

Regional Impact of Royalties in Colombia

Download Keep in mind

The series *Documentos de trabajo sobre economía regional y urbana* (only in Spanish, Working Papers on Regional and Urban Economics) is a publication of Banco de la República in Cartagena. The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Haddad, Eduardo A. Bonet-Morón, Jaime Pérez-Valbuena, Gerson Javier

The series Documentos de Trabajo Sobre Economía Regional y Urbana is a publication of Banco de la República in Cartagena. The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors.

Publication Date: Wednesday, 25 of May 2022 Abstract

The extraction of non-renewable natural resources has the potential to generate revenue to finance government activities. One of the most used tax tools is the collection of royalties from mining projects because they are usually unrelated to their profitability. Royalties often have different channels to have a positive impact on regional development, which in some cases can have opposite effects. Using a computable regional equilibrium model, this paper estimates the general equilibrium effects of royalty payments by mining activities in the regional development in Colombia. The results indicate that the benefits in welfare and the reduction of regional inequalities due to the imposition of royalties, are greater than the losses that it can generate in the regional output. Further results show the presence of regional and sectoral heterogeneities.