

What corruption risks should be in the focus of the new Ministry of Energy, Mining and Mineral Resources

With the most recent amendments to the Law on Organization and Work of the State Bodies, four new ministries come under the supervision of the new Parliament. The Ministry of Energy, Mining and Mineral Resources stands out as the most important and priority Ministry for the new Government.

It is the importance of energy and national natural resources, as well as the large financial benefits that concessionaires have in these areas, that make such Ministries susceptible to risk, even in countries with well-developed anti-corruption policies.

The audit reports of the State Audit Office (SAO) repeatedly highlight many weaknesses in the manner in which the concession agreements are regulated and supervised, including lack of a long-term strategy for optimal use of water resources, energy, minerals and other natural resources. The most recent audit report on the exploitation of mineral resources points out that the fees for the exploited resources do not reflect the real market prices, which is why the Government collected only 1% of the revenues from the sale realized by the marble concessionaires in the period 2018-2022. This opens up space for suspicions of corrupt activities.

In addition, there have been a series of controversies in the past regarding the process of issuing and, later, revocation of concessions and permits for the operation of the Ilovica and Kazandol mines, which has shown that the irregularities present in the regulations and in the decision-making process can result in significant disputes and damage for the Government.

A series of corruption risks will arise around the work of the new Ministry, to which the new members of the Parliament should pay particular attention:

- **Intensified foreign and domestic lobbying:** It is to be expected that the concessionaires will use their lobbying representatives in order to exert undue influence on the Ministry officials and the MPs, which will lead to bad economic decisions or laws that favor private interests over the public welfare; There is also a risk of corruption in the relevant regulatory and supervisory bodies, whose work may favor certain individuals or groups, and that can compromise the state interests and the national resources;
- **Conflict of interest:** There is a risk that the officials in the newly established Ministry or senior officials, or persons related to them, have personal financial benefits in the companies and concessions whose work they supervise, which could result in biased decision-making;
- **Weak human and material resources in the Ministry:** The authorities that joined the new Ministry have a small number of employees supposed to inspect the work of the concessionaires and the implementation of contracts, because of which there could be

absence of detailed checks and controls, which, in turn, will further increase the likelihood of corrupt activities within the Ministry;

In view of how sensitive this sector is, special vigilance is expected from the new parliamentary composition when passing laws related to the work of the new Ministry. In doing so, they should advocate for regular submission of regulatory impact assessment (RIA) and anti-corruption legislation assessment (APL) along with draft laws. In parallel with that, the MPs should organize regular public hearings and consultations with the expert public and the civil sector, which will help create laws that are well analyzed, transparent and in the best public interest.

The new MPs should comply with the legal requirement to report to the State Commission for Prevention of Corruption (SCPC) all cases of lobbying by third parties during legislative change procedures. The Parliament is required to request the same from the representatives of the executive power. At the same time, the Parliament is expected to regularly take into account and discuss all relevant audit reports of the State Audit Office in order to identify all the omissions and shortcomings in the operation of the Ministry, especially in terms of collection of the concessionaire fees.

Lastly, considering the limited human resources, it is important that the MPs engage and be open to allocating additional financial resources in order to increase the capacities of the inspectorates. At the same time, taking into account the importance of this sector, they need to request from the Government a strategy for creating new professional and well-trained staff for the needs of the Ministry.

The new Ministry of Energy, Mining and Mineral Resources has the potential to yield significant benefits to the economic development of the country. However, there are significant corruption risks that must be addressed proactively. The MPs have a key role in ensuring the integrity and transparency of the Ministry by adopting relevant laws and implementing oversight measures. This will ensure that the Ministry works for the benefit of all citizens and that the national natural resources are managed in a responsible and sustainable manner.

This document is part of the project for "**Fostering debate on accountability and anti-corruption**" which aims to contribute to reform processes in North Macedonia by strengthening the role of the Parliament in the fight against corruption and creating reforms in the rule of law, enabling dialogue between the political parties and youth wings, as well as between MPs and the civil society. The project is supported by the National Endowment for Democracy.