

ORIGINAL

Impact of the reform to the general royalties system on employment and business development in the department of La Guajira

Impacto de la reforma al sistema general de regalías en el empleo y el desarrollo empresarial en el departamento de La Guajira

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ABSTRACT

The main purpose of this research is to analyze the impact of the reform of the general system of royalties on employment and business development in the department of La Guajira, in order to fulfill the mission and vision of the University of La Guajira, regarding the study of the problems that arise in the department, thus allowing us to explore the current context in the economic and social aspect, establishing the real impact of the aforementioned reform, to achieve the proposed objectives we will use information obtained from various sources such as: the departmental government, municipal mayors' offices, the Guajira Chamber of Commerce, the Bank of the Republic, the Regional SENA, and the Regional ICBF. Thus contributing to the study and analysis of the department's problems. The objective of this study is to analyze the impact of the reform of the general system of royalties on employment and business development in the department of La Guajira, theoretically supported by the postulates of authors such as: Gómez and Garcia (2012), Barón (2012), Martínez & Collinao, (2010), Biltrán (2009), Restrepo (2006), Buendía (2002), Marinez (2004), all of whom made important contributions regarding the variable royalties, business development and employment.

Keywords: General Royalty System; Socioeconomic Impact; Distribution; Royalties; Public Finances.

RESUMEN

La presente investigación tiene como propósito fundamental analizar el impacto de la reforma al sistema general de regalías en el empleo y el desarrollo empresarial en el departamento de la Guajira, para con ello cumplir con la misión y visión de la Universidad de la Guajira, en lo referente al estudio de las problemáticas que se presentan en el departamento, permitiéndonos de esta forma, explorar el contexto actual en el aspecto económico y social, estableciendo la real afectación de la mencionada reforma, para el logro de los objetivos planteados utilizaremos información obtenida de diversas fuentes como lo son: la gobernación del departamento, las alcaldías municipales, la cámara de comercio de la Guajira, el banco de la república, el SENA Regional, el ICBF Regional. Contribuyendo de esta manera al estudio y análisis de las problemáticas del departamento. Este estudio tiene como objetivo analizar el impacto de la reforma al sistema general de regalías en el empleo y el desarrollo empresarial en el departamento de la Guajira, sustentada teóricamente en los postulados de los autores como: Gómez Y Garcia (2012), Barón (2012), Martínez & Collinao, (2010), Biltrán (2009), Restrepo (2006), Buendía (2002), Marinez (2004), todos ellos realizan importantes aportes en lo referente a la variable regalías, el desarrollo empresarial y el empleo.

Palabras Clave: Sistema General de Regalías; Impacto Socio Económico; Distribución; Regalías; Finanzas Públicas.

INTRODUCTION

In Latin America, mining activity occupies a privileged place regarding production and contribution to the countries' GDP. However, it is also known that these resources have been wasted historically, where countries and regions that have received substantial resources over many years have yet to show positive results in improving their quality of life.

Mining is increasingly becoming an important sector of the Colombian economy. According to the Large Scale Mining Sector (SMGE), mining represented 2011 24,2 % of exports, 2,4 % of GDP, 20 % of total foreign direct investment, 650 billion pesos in infrastructure construction, 2,6 trillion pesos in purchases from domestic suppliers, 65 billion pesos of investment in social responsibility and 178 billion pesos in environmental responsibility. In Colombia, coal ranks first with a production of 74 million tons per year, which places Colombia as the tenth largest coal producer in the world with 1,2 % of world production, after China, the United States, India, Australia, South Africa, Russia, Indonesia, Kazakhstan and Poland. This mineral provides 29,6 % of the world's primary energy needs and generates 42 % of the world's electricity.

After coal, which represents 88 % of the country's mining extraction, nickel and gold are the most representative Colombian mining products in international markets. In the case of nickel, Colombia ranks seventh in the world with 4,53 % of world production and is the 22nd largest producer of gold with 1,2 % of world production. In royalties, the mining sector contributes 16,5 % to the country; 13 % comes from coal companies (1,2 trillion pesos per year). In 2010, SMGE contributed \$1,68 trillion in royalties and income tax to the nation's current income.

This is why it is currently recognized that the large-scale mining sector represents one of the main Colombian economic locomotives since it generates jobs (836,000 direct and indirect jobs in 2011) and investments in infrastructure, public services and social and environmental management.

The Department of La Guajira has undergone a profound transformation in its productive apparatus that has strongly impacted the regional Gross Domestic Product. In 1960, agriculture represented 39,6 % of the GDP, which gradually decreased, and in 2010 was at 4,6 %. Meanwhile, mining, which in 1960 was not included in the departmental productive structure, represented 60,9 % in 2010, well above the sector's growth at the national level, which determines it as an export-based mining region with insufficient productive linkages.

This is why activities such as Commerce and industry, rather than increase, were reduced, consolidating a modern sector such as services and an environment that has yet to enjoy the privileges of development and technology. The preceding gives rise to Law No. 1530 of 2012, provided that the National Government, by Decree, establish the tools and mechanisms through which the flows of resources of the Budget of the General Royalties System and the disposition of the same are determined for the attention of the expenditure and the transfer of resources to the Territorial entities receiving direct allocations; Resources of the General Royalties System. Under the provisions of Articles 360 and 361 of the Political Constitution and Law No. 1530 of 2012, the resources of the General Royalties System may only be allocated to the Territorial entities receiving direct allocations of Royalties may only be used to finance the functions and bodies in charge of controlling the exploration and exploitation of deposits, knowledge and geological mapping of the subsoil; the operation of the Monitoring, Follow-up, Control and Evaluation System; the operation of the General System of Royalties; the distribution among the funds and beneficiaries previously defined by the Constitution and the Law; and the allocations for the entities receiving direct allocations.

The resources corresponding to the Science, Technology and Innovation, Regional Compensation and Regional Development Funds and other beneficiaries shall be executed through the financing of investment projects previously made viable and registered in the Bank of Investment Programs and Projects of the General Royalties System, approved by the respective Collegiate Body of Administration and Decision.

The allocations for the entities receiving direct allocations will be administered directly by them and drawn by the Ministry of Finance and Public Credit prior to certification of the collection of the respective royalty issued by the National Hydrocarbons Agency or the National Mining Agency, as the case may be, and the distribution of the resources of the General Royalties System among the funds and the different beneficiaries to be carried out by the National Planning Department.

Said resources will be executed through financing investment projects previously made viable and registered in the Bank of Investment Programs and Projects of the territorial entities for the General Royalties System, approved by the respective Administrative and Decision Making Body.

According to the DNP, Guajira received resources from direct royalties in the following years: 2007 for \$305,808 million, 2008 for \$467,567 million, 2009 for \$501,124 million, 2010 for \$632,000 million, 2011 for \$705,808 million, 2010 for \$632,000 million and 2011 for \$705,808 million.

Many experts, including Amilkar Acosta Medina, propose that the royalty system reform that came into force in 2018 should compensate in some way what the producing regions lost with the reform of the royalty system; it is possible to glimpse the negative impact that the current model has generated on the producing regions in their finances, a problem that has returned with the continuous complaints from the producing territorial

entities due to the poor functioning of the current system and the progressive reduction that these resources will be facing.

With the implementation of the new royalties system, which was sanctioned by Congress last July 18, 2018, a decrease in their income has been evidenced by the royalty-producing departments, which has generated a series of debates at the national level around various issues raised by said new royalty distribution model, which last year reached a record 10,52 trillion pesos.

The department of La Guajira, one of the main producers of royalties in Colombia, after Casanare and Meta, which in its case comes mainly from the extraction of coal and gas to a lesser extent, has been one of the most affected by this new system that distributes the resources as follows: 10 % for the Science, Technology and Innovation Fund, 10 % for territorial pension savings, up to 30 % for the Savings and Stabilization Fund, and the other 50 %: 10 % to be distributed as direct royalties, 24 % for the Regional Compensation Fund, 16 % for the Regional Development Fund. The most visible impact when establishing a parallel with the previous model is the decrease in the allocation of direct royalties in the producing departments, which went from being around 80 % in the previous system to 10 % with the general royalties system, thus affecting the resource available for the improvement of social indicators such as infant mortality, health coverage and access to drinking water and sewerage, which was regulated by Decree 1747 of 1995.

METHOD

This part presents the type and design of research on which the study will focus, the population and sample used to study the variable's socioeconomic impact, and the general royalties system. It also describes the technique that will be used in collecting information and the procedures used for the validity, reliability of the results, processing and analysis.

Considering the research objectives, the inquiry to be carried out is located within the field design because it allows for the observation of the data as they are directly presented in reality.

In this regard, Tamayo and Tamayo (2006) state that field designs constitute the primary data of an investigation; their value lies in the fact that the true conditions of the situation studied can be observed and the data obtained.

On the other hand, the research is not experimental since no situations, conditions, or stimuli will be created, nor will the variable be manipulated deliberately; the observations will be made on already existing situations, and the individuals will be observed in their natural environment, in this same order of ideas, the research design is transactional-descriptive, so the data will be collected in a unique and determined moment, cutting in the time of occurrence of the phenomena, the procedure consists of measuring in a group of people or objects one or more variables, Hernández et al. (2005) and to measure the reliability of the instrument and the estimation of the formula Alpha Cronbach.

To realize the present investigation, we have the contribution of several studies carried out prior to the elaboration of the same one; in this way, it will be given solidity according to the established objectives. Among which we have: First we have, Baron (2014), in his research entitled "Socioeconomic Impact of the General System of Royalties in Colombia in the Biennium 2012-2013" at the Military University Nueva Granada, the general objective was to determine the socioeconomic impact of the general system of royalties in Colombia, its specific objectives were, to describe the variation of macro and microeconomic variables, To describe the allocation and distribution of royalties in Colombia, to evaluate the impact of large projects financed with royalty money in Colombia. The research above is based on the author's interest in describing, comparing and analyzing the advances in social and economic matters in the regions since the implementation of the General System of Royalties. It compiles the norms regulating the distribution, management and investment of royalty income from the now-defunct National Royalties Fund to the new system. It clearly defines the roles, functions and purposes of each of the components of the new system. It compares the distribution of resources of the old system versus the current one and the impact generated on the economy of the hydrocarbon-producing and non-hydrocarbon-producing regions. It highlights the social development of the country's most remote corners and the regional integrity of municipalities, districts and departments. It concludes with alternatives that make it possible to maximize the use of the system's resources.

Another contribution to take into account is that of Gómez and García (2012); in their research entitled "Economic impact of the new royalties reform" at the Universidad Militar Nueva Granada, their general objective was to analyze the economic impact of the new royalties reform, using the available information, and their specific objectives were to analyze the economic impact of the new royalties reform, using the available information.

Its specific objectives were to identify the sources by which royalties are obtained in Colombia and to evaluate the justification proposed by the Government for the royalty reform. This research demonstrated how royalty resources are obtained, evidenced using concrete cases of the shortcomings in how royalties were distributed with the old General System. It is also evidenced that with the approval of Law 1530 of 2012, the

Government sought to solve all the errors that were represented with the General System of Royalties by seeking greater equity in the way the resources are distributed; it is established with the Law the need to apply the planning principle through the application of the AMS methodology for the presentation of projects for approval by the different committees created by the Law for such purpose.

It is necessary to consider the contribution of, July (2012), in his research entitled “distribution, administration and impact of the new royalties law in the department of Casanare”, at the national university of Colombia faculty of mines Medellin, his general objective was, Determine if the National Royalties law has allowed the efficient administration and allocation of royalties as well as the fulfillment of Human Welfare indexes and its influence on the distribution, his specific objectives were, analyze the administration of oil royalties in terms of their allocation, The specific objectives of the study were: to analyze the administration of oil royalties in terms of their allocation, destination, use, control and surveillance; to analyze the evolution of the human welfare indexes in the last 20 years and their relationship with the amount of royalty resources received in the department of Casanare; to generate proposals for the efficient distribution (destinations and uses) of oil royalties; to determine the socioeconomic impact and the management given to oil royalty resources in the department of Casanare; this study seeks to determine if the National Royalties Law has allowed its efficient administration and the fulfillment of the objectives defined in the Political Constitution, or if, on the contrary, the National Royalties Law has allowed its efficient administration and the fulfillment of the objectives defined in the Political Constitution, or if, on the contrary, the National Royalties Law has allowed its efficient administration and the fulfillment of the objectives defined in the Political Constitution the objectives defined in the Political Constitution, or if, on the contrary, it has hindered the adequate administration of the resources.

The results show that the impact of royalties on the municipalities of Casanare has been very small even though these municipalities have more income and, therefore, can make more investments. In the future, it is necessary to improve the use of money to create a sustainable fiscal path. In the same way, it is necessary to prioritize investment in health and education, besides solving the structural problems that affect the management of royalties, such as inequity in their territorial distribution, the atomization of resources in small projects without regional impact, serious deficiencies in territorial planning, low administrative capacity of the territorial entities, specific focal points of corruption and irregularities in the management of the financial surpluses.

We intend to contribute to objectively visualizing this panorama and propose formulas to lessen these impacts by analyzing human welfare indexes.

All of the above will constitute important contributions to the enrichment of the theoretical bases and the methodology proposed in this research.

RESULTS

Knowing the effects of the new general system of royalties on employment and business development will become a pillar for the search for the allocation of more resources for the financing of important projects that will boost departmental development because it will be evident and documented the real impact of this reform, will strengthen the development of the fundamental pillars of higher education such as teaching, research and extension (law 30 of 1992), thus achieving a real contribution to the economic and social growth of the region.

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CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

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