

The perfect storm? Mining, corruption and COVID-19

by Tim Grice and Nicole Bieske

6 July 2021



Photo Credit: [Square Circle](#)

Despite some gloomy **early forecasts**, metals and minerals markets have proved remarkably resilient during the COVID-19 pandemic. Most commodity prices have experienced a '**V-shaped**' contraction and recovery, and the stocks of most large mining companies have **rebounded** to higher than pre-pandemic levels.

Yet commodity markets have never been a good proxy for the wealth and wellbeing of governments and citizens in resource-rich countries. Upwards of 150 million people may be **pushed into extreme poverty** due to the pandemic, while many developing economies could **take years** to return to their pre-pandemic trajectories. As with crises of the past, the global economic recovery's rising tide is unlikely to lift all boats.

Taken together, the intertwined yet potentially divergent trajectories of mining companies and the countries in which they operate raise important questions for mineral resource governance and anti-corruption efforts – creating the potential for what some commentators have called a **perfect storm of challenges**.

A new **report** from **Transparency International's** Accountable Mining Program, *Through the looking glass: Corruption risk in mining licensing and permitting in the pandemic era*, outlines seven themes of the changed landscape for corruption risk in the mining industry. We focus on **mining licensing and permitting**, the first stage in the mining value chain, when decisions are made about whether, where and how mining can take place. The report draws on interviews with over 80 mining sector stakeholders, and includes case studies from Canada, Indonesia, Mexico and Zambia. In this blog we profile three key themes that highlight how corruption risk in the mining industry has changed during the COVID-19 pandemic.

The first is the opening up of land and relaxing of licensing conditions. During the pandemic, governments in some countries have made structural changes to the mineral policies that govern access to land, licensing requirements, state revenues and project ownership.

In Indonesia, for example, the **June 2020 revision** of the **2009 Coal and Mineral**

Mining Law provides existing mining tenement holders the right to extend their permits for up to 20 years, bypassing the previous requirement for concession renewals to first be offered to state-owned companies.

Also in Indonesia, the new **Omnibus Law on Job Creation**, passed in November 2020, provides coal producers that invest in downstream facilities such as coal-fired power stations a relaxation on royalty payments to **zero per cent**. The law also provides for the relaxation of the **borrow-use permit** requirements for mining activities carried out within forest areas. Critics of the Omnibus Law have stated that the legislation **weakens** environmental protections, **violates** labour rights, and that the legislative process was captured by a **conflict of interest**.

Some are concerned that both laws were introduced with **little or no public consultation**.

National protests were organised against both the **Mining Law** and the **Omnibus Law**. However, restrictions to movement and public gatherings during the COVID-19 pandemic have **reduced** protesters' ability to physically demonstrate.

The second key theme is shrinking civic space and contested digital engagement. Recent changes to mining industry governance are taking place at a time when civic space has been **shrinking** in many countries. Compounding this trend, the pandemic has **ushered in** a bevy of executive and emergency powers, restrictions on free movement, and in some cases limitations on freedom of the press.

Although restrictions that are necessary and proportionate to protect public health are justified, the narrowing of civic space during the pandemic has important implications for corruption risks in mining licensing and permitting.

In Mexico, a combination of the mining industry being declared an **essential industry**, the impacts of austerity policies on the **budgets** of mining regulators, the **suspension** of judicial appeal mechanisms to comply with COVID-19 restrictions, and a shift to digital and remote consultation, has fundamentally changed, for the worse, the relationship between the state, the mining industry and civil society.

A new kind of mining exceptionalism may be emerging, where community voices and access to government are limited by lockdowns and restrictions, while mining companies are given priority access to increasingly stretched government regulators.

Our final theme is how global mining capital and mineral supply chains are reconfiguring during COVID-19.

Mining deals slowed during the early stages of the pandemic, with cross-border mergers and acquisitions (M&A) **falling by 51.6%** in the first half of 2020, before a **bounce back** in the second half of the year. As travel restrictions ease and economic conditions stabilise, a backlog of mining deals may produce a run of M&As, as mining companies look to shore up their project pipelines during the economic recovery. With the potential for a flurry of transactions under pandemic conditions, vigilance in due diligence and contract transparency will be required to mitigate corruption risks.

The role the pandemic itself will play in the energy transition, including the impact on supply chains and capital, is being **watched carefully**. If the pandemic is fuelling a green recovery, it has the potential to accelerate the reconfiguration of **mineral supply chains** due to increased demand for energy minerals such as lithium, cobalt, graphite and nickel. With reserves of energy minerals often found in jurisdictions with high levels of **fragility, conflict and corruption**, there is a need to double-down on efforts to enhance supply chain governance for transition minerals. The **EU's Batteries Regulation** offers a recent example.

Disruptions to mining operations are also causing a **rethink** about the need for greater global diversification on the one hand (to manage single-country dependence in supply chains), and greater localisation on the other (to provide business continuity when international movements are restricted). Such a shift may increase local participation through increased employment and contracting opportunities. At the same time, greater global diversification and localisation would require new deals and new contracts with a wide range of state and private entities, potentially increasing corruption risks as new actors enter the fray.

The modern **drivers of diseases** such as COVID-19 – including ecosystem conversion, urbanisation, increased meat consumption, climate change, and connectivity among cities and countries – show no signs of abatement. There is a very real possibility of a new '**Pandemic Era**', punctuated by ongoing outbreaks that further disrupt vulnerable societies.

We argue that '**peering through the looking glass**' to understand how pandemics create corruption risks in mining jurisdictions is an important task for governments, mining companies and civil society in mineral-rich countries. Our report outlines six practical strategies – including networks for minerals stewardship, pandemic-sensitive governance practices, and socially inclusive decision-making – to navigate corruption risks in the mining sector during this, and the next pandemic.

Read 'Through the looking glass: Corruption risk in mining licensing and permitting in the pandemic era' [here](#).

Disclosures:

Transparency International's Accountable Mining Program is funded by the Department of Foreign Affairs and Trade and the BHP Foundation.

Author/s:

Tim Grice

Tim Grice is a Founding Director at Square Circle Global Development and Honorary Senior Research Fellow at The University of Queensland's School of Political Science and International Studies. Tim works at the intersection of governance, policy and social relations.

Nicole Bieske

Nicole Bieske is the Head of the Accountable Mining Program for Transparency International, based in Australia.

Link: <https://devpolicy.org/the-perfect-storm-mining-corruption-and-covid-19-20210706/>