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Anti-Corruption Helpdesk Answer

Undue foreign influence and natural resource management

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Undue foreign influence in natural resource extraction thrives on opaque processes, lack of transparency and oversight, and gaps in law enforcement. Risks of undue influence are particularly acute in licensing, where foreign firms can use corrupt means to bypass due process and in operations, where foreign companies may engage in corruption to circumvent compliance obligations. Potential measures to strengthen integrity include political integrity measures such as political finance safeguards and strong frameworks for managing conflicts of interest, integrity reform in state-owned enterprises, strengthened cross-border cooperation as well as applying social accountability mechanisms.

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Query

What are the corruption risks associated with foreign influence in natural resource management, and what potential anti-corruption measures can address them?

Main points

- Weak governance in licensing and contract awards enables foreign actors to secure extractive rights through opaque and corrupt means.
- Weak operational oversight enables bribery, regulatory evasion and environmental harm by foreign operators.
- Potential anti-corruption measures include beneficial ownership transparency, creating and enforcing political integrity rules, integrity reforms in state-owned enterprises, ensuring community participation, enhancing contract and revenue transparency, and boosting cross-border cooperation.

Contents

Introduction: Natural resources as a high-risk sector for corruption

The oil, gas and mining sectors are globally recognised as high-risk areas for corruption. According to a 2017 OECD survey of anti-corruption measures in state-owned enterprises, oil, gas and mining had the highest number of reported corruption incidents, ahead of sectors such as postal, energy, logistics and transport, fisheries and agriculture (OECD n.d.). Extensive empirical evidence and policy research consistently demonstrate that resource-rich countries tend to suffer from governance challenges that enable widespread corruption in natural resource management (U4 n.d.). For instance, quantitative studies provide some evidence to suggest that the reported level of corruption often increases after mineral production from a mine begins (Kotsadam et al. 2015: 1). Moreover, trust in local governments can decrease after mining operations commence due to an increase in perceived corruption (Mavisakalyan & Minasyan 2025: 1). For shareholders and managers in the industry, fraud and corruption also come at a steep cost, estimated by some industry stakeholders as up to 6.4 per cent of expenditure in mining projects (mining.com 2024).

Despite their abundant natural wealth, countries such as Nigeria, Angola, Venezuela and Sudan (among many others) have experienced negative development outcomes driven in large part by systemic corruption that diverts public revenues to private gain (U4 n.d.). The theory of the “resource curse” has often been used to explain these dynamics, stating that countries that are rich in resources tend to have lower rates of growth (see e.g. Sachs & Warner 1995) as well as be more prone to violent competition (see e.g. Le Billon 2006; Collier & Hoeffler 2000).

However, upon closer inspection, the resource curse is not a certainty, and some countries[1] have indeed leveraged resource wealth for long-term social and economic development. As suggested by Robinson et al. (2006: 448) the nature of institutions, the quality of governance and the control of corruption is a central factor[2] in determining whether or not resource abundance will turn out to be a blessing or a curse. Indeed, resource booms tend to increase the political value of holding an office or position of power, which in turn may encourage resource-related rent-seeking while distorting incentives for sound economic policies. However, whether these dynamics lead to a curse or a blessing depends largely on the quality of institutions: countries with strong accountability mechanisms, rule of law and institutions that foster open competition

[1] Such as Norway, Canada and Sweden
[2] These are not the only factors. For instance, [trade openness may be an important factor too](#).

are better positioned to translate resource wealth into positive development outcomes (Robinson et al. 2006: 448).

A key explanation of corruption risks in natural resource sectors is the concentration of discretionary power among a small group of decision-makers. When a limited group controls access to licences, contracts, tax policies and regulatory enforcement, and when their dealings are opaque and accountability mechanisms lack muscle, the opportunity for corruption increases dramatically (U4 n.d.).

The situation becomes particularly serious when resources give individuals with privileged positions significant private financial gains. In these cases, there may be strong incentives and vested interests to keep regulatory oversight weak. Some governments that depend heavily on resource revenues may actively restrict public scrutiny. In such settings, leaders may maintain power not through citizen consent but by using resource income to buy political loyalty from select constituencies or fund coercive mechanisms to maintain power (U4 n.d.). As a result, countries with weak democratic institutions and limited civic space are especially vulnerable to corruption in natural resource governance.

The private sector also plays a central role, acting as suppliers of corrupt funds by offering or being demanded bribes or engaging in illicit schemes to gain favourable treatment (U4 n.d.). Many extractive firms, especially those operating in high-risk jurisdictions, may also face few risks from evading taxes, under-reporting revenues or manipulating transfer pricing to shift profits offshore (U4 n.d.).

Moreover, the extractive industries, particularly mining, tend to be very capital intensive. Upfront capital expenditures are substantial, which require long-term project planning to ensure an adequate return on capital. This dynamic can lock companies and host governments into mutually dependent relationships (U4 n.d.). This can of course be a good thing, but can also come with corruption risks. Firms that have invested substantial financial resources into infrastructure and personnel may have legitimate objectives to continue the operations that they have put significant investments into, and may therefore be confronted with systemic demands for illicit payments (U4n.d.).

In recent years, the geography and character of natural resource exploitation have shifted. As highlighted by Williams and Dupuy (2016), extraction often takes place in remote regions, often under demanding logistical conditions. These areas are typically harder to monitor, particularly from an anti-corruption perspective.

Moreover, extractive activities often occur in countries with high levels of corruption (Williams & Dupuy 2016). This compounds the risks: governance institutions may be too weak to ensure that contracts are awarded fairly, environmental and social protections may be bypassed, and revenues may be siphoned off. Without effective oversight, resource wealth can deepen rentier politics and exacerbate existing challenges.

Finally, large-scale investments in renewable and non-fossil forms of energy – the so-called green transition – may require six-times increase of mineral inputs by 6 in 2040 (Sayne et al. 2024: 4). The minerals necessary for the green transition, such as Lithium, cobalt and various rare earths, are susceptible to the same governance failures that have plagued traditional extractives (Williams & Dupuy 2016). Moreover, some critical voices are raising concerns that the scramble for minerals can intensify geopolitical tensions and exacerbate risks of corruption and conflict (Stewart 2025). This may raise the risk of undue foreign influence and interference in resource-rich countries across the Americas, Africa, the Middle East and North Africa, Asia and the Arctic that are already geopolitically contested .

Foreign influence as a corruption risk factor

Foreign influence can pose significant corruption risks in natural resource management. In governance contexts marked by low transparency and high levels of discretionary powers in decision-making processes, foreign actors may exploit these vulnerabilities to distort public policy. This can allow them, for instance, to circumvent regulation or gain privileged access to resources.

Seeking influence is not inherently wrong, and lobbying and foreign investment can (and arguably should) play important roles in shaping natural resource governance. However, when influence is opaque, unregulated or disproportionate, it can result in undue influence and even state capture (Bosso, Martini & Ardigó 2014). This includes undue influence wielded by foreign actors for malign purposes.

Undue influence arises when narrow interests work to shape decisions in their favour, rather than in the public interest (Bosso, Martini & Ardigó 2014). In the most extreme cases, these dynamics can escalate to state capture, where foreign or domestic private interests are able to influence not just individual decisions but shape the nature of regulation and how it is applied (Bosso, Martini & Ardigó 2014). In the extractive sector, this can take form of (foreign) mining or oil companies drafting legislation or regulatory frameworks that are later enacted with limited levels of scrutiny.

Undue foreign influence as a form of “strategic corruption”

States attempt to advance their foreign policy objectives and project soft power in multiple ways. This can include open channels, like diplomatic relations, economic and trade ties, cultural and media influence, as well as more secretive or underhand channels, such as military pressure or work conducted by foreign intelligence services.

In some cases, undue foreign influence could be viewed as a form of strategic corruption. Strategic corruption is the deliberate use of corrupt practices abroad – by state actors and their non-state accomplices – in service of a state’s geopolitical and/or economic goals (Alvarez & Huss 2024). An example might be where a foreign state-owned enterprise bribes domestic officials in the target country to win contracts or concessions in a strategic sector of the economy, such as critical minerals. Another example could be where entities affiliated with the ruling party in one country funnel money into the coffers of allied factions in the target country in breach of political finance laws.

While the usefulness of the concept of strategic corruption is contested, it has gained traction in recent years, and analysts have argued that adversarial states use illicit finance, including opaque investments and shadowy campaign financing, to subvert foreign governments or expand their influence abroad (Bak 2021). However, it is important to be clear that, in all likelihood, the majority of attempts to project influence abroad do not actively employ corrupt acts. Underhand tactics, such as foreign intelligence services blackmailing politicians in target countries or promoting disinformation online ahead of elections are, in themselves, unlikely to qualify as corruption.

By the same token, not all acts of corruption that implicate foreign entities point to the existence of some underlying strategic objective on the part of that foreign government. A foreign business may very well bribe officials to win a contract primarily for commercial reasons rather than as part of a coordinated plan in service of a geopolitical goal. At the same time, strategic corruption and undue foreign influence can happen with the aim of obtaining control over natural resources. For example, Siegle (2022) describes how Russia has gained leverage in resource-rich countries such as the Central African Republic (CAR), Sudan and Mali by allying with politically isolated leaders. These alliances have been sealed through opaque deals involving arms, security services and access to extractive resources such as diamonds and gold.

In the CAR, the government offered mining concessions and influence over national security to Russian actors in exchange for military support. This arrangement enabled Russian firms to extract resource exploitation (Siegle 2022). In Sudan, the Wagner Group partnered with powerful militia leaders to traffic gold and prop up the country's military junta. In return, Moscow gained access to port infrastructure and influence over internal repression strategies (Siegle 2022). Sudan's experience also demonstrates that strategic corruption can involve a number of other foreign entities that can gain privileged access to gold mines and strategic ports (Basel Institute on Governance 2025). In Mali, Russian state capture has led to the withdrawal of Western security forces as Russian contractors have profited from the arrangement by gaining access to resources (Siegle 2022).

Corruption risks associated with foreign influence in natural resource management

Licensing and contracting

The first stage in which risks of undue influence and corruption arise in the natural resource value chain is licensing and contracting. In this critical phase, interested parties may exert undue influence to secure mining rights or advantageous contractual terms.

Recent years have seen numerous high-level cases of corruption in licensing and/or contracting in natural resources. Perhaps the most prominent involves the commodity trader Glencore, which, over a decade, engaged in a vast bribery scheme to pay over US$100 million to public officials across a number of countries in Africa and South America in return for lucrative agreements. According to the US Department of Justice (2022), Glencore funnelled illicit payments through third-party intermediaries to both win and retain contracts with state-owned oil and commodity firms. For example, over US$52 million was allegedly paid to Nigerian stakeholders to secure crude oil contracts from a state-owned oil company (US Department of Justice 2022). Another major case is the OPL 245 oil deal in Nigeria, where oil companies Shell and Eni were accused of paying US$1.1 billion for a licence that was largely used for bribes, costing Nigeria an estimated US$6 billion in lost revenues (Padmore 2018).

As documented by Sayne et al. (2024: 3), these cases are far from isolated, and undue influence and corruption in licensing and contracting is widespread. Indeed, eight out of ten countries with the highest recorded reserves of minerals critical to the green transition have experienced corruption cases at this stage. Sayne et al. (2024) identify 53 such cases in 30 countries, finding that firms have strong incentives to bribe or make use of politically exposed contacts in the process of obtaining licences and contracts. Another mode by which mining licences can be obtained via corrupt means is political support from awarded companies toward political parties, which in turn provide the “right” mining licence (Sayne et al. 2024: 24). This can take forms such as campaign donations, provision of private security or in-kind support such as jobs or transport for political supporters (Sayne et al. 2024: 24). Allegations of political donations by mining firms to ruling parties raise concerns about quid pro quo deals in contracting (Caripis 2017: 31).

Undue influence risks

Trading in influence and political capture

Contract negotiations may be shaped by actors with access to decision-makers by exchanging favours or gifts for preferential treatment (OECD 2016: 39). Risks are heightened when negotiations lack transparency or when oversight institutions cannot effectively monitor and enforce regulations. An example of such preferential treatment occurred in 2008 in Australia, when a New South Wales politician conspired to rig a tender for a coal exploration licence on family land in favour of a beneficially owned company (ABC 2021).

Conflicts of interest and revolving doors

Another risk involves conflicts of interest. Officials with influence over the contracting and licensing process may either hold stakes in extractive firms, may seek employment or have previously worked for companies seeking contracts (OECD 2016: 40). For instance, in Zimbabwe's Marange diamond fields, officials were found to have undeclared stakes in mining ventures (Caripis 2017: 24). Similar patterns occur in countries where beneficial ownership remains undisclosed, enabling firms that have connections to officials to win contracts (Caripis 2017: 25).

Caripis (2017: 25) highlights how the movement of officials into mining sector roles can compromise integrity, especially without cooling-off periods. OECD (2016) notes that, in some cases, officials have actively advised extractive firms on negotiations while still in public office.

Lobbying

Lobbying, when inadequately controlled for, is another potential opportunity for foreign actors to exert undue influence in the awarding of mining contracts and licences. Such influence can arguably lead to policy capture if foreign actors are able to shape policies to their advantage to a substantial degree and at the expense of the public interest (Transparency International Australia 2021: 2). While lobbying is not inherently corrupt, in weakly regulated contexts it can exist in a grey zone, where lobbyists can exert undue influence. This is particularly the case when decision-making bodies lack transparency and measures to guarantee political integrity (Aulby 2017).

Campaign financing

Elections present high-risk windows for corruption and undue influence in the awarding of licences and contracts. As Sayne et al. (2024: 24) describe, companies may offer political parties campaign support in a quid pro quo arrangement. Such support, however, can take multiple forms. It can range from goods and services (for example, transportation or lending of equipment) to payments or donations to election officials in exchange for favourable licensing at some point after an election. This type of political support can be initiated by companies or another foreign entity or by politicians offering future access to licences in return for help in elections or political campaigns (Sayne et al. 2024).

Researchers warn that large campaign contributions from extractive firms can come with risks of quid pro quo arrangements, meaning donors effectively "buy" policies or contracts (Sayne et al. 2024: 24). One of the more high-profile cases of such campaign financing is Brazil's Odebrecht scandal where the construction conglomerate illicitly funded the election campaigns of politicians across Latin and South America, particularly Brazil, after which it managed to secure lucrative public works contracts once those allies took office (Taylor 2016).

Similarly, in West Africa, London-listed Sable Mining spent hundreds of thousands of dollars bribing Liberian officials with substantial payments and political contributions in return for concessions (Global Witness 2016). Similar tactics were later deployed in Guinea, where Sable supported the election campaign of future president Alpha Condé. In these cases, campaign financing was used with various forms of bribery to wield undue influence over licensing outcomes (Global Witness 2016).

Short-circuiting the process of free, prior and informed consent

Foreign companies may also exploit the lack of local transparency to co-opt traditional leaders or community representatives or to short-circuit various assessments such as environmental impact assessments or processes such as free, prior and informed consent (Sayne et al. 2024: 32). As Sayne et al. note, foreign firms have used bribes or gifts to influence decision-makers into granting licences while avoiding consultation obligations (2024: 32). Foreign companies may also try to influence participants in consultation processes to pass on false-positive information to obtain the sign-offs needed to obtain a licence (Sayne et al. 2024: 32). For instance, investigations in Peru have revealed that mining companies have manipulated community consultations to manufacture consent by promising local leaders cash or jobs in return for some acceptance or consent to the project setup (Proética 2019: 47). In one case, a company used its resources to persuade leaders in a community to state that they were not an Indigenous people and thus were not subject to the same standards. However, in Peru, private enterprises do not have the legal right to determine who are Indigenous people (Proética 2019: 47).

Free, prior and informed consent

FPIC is a principle that gives communities the right to decide whether to accept or reject a project that may affect their land, resources or way of life.

- **free**: decisions are made without coercion, pressure or manipulation.
- **prior**: consent is sought in good time before any authorisation is given to begin project activities.
- **informed**: communities receive full, clear and accessible information about the project, including scope, duration, risks and impact.

(OHCHR 2013: 2)

Awarding

In general, there are a few frequent warning signs or symptoms of non-compliance with award guidelines that indicate undue influence, listed by Sayne et al. (2024), such as when licences are awarded to: unqualified or recently established companies; firms with limited operational capacity; companies linked to politically exposed persons; or entities that would be flagged in adverse media scan (Sayne et al. 2024: 7, 15). Other important red flags of an undue process include heavy reliance on intermediaries or undue involvement of officials in the award processes (Sayne et al. 2024: 7). Such practices undermine competitive, merit-based contracting, enabling firms to bypass due diligence and scrutiny. In some cases, awarded companies lack the capacity to develop and execute a profitable project at all, as has been seen in Madagascar where a Russian company failed to ensure operational efficiency and had to close (Sayne et al. 2024: 25).

Monitoring operations and regulatory compliance

As mining projects move from contract to execution, the focus of corruption risk shifts from contracting and licensing toward corruption risks in the process of regulating and conducting oversight of ongoing operations. Foreign companies may themselves foster (or be the victims of) corruption in this phase.

In a major ongoing corruption case from Indonesia, state-owned mining company PT Timah stands accused of a scheme to facilitate illegal mining activities and integrate illegal tin into its supply chain (Jong 2024). According to court judgements, PT Timah executives facilitated the laundering of illicit tin through shell companies, falsified procurement contracts, and purchased ore directly from unlicensed miners operating inside protected forests and Timah's own concessions (Walker & Walker 2025). PT Timah allegedly mined an area close to twice the size of its formal permits (Jong 2024). The illegal mining has caused significant environmental destruction and lost revenue estimated to be around US$16 billion. Several executives were convicted for corruption (Walker & Walker 2025).

As this case illustrates, there are various major categories of risk of both corruption and undue influence during the execution phase of an extractive industry project. Most importantly, regulatory capture can enable a company to avoid regulatory compliance, including compliance with sourcing requirements, environmental regulations and procurement rules (OECD 2016: 55).

Mechanisms and modes of undue influence

As with the contracting phase, regulatory capture remains a corruption risk during the operational stage of an extractive project. This is particularly the case in countries where officials have great amounts of discretionary power to determine obligations on extractive projects. When a company can exert undue influence over the agencies and institutions meant to oversee them, they may be able to circumvent enforcement of regulatory standards (OECD 2016: 61).

For instance, according to Malca (2024), decentralised regional governments in Peru have used their discretion over land use and mining authorisations to benefit private agribusiness and illegal mining operations. Elected governors and regional directors with close links to mining interests have issued land titles and supported bills that weaken environmental enforcement, despite ongoing corruption investigations (Malca 2024).

Just as with the means of regulatory capture during the contracting and licensing phase, regulatory capture can be obtained through means such as offering jobs to regulators in anticipation of favourable rulings (the "revolving door" effect) or via bribes and kickbacks (OECD 2016: 61). Officials can grant waivers from local sourcing obligations or may collude to select entities owned by politically exposed persons for joint venture projects (OECD 2016: 61).

Compliance inspections and bribery

The issuance of key authorisations and clearances, such as environmental impact assessments, certifications or customs clearances, is a key corruption risk flashpoint. These processes are often complex and involve interactions between the public and private sectors, as well as national and foreign actors. There may, therefore, be numerous opportunities for individual officials or business representatives to demand or provide some sort of payment by, for instance, threatening delay, rejection or, conversely, fast-tracking some of these processes (OECD 2016: 63, 65). Foreign companies have reported being pressured to offer illicit payments to secure the passing of inspections (OECD 2016: 63). In more remote areas or in contexts with limited state capacity or limited regulatory capacity, there are heavy risks of bribery in return for collusive inspections, falsified reports or overlooked violations (OECD 2016: 63).

Extortion during operations

Extortion can also emerge as a major risk during the operational phase, particularly in the cases where the continuity of operations depends on the cooperation of public officials or other local actors who have the power to disrupt or revoke licences (OECD 2016). Companies can be forced to make illicit payments in response to threats of operational disruption, adverse legal action, revoking of licences and even security risks. This can involve bribes to "manage" social unrest or avoid delays in permits. For instance, in one case, immigration officials threatened a company's expatriate staff with fines and deportation unless a demand for cash was met. In another, officials from a state-owned enterprise demanded kickbacks from a consultant under threat of halting a project (OECD 2016: 67).

Corruption risk in extractive sector-related procurement

Procurement of goods and services during operations of an extractive site is another key corruption and undue influence risk. Companies may collude in bid rigging, engage in favouritism in supplier selection or offer artificially inflated fees to disguise illicit payments. Companies may also manipulate local content requirements (such as the amount of operational input intended to be produced locally or domestically) to steer contracts toward politically connected beneficiaries who they feel compelled to work with (OECD 2016: 56–57). Bid rigging in the operational phase of an extractive project can also involve different types of competition related corruption or cartelisation, such as informal agreements between competitors to rotate wins, suppress bids or submit artificially high offers (OECD 2016: 56).

Corruption can emerge as a major factor that inhibits backward links in mining. Recent evidence from Zambia highlights how corruption also limits local firms' access to mining supply chains. A firm-level survey in Kitwe, a mining hub in Zambia, found that corruption and bribery were among the main obstacles cited by local businesses seeking to become suppliers to local mining operations (other factors included alleged low demand and lack of connections) (Benshaul-Tolonen & Musso 2025). Corruption, in other words, may be associated with perceived exclusion and ultimately can undermine the intention of local content policies.

Corruption through state-owned enterprises

State-owned enterprises often play a dual role as both an operator and a regulator. This may come with an inherent conflict of interest which can be used to obtain undue influence. Foreign companies may exploit this double role by using corrupt means to secure favourable contract terms or exemptions. For instance, in one documented case, a foreign firm allegedly bribed auditors to inflate reimbursement claims. In doing so it reduced its tax burden while enriching complicit officials (OECD 2016: 66).

Political support and undue influence during operations

Political interference can also happen at the operations stage, with foreign firms aligning themselves with ruling elites or dominant political factions to influence dispute outcomes, suppress penalties or gain informal protection from scrutiny. In some cases, such protection was provided in exchange for kickbacks or favourable treatment in future joint ventures (OECD 2016: 66–67).

Informal and illegal mining/shadow value chains

A substantial amount of corruption in operations happens in what Østensen and Stridsman (2017) call shadow value chains. Drawing on evidence from West Africa, they demonstrate that the extraction and trade of lootable resources such as gold, diamonds, timber and oil often take place through informal and/or illegal routes. These value chains often begin with small-scale or artisanal extraction and thrive in contexts characterised by high levels of economic informality. While many artisanal miners operate informally out of necessity, the system is, in many cases, sustained and scaled by corrupt public officials, regulatory capture, organised crime and foreign commodity traders.

As Østensen and Stridsman (2017: 53–54) note, even in cases where strong regulations exist, enforcement is often weak, while incentives for elite capture remain strong. For instance, in Nigeria, small, politically connected firms are sometimes involved in transporting and storing stolen oil, exploiting regulatory complexity and faking documentation to facilitate illegal exports (Østensen & Stridsman 2017: 52). These firms often operate from secrecy jurisdictions, with obscured beneficial ownership structures, enabling illicit flows and shielding the proceeds of corruption from scrutiny (Østensen & Stridsman 2017: 52).

The dynamics of shadow value chains are also clearly visible in the Peruvian Amazon, where illegal gold mining is enabled by informal politics, state capture and limited practical enforcement. Political elites have at times actively promoted illegal activities by obstructing registration requirements, delaying inspections and aligning with actors accused of forest crimes (Malca 2024). Data from Peru also show that gold exports tend to exceed the official production number of the country’s mines. This quite sizeable gap implies extensive informally mined or smuggled gold (Ortiz-Ospina 2025).

A similar story is unfolding in northern neighbour Ecuador, where evidence suggests that illicit gold can be trafficked abroad through opaque channels (often misdeclared or laundered as legal output) (Hunter 2025). Trade data indicate that the UAE and India are major buyers of Ecuadorian gold, but import, export and production volumes are mismatched. This is of course an indication of undeclared shipments (Hunter 2025).

Taxation, revenue management and spending

The collection and spending of taxes, royalties and fees in the extractive sector represent another set of corruption risks. Foreign entities operating in resource-rich countries may become involved in these vulnerabilities through bribery, tax evasion or illegal profit-shifting mechanisms. Moreover, the management of the funds from natural resource extraction and management is a key risk that has arguably given rise to some of the largest corruption scandals over the last decades.

Corruption in tax and revenue collection

In the revenue collection mobilisation phase, relevant risks include bribery to obtain tax exemptions, mis-reporting and trade mispricing. For example foreign extractive companies may collude with tax officials to obtain positive tax treatment such as avoiding litigation in cases where there are tax-related indifferences, to secure tax exemptions or to reduce foreigners’ tax obligations (OECD 2016: 78).

A common method for tax evasion by foreign firms involves distortions in accounting and reporting. This includes under-reporting either production volumes or revenue, or over-reporting operational and capital costs (all, of course, to reduce taxable earnings) (OECD 2016: 79). Trade mispricing is another frequent tactic. Foreign firms may engage in under-invoicing exports or over-invoicing imports to reduce reported taxable profits. These schemes often rely on affiliates in low-tax jurisdictions receiving inflated payments, thereby eroding the host country’s tax base (OECD 2016: 79).

For instance, in Senegal, risks of tax evasion and trade misinvoicing in the extractives sector are well documented. According to a study by the Natural Resource Governance Institute (Davis 2024), Senegal could be losing between 1% to 3% of its annual tax revenues due to under-declared mineral exports, cost inflation by subcontractors and distorted intra-company trades (Davis 2024: 3–5).

A similar pattern is observed in Zambia, where copper exports worth US$4.2 billion were recorded as exported to Switzerland in 2014, yet no corresponding Swiss imports appear in official trade data. Investigations revealed that multinational firms used complex “transit trade” and transfer mispricing schemes to shift profits out of Zambia. According to the Zambia Institute for Policy Analysis and Research, such mispricing drained national revenue, with up to US$17.3 billion lost to illicit financial flows between 1970 and 2010 (Voller & Overgaard 2016). A leaked audit even indicated profit-shifting from Zambia to Swiss subsidiaries, allegedly costing the country as much as £76 million annually in corporate taxes (Voller & Overgaard 2016).

Corruption or fraud by foreign actors in revenue collection is often enabled by institutional and regulatory frameworks that may be either weakly enforced, overly complex, contain numerous discretionary exemptions or have unclear tax rules that permit extensive loopholes (OECD 2016: 80–81). Moreover, capacity gaps in tax authorities mean that they often lack the tools to verify things such as production volumes or detect mispricing (OECD 2016: 80).

Corruption risks in revenue management

Revenue management is a critical yet corruption prone phase of the extractive value chain. Corruption in this domain can occur both in the management of resource revenues through sovereign wealth or natural resource funds, and in the redistribution of revenues from central governments to subnational entities.

Mismanagement and corruption in natural resource funds

Natural resource funds, such as sovereign wealth funds, is another area to watch for corruption risks (OECD 2016: p. 91). Especially in context of limited oversight, there are high risks of embezzlement, political capture (such as investment decisions influenced by clientelist networks), bribery and conflicts of interest. Bribery may be a risk when external asset managers offer bribes to win contracts or facilitate high-fee advisory arrangements. For instance, in one case, a national fund has allegedly awarded asset management contracts based on corrupt ties to a foreign bank (OECD 2016: 93).

While many sovereign wealth funds are meant to be long-term mechanisms for supporting macroeconomic stability and/or national development, lessons from recent years have shown that they have often lacked transparency and have been susceptible to embezzlement, fraud and political exploitation (Szakonyi 2024; OECD 2016: 94). In the 1MDB scandal, over US$4.5 billion were embezzled via fraudulent bonds and shell companies. In Angola, more than US$500 million were funnelled to the former president’s son (BBC 2020). The Russian direct investment fund has been described by the US Treasury as a geopolitical "slush fund" (Agrippina 2025). Meanwhile, leaks from sovereign wealth funds (such as Australia's Future Fund) indicate that corruption risks are not limited to low-income countries (Szakonyi 2024).

Corruption risks in revenue spending, social investment projects and community development funds

Revenue spending and corporate social responsibility linked social investment projects in the extractive sector, whether implemented by state entities or private companies, are vulnerable to diversion, elite capture and other forms of undue influence. Earmarked revenues for social development are frequently lost to tender rigging, embezzlement, bribery and patronage, with procurement for extractives related infrastructure particularly prone to lowballing, collusive pricing and favouritism, resulting in inflated costs or incomplete projects (OECD 2016: 102).

Social expenditures required of extractive firms, such as those channelled through local development funds or agreements with traditional leaders, can similarly face risks of embezzlement, conflicts of interest and elite capture (OECD 2016: 106–108). Voluntary donations and sponsorship may also be used to secure favourable treatment or diverted from their intended purposes (OECD 2016: 108).

Likewise, community or social development funds, designed to redistribute resource revenues for local development, have in some cases been mismanaged by local elites (Dupuy 2017). Governance frameworks that are characterised by opaque decision-making, dominated by political appointees or unaccountable elites and involve minimal community involvement, and absent or inadequate reporting and audit mechanisms are heavily associated with these risks (OECD 2016: 109). In some contexts, the allocation of funds can be manipulated by patron-client networks to, for example, integrate beneficiaries into patronage networks (OECD 2016: 96).

Corruption in commodity trading

Commodity trading is a critical revenue source for resource-rich countries, particularly those with state-owned enterprises operating in the oil and gas sector. Yet, as recent years have shown, this phase is highly vulnerable to corruption forms that often involve foreign trading companies. In a landmark 2025 case, Switzerland's highest court convicted Trafigura and its former chief operating officer of paying nearly US$5 million in bribes to Angolan officials to win large-scale oil trading contracts (Foulkes 2025). Likewise, in 2024, Swiss commodities trader Gunvor S.A. pleaded guilty of violating the Foreign Corrupt Practices Act for almost a decade for bribery of government officials in the Democratic Republic of Congo and Ecuador in return for trading contracts involving oil, and had to pay US$664 million in fines (Stempel et al. 2024).

As these cases indicate, a key risk in the trading of commodities in the extractive industry is bribery for securing below-market commodities from state-owned enterprise. Such trade mispricing allows foreign commodity traders to reap inflated resale profits while eroding producer-state revenues (OECD 2016: 83).

Non-monetary deals, such as oil-for-product swaps or infrastructure-for-resource agreements is also a key risk as they frequently lack both transparency and create opportunities for mispricing and rent-seeking (OECD 2016: 84).

Indeed, there is some evidence that commodity trading hubs enable profit-shifting via skewed prices. Mehrotra and Carbonnier (2021) find systematic “abnormal pricing” in trade with Switzerland, suggesting that Swiss-based trading intermediaries often buy oil, minerals or metals at prices that could be below market value.

Anti-corruption measures to mitigate undue foreign influence in natural resource governance

Addressing undue foreign influence in the extractive sector calls for measures that strengthen the general transparency, accountability and stakeholder participation across the value chain.

Transparent and fair contract negotiation and licensing process

To reduce risks of corrupt undue foreign influence in the process of awarding mineral, oil and gas rights, countries can implement measures that enhance transparency and reduce discretion of the licensing and contracting process.

First, according to OECD 2016 (50-51), governments can adopt and implement standardised licensing models or contract templates that clearly define key terms, obligations and rights. By having such standard procedures, discretionary powers are reduced. These standard models can be developed in consultation with relevant stakeholders, should always be made publicly available, and used as the baseline for all licence awards or renegotiations (OECD 2016: 50–51).

Second, mining licences should be awarded through a process of open and competitive bidding. This includes publishing all critical information related to the bidding process (timelines, geological data, criteria for evaluation and decisions) and mandating online or anonymised submission formats to limit corrupt interactions (OECD 2016, pp.50–51). Independent entities should design and oversee bid processes, with mechanisms to manage conflicts of interest and ensure impartiality.

Third, contract disclosure is an important element of ensuring integrity in natural resource governance (EITI 2023: 5). By publishing contracts, citizens and other stakeholders such as civil society organisations and media can assess conditions and monitor the extent to which a country is receiving its perceived fair share of resource rents. By making contracts publicly available, the public can also monitor company and government compliance. Indeed, under EITI Requirement 2.4, all extractive contracts and licences must be disclosed. This aims to enhance public understanding of extractive sector governance and support stakeholder oversight of contractual commitments (EITI 2023: 5). However, studies of EITI countries' actual disclosure rates find that there is still some way to go to get every member country to disclose contracts on a consistent basis. Some 30% of member countries still do not do so (Pitman & Menard 2023: 3)

Fourth, competitive bidding/tendering is a vital element for reducing the risk of corruption and undue foreign influence in the allocation of mining rights. Unlike first-come-first-served or closed loop negotiations, competitive tenders can be a means of creating transparency and, of course, helping governments identify the most technically and financially capable partners (IGF 2022: 1–2). Transparent bidding procedures allow for public scrutiny of the terms and outcomes of mineral rights allocation, which reduces discretion and limits opportunities for backdoor deals, bribery and political favouritism (IGF 2022: 6). The process of an open bid for a mining licence can also include some form of prequalification assessment and beneficial ownership screening (which arguably is even more important than usual when working with foreign potential partners) (IGF 2022, pp.3–4, 7). However, the extent to which competitive bidding will be a success largely depends on a well-thought out design, transparency and government capacity or external support to resist manipulation by politically connected or better-resourced foreign actors (IGF 2022: 10).

Company disclosure and beneficial ownership transparency

As suggested throughout this Helpdesk Answer, opaque beneficial ownership structures is a key enabler of undue foreign influence and corruption in the allocation of extractive sector licences as well as in the operations related procurement and other processes. Foreign politically exposed persons and public officials can use nominees or shell companies to disguise their involvement in natural resource extraction. Despite the severity of this risk, many resource-rich countries fail to conduct systematic screening for beneficial owners (Westenberg & Sayne, 2017: 1).

To address this, governments can embed beneficial ownership transparency principles and adequate screening throughout the licensing process. Screenings and due diligence procedures should disclose the real individuals who ultimately own or benefit from the company bidding or applying for a licence or a contract. This information should be publicly available in open registries to enable not just regulatory agencies to do their work but also civil society, media and informal oversight bodies (Westenberg & Sayne, 2017: 20).

EITI Requirement 2.5 mandates that all implementing countries maintain a public register of the beneficial owners of those entities engaged in extractive projects. The purpose of this is to keep ownership information accessible to oversight actors and the wider public (EITI 2019).

However, disclosure alone is not sufficient. Regulators should actively screen beneficial ownership data for red flags that may indicate corruption risks. Where such risks are identified, regulators should have legal grounds to disqualify the bidder before proceeding with the award (Westenberg & Sayne, 2017: 2).

Political integrity measures

The general integrity of political decision-making processes plays a large role in enabling or limiting undue influence in the extractive sector.

For instance, lobbying regulation, such as the mandatory disclosure of meetings and communications between policymakers and representatives of foreign extractive companies (lobbying registers), can help regulators and the public gain insights into the influence that foreign entities have on resource policy. There should also be an independent oversight body with the mandate to verify disclosures and impose meaningful sanctions for non-compliance (Bosso et al. 2014).

Second, political finance regulations that put restrictions on political donations may play an important role in limiting the ability for foreign actors to wield undue influence in the extractive sector. Illicit contributions can be used to skew policymaking in favour of external interests. An element of political finance regulation may be to make it mandatory for politicians to disclose campaign donations (Bosso et al 2014).

Another potential political integrity measure that can also limit undue foreign influence in the extractive industry are so-called cooling-off periods for senior officials and regulators: specified periods before these individuals can take up positions in extractive companies (or any private sector entity that may be related to their past work). This measure aims to prevent or at least mitigate the risk of the so-called revolving door phenomenon, where public officials transition into private sector roles that may benefit from insider knowledge or influence acquired during public service. Likewise, it is intended to prevent situations where a future position may be promised in return for preferential treatment. Cooling-off rules can thus be used as one of the measures to reduce conflicts of interest (Martini 2015: 2).

Integrity reform in state-owned enterprises

State-owned enterprises (SOEs) often play a central role in the extractive sector, acting as the main interface with foreign investors, commodity traders and other market actors. This strategic position makes them vulnerable to corruption and undue foreign influence.

The OECD’s Guidelines on Corporate Governance of State-Owned Enterprises (2024) outline good practices to strengthen integrity. These include the mandatory publication of contracts and key financial data to enhance transparency and reduce the risk of illicit transactions (OECD 2024: 19) along with board compositions designed to ensure independent oversight, with all members subject to conflict-of-interest checks (OECD 2024: 21).

The OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises (2019) further recommend applying private sector standards of liability to SOEs, with robust accounting and auditing, and clear, transparent mandates. SOEs should adopt risk management systems with strong internal controls, ethics and compliance programmes, third-party due diligence and whistleblower protections (OECD 2019: 23–25).

Finally, enforcement of corruption cases involving SOEs must be impartial and protected from political or economic interference, while encouraging active civil society and media oversight (OECD 2019: 30–32).

Consultation mechanisms

Free, prior and informed consent (FPIC) mechanisms can play a crucial role in mitigating corruption risks associated with mining projects. FPIC, if done correctly and in good faith, can provide communities in areas of extraction adequate information on impact and benefit, and the power and the right to either give or withhold consent to mining activities. FPIC mechanisms can therefore act as a way to facilitate communication between foreign mining companies, governments and local communities (IHRB 2022).

FPIC is not an anti-corruption mechanism per se. However, it is designed to ensure development benefits by communities affected by extractive industry activity. Indirectly, by ensuring that communities have the free right to withhold consent to a project, it may act as a way to reduce the potential power of bribing government officials. As mentioned earlier, FPIC processes can be manipulated, but steps may be taken to protect their integrity.

In addition to FPIC, foreign extractive industry companies can involve local communities via various participatory mechanisms or social accountability mechanisms. One of these can be participatory environmental monitoring committees (see UNDP 2019).

Another potential mechanism for providing citizen oversight can be citizen monitoring, which organisations such as Publish What You Pay have tested in contexts such as in Indonesia. Citizen audits can be a way to build citizen and civil society capacity to engage in collaborative social accountability on mining licensing and revenue management, which can have positive effects on the management of resources on both the public and private sector side (World Bank 2022).

Cross-border cooperation and enforcement

The cross-border nature of the extractives sector means that corruption, tax evasion and illicit financial flows is unlikely to be effectively countered without the involvement of multiple jurisdictions. Strengthening international cooperation is therefore essential to close enforcement gaps that foreign-owned extractive firms could exploit.

One key measure is the automatic exchange of financial account information. This can be done between tax authorities under systems that enable jurisdictions to detect hidden offshore assets, under-reported income and profit-shifting arrangements such as the OECD's common reporting standard. The common reporting standard is a global framework for collecting and exchanging information among different tax jurisdictions (OECD 2017).

A key component of international cooperation against corruption in the extractive sector is the establishment of anti-corruption bodies and initiatives. The Extractive Industries Transparency Initiative promotes public disclosure of payments, contracts and ownership information, and works with a range of stakeholders to improve the integrity of extractive sectors in its approximately 50 implementing countries (EITI 2025).

Another potential forum for cooperation is the OECD working group on bribery, which acts as a peer-review mechanism to monitor compliance with the OECD Anti-Bribery Convention (OECD 2025). A third relevant initiative is the International Centre for Asset Recovery at the Basel Institute on Governance, which cooperates with countries on asset recovery.

Cross-border cooperation can also involve cooperation and enforcement on sanctions and debarment to ensure that foreign companies implicated in corruption face actual commercial consequences. For instance, a number of multilateral development banks have cross-debarment agreements, preventing certain firms from bidding on projects (World Bank n.d.).

In summary, limiting undue foreign influence over natural resource governance may involve actions that create more transparency and accountability in licensing, a stronger framework for holding private entities to account, clear political integrity rules and SOE reforms. The effectiveness of such measures may vary depending on context, enforcement and active oversight.

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