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TOWARDS A CORRUPTION-FREE MINING SECTOR

CREATING A FAIRER LICENSING PROCESS

THE MINING AWARDS CORRUPTION RISK ASSESSMENT (MACRA) TOOL

The MACRA Tool assists governments, companies and communities to build a more transparent and accountable process for awarding mining licences. The first step is to identify and assess the weaknesses in the system, using the MACRA Tool to collect robust evidence.

Mining takes place in some of the most corruption-prone places on earth. Research by the OECD found one in five foreign bribery cases involved the extractive industries¹; and a quarter of corruption cases in the oil, gas and mining sectors arose at the very start of a mining operation - the licensing stage².

When corruption compromises an industry as large, impactful and capital-intensive as the mining industry, everyone loses. People stand to lose their share of their nation's mineral wealth, the cohesion of their communities and the health of their environments. Governments stand to lose important sources of revenue for public goods such as schools or hospitals and risk losing the trust and confidence of their citizens. Companies stand to lose the business certainty and social license they need to secure their decades-long operations.

The MACRA Tool: detect, prevent and reduce corruption risks

Transparency International (TI) has developed the Mining Awards Corruption Risk Assessment (MACRA) Tool as part of its global programme to enhance transparency and accountability in the process of awarding of mining licences, permits and contracts.

TI has used the MACRA Tool across 20 mining jurisdictions. It is a highly effective instrument for identifying and assessing the risk factors that open the door to corruption in government decisions about whether, where and under what conditions to award mining rights.

The MACRA Tool has received praise from academics at Columbia University, the head of the International Council on Mining and Metals (ICMM) and experts from the World Bank.



The importance to the global mining industry of a transparent, objective and well-regulated licensing process cannot be overstated. By providing stakeholders with the means to identify weaknesses in the system and build the evidence base to push for reform, I believe this excellent tool will be extremely useful to anyone wishing to improve the licensing process in their jurisdiction.

Tom Butler, CEO ICMM.

THE MACRA TOOL

- Helps assessors **ask the right questions** to determine the source and level of exposure to corruption.
- Includes instructions on how to collect and use **gender-related data** to identify and address the barriers to women's participation in decision-making and the unique impacts of corruption on women.
- Contains an extensive list of **80 common corruption risk indicators**.
- Adopts a **tiered approach** and provides guidance on how to identify and select the corruption risks **most relevant** to the vulnerabilities present.
- Provides an **explanation** of each corruption risk and guidance on how to assess the likelihood and impact of those risks.
- Accounts for corruption risk factors **in the system** - the design of the licensing laws, the institutional practices and implementation, and the surrounding political and administrative context.

Who can use it?

Government can use the Tool to identify regulatory, policy and institutional reform priorities; to support their compliance with the Extractive Industries Transparency Initiative (EITI) Standard (requirement 2); and to develop ambitious and transformative Open Government Partnership (OGP) commitments.

Civil society can use the Tool to develop evidence-based advocacy strategies and to better target their efforts to strengthen social accountability including through the EITI and the OGP.

The extractive industry can use the Tool to better understand and manage their company's exposure to corruption risk on a project-by-project basis and to develop more effective internal anti-corruption procedures to control corruption risks originating within and outside their operations.

Financial institutions can use the Tool's indicators as part of their due diligence screening of potential investments.

The Tool is publicly available in English, French and Spanish at www.transparency.org.au

Endnotes

- 1 OECD, *Foreign Bribery Report*, (Paris: OECD, 2014): 8.
- 2 OECD, *Corruption in the extractive value chain: typology of risks, mitigation measures and incentives*, (Paris: OECD, 2016).

How does it work?

The MACRA Tool guides assessors through a series of steps to:

Map how the mining awards process works in legislation and in practice after defining the scope of the assessment. With an analysis of the context in which mining approvals take place, assessors can identify gaps in the process that leave it vulnerable to corruption.

Assess the corruption risks by analysing the evidence about the likelihood and impact of each risk, scoring these risks and validating the results.

Communicate the findings effectively by determining priority risks to focus on and develop a strategy for action.

These steps provide a rigorous and flexible process for undertaking a corruption risk assessment. It is a holistic, system-wide approach that captures the risk of corruption in the environmental and social impact assessment process and community consultation, as well as in the allocation of exploration and mining rights.

QUICK FACTS

- **Tested** in over 20 countries as diverse as Zimbabwe, Peru and Australia and **endorsed** by a wide range of prominent extractive industry and governance experts.
- Provides a proven **step-by-step guide** to help **pinpoint where, why and how severely** the mining licensing process is **vulnerable to corruption**.
- Provides guidance on **identifying the strengths** in the mining awards process, practice and context, and how to use identified strengths in assessing the likelihood and impact of a risk.
- Its extensive list of 80 common corruption risk indicators helps users to **detect, assess and find solutions** to **transparency gaps** in the way the licensing process is set out **in law** and implemented **in practice**.
- Helps assessors **build and use evidence to determine priority areas** and to **articulate targeted reforms** that enhance transparency and accountability and mitigate corruption risks.
- Combines a **rigorous research** method with **flexibility**, so assessors can **use it in a range of different contexts**.