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# MINERALS & CONFLICT



A TOOLKIT FOR INTERVENTION

*Key Issues*

*Lessons Learned*

*Program Options*

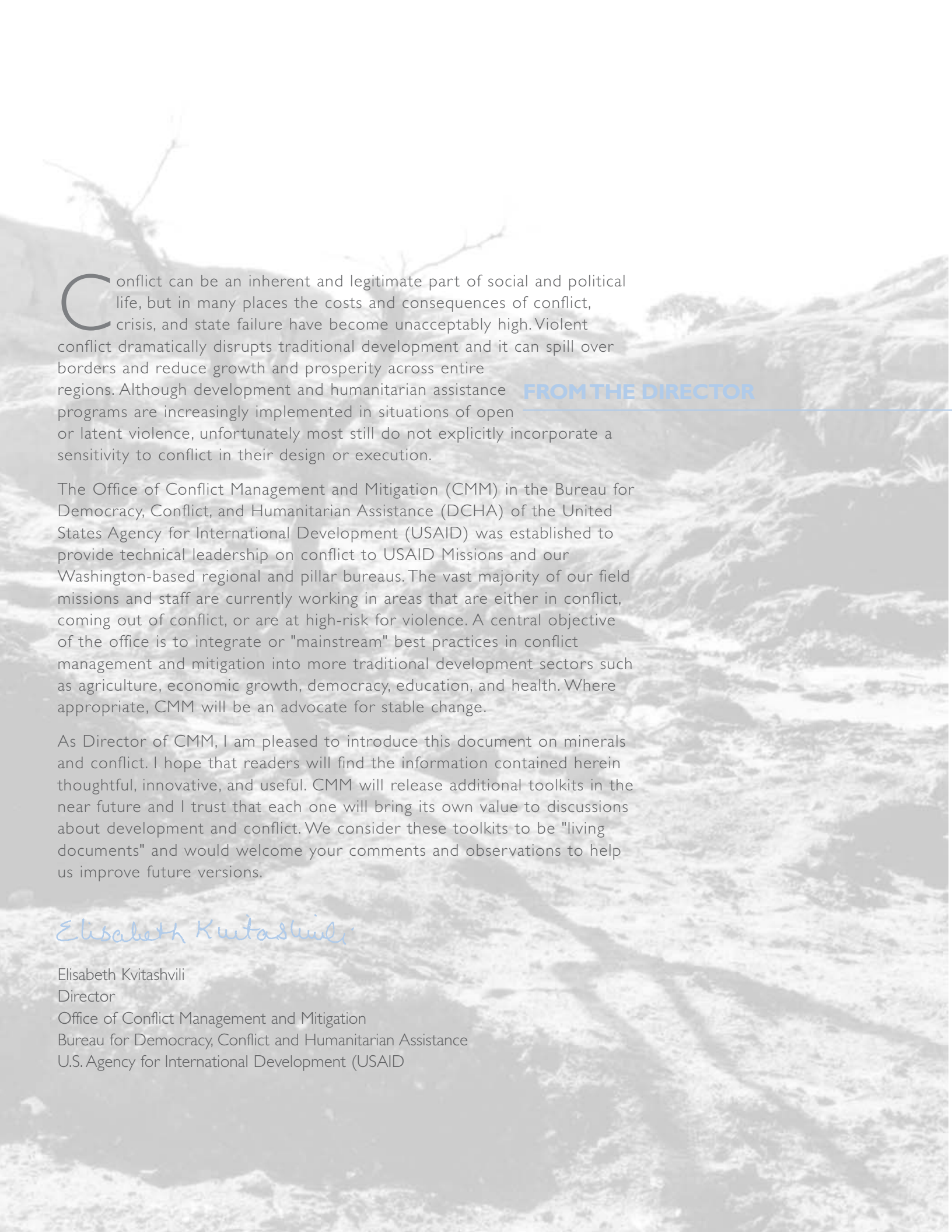
*Survey Instrument*

*Monitoring and Evaluation*

*Resources*

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FRONT AND BACK COVER PHOTOS: HARRIET PADAM  
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Conflict can be an inherent and legitimate part of social and political life, but in many places the costs and consequences of conflict, crisis, and state failure have become unacceptably high. Violent conflict dramatically disrupts traditional development and it can spill over borders and reduce growth and prosperity across entire regions. Although development and humanitarian assistance programs are increasingly implemented in situations of open or latent violence, unfortunately most still do not explicitly incorporate a sensitivity to conflict in their design or execution.

## FROM THE DIRECTOR

The Office of Conflict Management and Mitigation (CMM) in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) of the United States Agency for International Development (USAID) was established to provide technical leadership on conflict to USAID Missions and our Washington-based regional and pillar bureaus. The vast majority of our field missions and staff are currently working in areas that are either in conflict, coming out of conflict, or are at high-risk for violence. A central objective of the office is to integrate or "mainstream" best practices in conflict management and mitigation into more traditional development sectors such as agriculture, economic growth, democracy, education, and health. Where appropriate, CMM will be an advocate for stable change.

As Director of CMM, I am pleased to introduce this document on minerals and conflict. I hope that readers will find the information contained herein thoughtful, innovative, and useful. CMM will release additional toolkits in the near future and I trust that each one will bring its own value to discussions about development and conflict. We consider these toolkits to be "living documents" and would welcome your comments and observations to help us improve future versions.

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## MINERALS & CONFLICT: A TOOLKIT FOR PROGRAMMING

This toolkit is part of a series that explores how development assistance can address key risk factors associated with conflict. One area that is receiving increasing attention is the relationship between natural resources and violence. In many recent conflicts, valuable or scarce resources — land, water, timber, or minerals — have played a central role in both causing and sustaining violence. In particular, valuable minerals took center stage after "conflict diamonds" or "blood diamonds" became a prominent feature of Sierra Leone's civil war. Unfortunately, competition over minerals in the Democratic Republic of the Congo has followed a similarly brutal course.

This toolkit: 1) examines the relationship between valuable minerals, such as diamonds or coltan, and violence; 2) discusses lessons learned in developing programs to deal with "conflict commodities"; 3) presents a range of program options; 4) provides a survey instrument that identifies key questions related to minerals and conflict; and 5) identifies relevant USAID mechanisms and implementing partners. Monitoring and evaluation tools are being developed. Together, the elements of this toolkit are designed to raise awareness about the linkages among valuable minerals, development assistance, and conflict; and to help integrate a conflict perspective into development programming.

The toolkits in this series explore individual risk factors in depth. They do not identify all relevant factors linked to violence. As such, they are designed to serve as companion pieces to conflict assessments. Conflict assessments provide a broad overview of destabilizing patterns and trends in a society. They sift through the many potential causes of conflict that exist and zero in on those that are most likely to lead to violence (or renewed violence) in a particular context. While they provide recommendations about how to make development and humanitarian assistance more responsive to conflict dynamics, they do not provide detailed guidance on how to design specific activities. The toolkits in this series are intended to fill that gap by moving from a diagnosis of the problem to a more detailed discussion of potential interventions. Together, the assessment framework and toolkits are designed to help Missions gain a deeper understanding of the forces driving violence and to develop more strategic and focused interventions.

This toolkit was initially authored by a team of researchers, including Alexander Carius (Adelphi Research); Geoffrey Dabelko (Woodrow Wilson International Center for Scholars); Doris Capistrano (CIFOR); Moira Feil (Adelphi Research); and Jason Switzer (International Institute for Sustainable Development). It was subsequently revised with substantial input from officers in USAID Missions, other bilateral and multilateral donor agencies, academic experts, and members of the NGO community. Comments, questions, and requests for additional information should be directed to the Office of Conflict Management and Mitigation.

Office of Conflict Management and Mitigation (CMM)

Bureau for Democracy, Conflict, and Humanitarian Assistance

United States Agency for International Development

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## USING MINERALS TO FINANCE VIOLENCE

Sustaining a fighting force requires a steady flow of money. Diamonds directly financed the UNITA rebels in Angola in the 1990s, while in Liberia, Charles Taylor first used timber, then diamonds, as a lucrative source of funds (Ross 2002). Likewise, governments and other groups (including militaries) have used minerals to sustain wars against secessionist groups and rebels. An expert panel reported to the UN Security Council in 2002 that the DRC conflict had become a war for access, control, and trade of five key mineral resources. In the DRC and elsewhere, governments and/or insurgents have sold mineral rights to private interests to generate funds for buying arms and hiring mercenaries.

At times, the discovery of valuable minerals has led to attempts to overthrow the government to capture a share of future revenues. Moreover, armed rebel groups, military units, or governments often seek revenue, which can be used to fuel conflict, by mining and selling valuable minerals or requiring taxes and royalty payments from legitimate operators. Others extort "protection" funds and some simply steal the minerals after they have been mined.

For example, Russian crime groups illegally extract and sell 300 metric tons of amber worth an estimated \$1 billion each year. Criminal syndicates operating in South Africa stole 20 metric tons of gold and diamonds valued at \$350 million in 1996. In Southeast Asia, smuggling of precious gems was a major source of revenue for the Khmer Rouge insurgency in Cambodia and remains a secondary source of income for drug-trafficking insurgent armies based in Myanmar.

## MINING AND LOWER-SCALE VIOLENT CONFLICTS

Mining offers many potential benefits in terms of employment, wealth creation, state revenues, and infrastructure investment. Yet, disputes can easily arise from both industrial mining and artisanal and small-scale mining (ASM) activities. Issues surrounding land rights and resource access; distribution of wealth and benefits; entry, construction, and exit issues; and social and environmental impacts all have the potential to increase local vulnerability and generate conflict.

## LAND RIGHTS AND RESOURCE ACCESS

When mining begins, conflict can arise over land claims and access to resources. Sometimes, communities are relocated so that companies can reach the valuable minerals beneath the soil. Disputes can intensify when local people are offered insufficient compensation, are excluded from decision-making, and find their livelihoods threatened. At the exploration stage, governments often provide access to the proposed site for seismic testing and exploratory drilling without informing or consulting local communities, particularly indigenous peoples, whose rights to the land may be unrecognized by national law. In such cases, conflicts can arise between communities and the companies, as well as with the government.

Industrial mining is a large-footprint operation. Local communities, artisanal miners, and industrial mining companies frequently contest the right to control an area and to exploit the resources beneath it. The military is often called upon to expel artisanal competition and local farmers or foresters by force. Typically, industrial mining sites are heavily guarded by security forces to protect staff, extracted minerals, and machinery. For example, in West Papua, the mining company Freeport-McMoRan provided transportation, accommodation, and funding to the Indonesian government troops that protected the company's assets and engaged in human rights violations. Private and public security forces have reportedly used excessive force on local communities and orchestrated or overlooked incidents of expulsion, intimidation, and human rights violations (Renner 2002). Evicting artisanal miners can eliminate a significant source of income for the community, fostering resentment. In the worst case, it can lead to a spiral of violence among the community, artisanal miners, and the mining company.

## DISTRIBUTION OF MINING WEALTH AND BENEFITS

Central government officials often appropriate tax and royalty revenues from mining companies without fairly consulting and compensating communities, and concomitant secrecy feeds corrupt and illegitimate regimes. This mismatch is closely tied to the absence of democratic or participatory decision-making processes. Unclear property rights; restricted communication;



and lack of representation, consideration, and protection for traditional resource users, such as artisanal miners, farmers, or fishermen, can also lead to conflict.

Once a mining enterprise is established, local communities' expectations of mining revenues can be high, occasionally prompting attempts to take a share by force. The risk of violence increases substantially if local communities believe that a new mining operation has not employed enough local people or channeled sufficient benefits to them through direct compensation, community development funds, and broader social investments.

While staff members of multinational companies present lucrative kidnapping targets, artisanal miners are easier to extort. In areas of instability and existing conflicts, bandits, rebels, and mercenaries—sometimes funded by governments—use their dominance to control access to markets, collect dues and safety payments, or steal the miners' livelihoods.

### **ENTRY, CONSTRUCTION, AND EXIT**

During a mining project, the risk of low-level, local conflict is highest at the time of entry, construction, and exit. The decision to develop a site leads to severe and irreversible impacts on local communities, particularly when the communities rely on intact ecosystems for their livelihoods (e.g., through subsistence farming, fishing and hunting) or have had little contact with industrialized societies. Both industrial and artisanal mining frequently bring a large influx of people from different ethnic, cultural, and religious backgrounds, often overwhelming existing communities.

Because construction is usually outsourced to contractors with little incentive to develop friendly relations with local communities, development of a large-scale mine can generate conflict when local customs and traditions are violated and public health is undermined by the spread of disease. The Panguna mining project in Papua New Guinea, for example, employed 4,300 workers, most of whom were not from the local community (Ross 2001a). This may have exacerbated secessionist

**Divers sift through gravel taken from the bottom of a lake. Teams of four or five people work together, but there are often fights between rival miners.**

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**Diamond dealership in Sierra Leone.**

*Much of the world's mining activity is poverty-driven. Poor communities increasingly turn to mining in times of crises in order to sustain themselves.*

tensions on the island, which led to a long-term conflict with the national government.

### **SOCIAL AND ENVIRONMENTAL EFFECTS OF MINING**

Much of the world's mining activity is poverty-driven. Poor communities increasingly turn to mining in times of crises in order to sustain themselves. In developing countries, some 80 to 100 million people depend on ASM activities (UNECA 2002), even though unregulated and uncontrolled mineral harvesting is environmentally and socially unsustainable. Many countries explicitly outlaw informal and small-scale mining, while others simply ignore it. Nevertheless, illegal and unregulated ASM activity can contribute to grievances, underground economies, and, when sales are controlled by conflict parties, the financing of violent conflict, as in the DRC, Sierra Leone, Angola, Sudan, and Liberia.

Mining can also destabilize a community or region by degrading the environment. Long-lasting or irreversible damage to water, arable land, forests, wildlife, and hunting or fishing grounds can immediately

reduce the quality of life (Renner 2002). Conflicts can also arise over long-term waste storage and environmentally-related economic losses, including unemployment. While mining benefits some factions (often elite) through employment, it negatively affects those who rely on agriculture or fishing, often forcing them to fight to maintain their traditional livelihood.

### **MINERAL WEALTH AND CORRUPTION**

The question of whether a country's mineral wealth brings prosperity and social development or leads to a downward spiral of corruption, violence, and counter-violence depends largely on issues of economic policy and governance.

### **SOCIOECONOMIC VULNERABILITY**

Studies have shown that macroeconomic dependence on mineral wealth increases a country's socioeconomic vulnerability and weakens its government (Collier 2003).

Countries that are economically dependent on a few resources such as minerals, oil, and natural gas often suffer from "Dutch

Disease" - pursuing policies of over-reliance on a single commodity while shifting resources and labor away from traditional or diversified exports. A large income stream from a single commodity can increase a country's economic vulnerability to global price fluctuations or to the decisions of foreign investors. Most states lack social safety nets to buffer people from these macroeconomic shocks. In 1998, for example, the Asian financial crisis led to a 40 percent decline in sales of Zambian copper, the country's primary export. This nearly doubled Zambia's inflation and sharply constrained public spending (Parris 1999). Macroeconomic swings and commodity price collapses apparently initiated or intensified violence in Rwanda, Central America and Indonesia. (Griffith-Jones and Kimmis 2002).

### **MINERAL WEALTH, CORRUPT ELITES, AND NEGATIVE DEVELOPMENT**

Revenue flows from mineral sales and foreign mining companies are easily hidden, reducing incentives for governments to distribute economic benefits equitably. When the flows are used to reinforce military capacity and pay off the opposition, key collaborators, and friendly leaders, social order and development suffer. The diverted benefits of mineral wealth enrich elite groups and increase the power of the ruling clique, simultaneously undermining nascent democratic, legal, or non-violent dispute resolution structures, and increasing tensions and the potential for conflict. The deterioration of good governance may not be an accidental by-product but rather an intended goal of those who wish to take advantage of a weakened state.

The IMF, for example, reported that in 2000, less than two percent of government expenditure in the DRC was "executed through normal procedures" (Smillie 2003). Most of these expenditures were from diverted revenue, through direct orders from the central bank without prior knowledge of the treasury. Corruption and bad governance are major reasons that countries that rely heavily on minerals tend to score very poorly on human development indicators, including child mortality rates, life expectancy, child education, and overall economic equality (Ross 2001b).

International companies often contribute financial support and confer legitimacy to

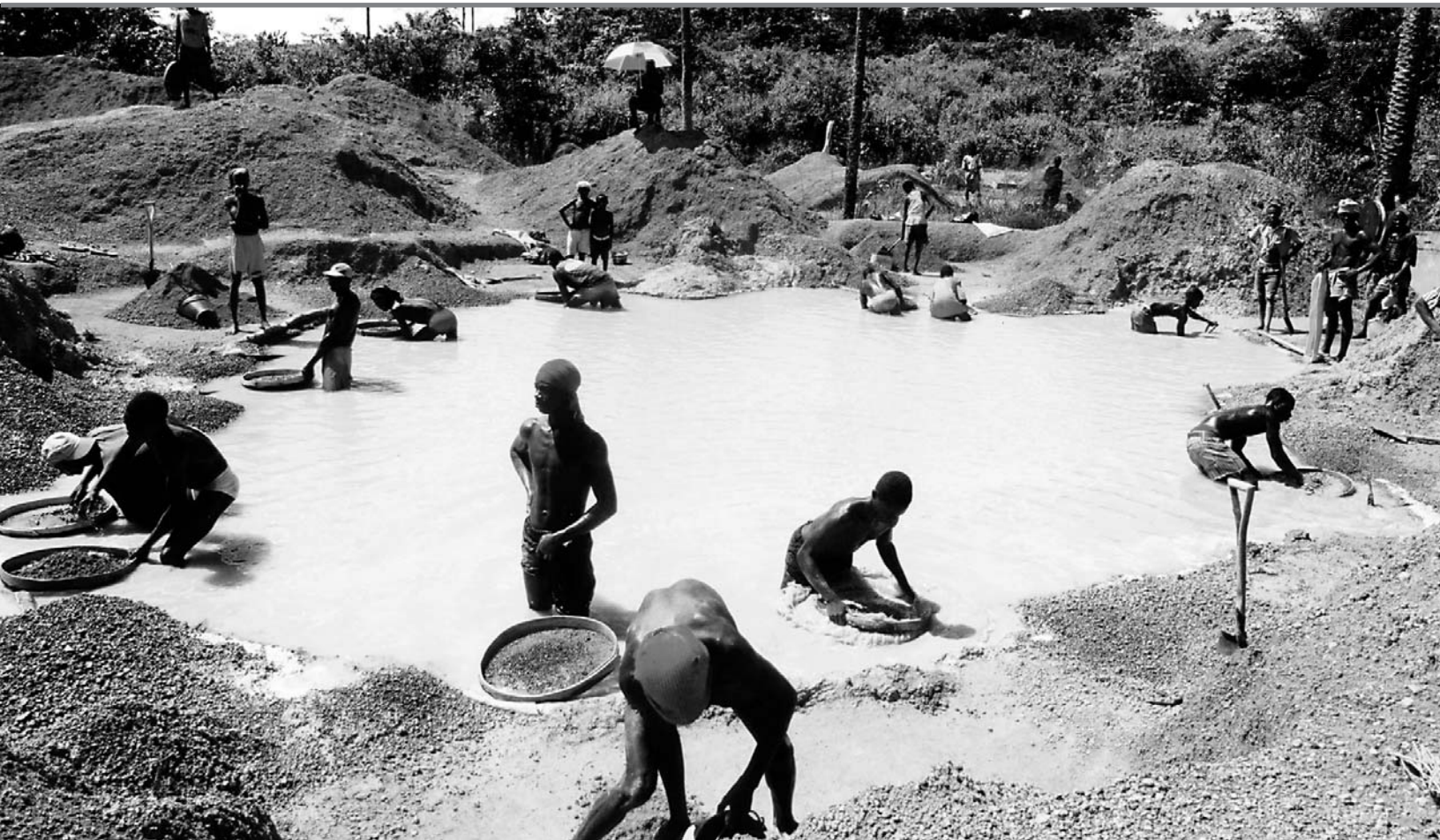
governance failures. Even if a company does not actively engage in corruption and bribery, compliance with illegitimate and oppressive governments or rebel groups enables oppression and escalates violence (Ross 2002). The population does not generally realize the scale of corruption payments to the government, which are often secret. Further, the military and political power generated by the revenue weakens the ability of people to mobilize for democratic change.

## **CHARACTERISTICS OF "ELITE" NETWORKS INVOLVED IN ILLEGAL NATURAL RESOURCE EXPLOITATION IN THE DRC**

1. The networks consist of a small core of political and military elites, businesspersons, and, in occupied areas, selected rebel leaders and administrators. Some members occupy key positions in the government or rebel groups.
2. Members of these networks cooperate to generate revenue and, in the case of Rwanda, institutional financial gain.
3. The elite networks ensure the viability of their economic activities by using the military and other security forces under their control to intimidate, threaten, or carry out acts of violence.
4. The networks monopolize production, commercial, and fiscal functions.
5. The elite networks maintain the façade of rebel administrations in occupied areas to generate public revenues, which they divert, thereby depleting the public treasury.
6. The elite networks gain money from criminal activities such as theft, embezzlement, undervaluing goods and assets, smuggling, false invoicing, evading taxes, kickbacks to public officials, and bribery.
7. The elite networks form business companies or joint ventures as fronts for illegal commercial activities.
8. The elite networks are supported by transnational organized crime groups, which provide "services," such as air transport, illegal arms dealing, and natural resource marketing.

Sources: Stabrawa (2003); United Nations (2002)

# LESSONS LEARNED



*For participatory decision-making to foster agreement rather than exacerbate existing differences, all groups must be involved, with gender and ethnic groups represented proportionally.*

**Despite the complexity of the links between minerals and conflict, many development initiatives by USAID, other aid agencies, NGOs and the private sector are having a positive impact. These range from direct interventions to policy dialogues, and many have achieved positive results for social stability and offered important lessons for future action.**

## **LOCAL COMMUNITIES AND INFORMATION ACCESS**

True and timely information is essential for holding decision-makers accountable, but the sheer distance and lack of adequate transport and telecommunications infra-

structure between the center of decision-making and a mining site can hinder information access for locals and limit channels for their voices to be heard. Development actors can play an important role in fostering the flow of data by supporting watchdog groups and information activities.

## 2 INCREASE PARTICIPATION, AND PARTNERSHIP

Beyond sharing information, local communities and miners should actively participate in decisions that affect their lives. Participation and involvement diminish grievances and the potential for conflict in two important ways:

- Locals can voice concerns that might be unknown or ignored by decision-makers located elsewhere; and
- Consensus-based decisions meet needs of all stakeholders and distribute responsibility.

For participatory decision-making to foster agreement and dialogue rather than exacerbate existing differences, all stakeholder groups must be involved, with gender and ethnic groups represented proportionally. Participation is a key characteristic of democracy, and even small-scale efforts to encourage dialogue can foster stability.

Incorporating the local community into key decision-making processes also is essential to ensuring that local knowledge, customs, and aspirations are adequately taken into account. When this approach is followed, the community affected is much more likely to accept, and to work to support, an activity.

## 3 CREATE SUSTAINABLE LIVELIHOODS FOR ARTISANAL AND SMALL-SCALE MINERS

Recognizing that banning or ignoring unsustainable ASM is counterproductive, the World Bank and the United Nations have begun to tackle its root cause: poverty and lack of sustainable livelihoods. ASM has been largely viewed as negative, with unregulated ASM linked to severe environmental degradation, high crime rates, poor social and health conditions, increased STDs and HIV/AIDS, prostitution, and child labor:

In the past five years, international organizations have launched initiatives that explore ASM, poverty, and subsistence. There is an emerging consensus that ASM plays a vital role in local life, provides employment, and supports development

goals when it is officially recognized, regulated, and supported. The relative lack of knowledge and analytical tools in the area of ASM underscores the need to increase its visibility, facilitate more effective ASM policy design and implementation, and monitor assistance efforts to help prevent poverty traps and conflicts associated with small-scale mining activities.

The United Nations Department of Economic and Social Affairs (UNDESA), United Nations Development Programme (UNDP), and the World Bank are working to convince governments to recognize ASM and manage it so that miners can work legally, access basic social services, and increase their earnings.

Development agencies can set an example for national governments by explicitly recognizing ASM in their own work. For example, the 2002 Poverty and Human Development Report of Tanzania makes several references to mining and ASM and calls for new policies to make these sectors truly pro-poor (UNDESA 2003).

Upgrading the sector requires a holistic approach that includes micro-credit loans, training, professional organizations, formal land tenure, and a special appreciation of women's and children's role in ASM (UNDESA 2003).

## 4 REDUCE MACROECONOMIC DEPENDENCE AND VULNERABILITY

Vulnerability caused by overdependence on mineral exports can be addressed by:

- Macroeconomic policies that smooth out the economic impacts of swings in mineral prices. Such mechanisms link aid to state revenues, making it conditional on government commitments to limit public expenditures when prices are high and to establish regulations to hinder fraud and corruption, as in the case of Chile's Copper Stabilization Fund (World Bank 2002b).
- Microeconomic policies that support economic diversification. These include providing micro-credit to entrepreneurs and small businesses and

*There is an emerging consensus that artisanal and small-scale mining activities (ASM) play a vital role in local life, provide employment, and support development goals when they are officially recognized, regulated, and supported.*

**Photo opposite page: Digging a diamond mining pit by hand**

reducing bureaucratic barriers to establishing a business and entering the formal economy.

## 5 ADDRESS GAPS IN NATIONAL GOVERNANCE

Corruption and patronage can be exacerbated by mineral wealth (Ross 2001b). Making aid contingent on implementing anti-corruption strategies, democratic constitutional provisions, and local-level empowerment activities can help.

Some mining companies and government officials exploit communities, abuse human rights, and instigate violence with impunity. Donors that have supported and publicized local and international accountability mechanisms have helped communities make their voices heard.

Such mechanisms include national legislation and human rights protection, regional ombudsmen, the World Bank Inspection Panel, and the National Contact Points established under the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (OECD 2001).

Raising awareness among government officials and leaders of civil society organizations about the existence of and means of access to international regulatory mechanisms, like the Kimberley Process as well as other emerging systems that can help countries properly regulate their natural resources, provides another means to help countries address national policy gaps.

## 6 PROMOTE RESPONSIBLE BEHAVIOR BY COMPANIES

Promoting responsible private sector investment in regions prone to mineral-related conflict is an important element of development and peace building. Development agencies can support the adoption of voluntary international standards by companies.

The US-UK Voluntary Principles on Security and Human Rights are a good example. International Alert has also been working closely with OECD DAC in its Business and Conflict program to promote conflict-sensitive and conflict-prevention

approaches to corporate investment and conduct.

These OECD DAC guidelines recommend that governments:

- Promote the use of peace and conflict impact assessment by businesses;
- Support processes to resolve project-related claims by indigenous communities;
- Improve codes of conduct on specific issues and risk insurance;
- Explore tri-sectoral development partnerships and create fora for multi-stakeholder dialogue; and
- Identify ways to involve the private sector in the peace-building process.

If voluntary commitments are broken or insufficiently monitored, regulatory processes would be needed to back these commitments.

Another channel for intervention on minerals and mining is promoting adherence by the private sector to international conventions on bribery and corruption, including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

## 7 STRENGTHEN GOVERNANCE OF THE INTERNATIONAL MINERAL TRADE

Minerals obtained and controlled through criminal means can be legally traded in the international market. Thus, efforts to hinder conflict trade must address the full commodity chain: miners (both artisanal and industrial); traders and intermediaries; processors; and consumers.

The Kimberley Diamond Certification Process and complementary efforts represent an important step in this direction. Donors can fund certification processes, make compliance a condition for aid, and support civil society advocates. Follow-on activities should include on-the-ground training for ASM, local NGOs, government officials and industry representatives to ensure compliance with certification regimes.

## 8 CREATE A SAFE SPACE FOR REFORM

The political dynamics before, during, and after conflict will determine what is possible in terms of reforming the mineral sector. The windows of opportunity must be carefully gauged to gain access to governments from a policy perspective as well as to communities for implementing an action agenda. There are significant political and security risks inherent to working in a conflict context, making it essential to have buy-in from local stakeholders and support from outside stakeholders such as private sector corporations, Ambassadors to the host country, UN peacekeepers, and others.

## 9 MONITOR AND ASSESS DEVELOPMENT

Managers of development agencies have greater capacity to react to violent situations related to mineral dependence when they are aware of the risk factors. Conflict assessments at both country and program levels should include the role of potential conflict commodities.

By supporting independent and grass-roots research and monitoring efforts, development agencies can enhance internal and public awareness and understanding of the mineral-conflict relationship.

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## WANT TO KNOW MORE?

Ian Bannon and Paul Collier, the editors of *Natural Resources and Violent Conflict: Options and Actions (2003)*, have collected previously unpublished articles by leading authors in the field, such as Michael Ross and Philippe Le Billon. The book examines the economics of the natural resources/violent conflict nexus, including the role of macro-economic policy, the financial and business sectors, and the development community.

In *The Anatomy of Resource Wars (2002)*, Michael Renner explains the relationship between natural resources and violent conflict, illustrating how natural resources either finance or trigger violent conflicts, by providing descriptions of specific cases and analyzing their dynamics.

Michael Ross's report, *Extractive Sectors and the Poor (2001)*, gives a brief but thorough overview of the links between minerals (including oil) and conflict, highlighting livelihood and governance issues. <http://www.polisci.ucla.edu/faculty/ross/oxfam.pdf>.

The final report of the Extractives Industries Review (EIR), *Striking a Better Balance (2003)*, presents the cumulative results of the EIR process, which was launched by the World Bank Group to provide an independent review of its role in the extractive industries. The report contains a collection of recommendations to guide the World Bank's involvement in the oil, gas, and mining sectors, many of which are generally applicable to policy and decision-makers. <http://www.eireview.org>.

The Mining Minerals and Sustainable Development (MMSD) project report, *Breaking New Ground (2002)*, combines a wealth of information on all aspects of mining, including economic, social, and environmental concerns about industrial and artisanal mining, as well as responses and recommendations. It reviews mining dynamics and best practices for particularly controversial aspects of the industry. <http://www.iiied.org/mmsd/finalreport/index.html>.

*The Kimberley Process is a joint government, diamond industry and civil society initiative to stem the flow of conflict diamonds through an innovative, voluntary certification scheme requiring participants to attest that shipments of rough diamonds are free of conflict stones.*





































