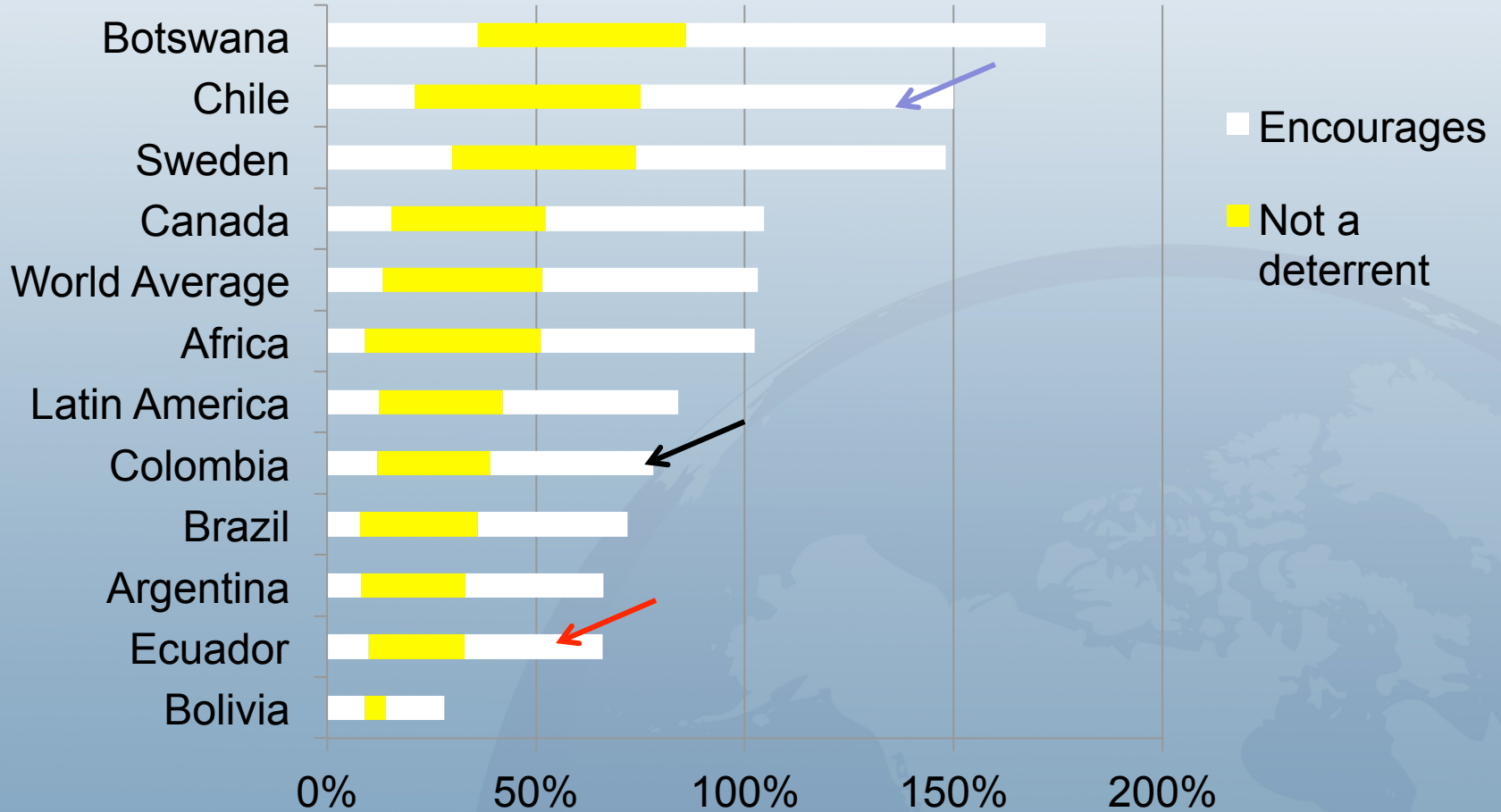
Taxation Regime (includes personal, corporate, payroll, capital, and other taxes, and complexity of tax compliance)



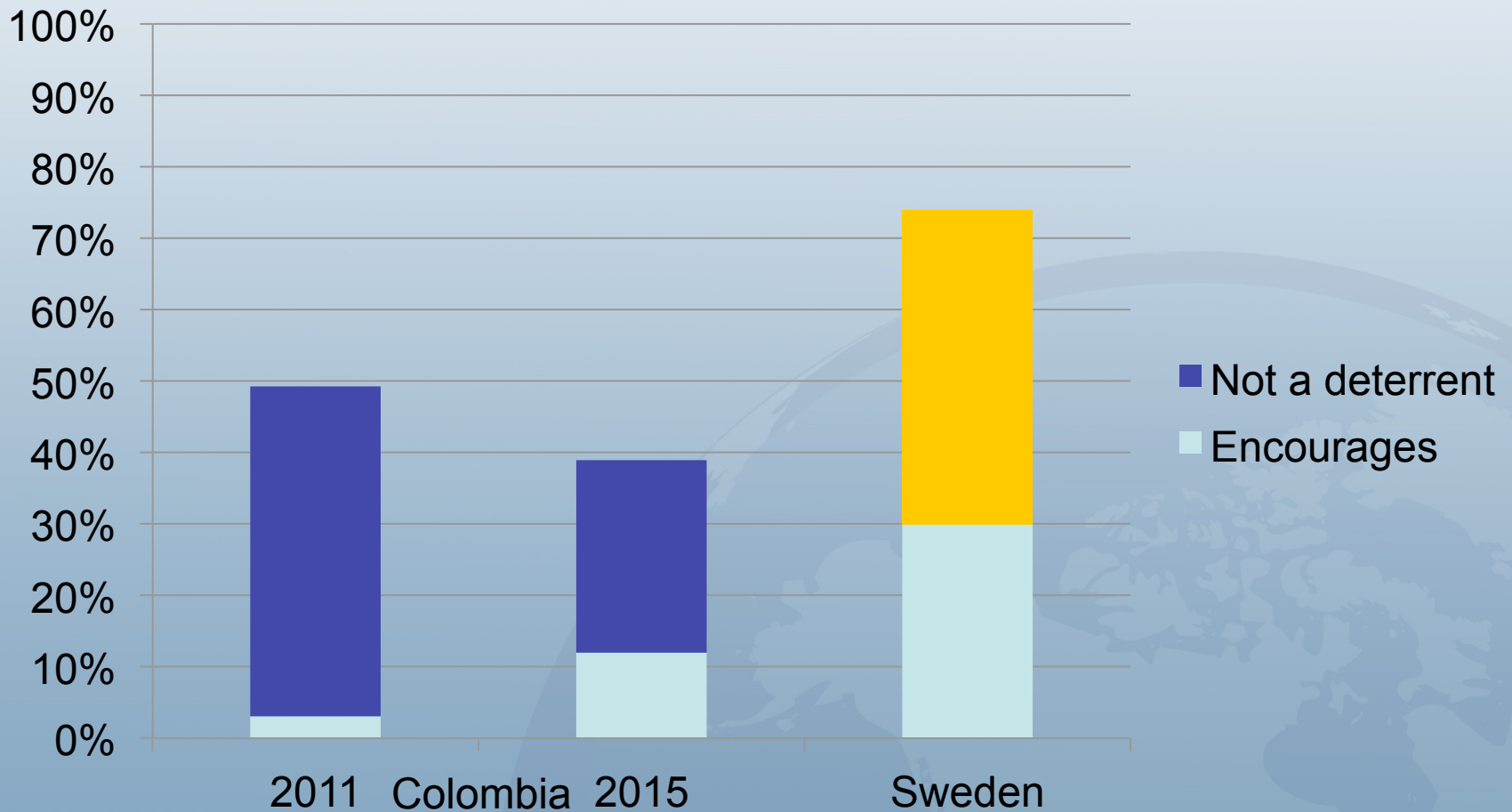
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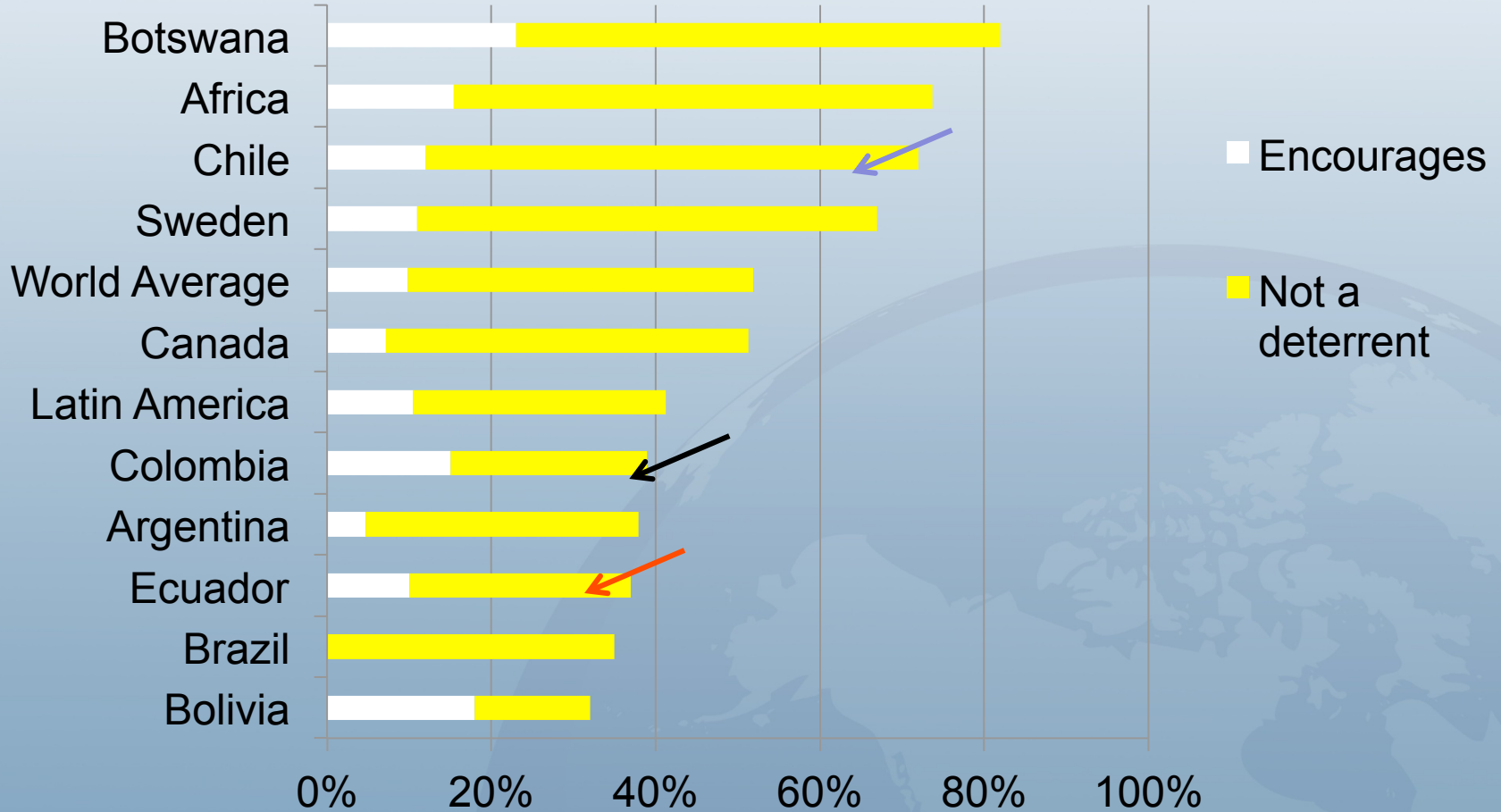
Uncertainty Concerning Disputed Land Claims



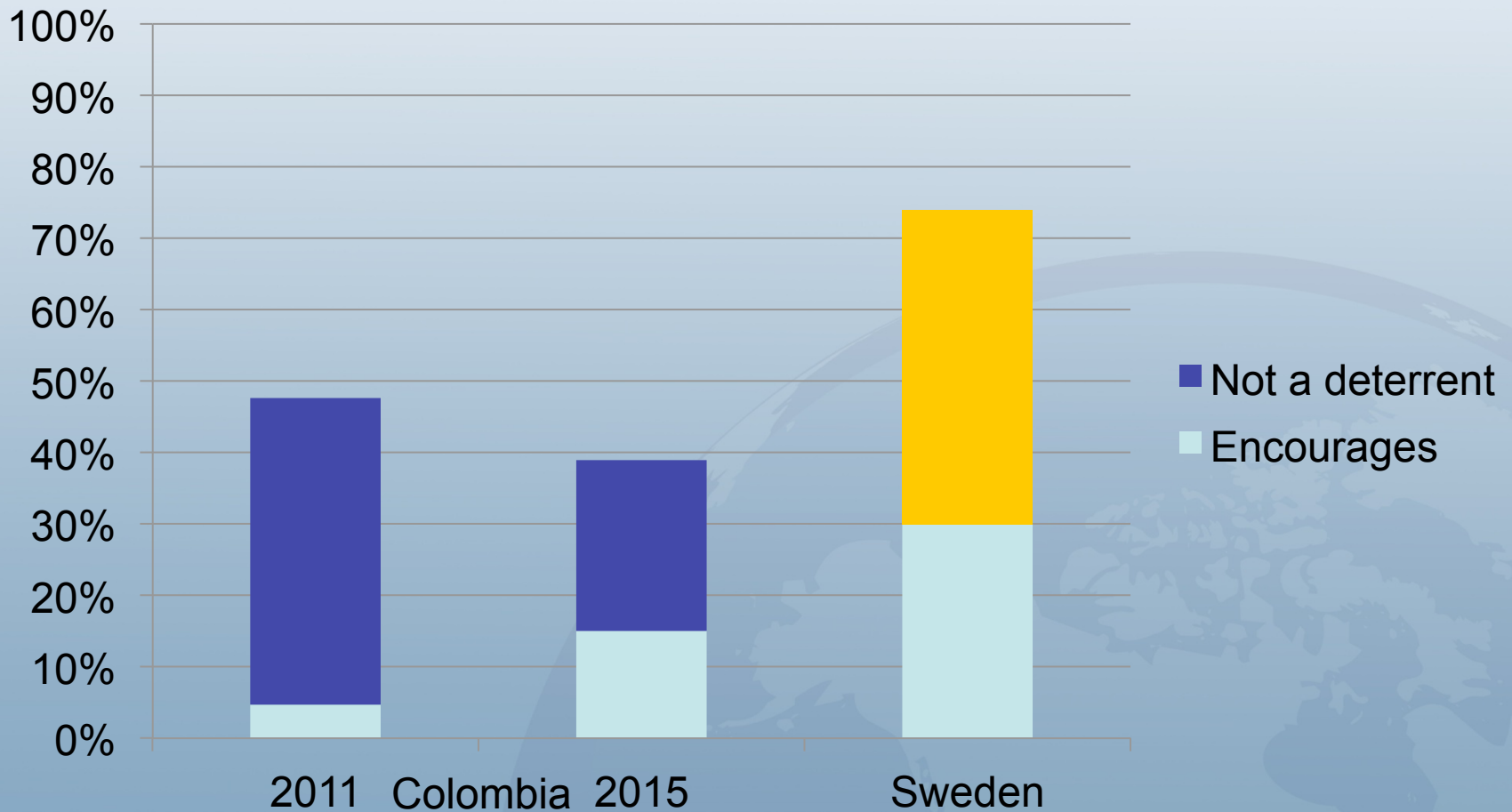
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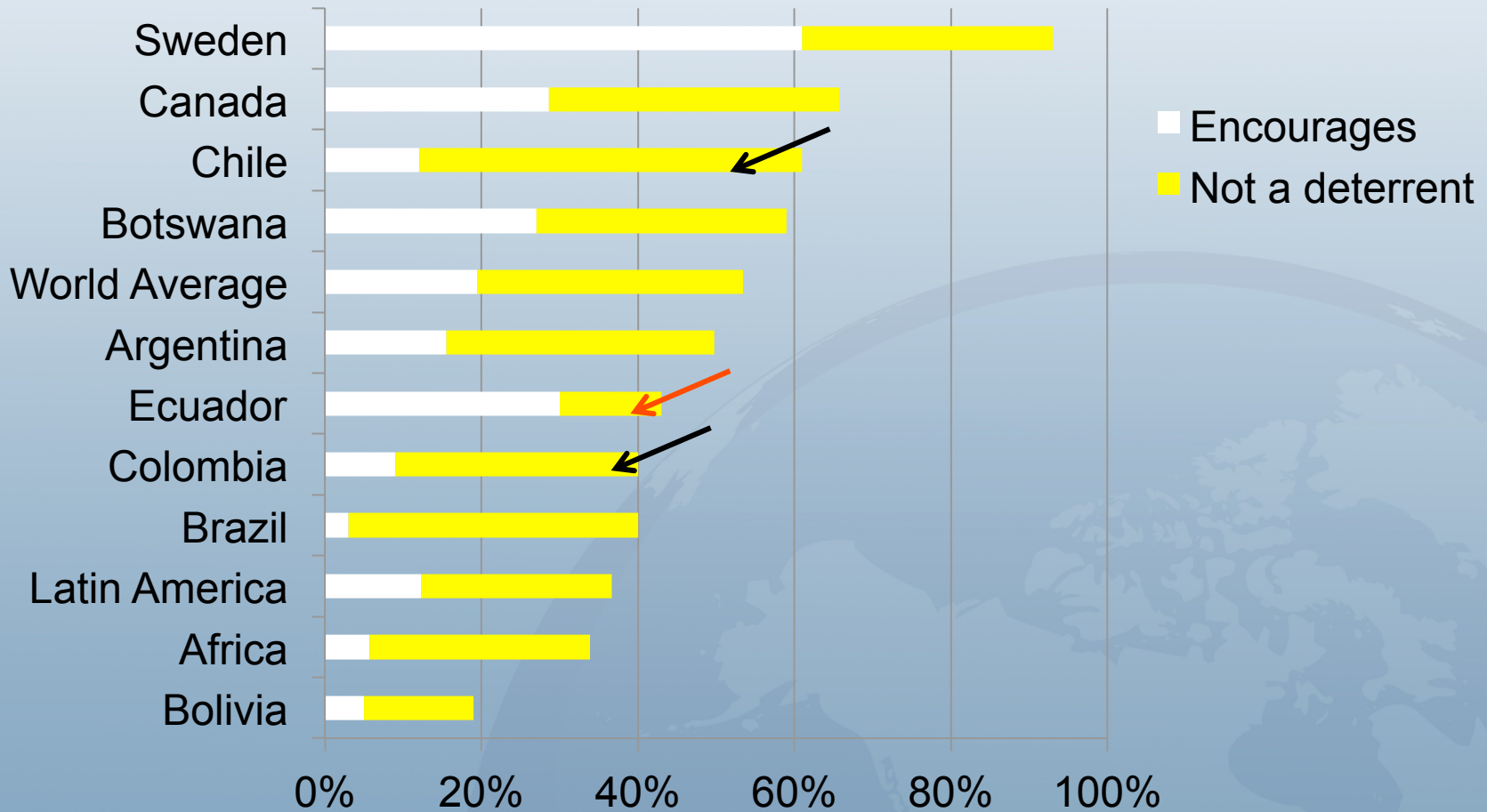
Uncertainty over which Areas will be Protected as Wilderness, Parks or Archeological Sites



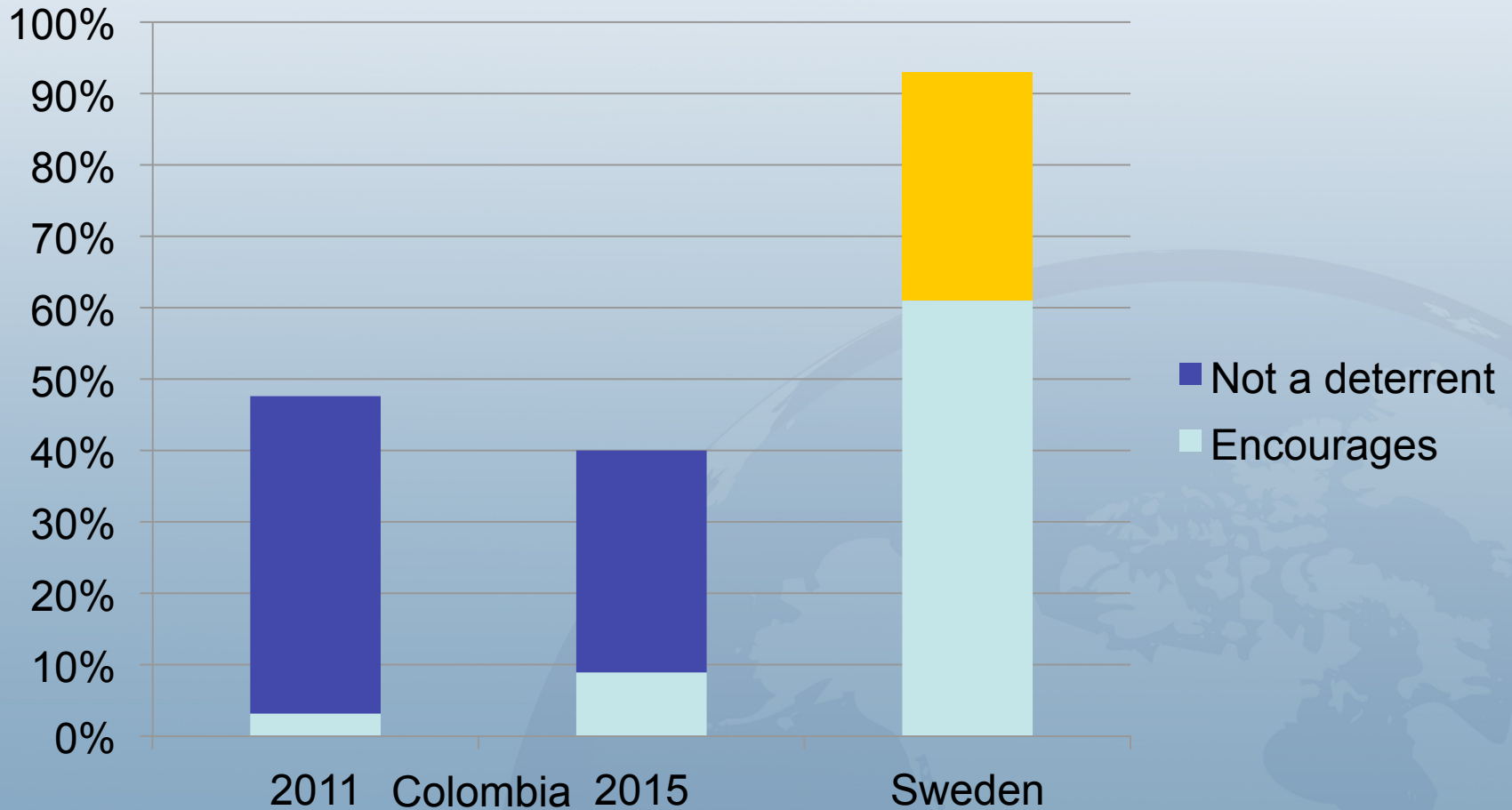
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Quality of Infrastructure (includes access to roads, power availability, etc.)

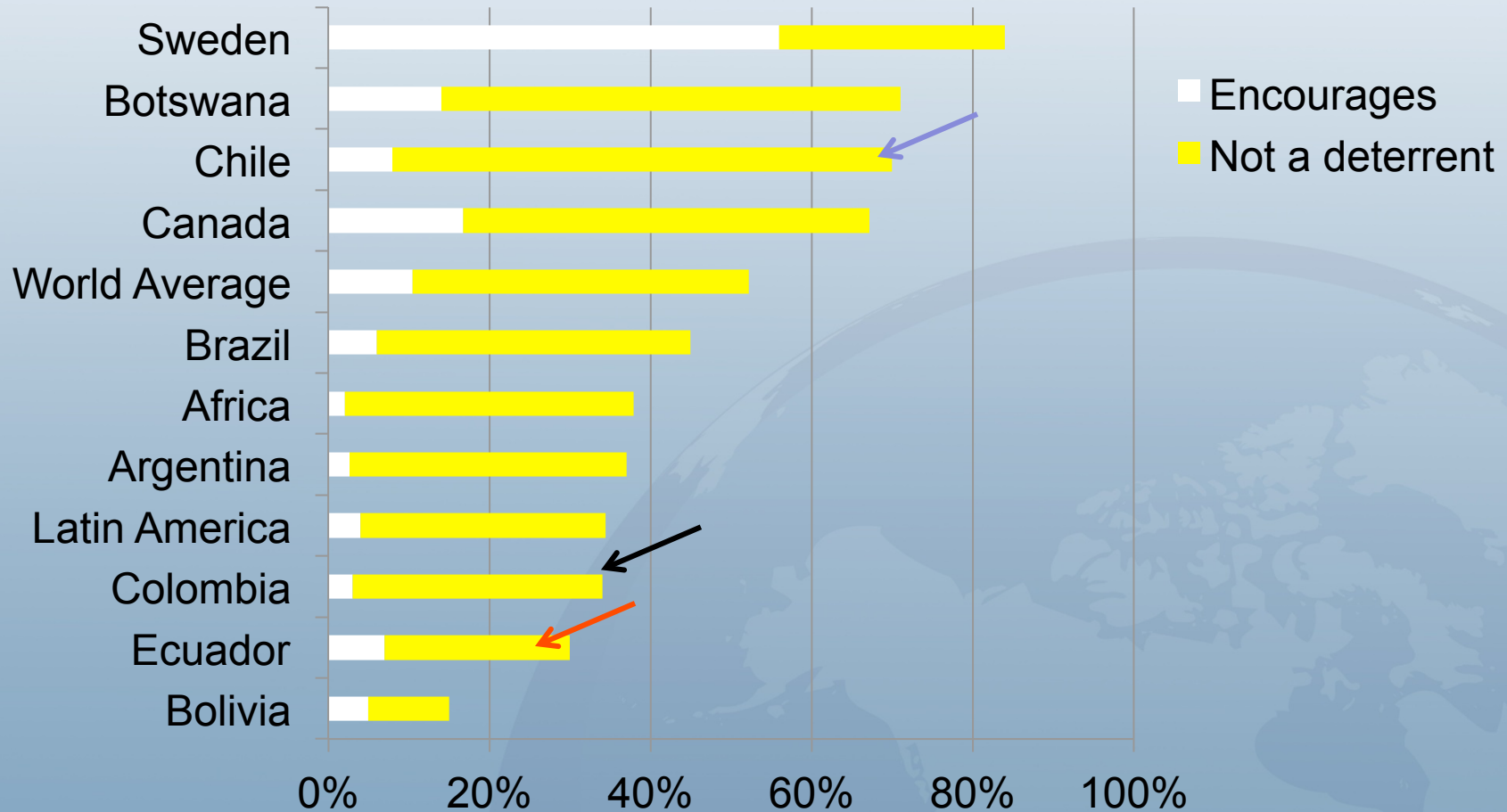


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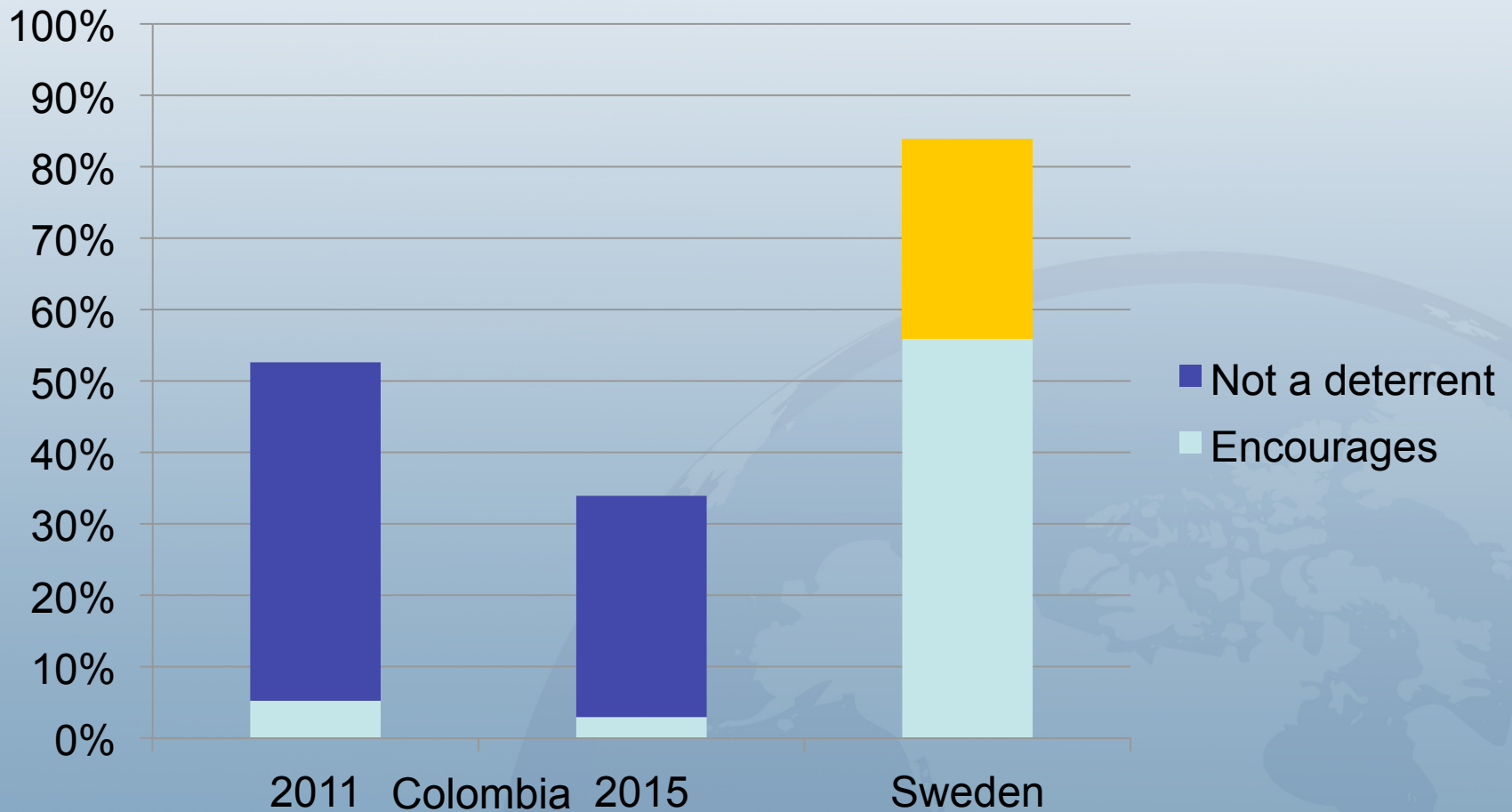
Socioeconomic Agreements/Community Development Conditions

(includes local purchasing, processing requirements or supplying social infrastructure such as schools or hospitals, etc,)

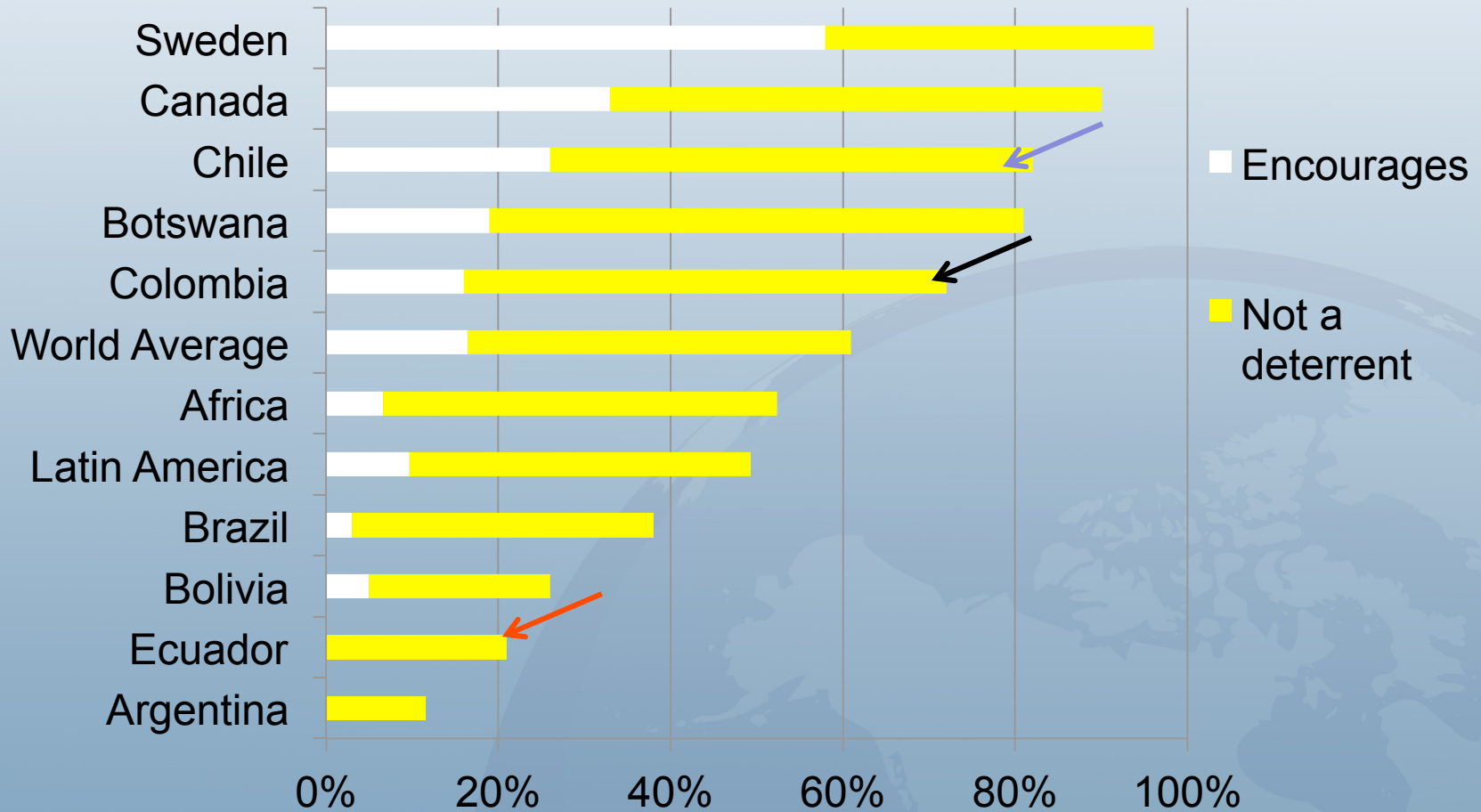


Socioeconomic Agreements/Community Development Conditions

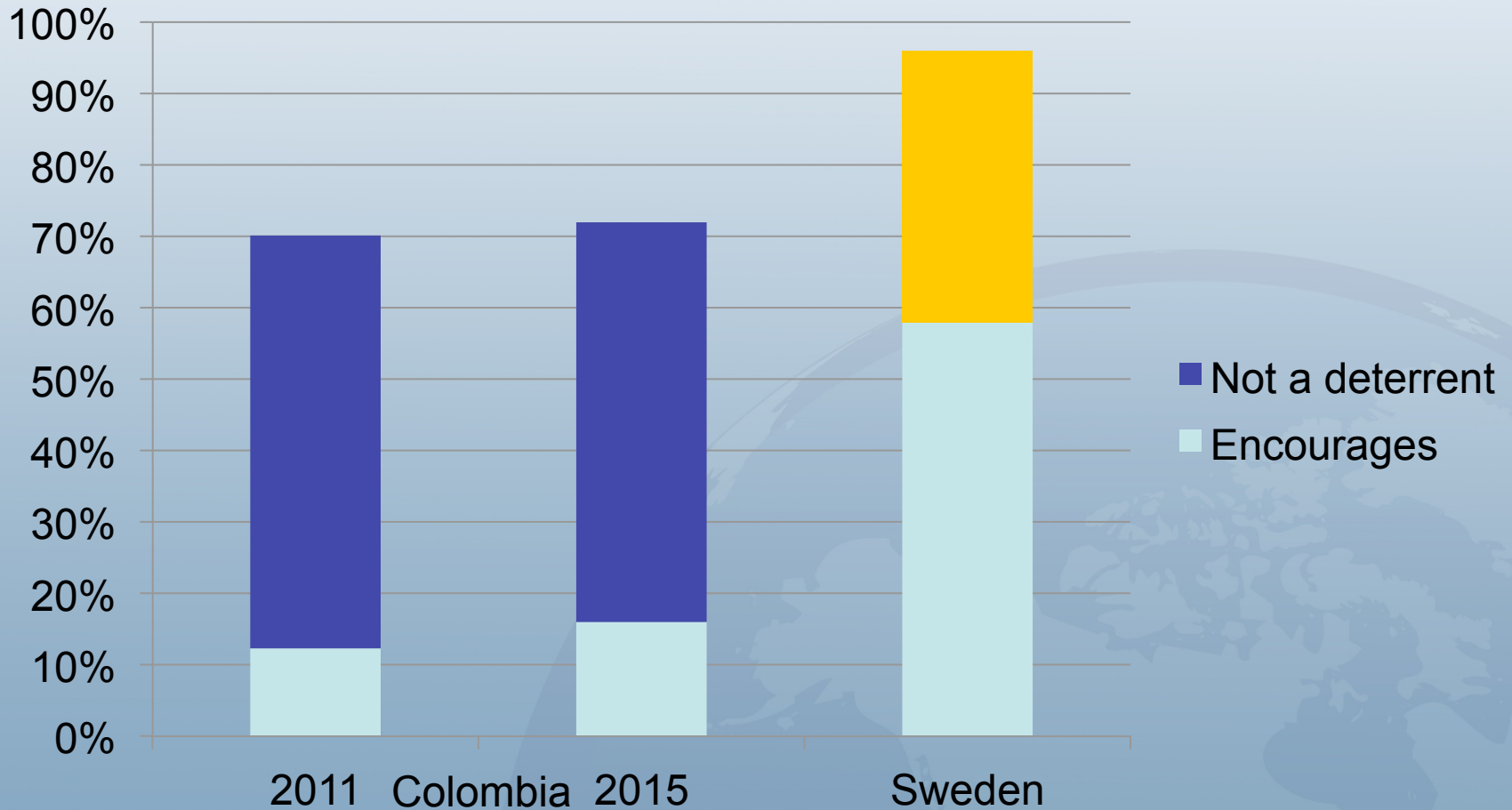
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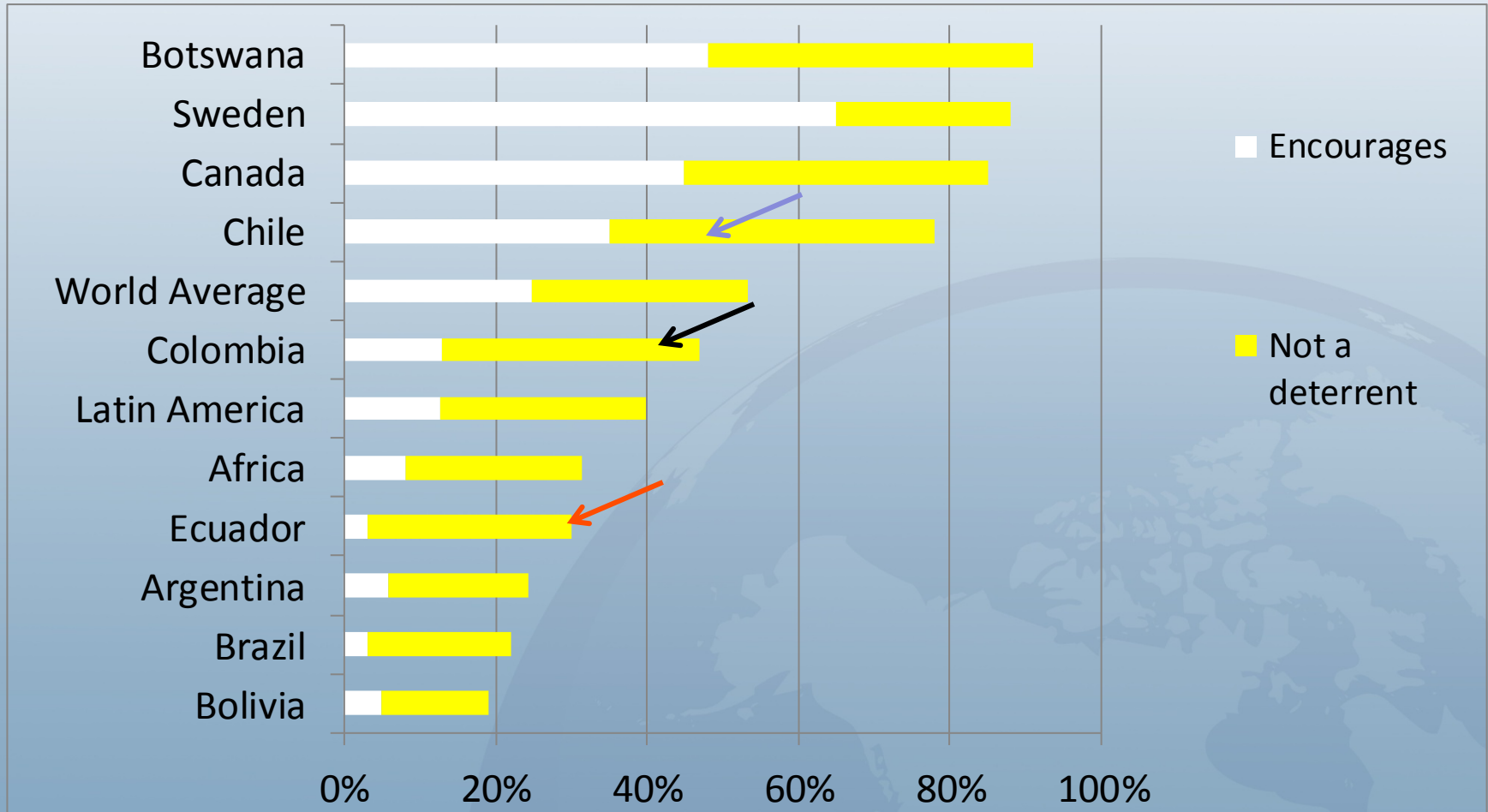
Trade Barriers—tariff and non-tariff barriers; restrictions on profit repatriation, currency restrictions, etc.



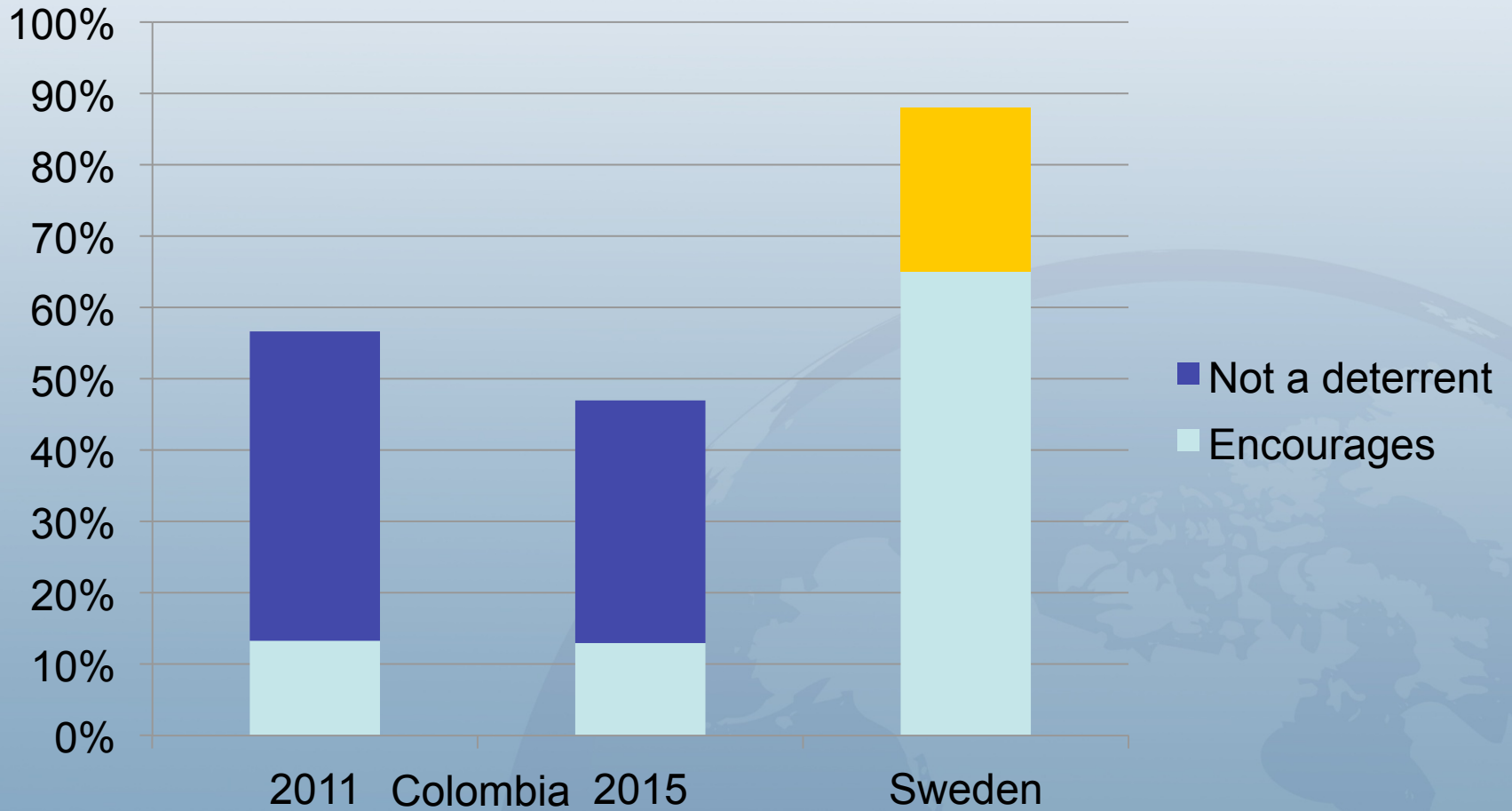
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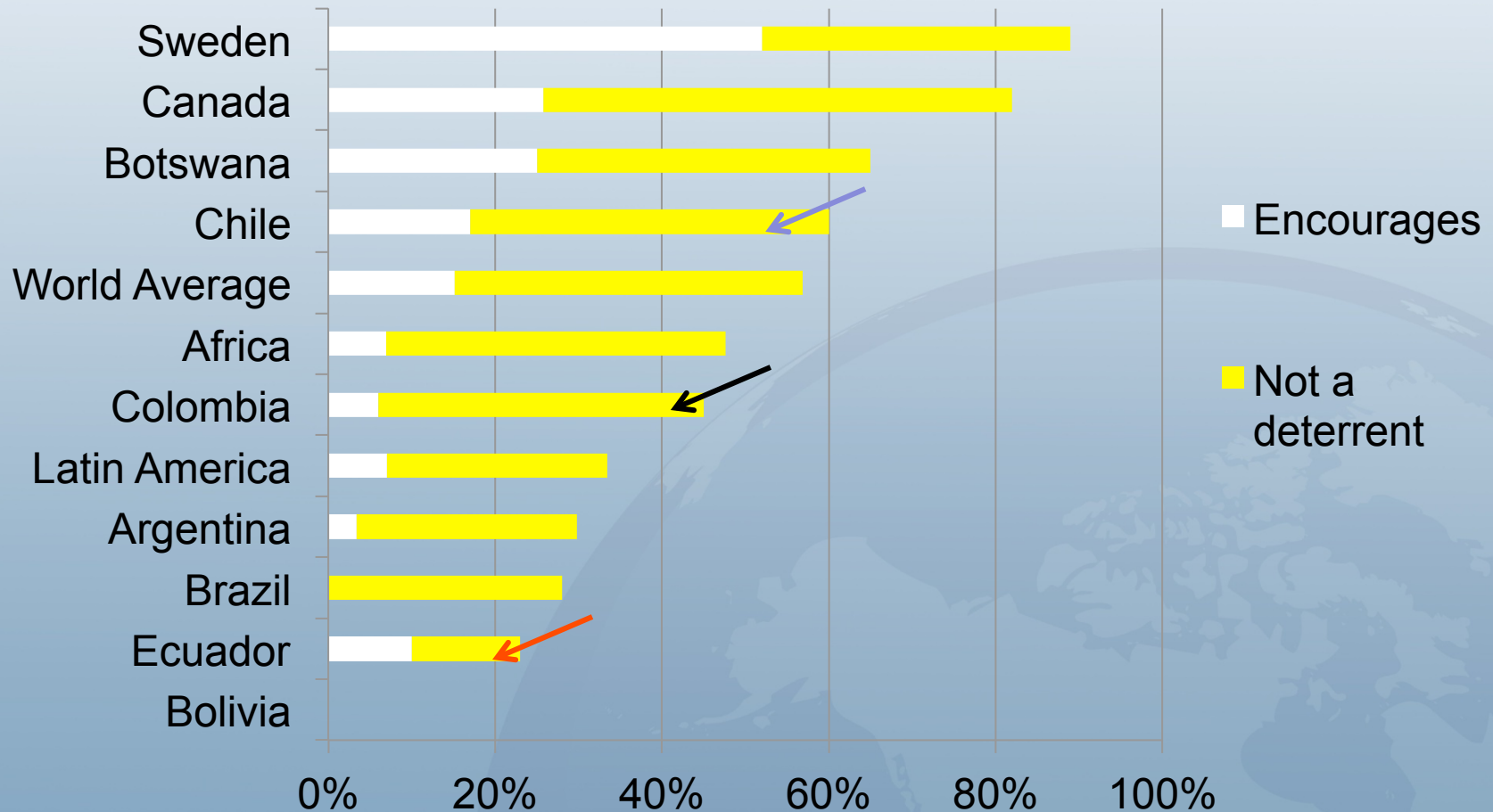
Political Stability



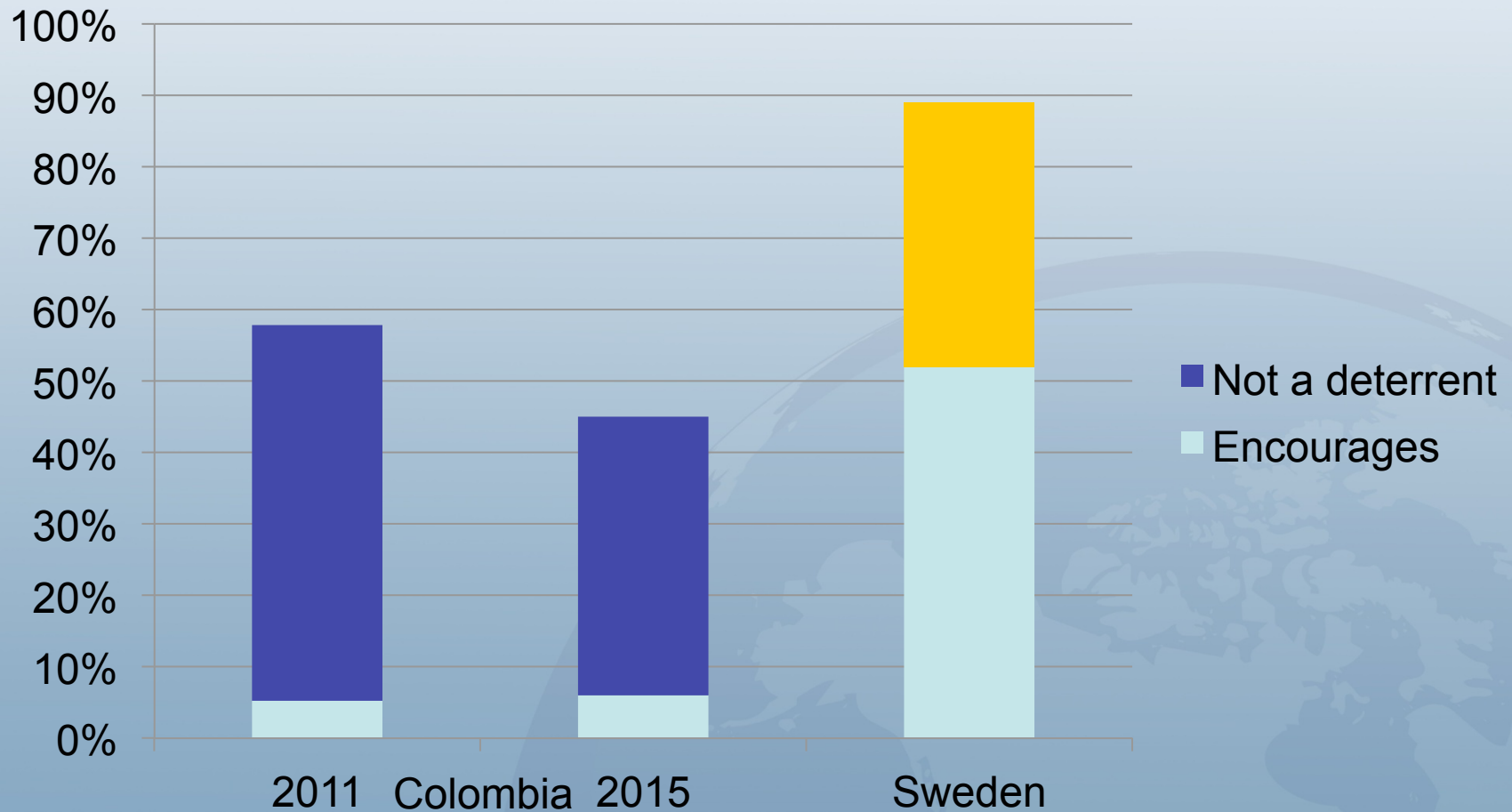
Political Stability



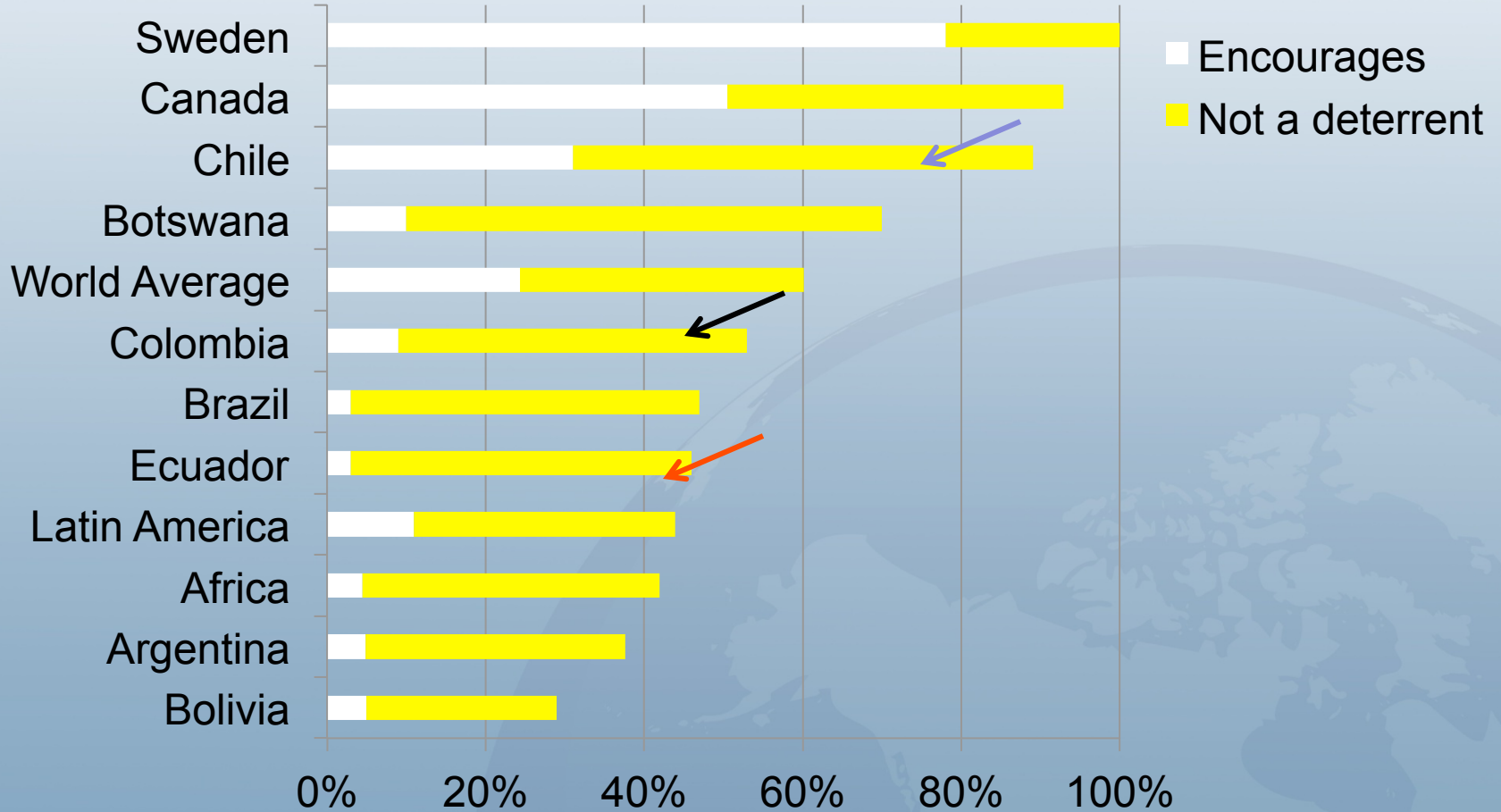
Labor Regulations/Employment Agreements and Labour Militancy/ Work Disruptions



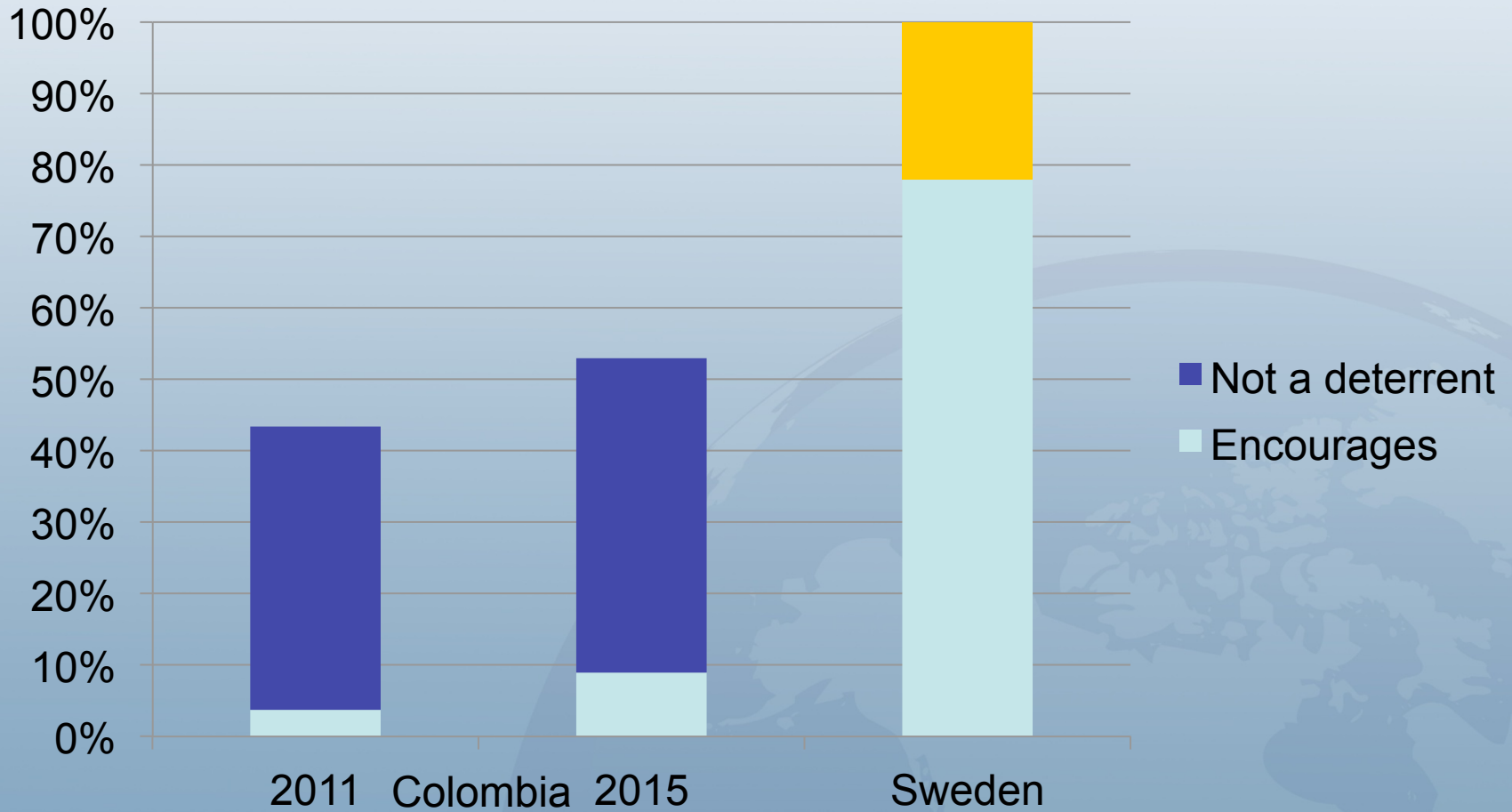
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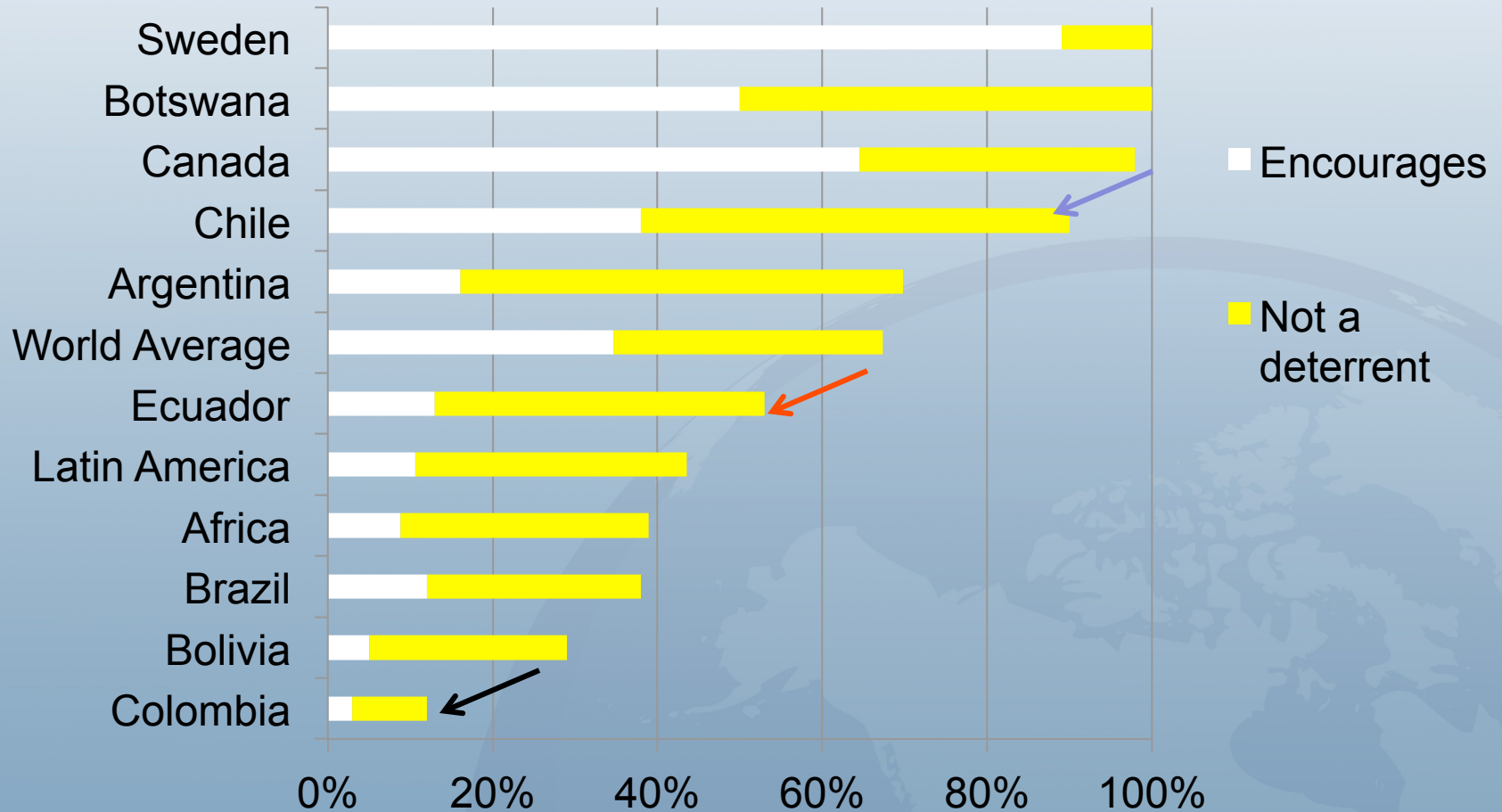
Quality of Geological Database



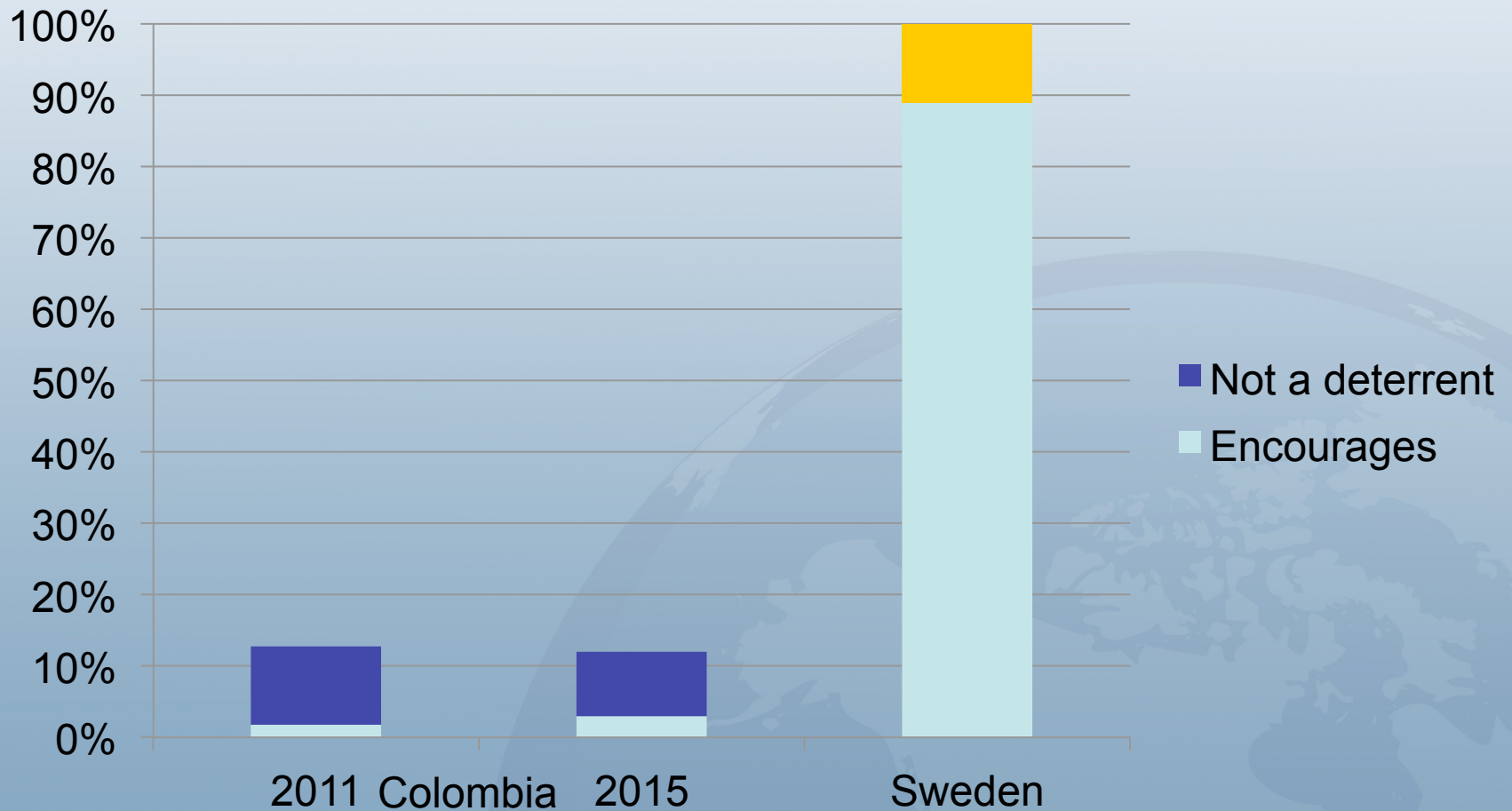
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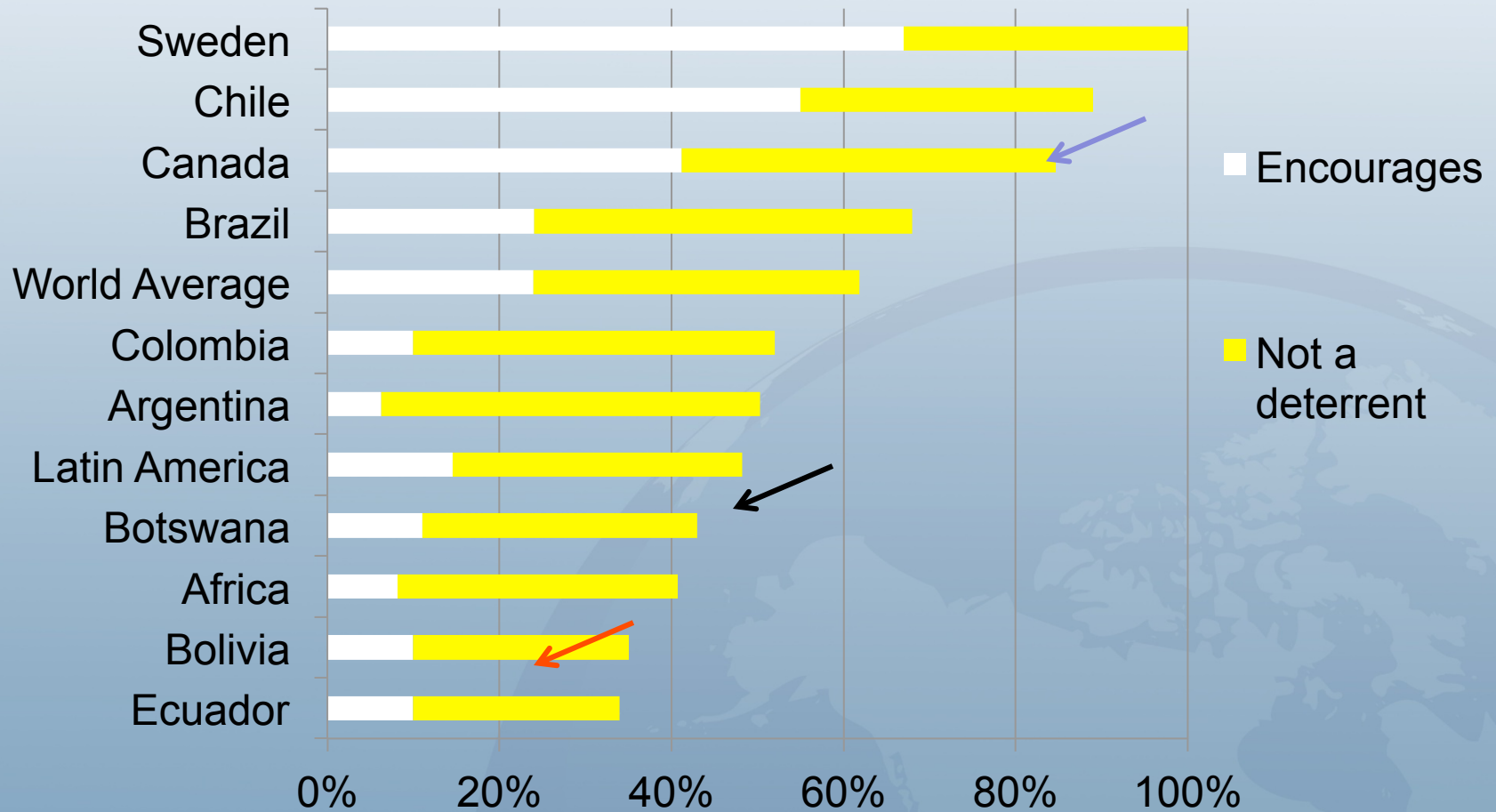
Security Situation (includes physical security due to the threat of attack by terrorists, criminals, guerrilla groups, etc.)



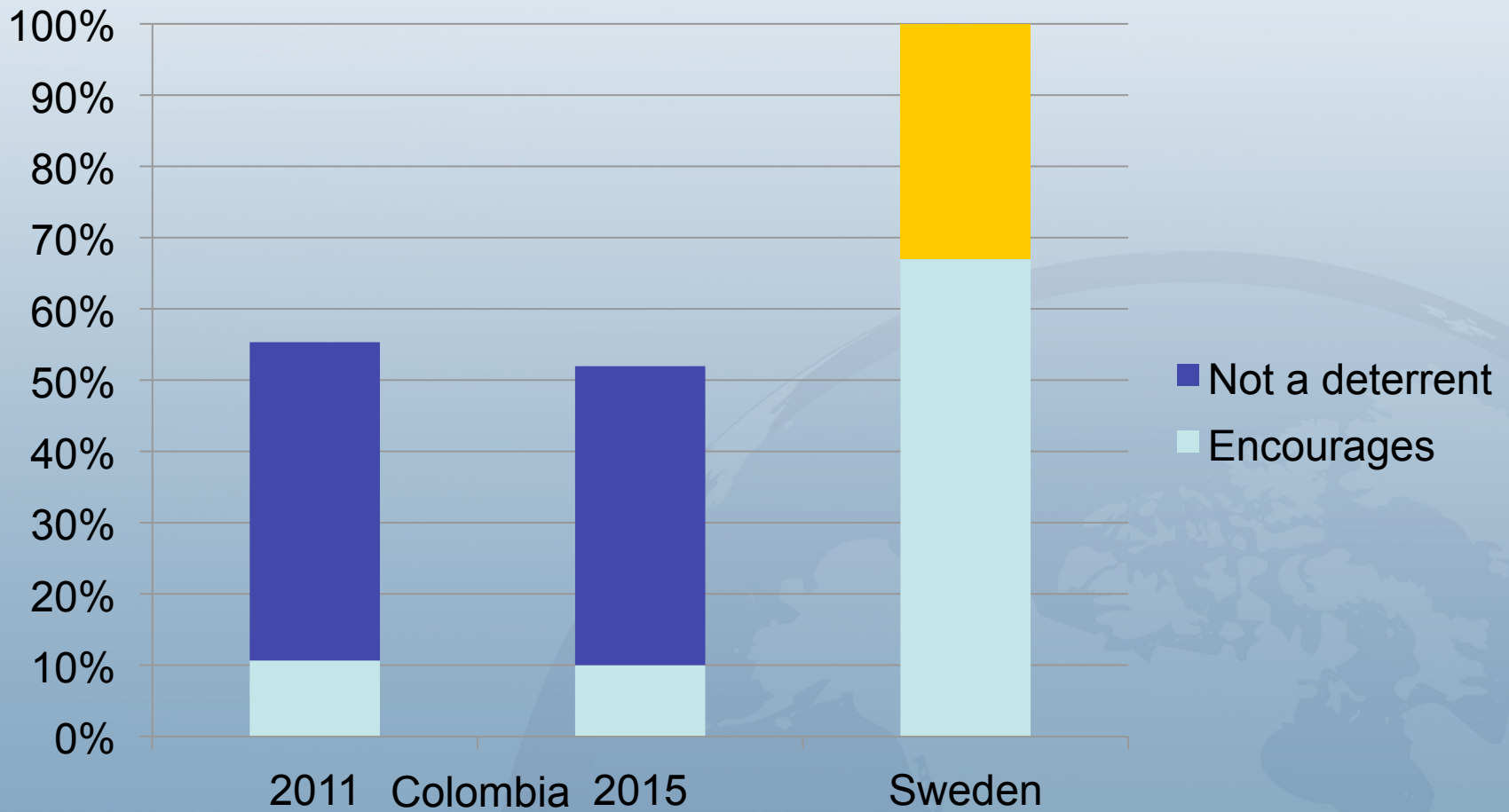
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Availability of Labor and Skills



Availability of Labor and Skills



Why is Mining Policy Important: An international case study

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Time for Facts

The important question for government and the mining industry is:

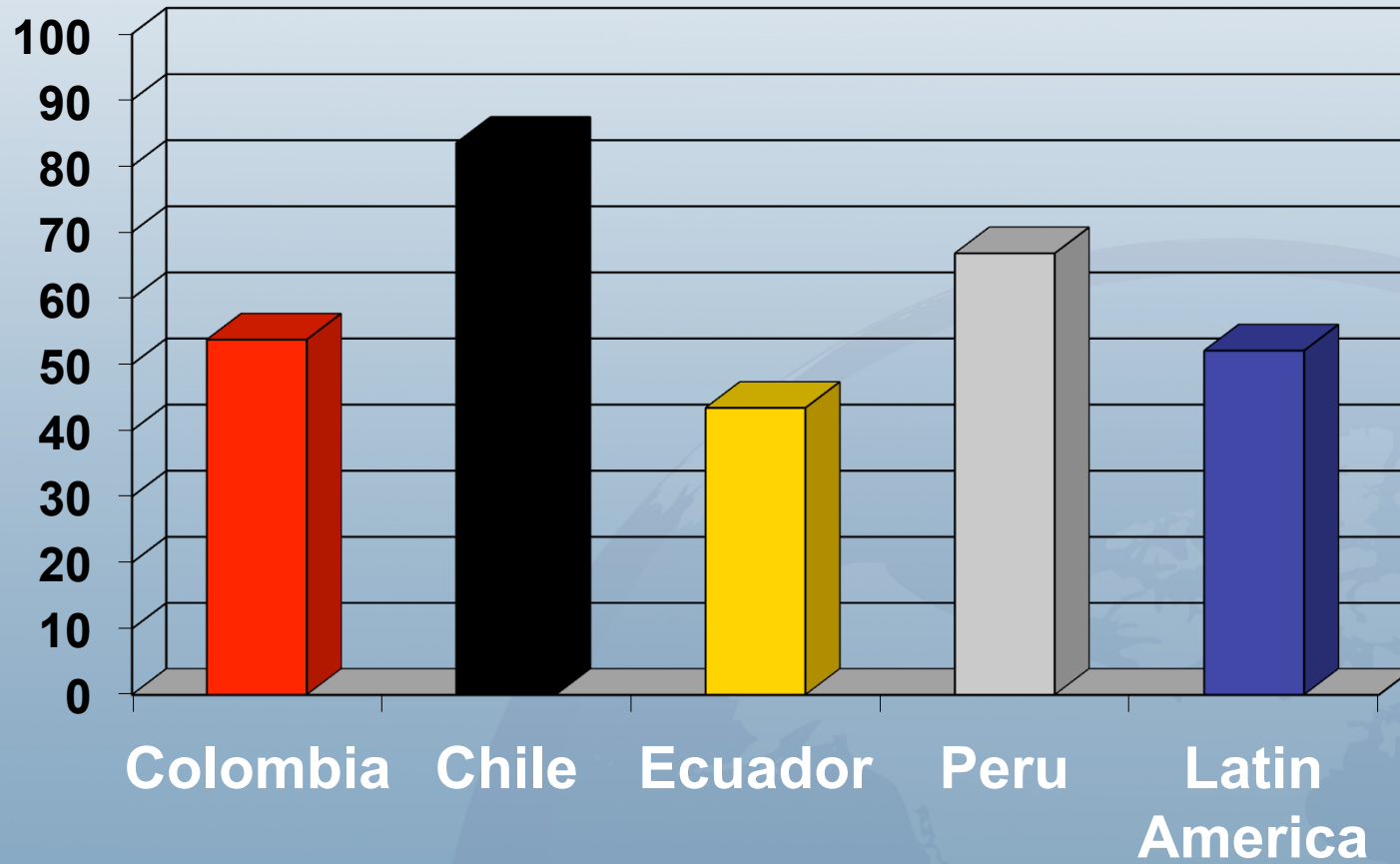
- What policies reduce poverty and create prosperity – in other words, what policies are most **economically and socially responsible?**
 - Free market policies that favor private investment including in the mining industry
 - Government directed economies and expropriation of resources “for the people”
 - Making mining development more complicated and risky for an industry that is already complicated and risky.

A Latin America Example: Reducing Poverty



- Chile remains a world leader in the mining survey and has a market friendly economy
- Which approach has best served the people, particularly the poor?

Mining survey score



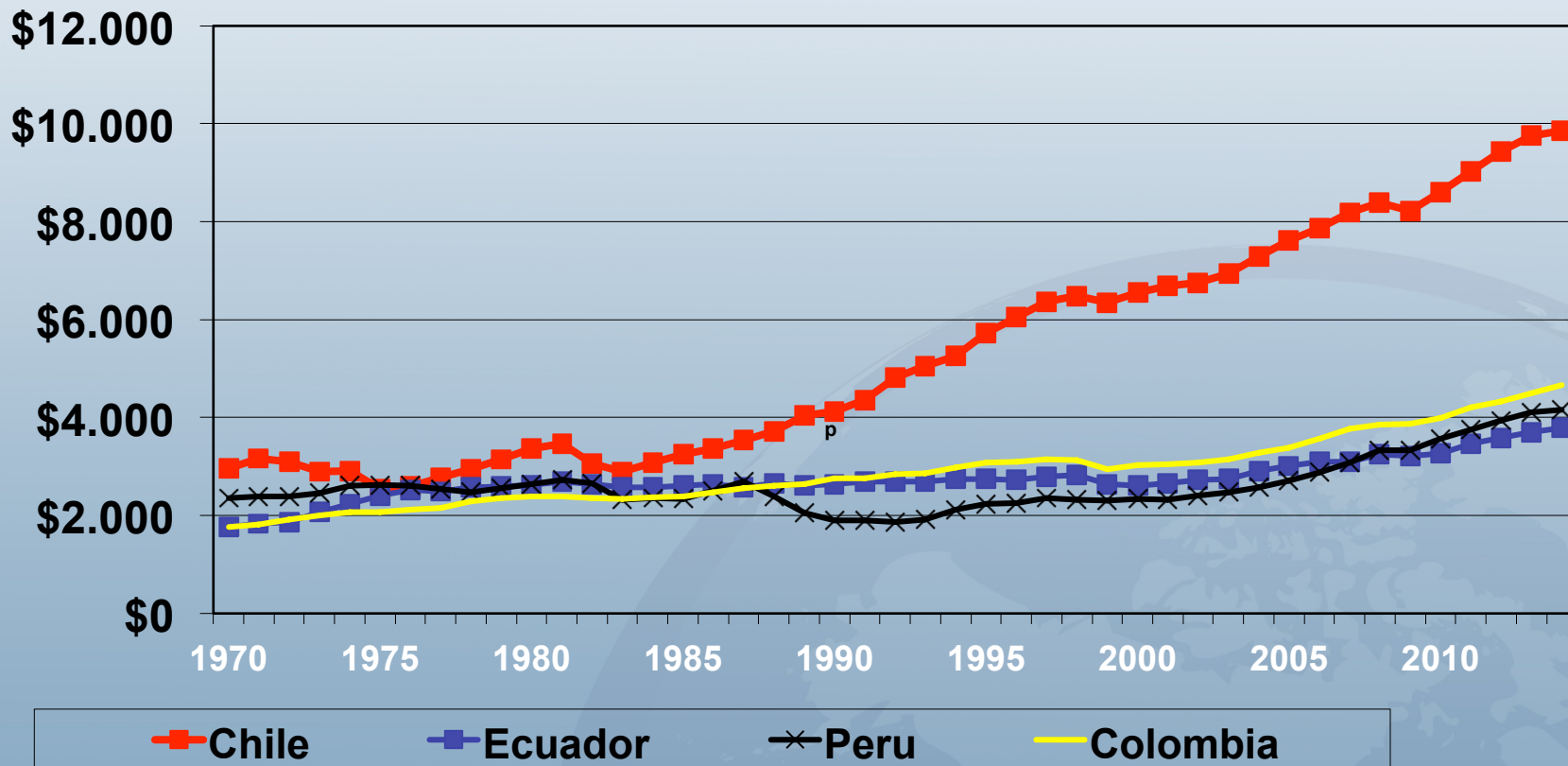
So what works for
economic growth and poverty
reduction?

Chile's market-friendly,
mining-friendly approach?*

Or weak markets and an often mining
hostile regulatory environment

* While few would approve the way market reforms were adopted in Chile, the benefits for the people of Chile have been so large that successive democratic governments have maintained these policies.

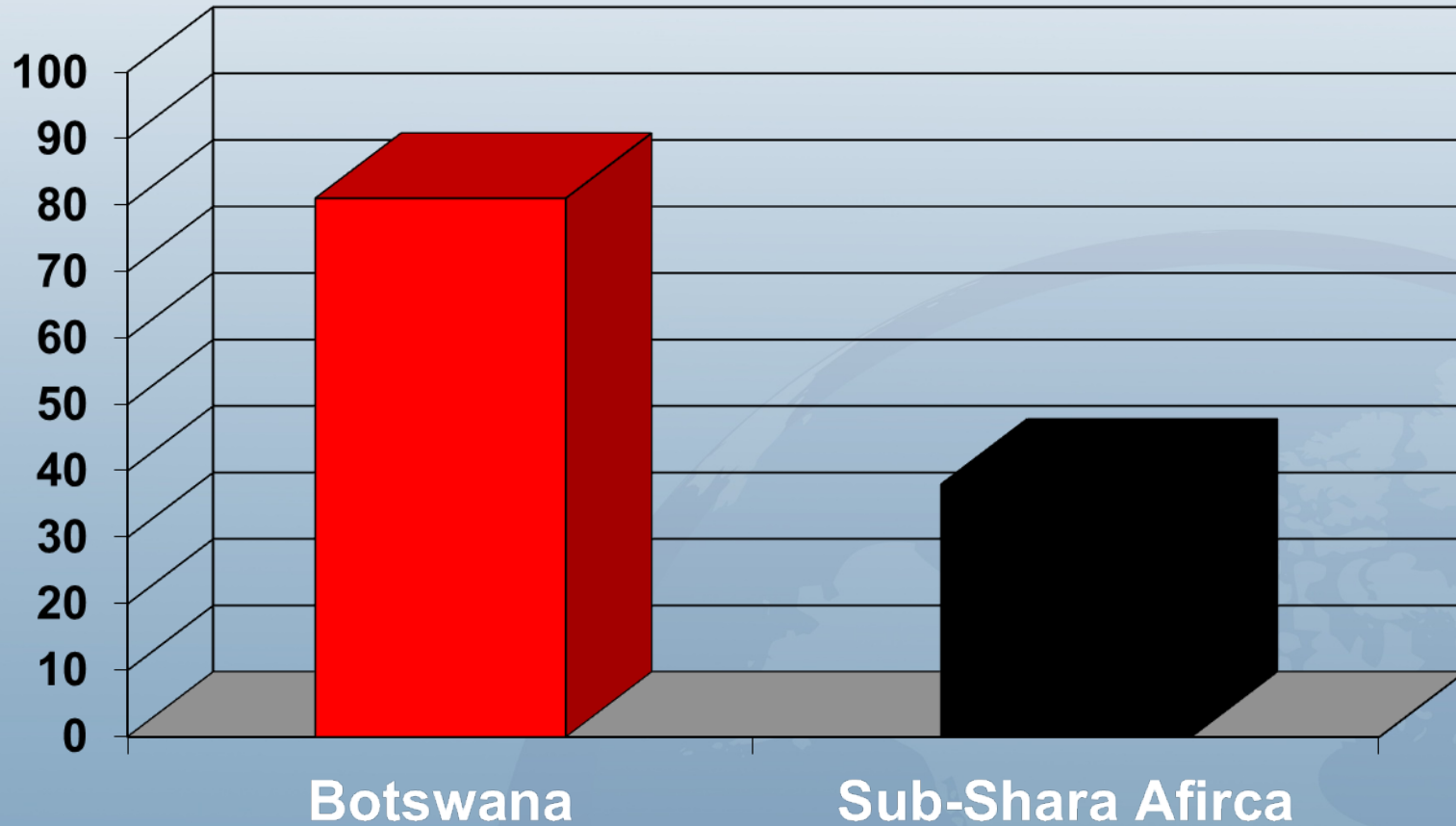
Per capita GDP: Constant US dollars



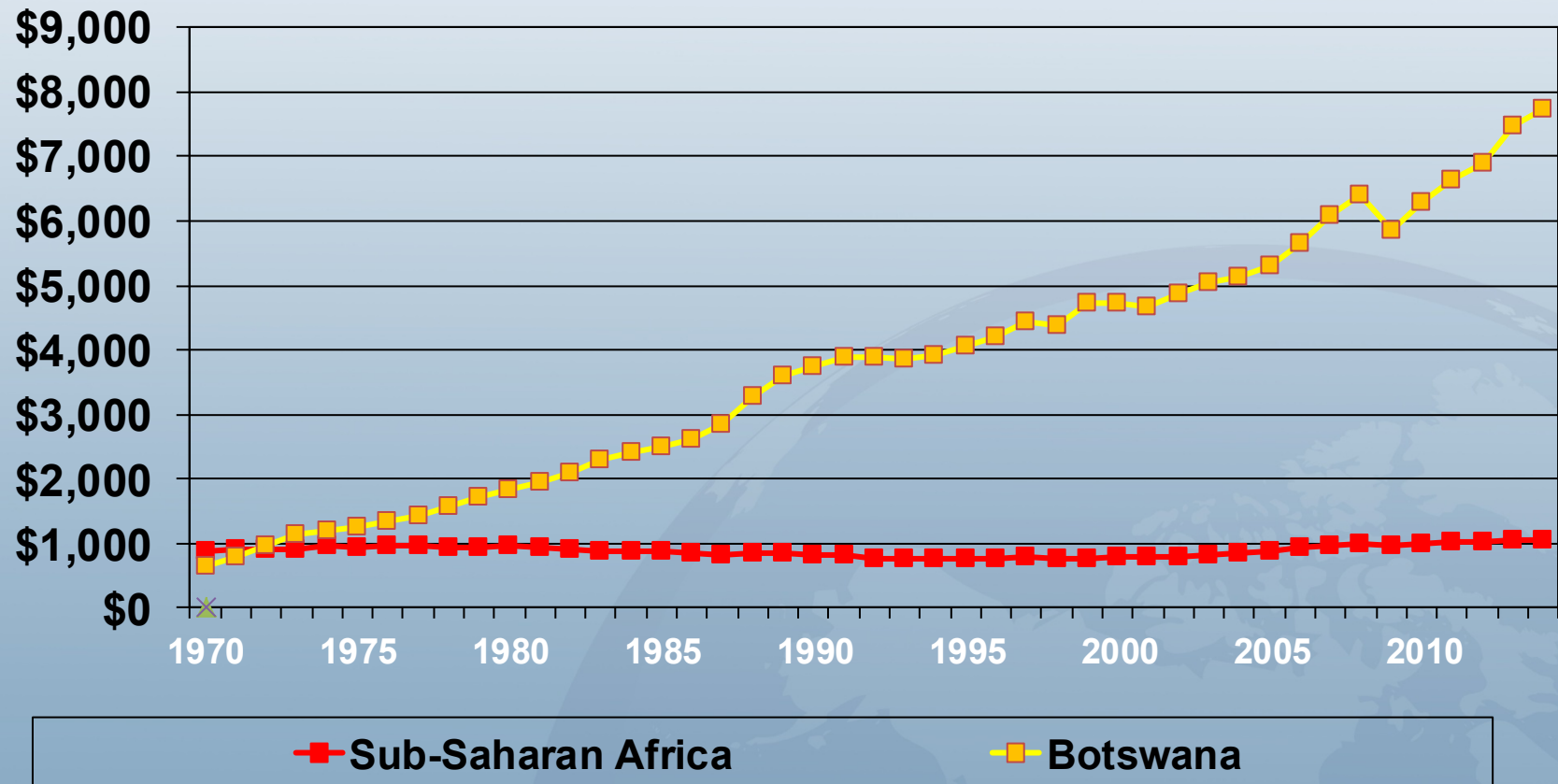
An African example



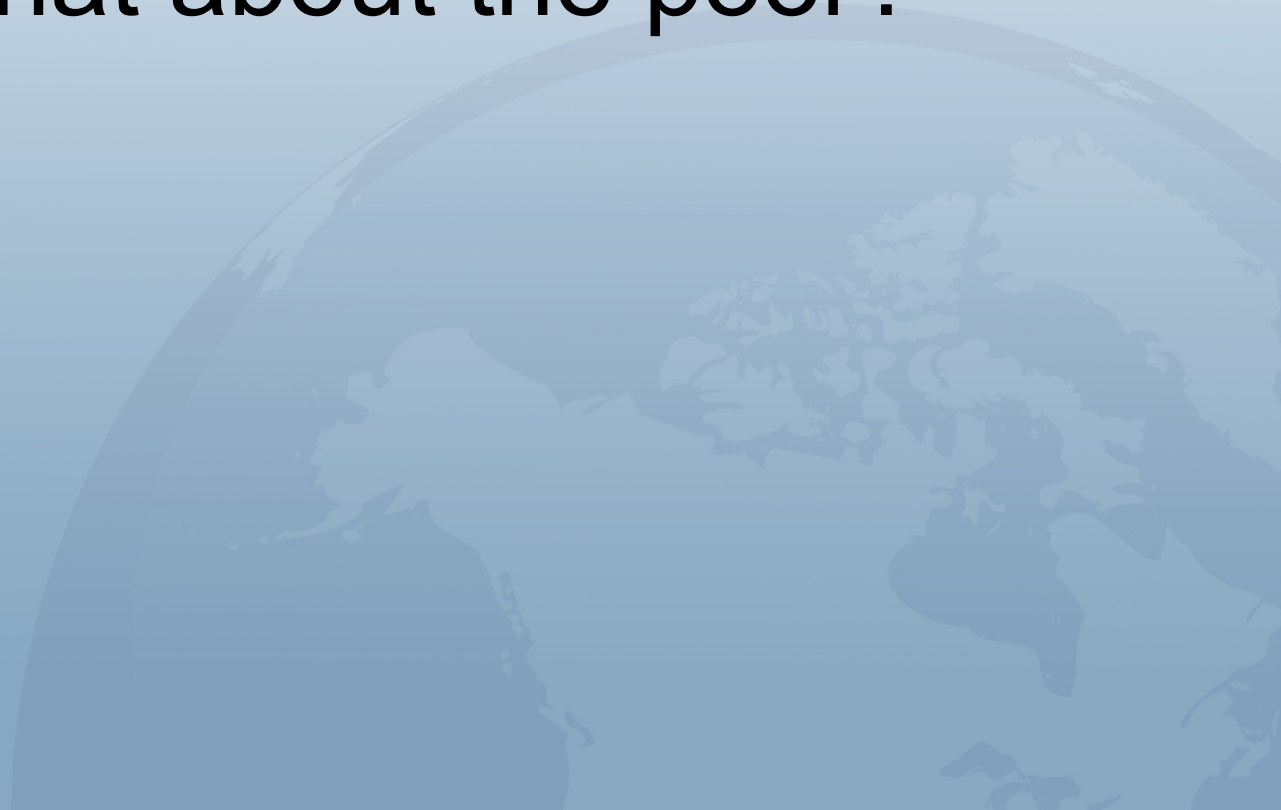
Mining survey score



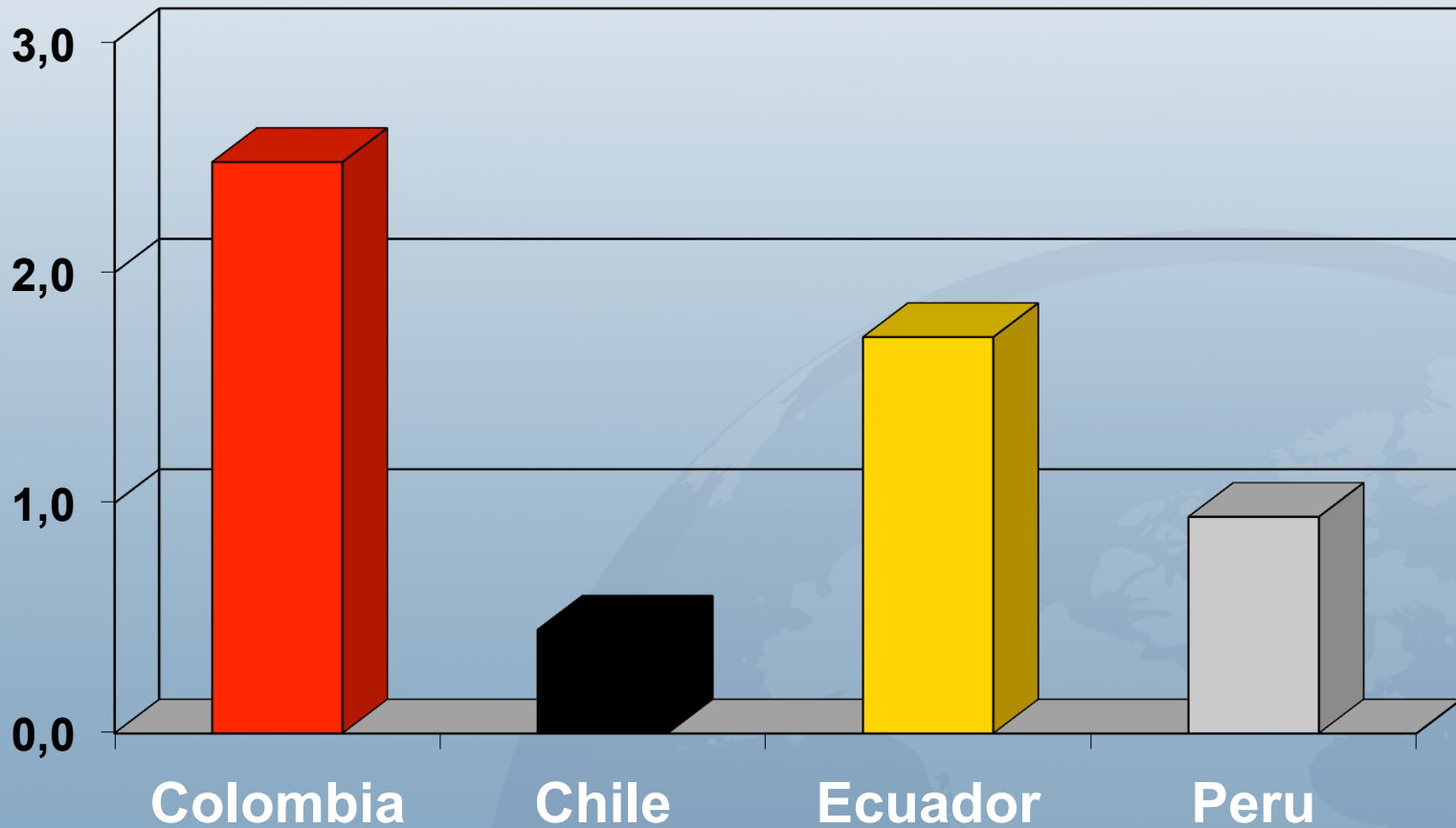
Per capita GDP: Constant US dollars



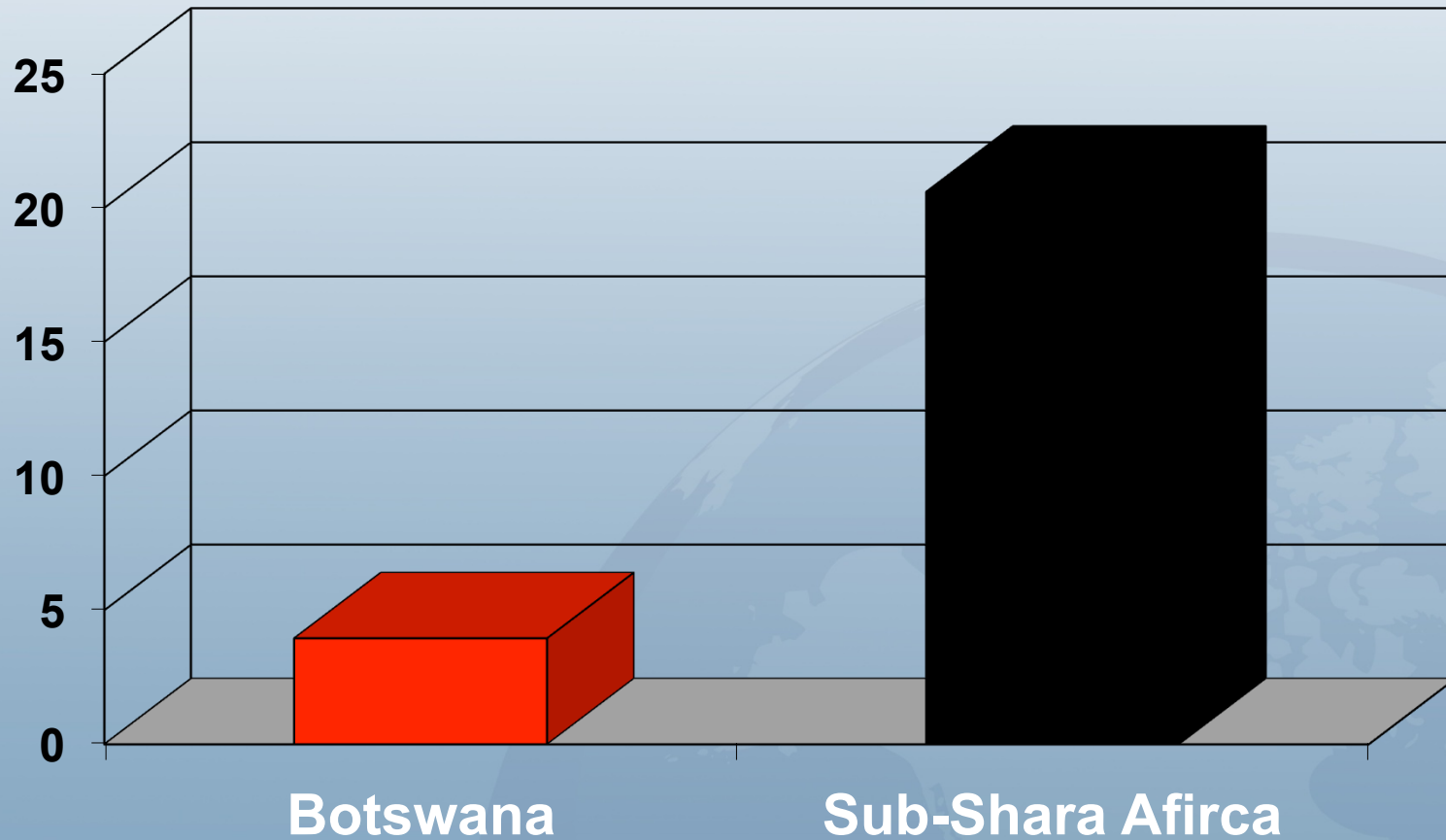
But, what about the poor?



\$1.90 poverty; % of population



\$1.90 poverty; % of population



The best social program of all:



- A job – mining provides jobs.
 - Some history of economic development—Canada, United States, Australia, New Zealand, ... and now Chile and Botswana
- And Colombia!

Sweden, Finland, and Norway have
what miners want:
not cheap wages, not loose regulation, not a
“race to the bottom” in taxes:

But certainty and competitiveness in all
these things protected by a strong legal
system.

Attractiveness and stability in Mining Policy require



- Appropriateness
- Competitiveness
- Transparency
- Consistency
- Predictability
- Impartiality
- Clarity and simplicity
 - Regulations and taxation should be easy to understand and not open to multiple interpretations
- Timeliness



Thank you for the Opportunity

*The Fraser Institute
Annual Survey of Mining Companies*

Available for free download at

www.fraserinstitute.org