



# Valuable minerals and conflict

Toolkit for practitioners



This briefing paper has been commissioned by the Office of Conflict Management and Mitigation in the Bureau for Democracy, Conflict, and Humanitarian Assistance of the United States Agency for International Development (USAID) as part of a briefing series on natural resources and conflict. It emerged from a collaboration between Adelphi Research (Berlin, Germany), the Center for International Forestry Research (CIFOR) (Bogor, Indonesia), and the Woodrow Wilson International Center for Scholars (Washington, DC, USA). The aim of the briefings is twofold: (1) to raise awareness among mission employees on the links between different natural resources and conflict, and (2) to assist USAID in their program development by integrating conflict prevention and natural resource management. The project has been coordinated by Alexander Carius (Adelphi Research), Geoffrey Dabelko (Woodrow Wilson International Center for Scholars), and Doris Capistrano (CIFOR). The briefing paper has been written by Moira Feil (Adelphi Research) and Jason Switzer (International Institute for Sustainable Development). The URLs provided in this paper were last updated 03/03/2004.

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# Key Issues and Lessons Learned

## 1. Introduction

What do jewelry, cell phones, Al Qaeda, and child soldiers have to do with each other? Mining diamonds in West Africa and Colombo-Tantalite (coltan) in the Democratic Republic of the Congo (DRC) is linked to violence and civil conflict; likewise, traffic in valuable minerals is believed to have helped finance Al Qaeda's terrorist operations. This briefing paper outlines how valuable minerals can be used to finance or fuel conflict. Their control and exploitation can become the goal of conflict. The social and environmental impacts of mining operations, including efforts to provide security at mines, can generate grievances that turn violent. High dependence on mineral exports can increase the vulnerability of states and their citizens to destabilizing commodity price shocks, and corruption can be fueled by revenue flows from mining. The physical and market characteristics of minerals create the potential for all these negative impacts on peace and security, but do not necessarily lead to conflict.

### Box 1: Use of the term “conflict”

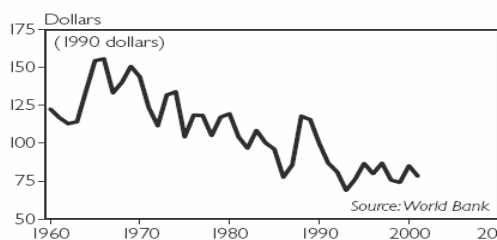
In this paper, “conflict” is defined as a situation of incompatible or adverse interests, in which one or more parties pursue, or threaten to pursue, their interests through violent means. Acute conflicts can range from sporadic violent actions to large-scale civil violence and war.

Valuable minerals, such as diamonds and gemstones, gold, coltan, cobalt, silver, copper, manganese, and phosphates, are sought after for use in luxury goods and industrial processes and products. Minerals are extracted in two different ways: large-scale, industrial mining typically exploits minerals hidden in deeper veins with the help of specialist know-how and heavy-duty equipment, while artisanal and small-scale miners (ASM) exploit more accessible surface deposits using basic, often self-made tools. Minerals linked to conflict have one or more of the following physical characteristics:

- Lootable (easily extracted or obstructable)
- Valuable but small (easy to transport)
- Extraction and sales are difficult to monitor and regulate

Highly lootable minerals are most commonly linked to crime and conflict if they are small and valuable, and thus easily transported and concealed, as evidenced by the “conflict diamond” trade in West Africa.

Mineral markets are highly volatile and sensitive to external economic forces and political decisions, though mineral prices have generally declined over the long term. Market value per unit weight differs considerably depending on the mineral. The price for gold, for example, is currently in the range of ~\$400 an ounce, up from about \$280 per ounce in 2000. Coltan currently trades at about \$40 a pound, after peaking in early 2001 at \$300 per pound. While the most valuable minerals attract the most attention, even minerals with generally low market prices are central to the economies of many developing countries. For example, phosphate mining remained the most significant industrial activity in Togo in 2002 (5% of GDP, 26-28% of exports), despite consistently low global prices and reduced exploitation (World Bank 2002a).



**Chart 1:**

World Bank Metals and Minerals Price Index, 1960-2001  
(Sampat 2003; Worldwatch)

Certain kinds of mineral exploitation or trade are clearly illegal under international law (e.g., UN sanctions against trade from particular countries). Other minerals are legal in nature, but are illicitly harvested or traded across borders (e.g., without licenses, permits, royalties, or border customs duties). The boundaries between legal and illegal mining activities are blurred, but both the “legal” exploitation of minerals by government officials that spend the assets on remaining in power by force, and the “illegal” and unregulated, poverty-driven subsistence mining can be linked to conflict, if for example the dependency of subsistence miners is exploited.

## 2. How are valuable minerals linked to violent conflict?

Valuable minerals become **conflict minerals**, if their control, exploitation, trade, taxation, or protection contributes to, or benefits from, armed conflict. Valuable minerals are linked to violent conflict in three ways:

- Minerals can finance violent conflict
- Mining can lead to lower-scale conflicts
- Mineral wealth can increase vulnerability and corruption

### Box 2: The Nature of Mineral Conflicts

Valuable minerals can affect the geographical focus, duration, and intensity of violent conflict:

- **Geographical focus:** Even if controlling minerals resources is not the original cause of conflict, it can become the focus of fighting. Likewise, the presence of minerals in remote regions can reinforce secessionist tendencies.
- **Duration:** Mineral wealth can finance continued fighting, strengthen incentives to defect from peace processes, and undermine discipline in military forces, thus lengthening conflict.
- **Intensity:** Mineral wealth can finance arms purchases, raising the level of military and civilian casualties. On the other hand, the presence of resources can diminish conflict intensity, if local commanders cooperate to permit mining for personal gain.

Sources: Ballentine & Sherman (2003); Le Billon (2003); Ross (2002).

### A. Minerals can be used to finance violence

Armed rebel groups, military units, or governments may seek war-related revenue by:

- Mining and selling valuable minerals
- Requiring taxes and royalty payments from legitimate operators
- Extorting “protection” funds
- Stealing the minerals once they have been brought to the surface

In some places, like the DRC, the future rights to mineral exploitation have been sold to private interests by governments or insurgents in order to purchase arms and hire mercenaries, thereby enabling a violent conflict. The discovery of valuable minerals can also lead to attempts to overthrow the government in order to capture a share of future revenues.

Sustaining a fighting force requires a steady flow of money. Diamonds directly financed the UNITA rebels in Angola in the 1990s, while Charles Taylor first used timber, then diamonds, as a lucrative source of funds (Ross 2002). Likewise, governments have used minerals to sustain wars against secessionist groups and rebels. Similarly, an expert panel reported to the UN Security Council in 2002 that the conflict in the Democratic Republic of the Congo had become a war for access, control, and trade of five key mineral resources. The panel concluded that the only loser in this huge business venture was the Congolese people.

## **B. Mining can lead to lower-scale violent conflicts**

Mining offers many potential benefits in terms of employment, state revenues, and infrastructure investment, but it can also negatively impact local living conditions, increasing vulnerability and conflict. These negative impacts are related to:

- Land rights and resource access
- Distribution of wealth and benefits
- Entry, construction, and exit
- Social and environmental impacts

These disputes arise in both industrial mining activities and ASM.

### ***Land Rights and Resource Access***

When either large-scale companies or artisanal miners begin exploitation activities, conflict can arise over land claims and access to resources. Communities may be relocated so that companies can reach the valuable minerals beneath the soil. The dispute can intensify when locals are offered insufficient compensation, excluded from decision-making processes, and find their livelihoods threatened (see [Oxfam America](#)). At the exploration stage, the government often provides access to the proposed site for seismic testing and exploratory drilling without informing or consulting local communities. Governments frequently fail to consult local communities or 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 the 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, 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 between the community, artisanal miners, and the mining company.

### ***Distribution of Mining Wealth and Benefits***

Key officials in the central government appropriate tax and royalty revenues from mining companies without fairly consulting and compensating local communities. In addition, information about these payments is often kept secret, which helps sustain corrupt and illegitimate regimes. The mismatch between national or elite benefits and local level costs is closely related to the absence of democratic or participatory decision-making processes. Unclear property rights, restricted communication channels, and the 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 is substantially increased if people believe that the mining company 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 are lucrative targets for kidnapping, artisanal miners are easier to extort. Particularly 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 to simply steal the miners' livelihoods.

### ***Entry, Construction, and Exit***

The risk of conflict over a mining project 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 (through subsistence farming, fishing, hunting, etc.) or have had little contact with industrialized societies. Both industrial and artisanal mining often bring a large influx of people from different ethnic, cultural, and religious backgrounds, often overwhelming existing communities.

This is particularly problematic during the construction phase, since construction is usually outsourced to contractors that have little incentive to develop friendly relations with local communities. The development of a large-scale mine can generate conflict if 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 tensions on the island, which led to a long-term conflict with the national government.

After industrial mines close or artisanal miners leave, the landscape is frequently barren and contaminated, unless adequate efforts are made to restore former mining sites. Conflicts can arise over long-term waste storage and economic losses, such as unemployment.

### ***Social and Environmental Drivers and Impacts of Mining***

Much of the world's mining activity is poverty-driven. According to the World Bank, "an estimated 11-13 million people are engaged in artisanal and small-scale mining around the world," which is greater than the number of people formally employed in the mining sector (Extractive Industries Review 2003). Poor communities increasingly turn to mining in times of crisis in order to sustain themselves; in developing countries, between 80-100 million people depend on ASM activities (UNECA 2002). Yet, in many countries, informal and small-scale mining is explicitly outlawed, or more frequently, simply ignored. Unregulated and uncontrolled harvesting of minerals is environmentally and socially unsustainable, but illegal and unregulated ASM activity can also 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, and Liberia.

The relative wealth generated by industrial mining often attracts other conflict-prone businesses such as gambling and prostitution. The cost of living becomes substantially higher, making life for non-miners more difficult. Tensions between those profiting from mining and those losing out can build. Women are disproportionately affected, as they are often excluded from lucrative employment opportunities in larger mines. At the same time, the number of women participating in poverty-driven subsistence mining in Tanzania, South Africa, and Zimbabwe is increasing (UNECA 2002).

Mining can also destabilize a community or region by degrading the environment, inducing long-lasting, and in some instances, irreversible damage to water, arable land, forests, wildlife, and hunting and fishing grounds, which can immediately reduce the quality of life (Renner 2002). While some (often elite) factions of society benefit from mining through employment, those relying on agriculture or fishing are negatively affected, and are often forced to fight to maintain their traditional livelihood, as in [Tambogrande, Peru](#).

### **C. Mineral wealth can increase vulnerability and corruption**

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

- Macroeconomic dependence on mineral wealth increases socioeconomic vulnerability.
- Mineral wealth and weak governance empowers corrupt elites and obstructs social development.

#### ***Dependence on Mineral Wealth Increases Socioeconomic Vulnerability***

In many instances, the large stream of income from a single commodity can increase a country's economic vulnerability to global price fluctuations or to the fate 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% decline in sales of Zambian copper, the country's primary export, nearly doubling its inflation rate and sharply constraining its public spending (Parris 1999). Macroeconomic swings and commodity price collapses are widely believed to have initiated or intensified violence in Rwanda, Central America, and Indonesia, among other cases (Griffith-Jones and Kimmis 2002). The failure to diversify the economy can lead to widespread unemployment in economic downturns. Unemployed, young urban males are particularly susceptible to recruitment by militant organizations.

#### ***Mineral Wealth and Weak Governance Empower Corrupt Elites and Obstruct Social Development***

The frequent invisibility of revenue flows from mineral sales and foreign mining companies reduces non-democratic governments' incentives to broadly distribute economic benefits in order to maintain social order and foster development. Financial flows from mineral wealth can be used to reinforce the state's military capacity and pay off the opposition, key collaborators, and friendly leaders. As a consequence of corruption and bribery, the benefits of mineral wealth are diverted to enrich small groups of corrupt elites. This diminishes funds for social investment, increases the power of the ruling clique, and undermines nascent democratic and legal or non-violent dispute resolution structures, thus contributing to tension. For example, the IMF reported that in 2000, less than two per cent of government expenditure in the DRC was "executed through normal procedures" (Smillie 2003). Most expenditure was 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, specifically under-5 mortality rates, life expectancy, child education, and overall economic equality (Ross 2001b).

International companies often contribute financial support and legitimacy to governance failures and to the shadow state. Even if a company does not actively engage in corruption and bribery, compliance with illegitimate and even oppressive governments or rebel groups can continue oppression and escalate violence (Ross 2002). The population is generally unaware of the scale of corruption, since payments to the government are often secret, and the military and diplomatic power generated by the revenue weakens the ability of the population to mobilize for democratic change.



**Box 3: 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 the case of 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)

### 3. Lessons learned

Despite the complexity of the links between minerals and conflict, many current development initiatives are tackling them in support of peace. Relevant initiatives by aid agencies, NGOs, the private sector, and international organizations fall within several categories, ranging from direct intervention to engaging in policy dialogue. These interventions are in some cases achieving positive results for social stability, and reveal important lessons for future action.

#### ***Empowering Local Communities through Information Access***

Local communities need access to true and timely information in order to hold decision-makers accountable. The physical distance between the center of decision-making and the mining site can reduce the amount of information that locals receive and the number of channels for their voices. Development actors can play an important role by supporting watchdog groups and information activities, as the example of [Oxfam America in Tambogrande, Peru](#) shows. This campaign not only kept local citizens informed, but also provided a platform for them to communicate their opinions to decision-makers.

#### ***Increasing Participation, Dialogue, and Partnership***

Beyond sharing information, local communities and miners should actively participate in the 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 in the central government or corporate headquarters.
- Consensus-based decisions seek to meet the needs of all stakeholders, and to distribute responsibility among all the parties involved.

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. The tri-sector partnership managing social issues in [Las Cristinas, Venezuela](#), was successful due to these factors:

- High level of participation and regular meetings between all partners
- Fast, visible progress due to high-quality project management skills
- Strong decision-making role for communities

Since participation is a key characteristic of democracy, even small-scale efforts to encourage dialogue can foster stability after conflict. For example, USAID's mission in Sierra Leone believes that the steady increase in citizens' networks and public meetings have improved democratic governance by increasing the opportunities for citizens to participate in agenda-setting, decision-making, and debate (USAID Sierra Leone Transition Strategy Phase II).

### ***Fighting Poverty and Creating Sustainable Livelihoods***

The World Bank and the United Nations have recognized that banning or ignoring artisanal and small-scale mining (ASM) is counterproductive. Instead, they have begun to tackle its root cause: poverty and lack of sustainable livelihoods. The traditional view of ASM has been largely negative: unregulated ASM was linked to severe environmental degradation, high crime rate, poor social and health conditions, increased STDs and HIV/AIDS, prostitution, and child labor.

In the past five years, some important initiatives exploring ASM, poverty, and subsistence have been initiated by international organizations, such as the International Development Research Center, United Nations Department of Economic and Social Affairs (UNDESA), United Nations Development Programme (UNDP), and the World Bank, recognizing that ASM plays a vital role in local life, provides employment, and supports development goals, if it is officially recognized, regulated, and supported. Since there is a lack of knowledge and policy frameworks for ASM, these programs are crucial to increase visibility, facilitate more effective policy design and implementation, and monitor assistance efforts, and thereby help prevent poverty traps and conflicts. UNDESA, UNDP, and World Bank are pursuing research activities to help convince governments to recognize ASM, and upgrade it so that miners can:

- Work legally
- Access basic social services
- Increase their earnings

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

International policy has already shifted from viewing ASM as a problem to recognizing its role in the solution. 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).

### ***Reducing Macroeconomic Dependence and Vulnerability***

The 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, conditioning it on government commitments to limit public expenditures when prices are high, and to establish regulations to hinder fraud and corruption, such as Chile's Copper Stabilization Fund (World Bank 2002b).
- Microeconomic policies that support economic diversification, such as providing micro-credit to entrepreneurs and small businesses and reducing bureaucratic barriers to establishing a business and entering the formal economy.

### ***Addressing Gaps in National Governance of Host Countries***

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. Particular interventions related to minerals and mining include (OECD 2000):

- Strengthening civil society and community capacity to participate in minerals-related negotiation and decision-making, as pursued by the [Peace Diamonds Alliance in Sierra Leone](#).
- Improving investigation and prosecution of corruption cases, particularly in areas prone to corruption, such as national security and law enforcement, government procurement, and tax administration.
- Promoting adherence by the private sector to international conventions on bribery and corruption, including the Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
- Working with civil society and key domestic opinion leaders to build support for national government participation in the [Extractive Industry Transparency Initiative](#), and providing support for implementing the resulting revenue management framework.
- Addressing long-term development problems, such as poverty and exploitative systems of production and marketing, together with the short-term issues related to conflict diamonds, as demonstrated by [USAID Office of Transition Initiatives' Diamond Policy and Development Program in Sierra Leone \(USAID OTI\)](#).

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 OECD Guidelines for Multinational Enterprises (OECD 2001).

### ***Promoting Responsible Behavior by Large and Small Companies***

Promoting private sector investment in regions prone to minerals-related conflict is an important element of development and peace building. Development agencies can support the adoption of voluntary international standards for both companies and national governments. The [US-UK Voluntary Principles on Security and Human Rights](#) are a good example. [International Alert](#) has also been working closely with OECD DAC (see Box 4) in its Business and Conflict program to promote conflict-sensitive and conflict-prevention approaches to corporate investment and conduct.

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

#### **Box 4: Helping Prevent Violent Conflict: Orientations for External Partners**

The OECD Development Assistance Committee suggests that “like public and aid-supported investments, the private sector needs to be guided by an informed commitment to guard against side effects of its investments, which may have negative impacts on ‘structural stability’ of the local and national host society, and plan for ways it can ensure the maximum positive benefits.” It recommends 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. (Source: OECD 2001)

### ***Strengthening Governance of the International Mineral Trade***

Criminally-controlled minerals can be legally traded in the international market. Efforts to hinder conflict trade therefore must address the full commodity chain: the miner (both artisanal and industrial), the trader/intermediary, the processor, and the consumer. The emerging [Kimberley Diamond Certification Process](#) and complementary efforts have made an important step in this direction. Donors can support these efforts by funding negotiations and implementation of certification processes, conditioning aid for at-risk countries on compliance, and supporting civil society advocates.

### ***Reducing Small Arms Influx and Increasing Professionalism of Security Forces***

Traditional interethnic clashes, as well as disputes between miners, security forces, and locals, can rapidly escalate into broader conflicts due to the proliferation of small arms (see, for example, Small Arms Survey 2003). These can often be purchased cheaply from suppliers from neighboring countries where conflict has recently ended, such as Chad and Sierra Leone. As Angola's conflict revealed, the same channels used to export illicit minerals are frequently used to import weapons. Regulating trade in valuable minerals will therefore also have a positive impact on small arms proliferation. Donors can contribute to peace by supporting arms collections and security sector reforms. In post-conflict situations it is also vital to demobilize and reintegrate ex-soldiers to ensure that they do not return to their guns because of a lack of livelihood alternatives.

### ***Monitoring and Assessing Developments***

The capacity of development agencies to react to violent situations related to mineral dependence is linked to managers' awareness of the risk factors. This can be increased by including the role of potential conflict commodities in strategic peace and conflict impact assessments at the country and program level. Also, 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. For example, [Partnership Africa-Canada and Global Witness](#) (supported by the UK's Department for International Development and by Canadian International Development Assistance) are supporting greater transparency in the mineral trade and have drawn public attention to the problem of conflict diamonds in West Africa.

**For further reading:**

- Ian Bannon and Paul Collier, the editors of *Natural Resources and Violent Conflict: Options and Actions* (2003), have collected previously unpublished articles by some of the 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' 2001 report *Extractive Sectors and the Poor* gives a brief but thorough overview of the links between minerals (including oil) and conflict, highlighting livelihood and governance issues. Available at <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. Available at <http://www.eireview.org>.
- The Mining Minerals and Sustainable Development (MMSD) project's 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. Available at <http://www.iiied.org/mmsd/finalreport/index.html>.

## Program Options

### ***Strengthening Governance of International Trade in Mineral Commodities***

The **Kimberley Certification Process Scheme** for rough diamonds is a unique effort to regulate diamond mining and trade, bringing together governments, the diamond industry, and leading NGOs to negotiate a commodity tracking scheme to preserve the legitimate diamond trade while excluding conflict diamonds from international markets. It commits participating governments to:

- Not trade in rough diamonds with any non-participant;
- Accompany each export shipment of rough diamonds with a certificate and to require such certificate on all imports;
- Establish a system of internal controls to eliminate conflict diamonds from any exports;
- Collect and maintain data on production, import and export; and
- Cooperate and share information with other participants.

The Kimberley Process is complemented by several 'voluntary' commitments from the diamond industry, including leading mining companies, retailers (De Beers), and bourses (Antwerp and Israel). The Kimberley system was put into effect on January 1, 2003, and some 70 countries are now participating. However, the participants have not agreed upon independent monitoring of national controls, which combined with the voluntary nature of the agreement leaves many NGOs concerned about the system's credibility and effectiveness. For more information, see <http://www.kimberleyprocess.com/> and Smillie (2002).

The **Peace Diamond Alliance** (PDA) in Sierra Leone complements the Kimberley Process by formalizing the diamond trade while strengthening the state's capacity to govern it effectively. Following previous successful diamond certification efforts in Sierra Leone, USAID launched the PDA as an important step towards improving control and management of Sierra Leone's diamond industry. The PDA works in collaboration with both local and international members to develop an integrated approach to diamond management (developing competitive buying schemes, training miners about the value of their production, tracking diamonds, and providing credit to miners) and the issues surrounding it (reclaiming mining land for agriculture, engaging youth, and socializing soldiers). The strength of the project lies in the commitment of each alliance group to specific actions and shared responsibility for the scheme's success. The project is run by USAID, Department for International Development (DFID) and Management Systems International (MSI).

For more information, see <http://www.peacediamonds.org/home.asp>.

USAID Office of Transition Initiatives (OTI) **Diamond Policy and Development Program**, part of USAID's efforts to support the peace process in Sierra Leone, pioneered the response to "conflict" diamonds by providing technical assistance to the government of Sierra Leone for new diamond policies and development activities. OTI enabled a dialogue among the government, representatives of diamond producing communities, human rights activists, traditional leaders, Parliament, rebels, and international diamond leaders and exports to develop new policies and programs to control "conflict" diamonds. OTI was able to frame the "conflict" diamond issue in such a way that the long-term development problems, such as poverty and exploitative systems of production and marketing, would be addressed together with short-term issues related to the war and rebel use of diamonds. The government adopted the policy paper that OTI wrote based on the results of a collaborative, problem-solving workshop held in 2000. The government, with assistance from OTI and the Diamond High Council of Belgium, developed and implemented a new Certification of Origin regime in October 2000, complying with UN

sanctions in record time. For this project, OTI partnered with the private sector, particularly the Diamond High Council, De Beers, and the World Diamond Congress, along with NGO advocacy groups, including Global Witness, Inter Action, and World Vision, and coordinated its activities very closely with the U.S. Department of State and members of U.S. Congressional staff (USAID OTI).

### ***Promoting Responsible Behavior by Large and Small Companies***

**The US-UK Voluntary Principles on Security and Human Rights** seeks to improve security by ensuring human rights in the mining industry. The US Department of State, the UK Foreign Office, NGOs, and leading mining companies joined forces for this initiative, which advises companies to:

- Consult regularly with host governments, local communities, civil society, and with other companies;
- Communicate their policies openly and encourage security forces and host governments to respect human rights;
- Support training and education; and
- Use their influence to screen out individuals implicated in human rights abuses, to avoid inappropriate and excessive uses of force, and to ensure appropriate medical care.

Numerous firms from both countries have adopted these principles, and the Netherlands and Norway have also joined the initiative. However, methods for ensuring compliance are weak. For more information, see <http://www.state.gov/g/drl/rls/2931.htm>.

The **Extractive Industries Transparency Initiative (EITI)** addresses corporate responsibility for government corruption. Launched by UK Prime Minister Tony Blair at the World Summit on Sustainable Development in September 2002, this initiative aims to increase the transparency of mining company payments to host governments. Under the initiative, all states that host mining projects or mining companies agree to disclose company payments and government revenues to a trusted third party. Azerbaijan, East Timor, Ghana, Indonesia, Nigeria, Sierra Leone, and Trinidad and Tobago have committed to the initiative, along with large mining companies such as Anglo American, BP, Newmont, Rio Tinto, Shell, and Statoil. Key to EITI's success has been the prominent support of respected political and market leaders, including Tony Blair and George Soros, and the establishment of a level playing field for all companies. Since payment transparency is only the first step towards ensuring that mineral revenues support sustainable development, participating companies are now calling upon host and home governments and development agencies to follow up with policies and procedures that ensure these revenues benefit society.

For more information, see [http://www.dfid.gov.uk/News/News/files/eiti\\_intro\\_a.htm](http://www.dfid.gov.uk/News/News/files/eiti_intro_a.htm).

International Alert's **Business and Conflict** program has been working since 1999 to promote and catalyze the peace-building practices, principles, and policies of extractive transnational corporations and local businesses in partnership with multilateral agencies, governments, and civil society. Among other efforts, it works closely with OECD DAC to foster the development of conflict-sensitive investment and engagement policies. For more information, see <http://www.international-alert.org/policy/business.htm>

**Publish What You Pay**, a joint effort backed by over 170 non-governmental and civil society organizations worldwide, seeks to ensure corporate responsibility for corruption across all sectors. It was founded by Global Witness, the Open Society Institute, Catholic Agency for Overseas Development, Oxfam, Save the Children UK, and Transparency International UK, to establish international regulations requiring the disclosure of net taxes, fees, royalties, and other



payments made by companies to developing country governments. For more information, see <http://www.publishwhatyoupay.org/>

### ***Monitoring and Assessing Developments***

**Partnership Africa-Canada** and **Global Witness**, supported by the UK's DFID and by Canadian International Development Assistance (CIDA), have encouraged transparency in the mineral trade and garnered public attention for the problem of conflict diamonds in West Africa. Global Witness' 1999 UN Security Council briefing on Angola's diamond trade was not only the first NGO briefing to the Security Council on any subject, it was also a crucial step towards the launch of the Kimberley Process. These NGOs have been repeatedly nominated for the Nobel Peace Prize for their efforts to strengthen global governance of conflict commodities. Development agencies can support independent monitoring and advocacy by NGOs that carry out rigorous and verifiable research in support of human security.

For more information, see <http://www.globalwitness.org/campaigns/diamonds> and <http://www.pacweb.org/e/index.php?option=displaypage&Itemid=61&op=page&SubMenu>.

### ***Fighting Poverty and Creating Sustainable Livelihoods***

The **Mining Policy Research Initiative** was created in 1998 by the International Development Research Centre IDRC/CRDI of Canada, with support from CIDA, as a multi-stakeholder initiative for mining issues in South America. Its wide variety of programmatic areas includes Sustainable Artisan and Small-Scale Mining, Multi-Stakeholder Dialogue and Engagement, Partnerships for Local Development, Mine Closure and Reclamation, and Mining and Indigenous Peoples. For more information, see <http://www.iipm-mpri.org/?lang=eng>

The **Communities and Small-Scale Mining** (CASM) secretariat, hosted by the World Bank, seeks to "reduce poverty by supporting integrated sustainable development of communities affected by or involved in artisanal and small-scale mining in developing countries." It hosts a knowledge center, regular meetings, and workshops to identify best practices in mining and governance policies related to ASM. In addition, it has initiated a research program to improve the profiling of ASM activities in Africa and to implement baseline surveys. It aims to gain a better understanding of ASM, including how it interacts with other sectors and stakeholders, and its social, economic, political, and environmental dimensions. For more information, see <http://www.casmsite.org/>.

**United Nations Development Programme** is currently running a project in Tanzania to promote a national dialogue on mining's contribution to poverty reduction. Its aim is to a) better assess needs, vulnerability, capacity, and development alternatives, and b) identify policies to improve the performance of the ASM sector as well as build mutually supporting links with other income-generating sectors. For more information, see

[http://www.casmsite.org/Documents/RAF99023\\_UN\\_ASM\\_Final\\_Report.pdf](http://www.casmsite.org/Documents/RAF99023_UN_ASM_Final_Report.pdf).

### ***Increasing Participation, Dialogue, and Partnership***

The **Las Cristinas tri-sector partnership** in Venezuela successfully resolved conflicts between local communities, artisanal miners and a large-scale mining group (Placer Dome/CVG – MINCA). The project constructed a communal health service center, which improved public health in addition to improving relationships between the groups. The tri-sector partnership model combined participatory decision-making with benefit-sharing to resolve conflicts between the local community and industrial and artisanal mining. An independent evaluator concluded



that there are no longer any mining-related conflicts in Las Cristinas, unlike other areas of Venezuela (see: [http://www.bpd-aturalresources.org/pop\\_up/las/html/exec\\_frame.html](http://www.bpd-aturalresources.org/pop_up/las/html/exec_frame.html)).

Key success factors were:

- High level of participation by all 18 signatories to the project agreement, including NGOs, government health agencies, and community leaders;
- Clearly defined delivery commitments;
- Weekly meetings between all partners (including high levels of attendance from communities);
- Fast, visible progress on the health center, with all partners forced to move concurrently in order not to lose face;
- High-quality project management led by the mining corporation; and
- Strong decision-making by communities through their representation on a dedicated community executive committee.

### ***Empowering Local Communities through Information Access***

**Oxfam America's sponsorship of independent hydrological research in Tambogrande, Peru** utilized an unusual but effective approach to give voice to the concerns of the marginalized local population regarding the probable environmental consequences of a planned mining project. The proposed mine is contested by the local community, since it would require relocating around half the 18,000 townspeople, and also require diverting the nearby Piura River. Fruit growers in the arid region, which exports more fruit than any other part of the country, thought that toxic mine wastes from the project would endanger the World Bank-funded irrigation system. Threatened with relocation and loss of their livelihoods, communities affected by the project could have developed dangerous grievances, leading to violence. By supporting an independent hydrological impact assessment and a community referendum on the topic, Oxfam strengthened stakeholder participation in the decision-making process in Tambogrande. For more information, see <http://www.oxfamamerica.org/advocacy/art2603.html>.

### ***Addressing Gaps in Policy and Governance***

With the **Mineral Resources Sector Reform Project**, CIDA is helping the Peruvian Ministry of Energy and Mines improve public sector administrative practices for mine safety, environmental management, and poverty reduction. The project focuses on medium-sized underground operations, since they have the highest incidence of fatalities and environmental degradation. The project trains engineers, regulators, operators, and workers on treatment and control of environmental impacts, such as acid mine drainage and mine site reclamation. Peru's mines have improved their compliance with environmental standards, and the ministry is preparing a new environmental code for transporting and handling concentrates. For more information, see <http://www.percan.ca/Plone/english/Project%20Info/>.

In Bolivia, the **Mineral Resources Sector Reform Project** supports regulatory reforms to minimize the environmental impact of mining operations and attract new investment. More than 80% of the areas inhabited by the miners and their families are highly contaminated, affecting 300,000 people. The country's poorest communities are dependent on the mining sector for their survival. The project provides technical assistance for rehabilitating mine sites, administering mining codes, managing geological information, and improving health and safety conditions. A planned extension project will complement these activities, building administrative capacity for controlling pollution, improving health and safety, and consulting the public. Recent activities include producing an environmental guide for miners, training trainers on health and

safety, distributing public health and safety guides, testing a conflict prevention mechanism, training tax assessors, and assessing mineral resources for smaller regional mining companies. For more information, see [http://www.acdi-cida.gc.ca/cida\\_ind.nsf/vLUallDocByIDEn/F0F4863F7E470D7785256CD30055CE18?OpenDocument](http://www.acdi-cida.gc.ca/cida_ind.nsf/vLUallDocByIDEn/F0F4863F7E470D7785256CD30055CE18?OpenDocument)

CIDA's **Sustainable Development of Minerals and Metals in the Americas** supports workshops and seminars for mining companies in participating countries (Bolivia, Ecuador, and Peru) that are interested in corporate social responsibility and sustainable development. This initiative will promote the safe and responsible development and utilization of minerals, as well as encourage regional and bilateral dialogue on the sector's sustainable development. Workshops have been held on mining and the environment, and on mining and communities. As a result of the project, Ecuador has begun a community consultation process to develop and adopt a new mining law grounded in sustainable development principles.

For more information, see [http://www.acdi-cida.gc.ca/cida\\_ind.nsf/0/6a024d2b979a9a8185256a8d0047172f?OpenDocument](http://www.acdi-cida.gc.ca/cida_ind.nsf/0/6a024d2b979a9a8185256a8d0047172f?OpenDocument)

## Survey Instrument

This section identifies key questions, synthesized from the previous sections, that evaluate the risk of conflict linked to valuable minerals. These questions should help development agencies effectively integrate valuable minerals management and conflict prevention/mitigation into their programs and projects. Not all questions will be relevant in all regions due to historical and cultural differences.

### **Are minerals being used to finance violence or oppression? If not, what factors suggest that minerals may do so in the future?**

- Are valuable and/or highly lootable minerals present, and are these resources located in remote, politically and economically marginalized areas, with secessionist tendencies or a history of violence?
- Do other forms of trade that support criminality and violence exist in these areas (e.g., narcotics, timber, small arms traffic, etc.)?
- If you compare minerals export data (where such statistics are available), does it indicate that minerals production has gone “underground” and developed illegal trade markets?

### **Are the social and environmental impacts of mining and inequitable distribution of benefits fuelling grievances or contributing to violence?**

- Are large proportions of the population dependent on ASM for income, and is ASM illegal, without clearly defined rights and obligations or mechanisms for regulation and support?
- Are there mechanisms to assess environmental and social impacts, develop mitigation and compensation plans, monitor and enforce compliance, and disseminate relevant information to affected communities?
- Have groups (including local community and indigenous groups) with legitimate interests, facing serious impacts, or holding formal and informal access rights to the resource area, been appropriately consulted and compensated? If these groups oppose the decision and refuse compensation, do they have access to legal representation in an independent judicial system?
- Are there processes to mitigate dynamic flashpoints produced during minerals exploitation: initial exploration, the influx of other communities (“honey pot effect”) and construction workers, and the impact of mine closure?
- Is securing the mining site with military or private security forces likely to contribute to human rights abuses? Are artisanal and small-scale miners intimidated into cooperating with rent-seeking forces using violence?
- Do institutions equitably mediate competing claims from communities, artisanal and small-scale miners, companies, and officials, for access to natural resources, social and environmental impacts, and benefit-sharing?

### **Do underlying domestic and international governance failures contribute to the potential for violence?**

- Is the country’s economy highly dependent on valuable minerals? Are there mechanisms to mitigate mineral-related economic shocks, and to support diversification?
- Do government and security institutions (military/police) participate in the “lootable” minerals trade?
- Are efforts underway to combat corruption, enhance revenue transparency, and hold officials accountable for mineral-related activities?
- Are efforts underway to regulate and control the influx of small arms and to professionalize and demobilize security forces in mineral-rich regions?

- 
- Are there international mechanisms to enhance governance of the minerals in question, and can these mechanisms be used to screen out “conflict commodities” and manage revenues? Do the state and its neighboring countries participate in these initiatives, and have they implemented domestic regulation and enforcement?
  - Are foreign mineral extraction companies contributing to or legitimizing oppressive capacity of the state, the financial support of insurgent groups, or the violation of local human rights, and can these companies be encouraged to adopt voluntary standards?

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### For further information on successful national initiatives:

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