

**Form for observations and comments of members of the National  
Tripartite Committee (NTC) on the Colombia Initial Validation Report —  
Independent Validator: Cowater Sogema**

Entity / NTC Member reporting:	<u>Consolidated National Tripartite Committee — NTC</u>
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To facilitate the process of consolidation of observations and comments on the Initial Validation Report, we provide this form, which is divided as follows:

1. General comments on the document ([here](#))
2. Specific observations on the document ([here](#))

*NB. Feel free to choose any of the options given to present your observations and comments.*

**1. General comments on the document**

**Observations / comments / suggestions**

In accordance with the commitments of the NTC (33rd Meeting), the members of the National Tripartite Committee reviewed and commented on the Validator's report. The following entities stated that they were in agreement with the document and had no additional remarks: DIAN, DNP and ARM. Comments were received from the following entities: Asociación Colombiana de Minería (ACM, Colombian Mining Association), Asociación Colombiana de Petróleos (ACP, Colombian Petroleum Companies' Association), Crudo Transparente (Transparent Crude), Transparencia por Colombia (Transparency throughout Colombia), Unidad de Planeación Minero Energética (UPME, Mining and Energy Planning Unit), ECOPELROL and the National Technical Secretariat.

There were the following general comments:

- The results reflect the good work by Colombia to adapt to the Initiative, since all the requirements and provisions evaluated have significant or satisfactory progress.
- This is a document that adequately reflects the progress of the Initiative in Colombia, the context in which extractive activity has been carried out and the work done by the Independent Validator.
- When using the term "**extractive**", it would be prudent to clarify whether it refers to companies or activities.
- We are in general agreement with the information in the report and the ratings awarded by the International Secretariat (specific comments are included in section 2).
- We request that a review be made of ratings and recommendations that **are not yet mandatory** and which lay down prudent timescales for countries to adapt. These include beneficial ownership and degree of project-level disaggregation.
- With regard to recommendations 11 and 24, it is essential to understand the expected scope for creating EITI reports and presenting the information "**at project level**". Understanding what a project is for the purposes of the Initiative and what a project is for the companies may reveal the need to

closely define the scope of this recommendation. In the case of Ecopetrol, for example, at the close of 2017 the Vice-Presidency of Engineering and Projects (VIP) was responsible for the conduct of nearly 200 projects. To create EITI reports or present information at this level of detail may have very limited added value for the Initiative but very high costs for the companies.

- It should be noted that the progress of Colombia is directly related to the independence that the Standard gives to implement requirements in accordance with conditions in the country, legislation in force and the decisions of the National Tripartite Committee.
- There is a concern over the way in which the process of the Initiative and its progress in the country may be left adrift with the change of Government.
- The report warrants a conclusion on the process of implementation of the Standard in Colombia and how far it has come. This should include the evolutive process of the country's reports and each report's conclusions.
- There continue to be drafting errors in the report. These could be problems with the translation, but there are some errors in wording and editing.<sup>1</sup>

With regard to the list of recommendations:

- The recommendations made by the Validator are of great importance and will be analysed in meetings of the Technical Support Group (GAT) and NTC.
- With regard to the list of strategic recommendations in section 4, it is suggested that it be expressly stated that to strengthen implementation of the Initiative, the first step should be to prioritize recommendations. While it is clear that this is a task that needs to be done within the Initiative, making this point explicit in the report can then facilitate the later work of the group and contribute to its continued orderly and coordinated progress.
- The recommendations made by the Validator reflect a good proportion of the concerns raised by civil society throughout the process. We want reports to generate significant progress, not only in terms of the information's materiality, but also in terms of its usefulness for communities in the areas of influence of the mining and hydrocarbons sector.
- It is noted that Colombia has progressed in implementation of the Initiative, but important challenges remain that must be carefully analysed by all parties, especially on the issue of the impact of the information at local level and the usefulness of the information to promote debate and informed decision making.

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<sup>1</sup> To summarize the widespread comments from stakeholders upon reading the report, relating to the fact that the document contains editing problems that presumably arise from a poor translation. The National Technical Secretariat has proposed change-tracked amendments in the version of the document sent by the International Secretariat, attached to this form.

## 2. Specific observations

### Initial Validation Report

Report chapter	Page	Location of text	Comments/Observations
<b>INTRODUCTION</b>			
Executive summary	1		No comments
Background	1	Paragraph 1	The contribution of the extractive industries to national GDP was 6.47% in 2014.
		Paragraph 2	The Colombian hydrocarbons sector comprises a preliminary sector... and an operations sector. They are activities of this sector.
		Paragraph 3	Lead is not a precious metal.
1. Work done by Independent Validator	2		No comments
2. Comments on the limitations of the validation	2		No comments
3. Comments on the initial evaluation of the International Secretariat	2		No comments
<b>2. GENERAL COMMENTS</b>			
• Progress on implementation of the EITI	3	Paragraph 1	<ul style="list-style-type: none"> <li>In Colombia it is defined as <i>illicit minerals exploitation</i>; correct the expression 'illegal mining'.</li> <li>The expression "has continued to take place" is incorrect; from 2017 to date this mode has decreased in Colombia, thanks to major efforts on the part of the Government.</li> <li>The expression "fierce opposition of communities" could be more assertive if expressed as: <i>Determined opposition...</i></li> <li>The expression "fierce opposition of local communities" is not suitable since it evokes irrational opposition with little foundation. We propose using <i>growing opposition</i> by communities to extractive projects on account of the high impacts of the sector compared to the benefits received.</li> <li>Revise wording.</li> </ul>
• Impact of implementation of the EITI	3	Paragraph 1	<ul style="list-style-type: none"> <li>It is considered necessary to clarify the idea of <i>efforts in the territory</i>; until the requirements were consolidated and adopted, it was impossible to start working with the municipalities.</li> <li>While it is true that, at subnational level, the Initiative has not achieved a notable impact, it should be noted that implementation of the EITI in Colombia has been a <i>gradual process</i> and, therefore, the public dissemination of results and reaching out to communities and the territory has been in line with that process. First, it was necessary to establish the</li> </ul>

		Paragraph 2	<p>availability and quality of information, its usefulness and the way of communicating it; these are indispensable steps for promoting reforms and generating debate. It is expected that the Initiative will have results in this area in the years to come, since it is considered a matter of great importance and for this, an action plan is being developed.</p> <ul style="list-style-type: none"> <li>· The expression: "<i>formalization of illegal mining</i>" is incorrect, since it is not illicit exploitation that is subject to formalization, but its informal production units.</li> <li>· In the <b>Impact of implementation of the EITI</b> section, it is suggested that the wording should better specify what the two areas are that "<i>...have strong potential for EITI Colombia to play a crucial coordination role</i>". Currently, the information is presented in a very long paragraph in which it is not at all clear what these two areas are.</li> <li>· It is suggested that the scope of the following assertion should be clarified: "building on Ecopetrol's actual transparency practices, Colombia is ready to analyse the additional disclosure of various aspects of the commodities trade, such as the sale of oil to third parties." This reads as though it were a task solely of Ecopetrol, when the fact is that it is, rather, a challenge for the country involving the participation of other mining and hydrocarbons companies.</li> <li>· In agreement with the statement made by the Validator. The strategy has successfully become established at national level, but no real impact has been generated at territorial level. The promotion of debate and the use of data for informed decision making have not yet been possible through the Initiative.</li> </ul>
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**Commented [IM1]:** In the source, this sentence contains the Spanish word "nos" ('us', or 'to us'). The rest of the sentence leads me to conclude that this "nos" is a typo and what was intended was "no" (the particle used to negate sentences) and I have translated it accordingly.

<b>3. DETAILED FINDINGS</b>		
<ul style="list-style-type: none"> <li>• According to requirement 4.1, total royalty payments to the Government by the mining sector amounted to 72.1% of all royalty payments made to the Government in 2016, since each individual company accounted for less than 1%.</li> </ul>	6	<p>As evidenced in the 2016 report, companies involved in mining account for 83% (<b>check the origin of the 72% figure</b>) of royalties, while oil companies account for 98% of royalties.</p> <p>The percentage accounted for by the mining sector is lower than that of oil's, because in the Colombian setting, there are 8,800 mining contracts, 101 (1.1%) of which correspond to companies that are members of EITI-Colombia. In short, nearly 8,700 contracts are operated by small and medium-scale companies whose individual contributions are below the 1% royalties threshold and which, taken all together, account for 17.4% of mining royalties.</p> <p>The results of the analysis of materiality for each of the headings for the year 2016:</p>

			<table border="1"> <thead> <tr> <th>Rubros</th> <th>Total 2016</th> <th>Total aporte Empresas adheridas 2016</th> <th>Materialidad 2016</th> <th>Materialidad 2015</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Impuestos y Regalías</b></td> </tr> <tr> <td>Impuesto de Renta (causación)</td> <td>2.103.048</td> <td>1.728.716</td> <td>82%</td> <td>76%</td> </tr> <tr> <td>Impuesto sobre la Renta para la Equidad CREE (causación)</td> <td>1.168.955</td> <td>1.031.987</td> <td>88%</td> <td>90%</td> </tr> <tr> <td>Impuesto a la Riqueza (causación)</td> <td>797.420</td> <td>639.524</td> <td>80%</td> <td>87%</td> </tr> <tr> <td>Regalías de crudo y gas (caja)</td> <td>3.849.234</td> <td>3.753.814</td> <td>98%</td> <td>97%</td> </tr> <tr> <td>Regalías de minería (caja)</td> <td>1.447.940</td> <td>1.197.289</td> <td>83%</td> <td>84%</td> </tr> <tr> <td colspan="5"><b>Pagos e inversión sector hidrocarburos</b></td> </tr> <tr> <td>Dividendos Ecopetrol S.A. (caja)</td> <td>690.176</td> <td>690.176</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Derechos económicos</td> <td>159.571</td> <td>157.431</td> <td>99%</td> <td>100%</td> </tr> <tr> <td colspan="5"><b>Impuestos, pagos e inversión sector minero</b></td> </tr> <tr> <td>Compensaciones económicas</td> <td>238.114</td> <td>200.260</td> <td>84%</td> <td>90%</td> </tr> <tr> <td>Canon Superficial y Administración</td> <td>16.744</td> <td>7.127</td> <td>43%</td> <td>15%</td> </tr> <tr> <td>Impuesto al Oro, Plata y Platino -OPP (caja)</td> <td>28.018</td> <td>11.571</td> <td>41%</td> <td>48%</td> </tr> <tr> <td><b>Total</b></td> <td><b>10.499.220</b></td> <td><b>9.417.896</b></td> <td><b>89,7%</b></td> <td><b>93%</b></td> </tr> </tbody> </table> <p>See: <b>EJERCICIO MATERIALIDAD -#EITICOL</b> <a href="http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso_materialidad_-_informes_eiti_colombia.pdf">http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso_materialidad_-_informes_eiti_colombia.pdf</a></p> <p>· Please clarify, we do not understand the following expression: "each company accounted for less than 1% each." This assertion is wrong.</p>	Rubros	Total 2016	Total aporte Empresas adheridas 2016	Materialidad 2016	Materialidad 2015	<b>Impuestos y Regalías</b>					Impuesto de Renta (causación)	2.103.048	1.728.716	82%	76%	Impuesto sobre la Renta para la Equidad CREE (causación)	1.168.955	1.031.987	88%	90%	Impuesto a la Riqueza (causación)	797.420	639.524	80%	87%	Regalías de crudo y gas (caja)	3.849.234	3.753.814	98%	97%	Regalías de minería (caja)	1.447.940	1.197.289	83%	84%	<b>Pagos e inversión sector hidrocarburos</b>					Dividendos Ecopetrol S.A. (caja)	690.176	690.176	100%	100%	Derechos económicos	159.571	157.431	99%	100%	<b>Impuestos, pagos e inversión sector minero</b>					Compensaciones económicas	238.114	200.260	84%	90%	Canon Superficial y Administración	16.744	7.127	43%	15%	Impuesto al Oro, Plata y Platino -OPP (caja)	28.018	11.571	41%	48%	<b>Total</b>	<b>10.499.220</b>	<b>9.417.896</b>	<b>89,7%</b>	<b>93%</b>
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<ul style="list-style-type: none"> <li>It is noted that coverage of total revenues has decreased in 2014, 2015 and 2016 to 96.4%, 93.5% and 89.7% respectively.</li> </ul>	6		<p>The 2016 report and the minutes of the <u>30th meeting</u> of the NTC set out the reasons why, in the 2016 report, materiality is 0.3 points below 90%. The "lesser" coverage is consistent with the fall in revenues, principally due to lower revenues collected by ECOPETROL, especially under Dividends, which contain 100% of the materiality.</p> <p>If one carries out the exercise of weighing the three preceding years with the current year, the result is an average materiality of 93.75%.</p> <table border="1"> <thead> <tr> <th>Materialidad por Sector</th> <th>2014</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Sector hidrocarburos</td> <td>97,2%</td> <td>95,3%</td> <td>91,7%</td> </tr> <tr> <td>Sector minero</td> <td>85,4%</td> <td>85,0%</td> <td>84,2%</td> </tr> <tr> <td><b>Total empresas adheridas</b></td> <td><b>96,4%</b></td> <td><b>93,5%</b></td> <td><b>89,7%</b></td> </tr> </tbody> </table> <p>See: <b>EJERCICIO MATERIALIDAD -#EITICOL</b> <a href="http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso_materialidad_-_informes_eiti_colombia.pdf">http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso_materialidad_-_informes_eiti_colombia.pdf</a></p>	Materialidad por Sector	2014	2015	2016	Sector hidrocarburos	97,2%	95,3%	91,7%	Sector minero	85,4%	85,0%	84,2%	<b>Total empresas adheridas</b>	<b>96,4%</b>	<b>93,5%</b>	<b>89,7%</b>																																																											
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<ul style="list-style-type: none"> <li>Under provision 4.5 (page 61 of the initial evaluation), it is emphasized that Ecopetrol has already published information on most of the aspects required by the EITI Standard, in its flagship annual sustainability report. Ecopetrol representatives expressed a will to continue working with the multi-stakeholder group and other stakeholders to analyse additional ways of improving transparency in its operations, governance and fiscal contributions.</li> </ul>	6		<p>· We respectfully ask you to change the wording thus: ...it is emphasized that <i>Ecopetrol has published information in its flagship annual sustainability report on most aspects required by the EITI Standard</i>. The representatives...</p> <p>The request for the change is based on the fact that several people who read the report were left with the impression that ECOPETROL complied with most aspects required by the EITI but not with all of them.</p>																																																																											

<p>• Page 63 of the Initial Evaluation states that for requirement 4.7, the relevant data have not been disaggregated by project. It is necessary to present project-level information in a way that is consistent with the rules of the United States Securities and Exchange Commission and of the EU. The report does not explain whether the financial data are consistent with these rules or not.</p>	<p>7</p>	<ul style="list-style-type: none"> <li>· Supplement with general comments.</li> <li>· In its Meeting No. 36, of March 2017, the EITI Board established the need for project-level reports for disclosures and financial years as from 2018. At the moment, despite the fact that this requirement is not mandatory, Colombia has already begun internal discussions in this regard, as can be seen in the minutes of the 32nd and 33rd meetings of the NTC. This matter, therefore, is subject to the definition of project adopted by the NTC, subject to the institutional capacities of participant entities and companies, and to its legal capacity to demand information in a more disaggregated manner.</li> <li>It is important to recall that in Colombia, payment of taxes arises at Tax Identification Number (NIT) level and that participating companies are already reporting at this level.</li> <li>Also, in accordance with requirement 4.7, the multi-stakeholder group and Independent Administrator are required to approve the degree of disaggregation of data for publication and data are presented by company, government entity and individual income flow. This process is duly documented in the minutes of the <a href="#">28th meeting</a> of the NTC.</li> <li>· In this respect, civil society has proposed the need to break information down into topics such as the production level per project and royalty payments at the same level, among other items of interest to the communities in the areas of influence of the extractive sector. Issues of national payments such as national taxes are considered neither relevant nor possible. An effort must be made at institutional and company levels to achieve greater disaggregation of information that could be useful for local debate.</li> </ul>
<p><b>4. RECOMMENDATIONS</b></p>		
<p>1. To strengthen implementation, the government is encouraged to ensure that its commitment is sustained across different political administrations, including through the provision of sustainable sources of funding.</p>	<p>8</p>	<ul style="list-style-type: none"> <li>· The current Administration has proposed a new MGA project to continue the EITI project within the country for the next four years (2019-2022), with a value of USD 2.2 million. Also, cooperation resources to a value of nearly USD 900,000 are being processed.</li> <li>· A more visible role for members of the NTC and Technical Secretariat of EITI-Colombia needs to exist, to disseminate and highlight the importance of transparency and access to information achieved up to now, and to guarantee its future sustainability.</li> </ul>
<p>2. To further strengthen implementation and maintain the high-level collaboration with other constituencies in the MSG the industry constituency is encouraged to ensure consistent representation at levels</p>	<p>8</p>	<ul style="list-style-type: none"> <li>· The industry view is that the EITI process in Colombia has guaranteed the constant and participatory involvement of industry.</li> <li>· We suggest clarification of what exactly is meant when you recommend that the industry group ensures consistent</li> </ul>

**Commented [IM2]:** MGA: Metodología General Ajustada para la Formulación y Evaluación de Proyectos de Inversión Pública. Adjusted General Method for the Formulation and Evaluation of Public Investment Projects.

<p>commensurate with other constituencies. The industry constituency is encouraged to make full use of EITI data and findings from reports to drive improvements in extractives sector management.</p>			<p>representation at levels proportionate to those of other groups. Does this refer to participants' responsibility levels? What is meant by consistency? How can consistency be ensured?</p>
<p>3. To strengthen implementation, the government is encouraged to ensure the enabling environment for CSO participation in EITI implementation is maintained, including at the local and rural levels and through innovative ways to channel local stakeholders' views into national EITI discussions.</p>	8		<ul style="list-style-type: none"> <li>· There exist spaces for NGO participation, and representation on the NTC is subject to a national board made up of several organizations.</li> <li>· The wish is to reach the public located in the areas where there is extractive industry presence. To do this, efforts must be increased to ensure that this initiative has outreach at subnational level or to link it to the national discussion space.</li> <li>· Consistent with the above, reaching the subnational level requires a financial resource effort; that made this financial year is minimal.</li> </ul>
<p>4. To strengthen implementation, EITI Colombia is encouraged to consider more efficient ways of balancing the MSG's more bureaucratic duties with more in-depth analysis and discussions linked to broader reform priorities. EITI Colombia is encouraged to ensure documents relevant to MSG discussions are circulated with ample time for review prior to MSG discussions and decisions.</p>	8		<p>No comments</p>
<p>5. To strengthen implementation, EITI Colombia and wider stakeholders are encouraged to liaise closely with relevant government entities in the modernization of the cadastre and other systems maintained by the sector regulators ANM and ANH with the aim of ensuring routine and accessible disclosure of data listed in Requirements 2.2 and 2.3. In particular, EITI Colombia is strongly encouraged to ensure that information on mining, oil and gas license transfers is disclosed to levels commensurate with information on license allocations.</p>	8		<p>We ask that this be revised. Currently, the 2016 EITI Report discloses information on the transfers of mining, oil and gas licenses, in: <a href="http://www.eiticolombia.gov.co/content/otorgamiento-hidrocarburos#inicio">http://www.eiticolombia.gov.co/content/otorgamiento-hidrocarburos#inicio</a> (apart from transfers of concession rights) and <a href="http://www.eiticolombia.gov.co/content/otorgamiento-mineria#inicio">http://www.eiticolombia.gov.co/content/otorgamiento-mineria#inicio</a> (apart from transfers of concession rights and <a href="http://www.eiticolombia.gov.co/sites/default/files/inline/files/230518_cesiones_derecho_2016_ANM.pdf">http://www.eiticolombia.gov.co/sites/default/files/inline/files/230518_cesiones_derecho_2016_ANM.pdf</a>).</p>

<p>6. To strengthen implementation, Colombia is encouraged to consider piloting beneficial ownership reporting in the forthcoming EITI Report in order to increase awareness of beneficial ownership transparency and pilot beneficial ownership definitions and thresholds. In particular, the MSG may wish to consider the various types of control that can be exercised over a company. EITI Colombia may also wish to conduct broader outreach to the companies on the objectives of beneficial ownership transparency, as well as hold conversations with government agencies on how to make such disclosures mandatory.</p>	<p>8</p>	<ul style="list-style-type: none"> <li>· EITI-Colombia has shown considerable discipline in implementation of this requirement and the roadmap adopted for its implementation. In this respect, as was presented to the International Secretariat, consultation will take place this year to carry out an assessment of the state of implementation of requirement 2.5 of the EITI 2016 Standard on disclosure of beneficial ownership, in the 34 companies that are part of the EITI-Colombia Initiative.</li> <li>· The terms of reference of this contract are available on the public tender portal of the Colombian State. <a href="https://community.secop.gov.co/Public/Tendering/ContractNoticeManagement/Index?currentLanguage=en&amp;Page=login&amp;Country=CO&amp;SkinName=CCE">https://community.secop.gov.co/Public/Tendering/ContractNoticeManagement/Index?currentLanguage=en&amp;Page=login&amp;Country=CO&amp;SkinName=CCE</a> and <a href="file:///C:/Users/Lorena/Downloads/ESTUDIOS%20PREVIOS%20BENEFICIARIOS%20REALES.pdf">file:///C:/Users/Lorena/Downloads/ESTUDIOS%20PREVIOS%20BENEFICIARIOS%20REALES.pdf</a></li> <li>· It is important to recall that the Standard respects each country's legislation in force and companies operating in Colombia are subject to the rules established under the current scope in this regard.</li> </ul>
<p>7. To strengthened stakeholders' understanding of the complex issue of illegal gold mining, EITI Colombia is encouraged to expand EITI reporting of informal gold production and exports, drawing on all available relevant information. EITI Colombia is encouraged to liaise with DANE to coordinate with the government agency's plans to expand coverage of commodities.</p>	<p>8</p>	<ul style="list-style-type: none"> <li>· It is important to work on this point, bearing in mind that if they are illegal, there is no chain traceability.</li> <li>· Form comment: change illegal gold mining to <b><i>illegal gold exploitation</i></b>.</li> </ul>
<p>8. To strengthen implementation, Colombia is encouraged to review materiality definitions for its EITI reporting based on previous reporting exercises, with the aim of establishing, ahead of reconciliation, a materiality threshold for selecting companies that ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation.</p>	<p>8</p>	<ul style="list-style-type: none"> <li>· The EITI-Colombia Technical Secretariat carries out two annual materiality exercises; the first, conducted at mid-year, analyses the participation of member companies and identifies if there are new companies whose contributions by production and royalties are greater than 1% and confirms their participation. A second materiality exercise conducted during the process of reconciling information by the Independent Administrator specifies and defines the materiality results for EITI-Colombia. See: <a href="http://www.eiticolombia.gov.co/content/materialidad-flujos#inicio">http://www.eiticolombia.gov.co/content/materialidad-flujos#inicio</a></li> <li>· It should be noted that, as has been reported, there are no companies with contributions greater than 1% in production and royalties that are outside EITI-Colombia. See: <b>EJERCICIO MATERIALIDAD -#EITICOL,</b> at <a href="http://www.eiticolombia.gov.co/sites/default/files/document/os/proceso_materialidad_-_informes_eiti_colombia.pdf">http://www.eiticolombia.gov.co/sites/default/files/document/os/proceso_materialidad_-_informes_eiti_colombia.pdf</a></li> </ul>



<p>9. To strengthen implementation, EITI Colombia is encouraged to work with Ecopetrol on exploring the scope for disclosing Ecopetrol's crude oil sales to third parties to levels commensurate with information on the sales of the state's in-kind revenues.</p>	<p>8</p>		<p>This is a topic of interest that will be analysed in the NTC.</p>
<p>10. To strengthen implementation, the government and the MSG are encouraged to explore ways to bring more transparency to direct subnational revenue collection and uses of extractives revenues at the subnational level.</p>	<p>8</p>		<ul style="list-style-type: none"> <li>· In addition to knowing the assessment, this recommendation is relevant to take forward the review of the performance of subnational collection in the near future and to conduct a detailed analysis of the sources and uses of revenues that reach this level of government.</li> <li>· It is important to continue with the effort to provide local information in future reports, because if no progress is made in this regard, the Initiative would stall and it would continue to be of no use at local level.</li> </ul>
<p>11. To further strengthen implementation, Colombia may wish to make progress in implementing project-level EITI reporting (for project-specific revenue flows) ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogotá.</p>	<p>8</p>		<ul style="list-style-type: none"> <li>· Supplement with general comments.</li> <li>· At Board Meeting No. 36, of March 2017, the EITI Board established the need for project-level reports for disclosures and financial years as from 2018. At the moment, despite the fact that this requirement is not mandatory, Colombia has already begun internal discussions in this regard, as can be seen in the minutes of the 32nd and 33rd meetings of the NTC.</li> <li>· Also, in accordance with requirement 4.7, the multi-stakeholder group and Independent Administrator are required to approve the degree of disaggregation of data for publication and data are presented by company, government entity and individual income flow. This process is duly documented in the minutes of the <a href="#">28th meeting</a> of the NTC.</li> </ul>
<p>12. To strengthen implementation, Colombia is encouraged to increase its efforts to publish more up-to-date EITI data to ensure a higher relevance and usefulness for public debate and policy-making. To make future reporting exercises cost efficient while credible, the government and the MSG are encouraged to explore ways to maximise the use of information made public through other sources and the use of the online cost-efficient tools already developed to ensure a sustainable solution for future reporting.</p>	<p>8</p>		<ul style="list-style-type: none"> <li>· Keep in mind that in terms of tax, EITI-Colombia reports cover the latest available financial year.</li> <li>· In future, alternative ways of disseminating the report in addition to the Internet need to be added, in order to reach out to citizens in local areas with no or low connectivity where there is an extractive industries presence.</li> <li>· It is imperative for Colombia to take forward the effective and real implementation of mainstreaming, in order to have constant, up-to-date information available for viewing on the different agencies and institutions related to the extractive sector.</li> </ul>

<p>13. To strengthen implementation, EITI Colombia is strongly encouraged to ensure that all production and export data is consistently sourced from official government data.</p>	8		<p>Please clarify the comment, given that all production and export data are from official information sources (are primary sources). Namely: Mining production source is ANM; hydrocarbons production source is ANH; and GDP and exports data are from the National Administrative Statistics Department (DANE).</p>
<p>14. In accordance with Requirement 5.2.a, Colombia should ensure that the specific formula for calculating transfers to individual local governments be disclosed and explained, to support an assessment of discrepancies between budgeted (allocated) and executed subnational resources. Given the high level of public interest in this issue, Colombia may wish to consider including LGUs in the reporting process for subnational transfers to reconcile these transactions.</p>	8		<p>· EITI-Colombia reports disclose the current regulations and the distribution and allocation of royalty resources. It should be considered that the allocation formula and the distribution calculations are public and available to any citizen. The foregoing is amply supplemented in the <a href="#">ABC del Sistema General de Regalías</a> supplement (ABC of the General Royalties System) and specifically in its annex 3, prepared by the Technical Secretariat of the EITI and with the communication from the National Planning Department (DNP) to the National Tripartite Committee.</p> <p>· For future reports, it will be useful to analyse the share of royalties distribution.</p>
<p>15. To strengthen implementation, the MSG is encouraged to explore collaboration with the Ministry of Finance to link the EITI better to the portal of economic transparency and to develop indicators to improve the comprehension of the extractive industry contribution to the economy at the national level.</p>	8		<p>No comments</p>
<p>16. To strengthen implementation, EITI Colombia is encouraged to explore playing a more active role in promoting the use of revenue tracking tools and coordinating a more concerted effort to include this information in reaching out to regions and communities.</p>	8		<p>No comments</p>
<p>17. To strengthen implementation, especially at the subnational level, the MSG and the government are encouraged to explore ways of expanding EITI reporting on both mandatory and voluntary social expenditures with a view to enhancing transparency on key issues of interest to local stakeholders.</p>	8		<p>Mandatory social expenses are currently reported on a mandatory basis and discretionary social expenses on a voluntary basis, but the impossibility of conducting reconciliation should be kept in mind.</p>
<p>18. To strengthen implementation, particularly at the subnational level, EITI Colombia is encouraged to develop a robust communicational strategy, including capacity-building at the regional and community levels, and follow a time-</p>	8		<p>· Consideration is being given to the opportunity to include, beyond disclosure, the possibility of establishing communication channels and permanent interaction with the subnational level, thus promoting a more active role for EITI in local discussion and debate around the extractive industry.</p>

bound implementation plan. The strategy could bolster the EITI's role in coordinating efforts across several government agencies related to extractives, particularly in subnational outreach.			· Consistent with the above, reaching the subnational level requires a financial resource effort; that made this financial year is minimal.
19. To strengthen implementation and to make future reporting exercises cost efficient, EITI Colombia is encouraged to collaborate with other government agencies, especially the regulators ANH (hydrocarbons) and ANM (mining) to ensure that these agencies' information system are integrated as mainstreamed EITI disclosure mechanisms.	9		No comments
20. To strengthen implementation EITI Colombia is encouraged to canvass stakeholders broadly in following up on past EITI recommendations and designing the scope of future work plans and EITI reporting exercises, for instance CSOs' calls for tax liability calculation reports.	9		· Please clarify what is referred to by calculations of fiscal debts.  · In future reports, as a supplement, civil society is considering further highlighting the explanations of discrepancies identified through reconciliation which, although minimal, may be of interest to and for analysis by civil society.
21. EITI Colombia should increase coverage of total royalty payments to Government in mining sector as 72% coverage at present leaves a gap of 28%. It is recognized that each company in this sector accounted for less than 1% of royalty payments, however, the definition of materiality may be suitably modified to cover more payments unless it is not cost-effective to do so.	9		As evidenced in the 2016 report, companies involved in mining account for 83% ( <b>check the origin of the 72% figure</b> ) of royalties, while oil companies account for 98% of royalties.  The percentage accounted for by the mining sector is lower than that of oil's, because in the Colombian setting, there are 8,800 mining contracts, 101 (1.1%) of which correspond to companies that are members of EITI-Colombia. In short, nearly 8,700 contracts are operated by small and medium-scale companies whose individual contributions are below the 1% royalties threshold and which, taken all together, account for 17.4% of mining royalties.  The results of the analysis of materiality for each of the headings for the year 2016:

Rubros	Total 2016	Total aporte Empresas adheridas 2016	Materialidad 2016	Materialidad 2015
<b>Impuestos y Regalías</b>				
Impuesto de Renta (causación)	2.103.048	1.728.716	82%	76%
Impuesto sobre la Renta para la Equidad CREE (causación)	1.168.955	1.031.987	88%	90%
Impuesto a la Riqueza (causación)	797.420	639.524	80%	87%
Regalías de crudo y gas (caja)	3.849.234	3.753.814	98%	97%
Regalías de minería (caja)	1.447.940	1.197.289	83%	84%
<b>Pagos e inversión sector hidrocarburos</b>				
Dividendos Ecopetrol S.A. (caja)	690.176	690.176	100%	100%
Derechos económicos	159.571	157.431	99%	100%
<b>Impuestos, pagos e inversión sector minero</b>				
Compensaciones económicas	238.114	200.260	84%	90%
Canon Superficial y Administración	16.744	7.127	43%	15%
Impuesto al Oro, Plata y Platino -OPP (caja)	28.018	11.571	41%	48%
<b>Total</b>	<b>10.499.220</b>	<b>9.417.896</b>	<b>89,7%</b>	<b>93%</b>

See: **EJERCICIO MATERIALIDAD -#EITICOL**  
[http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso\\_materialidad\\_-\\_informes\\_eiti\\_colombia.pdf](http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso_materialidad_-_informes_eiti_colombia.pdf)

Materialidad por Sector	2014	2015	2016
Sector hidrocarburos	97,2%	95,3%	91,7%
Sector minero	85,4%	85,0%	84,2%
<b>Total empresas adheridas</b>	<b>96,4%</b>	<b>93,5%</b>	<b>89,7%</b>

See: **EJERCICIO MATERIALIDAD -#EITICOL**  
[http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso\\_materialidad\\_-\\_informes\\_eiti\\_colombia.pdf](http://www.eiticolombia.gov.co/sites/default/files/documentos/proceso_materialidad_-_informes_eiti_colombia.pdf)

22. If resources (time, financial cost) don't limit the exercise, EITI Colombia should maintain overall coverage of 90% or more of total revenue.

9

Technical Secretariat: The 2016 report and the minutes of the 30th meeting of the NTC set out the reasons why, in the 2016 report, materiality is 0.3 points below 90%. The "lesser" coverage is consistent with the fall in revenues, principally due to lower revenues collected by ECOPETROL, especially under Dividends, which equate to 100% of the materiality. If one carries out the exercise of weighing the three preceding years with the current year, the result is an average materiality of 93.75%.

It is important to maintain a materiality level equal to or greater than 90%. Even so, efforts must be made to provide territorial information; while it does not add significantly to national materiality, it is important for communities in the areas of influence of the extractive sector.

23. Though Colombia has made satisfactory progress under provision 4.5 as Ecopetrol already published information on most aspects required by the EITI standards, its representatives expressed willingness to engage further with the MSG and other stakeholders to explore further ways of enhancing transparency, governance and fiscal contributions. EITI should work towards that objective.

9

No comments  
We would appreciate a clear statement that the will expressed is part of the EITI Initiative. For this, we propose adding:  
... working with the multi-stakeholder group and other stakeholders to analyse additional ways of improving transparency, governance and fiscal contributions within the EITI initiative.






<p>24. If the financial data under provision 4.7 is consistent with SEC and EU rules then reporting at project level is required. In that case, "satisfactory progress" will need to be downgraded.</p>	<p>9</p>	<p>It should be kept in mind that this requirement is mandatory from 2018 onwards. At Board Meeting No. 36, of March 2017, the EITI Board established the need for project-level reports for disclosures and financial years as from 2018. For now, this requirement is not mandatory for reports by Colombia, as it would apply to the report on the 2018 fiscal year.</p> <p>Even so, it should be noted that Colombia has already begun internal discussions on this matter, as can be seen in the minutes of the 32nd and 33rd meetings of the NTC.</p> <p>Also, in accordance with requirement 4.7, the multi-stakeholder group and Independent Administrator are required to approve the degree of disaggregation of data for publication and data are presented by company, government entity and individual income flow. This process is duly documented in the minutes of the <a href="#">28th meeting</a> of the NTC.</p>
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**Anexo: Tarjeta de evaluación inicial**

Requisitos del EITI		Nivel de progreso				
		Sin progreso	Inadecuado	Significativo	Satisfactorio	Sobresaliente
Categorías	Requisitos					
<b>Supervisión por parte del grupo de multiparticipes</b>	Compromiso gubernamental (#1.1)					
	Compromiso del sector privado (#1.2)					
	Compromiso de la sociedad civil (#1.3)					
	Gobernanza del grupo de multiparticipes (#1.4)					
	Plan de trabajo (#1.5)					
<b>Licencias y contratos</b>	Marco legal (#2.1)					
	Asignación de licencias (#2.2)					
	Registro de licencias (#2.3)					
	Políticas sobre divulgación de contratos (#2.4)					
	Beneficiarios reales (#2.5)					
	Participación estatal (#2.6)					
<b>Monitoreo de la producción</b>	Datos de la exploración (#3.1)					
	Datos de la producción (#3.2)					
	Datos de la exportación (#3.3)					
<b>Recaudación de ingresos</b>	Divulgación exhaustiva de impuestos e ingresos (#4.1)					
	Ingresos en especie (#4.2)					
	Acuerdos de intercambio (#4.3)					
	Ingresos por transporte (#4.4)					
	Transacciones de empresas estatales (#4.5)					
	Pagos subnacionales directos (#4.6)					
	Desagregación (#4.7)					
	Puntualidad de los datos (#4.8)					
	Exhaustividad de los datos (#4.9)					
<b>Asignación de ingresos</b>	Distribución de ingresos (#5.1)					
	Transferencias subnacionales (#5.2)					
	Gestión de ingresos y gastos (#5.3)					
<b>Contribución socioeconómica</b>	Gastos sociales mandatorios (#6.1)					
	Gastos cuasifiscales de empresas estatales (#6.2)					
	Contribución económica (#6.3)					
<b>Resultados e Impacto</b>	Debate público (#7.1)					
	Accesibilidad de los datos (#7.2)					
	Seguimiento de las recomendaciones (#7.3)					
	Resultados e impacto de la implementación (#7.4)					

**Leyenda de la Tarjeta de Evaluación de la Validación**

	<b>Sin progreso.</b> El país no ha progresado en abordar el requisito. El objetivo general del requisito no se ha cumplido.
	<b>Progreso Inadecuado.</b> El país ha tenido un progreso inadecuado en cumplir el requisito. No se han abordado aún los elementos significativos del requisito. El objetivo general del requisito está lejos de cumplirse.
	<b>Progreso Significativo.</b> El país ha progresado en el cumplimiento del requisito. Se han implementado los elementos significativos del requisito. Se está cumpliendo el objetivo general del requisito.
	<b>Pogreso Satisfactorio.</b> El país cumple con el requisito del EITI.
	<b>Sobresaliente.</b> La implementación del país supera el requisito estándar.