

# Peacebuilding and extractives in fragile and conflict-affected states

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## Question

*What does the literature say about the impacts of approaches and initiatives designed to either (a) reduce the conflict risk, or (b) maximise the peacebuilding and developmental opportunities, associated with increased natural resource extraction – with a particular focus on minerals – in fragile and conflict affected states?*

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## 1. Summary

Despite often being a conflict risk, natural resource extraction can offer potential peacebuilding and development opportunities if managed effectively. The end of conflict can offer a window of opportunity to reform natural resource management systems. A number of different approaches and initiatives to natural resource management in fragile and conflict affected states exist, initiated and implemented by a variety of different actors including extractive companies, national governments, international organisations, and civil society. It is very important that they are context specific (following an assessment of conflict dynamics, the resource base, and existing governance structures around extractive industries) and involve the affected stakeholders in the design process to create domestic ownership. Transparent, accountable, inclusive, and equitable exploitation and trade of high value resources seems to be most likely to foster stability.

However, there is no single way to manage natural resource extraction in these circumstances and those used have not necessarily yielded the desired results. Furthermore, there is a lack of clear and detailed evidence around the effectiveness of different options. This report focuses on non-renewable extractive resources such as minerals, oil and gas.

Roy (2017, p. 228) reviewed various resource management tools along the extractive industries value chain which have attempted to disrupt one or more of the resource-conflict links 'in order to contribute to (post-conflict) stability and long-term sustainable peace' and this report draws on her work, and the work of Ríos et al (2015) to frame the sections.

- **Awarding of contracts and licences:** The (re-)negotiation of contracts and the award of licences is a very important factor in determining the risk of conflict, as it sets the structure of revenue and cost distribution; the tone for corporate relations with local communities; and the public is made aware of new extractive projects. Lack of transparency around contracts can enable a system of corruption which is destabilising in the long run but can result in short-term stability due to the co-optation of crucial groups. It is also important to communicate realistic expectations of the potential benefits, so people know what to expect.
- **Regulation and monitoring of operations:** Governments need to establish control over extraction sites in order to target the opportunity structures of spoilers. There are a variety of approaches they can take. Military interventions and the stationing of security actors in the extractive region and the displacement of artisanal miners and establishment of large-scale and easier to control industrial extractive projects, often results in massive human rights violations and loss of livelihoods, including for ex-combatants. The Voluntary Principles on Security and Human Rights attempt to minimise the human rights abuses. A more promising strategy is the formalisation of artisanal extraction and the international sanctions and certificates to ensure minerals are "conflict free", such as the Kimberly Process. A risk is that companies choose not to source from post-conflict countries, as the burden of proof is on them.
- **Collection of taxes and royalties:** Corruption can get in the way of installing an effective taxation system. The main initiative targeting corruption in oil, gas, or minerals resource endowed states is the Extractive Industry Transparency Initiative (EITI), which publishes what companies are paying government and what government should deliver to the public. While it has increased transparency, its impact on corruption and other broader outcomes is contested.

- **Revenue management and distribution:** Wealth/benefit sharing has been promoted as a way of creating incentives to “buy into peace”, despite mixed evidence of its effectiveness. Central government usually accrues the resources and distributes it through a combination of redistribution to local government or to citizens, investment in a natural resource fund that is kept for future times of crisis, and strategic investment in public goods. Again, transparency is needed to be successful, although it is difficult to achieve. In addition, there needs to be open dialogue about the benefit-sharing arrangements. Other forms of redistribution which may occur, that seek to initially buy-off conflict actors, could undermine state institutions in the long run.
- **Sustainability and development:** Some initiatives target artisanal miners and local community members with the aim of improving livelihoods and managing the environmental impact of the extractive industries. Extractive revenues should be used for economic diversification and development, with an awareness that they will run out at some point. Improved development benefits of extractive industries are supported by good governance in the country.

The differing impact of extractive industries on men and women also needs to be incorporated into intervention strategies. The rights of indigenous peoples and youth are other components to consider and their engagement in the process is crucial.

Despite an existing focus within the literature on the links between natural resource extraction and conflict, the body of literature looking at approaches and initiatives to reducing conflict risk and maximising the peacebuilding and development opportunities of natural resource extraction is still small and limited, although the United Nations Environment Programme (UNEP) has been working to improve the evidence base and gather case studies of how natural resources have successfully supported post-conflict peacebuilding (UNEP, 2015, p. 3). Maconachie (2016, p. 313) notes that ‘comparatively little scholarly attention has been paid to the potential for natural resources to facilitate reconstruction and rehabilitation’ in post-conflict countries. Roy (2017, p. 233) notes that post-conflict resource management literature does not rely on ‘much of a sound theoretical empirical base’ and more research is needed (see also Cuvelier et al, 2014, p.347-349; Bailey et al, 2015, p. 3). Suggested areas of future research include addressing ‘the potential contradiction between individual tools as well as questions of adaptation (what factors shape the likelihood of governments and commercial actors’ propensity to adopt a certain resource management instrument?) and effectiveness (under what circumstances does implementation of instruments fulfil the hypothesised effect?) in terms of stabilising, rebuilding, and preventing renewed conflict’ (Roy, 2017, p. 233).

## 2. Natural resource management in fragile and conflict affected states

Post-conflict countries ‘present complex environments for extractive industry development’ (Maconachie, 2016, p. 315). The exploitation of non-renewable natural resources such as oil, gas, and minerals, has often been cited as a ‘key factor in triggering, escalating or sustaining violent conflicts around the globe’ (Grzybowski, 2012, p. 6; see also Coyle & Bruch, 2016, p. 10; UNEP, 2015, p. 35). Violent conflict around natural resources is more likely when ‘local communities have been systematically excluded from decision-making processes; when the economic benefits are concentrated in the hands of a few; and, when the burdens associated with [extractive industries] clash with local social, cultural, religious and environmental norms, or

align with pre-existing tensions' (Grzybowski, 2012, p. 6). Bad governance and corruption within government ministries, regulatory institutions, and local communities, also poses a challenge (Lujala et al, 2016, p. 240; Bruch et al, 2016, p. 953).

However, proponents of extractive-led development trajectories suggest that '[i]f managed effectively, there is considerable scope for resource endowments to generate significant revenue flows, which could support postconflict reconstruction, reduce aid dependency, and translate into improvements in the quality of life for vulnerable populations' (Maconachie, 2016, p. 313).

Natural resource revenues could also 'play an important role in supporting peacebuilding strategies, including macroeconomic recovery, livelihood upliftment, governance reform, and the rebuilding of security structures' (Maconachie, 2016, p. 313; see also Bruch et al, 2016, p. 953; Bailey et al, 2015, p. 2; Coyle & Bruch, 2016, p. 11; Jensen et al, 2013, p. 1). Bailey et al (2015, p. 2) identify a number of other ways in which natural resource development could support peace by encouraging dialogue, delivering peace dividends, and establishing interdependence. UNEP (2015, p. 38) suggests that '[l]ocal peacebuilding may be promoted using natural resources as the basis for rebuilding key relationships if mutual benefits can be identified and a common vision agreed', and overtime this cooperation may spill over into other domains. The revenue generated by extractive industries can also 'finance reconstruction and set the economy back on track' (Lujala et al, 2016, p. 239).

In the immediate aftermath of conflict, a window of opportunity can emerge and 'new possibilities for reforming the management of natural resources may be facilitated, ensuring that revenue and benefits are shared more equitably, and old cycles of mismanagement and elite capture are broken' (Maconachie, 2016, p. 313-314; see also Bruch et al, 2016, p. 953; UNEP, 2015, p. 38; Jensen, 2013, p. 1). However, it is 'essential to adopt a national vision and start any major reform process before significant resource revenues begin to accrue – otherwise the opportunity for real change is often lost' (UNEP, 2015, p. 38). Early action is key and poor choices made early on can have a detrimental impact (Jensen et al, 2013, p. 1).

Despite this potential, few resource rich post conflict countries have been able to achieve long term stability and 'extractive industry investments have had very limited economic impacts, and there has been no 'trickle down' to local populations', with most resource rents captured at the national level, with little spill-over to local communities (Maconachie, 2016, p. 314). Resource dependency also 'exposes fragile economies to 'boom-and-bust' commodity cycles' (Maconachie, 2016, p. 314; UNEP, 2015, p. 37). Extractive industries seldom live up to the expectations that they are a huge opportunity for post-conflict countries to kick-start economic growth, create jobs and generate revenues, and therefore UNEP (2016, p. 37) note that they 'should not be used as the only pathway out of fragility'. In addition, 'policy choices by both government and companies too often undermine the peace process' (Lujala et al, 2016, p. 240). Therefore, '[p]romotion of extractive-led development as a means to peace in conflict-affected situations carries inherent risk' (Bailey et al, 2015, p. 3).

## **(Conflict sensitive) natural resource management approaches**

In recognition of the risk posed by high-value natural resources to reigniting conflict in post-conflict situations, the reform of extractive industries has 'become a centerpiece focus of post-conflict reconstruction efforts [at] the local, national, and international levels' (Roy, 2017, p. 227). The way in which 'natural resources are managed and governed in post-conflict environments can either fundamentally support or undermine peace-building and reconstruction objectives'

(Maconachie, 2016, p. 313). Steps can be taken to effectively manage natural resources to reduce conflict risks and encourage sustainable development (Grzybowski, 2012, p. 6).

Existing resource management tools<sup>1</sup> are 'often driven by international non-governmental organisations, but increasingly shaped by local agents' (Roy, 2017, p. 228). 'Diverse instruments ranging from local dialogue and compensation to global certification and labour standards are employed and bundled into strategies in order to disrupt conflict inducing mechanisms' (Roy, 2017, p. 228).

Rustad et al (2012, p. 571, 613) and Lujala (2016, p. 248) note that there isn't one way to manage extraction of valuable natural resources in post-conflict countries, and 'many of the approaches that have been used have not yielded the desired results'. There may be contradictory effects between the different instruments that decision makers need to be aware of, and balances may need to be made between short- and long-term stability (Roy et al, 2017, p. 232). Post-conflict governance efforts should include both top-down and bottom-up governance efforts (Bruch et al, 2016, p. 956). The complexity of the challenges involved in the management of high value resources in post-conflict situations needs to be acknowledged by those working on it (Rustad et al, 2012, p. 571).

Analysis by Roy (2016, p. 1064) suggests that the exclusionary strategies which are often implemented by governments are 'relatively unsuccessful at stabilising post-conflict situations and at preventing renewed armed conflict'. Instead, the 'more inclusive and the more distributive a post-conflict resource management system is, the more likely it is to foster durable stability' (Roy, 2016, p. 1064). This stabilising effect can be reinforced by international resource agreements and Roy (2016, p. 1064) finds that '[b]roadly speaking, international efforts at preventing resource-related armed conflict by promoting good resource governance seem to push in the right direction'. These encourage 'transparent, accountable, inclusive, and equitable exploitation and trade of high value resources' (Jensen et al, 2013, p. 1).

Rustad et al (2012, p. 572) note that the management of high-value natural resources in post-conflict situations depends, among other things, on:

- 'the context, including the causes and trajectory of the conflict;
- the characteristics of the natural resources in question and their role in conflict;
- the quality of domestic institutions;
- regional dynamics and international markets; and
- current and previous approaches to the management of natural resources and the associated revenues'.

## **Roles of different actors as peace promoters**

### **Extractive companies**

Bailey et al (2015, p. 3) note that '[r]esource investment in fragile and conflict-affected settings is unlikely to be 'conflict-neutral'' and therefore companies and investors should be aware of the

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<sup>1</sup> A variety of different guidance, tools and initiatives from the UN, EU, multilaterals, civil society, and industry are described in Grzybowski (2012, p. 38-41).

direct and indirect consequences of their actions on peace and conflict dynamics. Extractive companies investments can strengthen or undermine peacebuilding depending on how they approach their activities (UNEP, 2015, p. 38). However, extractive companies have limited influence over peace and conflict dynamics, and 'are not equipped to be the main peacebuilding actor' (Bailey et al, 2015, p. 3).

In post-conflict contexts, and in the absence of existing initiatives, extractive companies should 'develop their own principles of transparency and conduct extensive environmental and social assessments with regard to their operations, contracts, and revenues regardless of whether they are required to do so or not' (Lujala et al, 2016, p. 243). In addition, they should 'develop both legal and social licenses to operate, and when local populations are excluded from negotiations, firms bear the burden of seeking a "social license to operate" from local communities' (Lujala et al, 2016, p. 243). The extractive companies need to carefully assess the local context to ensure that local elites do not 'take over the negotiation process and accrue the most benefit from the company's operations, services or revenues it generates in the community' (Lujala et al, 2016, p. 243). If they were in the region before or during the conflict, they need to 'directly address past grievances of local communities surrounding wealth sharing, recognition of land claims, and environmental degradation, especially when these played a role in causing or sustaining the conflict' (Lujala et al, 2016, p. 243). Trust-building initiatives are important, for example, through multi-stakeholder groups including civil society, (local) government and the extractive industry (Lujala et al, 2016, p. 243).

Unfortunately, many companies show little consideration for peacebuilding work and 'maintain corrupt, non-transparent or unsustainable practices, taking advantage of communities unprotected by laws, or even [un]-knowingly contributing to tensions among conflicting communities' (Lujala et al, 2016, p. 241-242). This may be countered by a government with the will to promote decent company behaviour and establish better institutions (Lujala et al, 2016, p. 242). For example, in Liberia, President Johnson Sirleaf 'annulled all timber contracts dating from the (pre-) conflict time and renegotiated better contracts with some extractive industry companies that increased the government's share of the revenues as well as improved working conditions for the employees' (Lujala et al, 2016, p. 242).

In other cases, 'companies wanting to promote high ethical standards may face barriers from governments less concerned with promoting long-term peace, economic growth, and decent behaviour' (Lujala et al, 2016, p. 242).

The OECD has developed [Due Diligence guidelines](#) to assist firms working in mineral supply chains in conflict-affected and high risk areas to protect human rights and avoid contributing to conflict (Lujala et al, 2016, p. 246; Rustad et al, 2012, p. 581).

## **National government**

National governments usually retain control over minerals, oil and gas (Bruch et al, 2016, p. 24; Grundel, 2010, p. 3). As seen above, the role they take makes a difference to the peacebuilding impacts of natural resource extraction. Political will or a (partially) functioning institutional set-up makes a range of approaches to more effective natural resource extraction more feasible (Lujala et al, 2016, p. 244). However, many fragile and conflict affected states lack robust institutions (Coyle & Bruch, 2016, p. 12). Jensen et al (2013, p. 1) note that 'few post-conflict governments have the capacity to attract private-sector investment, negotiate fair resource contracts, manage revenues transparently, make sound investment decisions, support economic diversification, or



mitigate the negative social and environmental impacts of resource extraction'. Therefore, it is important to build national capacities (Jensen et al, 2013, p. 1). A 'key way to address corruption, public suspicions, and politicisation of extractives industries is to integrate transparency and accountability into all aspects of resource extraction' (Coyle & Bruch, 2016, p. 12). Lujala et al (2016, p. 247) note that 'governance is more efficient when assessments, reporting, openness and transparency are no longer voluntary, but required'. Governments may need to 'develop or reform laws and regulations governing concessions and managing the environmental and health effects and labour practices associated with resource extraction' (Coyle & Bruch, 2016, p. 13). 'Institutional reforms that will affect the resource sector include strengthening the legal and court system; introducing, reforming, or consolidating resource management legislation; and establishing the necessary administrative and oversight bodies to implement the laws and regulations governing natural resource management' (Jensen et al, 2013, p. 3).

'Strong effective institutions often take time to emerge in fragile and conflict-affected states, even with the best technical advice and donor support, and therefore Bailey et al (2015, p. 3) suggest that 'governments should explore the political and economic viability of policies to slow resource development, while working with development partners to build institutional capacity'. Lessons from UNEP's work, also suggest holding off developing extractives first, and that 'an initial focus on rural livelihoods buys the time needed for countries to build the internal capacity, legal framework, and infrastructure to develop their extractive sector in a more strategic and effective manner' (UNEP, 2015, p. 37).

UNEP's (2015, p. 37) work in this area suggests that 'countries should adopt a resource transformation and economic growth model based on six core elements: (i) building the institutions and good governance of the resource sector; (ii) developing infrastructure that can be shared with other economic sectors; (iii) ensuring robust fiscal policy and competitiveness; (iv) supporting local employment and value chains; (v) deciding how to share and spend a resource windfall wisely; and (vi) transforming resource wealth into broader economic development and diversification'.

### **International community**

The international community often has less direct influence on the resource-rich countries' governments as they are less dependent on donors (Lujala et al, 2016, p. 247). However, 'the end of conflict opens up an opportunity to push reforms as revenues from the resources are not yet accruing and the donor leverage is at its highest and donor conditionality is an instrument in the post-conflict period to support, compel, and supervise authorities and reforms' (Lujala et al, 2016, p. 246). UN and EU agencies, as well as other organisations and practitioners, such as the African Development Bank, can play a variety of roles and provide support to preventing conflict around natural resource management, including (Grzybowski, 2012, p. 25; see also Bruch et al, 2016, p. 970; Coyle & Bruch, 2016, p. 13, 29; UNEP, 2015, p. 5; Grundel, 2010, p. 8):

- Providing 'technical support to governments for institutional reform, capacity-building, and delivery of programmes in keeping with international standards'.
- 'Working directly with local organisations and businesses to capitalise on opportunities associated with [extractive industries] development, and to address issues of concern'.

- 'Playing a neutral role in convening, facilitating, mediating<sup>2</sup> and coordinating support, and building the capacity and confidence of potentially conflicting parties to work together to address issues of concern' (Grzybowski, 2012, p. 25).
- Supporting 'mineral tracking and certification systems to increase government revenue and prevent armed groups from using minerals to finance conflict' (Coyle & Bruch, 2016, p. 13).

Donors, international organisations and financial institutions can also 'attempt to curtail illegal exploitation and promote good company behaviour, for example, by enforcing commodity tracking systems and making financing to extractive industries conditional on some minimum requirements or imposing home-country legislation that require the operating companies to follow certain rules' (Lujala et al, 2016, p. 246; see also Bruch, 2016, p. 993).

For example, in Liberia, the international community 'supported the efforts of President Ellen Johnson Sirleaf and other reformers through a combination of sanctions, monitoring, supporting a concession review process, technical assistance, capacity building, and peacekeeping—with peacekeeping forces helping to regain state control over areas with timber, rubber, and minerals' (Bruch et al, 2016, p. 970-971; see also Rustad et al, 2012, p. 576).

### ***United Nations Environment Programme (UNEP)***

The United Nations Environment Programme (UNEP) has supported many conflict-affected countries in managing the environment and natural resources (Bruch et al, 2016, p. 978; UNEP, 2015). Key lessons from their experience include (Bruch et al, 2016, p. 278):

- Domestic ownership of assessments, proposed laws, or other initiatives makes them more likely to be implemented. It can be challenging to introduce new approaches when local practices are inconsistent with good practice (see also Grundel, 2010, p. 11).
- In the long run, 'building governance capacity is at least as important as tangible deliverables—but it can be particularly difficult to show impact of capacity building and other governance projects through customary monitoring and evaluation processes'.

### **Civil society**

Grundel (2010, p. 7) notes that 'national civil society organisations are essential partners for the promotion of better natural resource governance in post-conflict situations'. They have vital roles to play in 'scrutinising government strategies and actions, monitoring and publicising the behaviour of private companies, and campaigning for more equal access for marginalised groups to natural resources and the revenues they generate' (Grundel, 2010, p. 7). Their participation in international initiatives like the Extractive Industry Transparency Initiative has strengthened their contribution to the debate about how natural resource endowments should be used for sustainable development (Grundel, 2010, p. 7).

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<sup>2</sup> Guidance on mediation from the United Nations Department of Political Affairs and United Nations Environment Programme can be found in: [Natural Resources and Conflict – A Guide for Mediation Practitioners](#) (2015).



## Intervention frameworks

A guidance note aimed at UN and EU development practitioners suggests that a number of steps need to be taken during the design of specific interventions aimed at natural resource management (Grzybowski, 2012, p. 7). These steps include the following:

There needs to be an assessment of the links with conflict dynamics which could involve integrating natural resource assessments into assessments such as Post Conflict Needs Assessments (PCNA), and activities in support of United Nations Development Assistance Frameworks (UNDAF) (Grzybowski, 2012, p. 7, 21; Bruch et al, 2016, p. 995). The earlier the extractive industries development is in the value chain, the more opportunities there are to 'support the development of the requisite institutional and legal framework needed to manage the revenues, distribute the benefits and prevent the potential conflicts and impacts' and to apply best practices in relation to 'community and stakeholder engagement; benefit-sharing; economic, social and environmental impact assessment and mitigation; security forces; and gender impact mitigation' (Grzybowski, 2012, p. 21). Where in the conflict cycle a country is and the scale of the conflict will also have an impact on the intervention that is needed (Grzybowski, 2012, p. 21-22). It is also important to consider the existing institutional and legal framework (including customary law) around extractive industries, and their level of economic integration with local businesses and communities (Grzybowski, 2012, p. 22; Ríos et al, 2015, p. 6; Bruch et al, 2016, p. 955, 965-968). Maconachie (2016, p. 314) notes that 'operational interventions to mitigate conflict and yield more sustainable and equitable development outcomes must be informed by a richer and more textured understanding of complex country contexts' and the country's political economy of resource extraction, accumulation, and distribution. Rustad et al (2012, p. 573) highlight the importance of a proper assessment of the resource base so that there is a common understanding of the scope and value of resources to help all parties to see clearly what is at stake, which might be less than initially anticipated (see also Jensen et al, 2013, p. 2). Ríos et al (2015, p. 6) also note that measures to prevent conflict need to be context specific and 'adapted to the country in question and project site context and prevailing political economy', indicating the importance of a proper assessment before an intervention (see also Bruch et al, 2016, p. 955, 1024; Grudel, 2010, p. 11). Information coming from these assessments needs to be disseminated amongst all stakeholders (Jensen et al, 2013, p. 2).

There also needs to be alignment and coordination with national and local governments, non-government organisations (NGOs) (local, national and international), security services, and the private sector (both companies and associations) on the role they can play in helping prevent conflict from arising (Grzybowski, 2012, p. 7, 23). This requires an understanding of who the key actors are and how they interact with one another (Grzybowski, 2012, p. 22). EU and UN agencies may be able to advise on these roles (Grzybowski, 2012, p. 24).

The design of the intervention needs to be responsive to the specific circumstances and conflict dynamics (Grzybowski, 2012, p. 7). Key principles and lessons learned from the field in designing interventions include (Grzybowski, 2012, p. 24):

- Design for the individual context and '[u]se experience and case studies to stimulate thinking rather than as a template for how interventions and results should be structured'. Involvement in the intervention design can also help develop buy-in and ownership from the relevant parties.
- 'Avoid completing design work in isolation of the affected parties' and work with some or all of the interested parties that can deliver support and credibility.

- Unexpected events are likely to occur, so plan to adapt the intervention.

Tackling the underlying causes of extractive industries' conflict 'requires a concerted and multifaceted approach that encompasses governance, macro- and micro-economic stability, capacity enhancement, and creative approaches that increase opportunities for dialogue while contributing to the peaceful resolution of conflict' (Grzybowski, 2012, p. 8).

### 3. Awarding of contracts and licences

The rush to secure potentially lucrative opportunities can lead to a 'race in which issues related to transparency, corporate social responsibility, expectation management, and environmental and social consequences may be side-stepped by the [extractive] companies, or used strategically to obtain operating licenses and concessions' (Lujala et al, 2016, p. 240-241). Governments may also be inclined to 'get extraction underway as rapidly as possible and to grant permissions without adequate processes to assess the consequences, to include local society in the project, and to ensure good contracts with the extracting company' (Lujala et al, 2016, p. 241; see also Bruch et al, 2016, p. 956-957). For example, the rush around mining licences after the independence of South Sudan resulted in a proliferation of mining licenses which 'continues to cause conflicts between communities, investors, and government over land and resource rights' (Bruch et al, 2016, p. 957). In addition, governments in fragile states 'are frequently ill-equipped to negotiate, administer, or enforce the terms of concessions' (Coyle & Bruch, 2016, p. 20). Therefore, countries should be supported to strengthen standards and guidelines for contract negotiations, including at regional or sub-regional levels (Hailu et al, 2011, p. 26).

The negotiation of contracts and the award of licences is an important time for governments as '[c]ontracts perceived to be unfair or disadvantageous to specific groups can provide a powerful motive for conflict, as do extraction projects that are negotiated without obtaining the consent of affected populations in the extractive region' (Roy, 2017, p. 228). During these negotiations, the structure of revenue and cost distribution is decided; the tone for corporate relations with local communities is set; and the public is made aware of new extractive projects (Roy, 2017, p. 228). In addition, poor contract terms which deprive the state of revenue, foster corruption, and result in unsustainable or too rapid extraction, using extraction methods that are wasteful, exploit people, and destroy the environment, can undermine the state's legitimacy (Lujala et al, 2016, p. 244; Rustad et al, 2012, p. 578). Ríos et al's (2015) preliminary research suggests that this stage is the one which 'most often determines the risk of conflict throughout the whole [extractive industries] project'.

Post-conflict governments may also 'inherit contracts that grant extractive companies unduly high profit margins, generous tax exemptions, or other benefits', which they can review against criteria to 'ensure legality, profit sharing, and taxation, and those found non-compliant need to be cancelled or renegotiated' (Lujala et al, 2016, p. 244; see also Rustad et al, 2012, p. 577-578; Coyle & Bruch, 2016, p. 20-21). As mentioned above, this occurred successfully in Liberia, where the new contracts negotiated by the government 'included a better deal for the government by using market price to determine the price of the iron ore, as well as increasing the lease price for Firestone. Further provisions on tax holidays, health care for workers and improved housing for workers were also included' (Lujala et al, 2016, p. 245). However, a similar review attempt in the Democratic Republic of Congo (DRC) was 'not addressed by the DRC president, government and parliament, and was quietly buried', indicating the importance of political will to dealing with

corrupt contracts and concessions (Lujala et al, 2016, p. 245). In addition, such reviews of contracts and concessions are often slow and contentious processes, which can deter private sector investment (Rustad et al, 2012, p. 579; Coyle & Bruch, 2016, p. 21). Therefore, it is important that they are 'transparent, engage both the public and the private sector, and use clearly articulated criteria of general applicability to evaluate individual concessions' (Coyle & Bruch, 2016, p. 21).

Transparency in the process is crucial and could lead to more equitable contractual settlements (Hailu et al, 2011, p. 26). Secrecy between governments and multinational corporations over contracts has enabled a 'system of corruption and exclusivity which weakens economic and political institutions and provides motive and opportunity for challenging the state' (Roy, 2017, p. 228). Therefore, publishing contracts and incorporating local stakeholders can counteract the potential destabilisation which results from this (Roy, 2017, p. 228). However, 'high-level corruption has been shown to reduce the risk of political instability in oil-producing states due to co-optation of crucial groups', so 'removing the possibility of buying off sections of society that threaten stability may, while normatively desirable, threaten post-conflict stability in the immediate term' (Roy, 2017, p. 228). 'When implementing transparency measures in a patronage-based system, the awareness of the potentially destabilising effects such measures can develop must be carefully weighed against the benefits of transparency' (Roy, 2017, p. 232).

News about the discovery of high-value resources can raise expectations of increased wealth, especially in the extractive region (Roy, 2017, p. 228). Realistic ideas of the potential benefits can be managed through 'open communication about the costs associated with the exploration, extraction, the taxes and other benefits to the state, and the recruitment of workers', as well as the actual size of the resource base (Roy, 2017, p. 228; Rustad et al, 2012, p. 573). Conflict sensitive resource management may also 'provide for consultation prior to extraction or even exploration to prevent local grievances regarding landownership or other related issues such as environmental degradation, relocation of communities, or social changes in the region' (Roy, 2017, p. 228).

### **Case study: post-war Liberia**

Roy (2017, p. 228) suggests that post-war Liberia provides an example of a successful transition for a corrupt to a transparent contracting system. Leaders of armed groups effectively controlled rubber plantations and iron ore mining sites between signing the Accra Peace Agreement in 2003 and the election of the new government in 2005, in a rampantly corrupt system with barely any oversight (Roy, 2017, p. 228). 'This buy-off system ensured their cooperation as the country went through immediate post-war reconstruction and election preparation' (Roy, 2017, p. 288). This changed after the national election and all existing contracts were cancelled and renegotiated, the entire institutional apparatus was revamped, and there was a shift toward a participatory and redistributive resource management strategy that included community consultation processes (Roy, 2017, p. 228). Liberia's Transparency Act means that extractive contracts are required to be made publicly available (Roy, 2017, p. 229). The removal of co-option opportunities for non-state armed actors was made possible by political leadership, massive international assistance, and societal awareness (Roy, 2017, p. 229).

## 4. Regulation and monitoring of operations

As 'lootable' resources (including artisanally minable minerals and metals) can provide funding for armed groups to sustain or restart conflict, it is important for post-conflict governments to establish control over extraction sites to 'make sure that (1) extraction does not benefit spoilers, (2) the government is able to appropriate revenues from extraction and export of the resource, and (3) ensure that grievances brought about by resource extraction can be alleviated to prevent recurrent conflict' (Roy, 2017, p. 229). The 'toolkit addressing illicit extraction and access to markets largely targets the opportunity structure of spoilers by minimising their access to the extraction site, intercepting smuggling routes, and making their products less attractive on the world market' (Roy, 2017, p. 230). The idea is to target spoilers' opportunity structures (Roy, 2017, p. 229). In addition, because of their low barrier to entry, these 'lootable' resources are important to the livelihoods of local communities who often lack the skills and capital to extract non-lootable resources (Maconachie, 2016, p. 314).

'Hard' national measures to establish control and prevent extraction and smuggling through illicit channels include '[m]ilitary interventions into resource producing areas, the stationing of security actors in the extractive region, a displacement of artisanal miners and establishment of large-scale and easier to control industrial extractive projects' (Roy, 2017, p. 229). They often take place at the cost of massive human rights violations<sup>3</sup> and 'limiting ex-rebel access to resource governance and displacing locals tends to heighten the risk of recurring conflict, particularly in combination with a lack of redistribution of revenues' (Roy, 2017, p. 229). In addition, the establishment of industrial extraction at the expense of artisanal extraction can have a negative impact on livelihoods, and on the reintegration of ex-combatants into the labour market (Roy, 2017, p. 229).

In response to the human rights abuses of (private) security forces, oil, gas, and mining companies, governments and NGOs collaborated to develop the 2000 [Voluntary Principles on Security and Human Rights](#), which provides guidance to extractive industries companies on 'maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms' (Grzybowski, 2012, p. 32). Some progress has been made towards implementing these principles, aided by the formation coordination mechanisms between various companies from the energy and extractives sectors and national government participants (Grzybowski, 2012, p. 32).

A softer and more promising strategy identified by Roy (2017, p. 229) is the formalisation of artisanal extraction. Successful formalisation targets potential extraction related grievances at the same time as creating opportunities (Roy, 2017, p. 230). International actors concerned with resource management usually promote this strategy and it is complemented by international agreements aimed at preventing market access for resources looted by rebels (Roy, 2017, p. 229). This may involve international sanctions against specific commodities from a volatile region and certification schemes (Roy, 2017, p. 229; Grzybowski, 2012, p. 35; Lujala et al, 2016, p. 246). Rustad et al (2012, p. 576) note that sanctions have become increasingly effective as a

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<sup>3</sup> For example, UN peacekeepers and the Congolese army conducted joint military operations against rebel troops who were controlling mines in the DRC between 2008 and 2010 (Rustad et al, 2012, p. 577). Although the operations succeeded in reducing the number of mines under rebel control, they were also associated with human rights abuses, population displacement, and extortion by government troops and did not succeed in demilitarising the resource areas (Rustad et al, 2012, p. 577).

result of 'more careful targeting and greater diligence on the part of importing companies and countries'.

Commodity tracking systems reduce the value of noncertified commodities and direct more revenues to state coffers (Rustad et al, 2012, p. 580). For example, the **Kimberley Process** targets international trade with diamonds mined or exported under rebel control during conflict (Roy, 2017, p. 229). Diamond producing Kimberly Process member states pledge to only export diamonds that are certified to be "conflict free" (mined under state control), while diamond importing members pledge to only import certified diamonds (Roy, 2017, p. 229). The process is 'reviewed by peer groups consisting of members of the [Kimberly process], including states, NGOs, and industry partners' (Roy, 2017, p. 229). Despite criticisms over its 'narrow mandate, lack of enforcement, and inability or unwillingness to reform these shortcomings', many other certification schemes emulate the Kimberly Process structure (Roy, 2017, p. 229). However, due to its voluntary nature 'it has experienced difficulties with compliance with and enforcement of its standards, for example in Central African Republic and Zimbabwe' (Bruch et al, 2016, p. 994). In addition, some argue that while it has 'increased state revenues—and thereby indirectly contributed to peacebuilding—its value as a means of preventing or ending conflict is harder to prove' (Rustad et al, 2012, p. 580).

Section 1502 of the 2010 US **Dodd-Frank Act** aims to curb the import of minerals mined in the DRC and bordering countries to finance the ongoing conflict in Eastern Congo (Roy, 2017, p. 229). 'American companies manufacturing products using minerals in question must carry out supply chain due diligence and report the use of conflict minerals to the Securities and Exchange Commission', with the aim of drying up a source of conflict funding (Roy, 2017, p. 229). It is an example of 'home-country legislation that seeks to restrain companies' operation in conflict prone area[s]' (Lujala et al, 2016, p. 246).

Roy (2017, p. 229) notes that a potentially harmful side effect of these certification schemes is that importing companies may decide not to source from post-conflict environments, as the burden of proof is on them. This can harm post-conflict countries who are relying on resource production for their economic recovery, such as DRC in the wake of Dodd-Frank (Roy, 2017, p. 229).

## 5. Collection of taxes and royalties

In order to behave accountably and lessen motives and opportunity for conflict, resource producing states should 'install a taxation system that ensures long-term benefits from resource production and subsequently makes sure that revenues are used in order to ensure stability and sustainable growth' (Roy, 2017, p. 230). States may choose to tax all sectors, impose a special tax on extractive industries (royalties), which tends to be preferred by investors, or a hybrid of both (Hailu et al, 2011, p. 28). However, corruption within fragile state institutions concerned with audit, registration, or other tax-related issues can get in the way of setting up a proper taxation system (Roy, 2017, p. 230). In addition, regional custom capacity must be built up, as '[b]y ensuring similar export taxes on the resource in question and training customs officers to an equal degree, smuggling becomes riskier and less profitable' (Roy, 2017, p. 230).

The main initiative targeting corruption in resource endowed states is the **Extractive Industry Transparency Initiative (EITI)**, which targets companies working in the resource sector and governments of states endowed with oil, gas, or minerals (Roy, 2017, p. 230; Lujala et al, 2016,



p. 245; Bruch et al, 2016, p. 991). Participating companies pledge to publish royalties and taxes they pay to the government and the government publishes everything received from the companies (Roy, 2017, p. 230). A yearly report is published under civil society supervision (Roy, 2017, p. 230). The report is 'expected to increase public control over resource revenues and corruption within the sector, increase pressure on companies and governments alike to negotiate fair contracts, and create an investor- friendly environment' (Roy, 2017, p. 230). The EITI has made 'real advancement in making formerly hard-to-come-by information public, although its impact on corruption and other broader outcomes is contested (Lujala et al, 2016, p. 245). Countries emerging from conflict may struggle to implement EITI or other transparency initiatives from the start, but it is important to 'include transparency as a principle in all new and reformed natural resource management institutions and regulations' (Lujala et al, 2016, p. 245). The EU and the US also have legislation in place which 'requires domestically listed companies to disclose any payment made to foreign governments in an effort to further curb corrupt practices' (Roy, 2017, p. 230).

## 6. Revenue management and distribution

Despite mixed evidence of its effectiveness, wealth/benefit sharing is promoted by scholars and policy makers as a way to create incentives to "buy into peace" and help to prevent conflict (Roy, 2017, p. 230; Grzybowski, 2012, p. 26). The redistribution of rents can give ex-combatants a stake in the peace process and 'redistributing wealth transparently might alleviate grievances that lie at the heart of conflict, such as compensating extractive regions for environmental damage brought about by mining or logging, or offsetting perceived injustices of the pre-conflict system' (Roy, 2017, p. 230). 'Under the right conditions, [extractive industry] development can provide significant benefits to communities and regions in the form of infrastructure, employment, contracting opportunities, and general economic development' (Grzybowski, 2012, p. 26). Rustad et al (2012, p. 583) suggest that resource revenues need to benefit society as a whole and respond to both long- and short-term needs in order to succeed from a peacebuilding perspective.

There are different ways in which resource rents are redistributed, and distribution is often a source of tension in resource-rich countries (Roy, 2017, p. 230; Bruch et al, 2016, p. 962; Rustad et al, 2012, p. 582; Coyle & Bruch, 2016, p. 22). Usually the central government accrues the revenues from resource extraction and export and then needs to decide how to redistribute them (Roy, 2017, 230). Through the national budgeting process, natural resource revenues can be transferred indirectly to sub-national units as part of the overall budget (Bruch et al, 2016, p. 962). In Iraq for example, 'after allocating 17 percent of oil and gas revenues to the Kurdistan Regional Government, the central government distributes the remainder according to the population of each governorate, regardless of whether it produces oil and gas' (Rustad et al, 2012, p. 586).

'Redistribution can be based regionally, i.e. the state distributes a share of rents to local governments, often to those located in the extractive region' (Roy, 2017, p. 230; Rustad et al, 2012, p. 586; Hailu et al, 2011, p. 26). This type of revenue sharing 'helps to ensure that resource-producing communities do not bear the brunt of the costs associated with resource extraction without also gaining benefits' (Coyle & Bruch, 2016, p. 22). Sierra Leone's Diamond Area Community Development Fund (0.75% of diamond exports) is an example of an instance when revenues are distributed even more locally, to producing areas and communities for small-scale development projects such as education, health services, and community infrastructure



(Rustad et al, 2012, p. 587). Local governments may also directly tax the extractive industries operating in their area through local taxes (Bruch et al, 2016, p. 962; Rustad et al, 2012, p. 586).

Less commonly it can be distributed directly to citizens with the aim of providing a tangible peace dividend and bypassing opportunities for corruption (Roy, 2017, p. 230; Rustad et al, 2012, p. 588). An example of this is the distribution of oil revenue in Alaska (Bruch et al, 2016, p. 962).

Revenues may also be distributed over time by being invested in savings or stabilisation natural resource funds that are 'kept for future times of crisis and in order to smooth out price volatility that affects government coffers' (Roy, 2017, p. 231; see also Rustad et al, 2012, p. 584-585; Coyle & Bruch, 2016, p. 22). They are often used in oil rich countries (Rustad et al, 2012, p. 584). São Tomé and Príncipe have a revenue management law which directs oil revenues into a 'savings fund from which withdrawals are limited to ensure sustainability, made public to ensure credibility, and monitored by a public oversight committee to ensure accountability' (Coyle & Bruch, 2016, p. 22). Rents may also be strategically invested in public goods, including physical assets and human capital (Roy, 2017, p. 231; Hailu et al, 2011, p. 26). Often these benefit sharing mechanisms are combined (Roy, 2017, p. 231; Coyle & Bruch, 2016, p. 22). For example, Coyle & Bruch (2016, p. 22) noted that Sierra Leone was 'considering a hybrid option for managing revenues from diamonds, gold, and petroleum that would spend smaller-scale revenues on an ongoing basis and put larger revenues in a fund for stabilisation, savings, and development initiatives'.

For these mechanisms to be successful in fostering peace and development, transparency is needed regarding the 'size of rents accruing to the government, how the money is distributed, and how it is invested' (Roy, 2017, p. 231-232; see also Grzybowski, 2012, p. 27; Lujala et al, 2016, p. 245; Rustad et al, 2012, p. 582). Roy (2017, p. 232) notes that this condition is 'very difficult to fulfil, because resource extraction fosters corruption and weak state institutions through a variety of channels'. There is a conflict risk if state actors fail to deliver expected public goods, particularly in the extractive region (Roy, 2017, p. 232). Lack of transparency can also lead to false allegations of corruption because of overoptimistic expectations relating to revenues (Lujala et al, 2016, p. 245). The EITI attempts to increase this transparency by informing the public about 'what the government should deliver to them, thereby increasing accountability and strengthening democracy' (Roy, 2017, p. 232). 'Transparent management and distribution of revenues might be able to affirm institutional capacities and reinstate trust in local and central government' (Roy, 2017, p. 232). External actors can '[s]upport institutional and legal development and capacity-building to enable host governments to manage revenues in a transparent and effective manner' (Grzybowski, 2012, p. 35). In addition, supporting the development of investigative and reporting capacity of the media can increase transparency around revenues from extractive industries (Grzybowski, 2012, p. 35).

Decentralised approaches to benefit-sharing mechanisms may be challenging if states are suffering from corruption and institutional weakness (Rustad et al, 2012, p. 586). For example, in Chad, 'most of the 4.5 percent development fund for the Doba region wound up being used for a few high-profile projects, and many of the associated subcontracts were granted to firms with connections to political elites' (Rustad et al, 2012, p. 586). However, corruption issues Sierra Leone's Diamond Area Community Development Fund were tackled by government and development partners, who 'undertook a series of capacity building, awareness raising, and naming-and-shaming measures that substantially reduced corruption in the distribution and use of diamond revenues' (Bruch et al, 2016, p. 965).

Rustad et al (2012, p. 586-587) identified three factors key to the success of revenue-sharing mechanisms: that all parties have a clear and realistic understanding of what is being shared; that management and ownership rights (e.g., how decisions will be made about granting exploration and exploitation rights, and by whom) are addressed; and that things which are left open in revenue-sharing agreements, or that are negotiated separately from such agreements, are considered from a political perspective to ensure that they do not create new tensions. For example, in Iraq, the vague constitutional provisions addressing revenue distribution and the ownership and management of oil resources have 'provoked fierce disputes about who owns the oil fields, who has the authority to grant exploration and extraction rights, and how revenues will be shared' (Rustad et al, 2012, p. 587).

An effective, interest-based dialogue and negotiation process that actors trust and have confidence in, is also important for successful benefit sharing between extractive industries and local communities (Grzybowski, 2012, p. 26). External agencies may be able to 'provide a neutral forum for dialogue and impartial facilitation and mediation resources to support the exploration of potentially mutually beneficial arrangements' and give unbiased examples of benefit-sharing arrangements that have worked elsewhere (Grzybowski, 2012, p. 26). Grzybowski (2012, p. 26) notes that examples of such cases can be drawn from the public reporting requirements of initiatives like the Global Compact, and the International Council on Mining and Metals (ICMM) Sustainability initiatives.

Extractive resources are exhausted once they are exploited and therefore equitable sharing and wise investment of resource revenues is extremely important and should foster economic diversification and development (Jensen et al, 2013, p. 5). Jensen et al (2013, p. 5) note that '[en]suring that revenues are invested and shared in ways that support medium- and long-term development are decisive factors in promoting economic diversification and post-conflict stability'.

Roy (2017, p. 232) notes that there are other forms of redistribution which rely less on transparency but instead seek to 'buy-off conflict-relevant groups through the allocation of rents or assignment of resource related decision-making power'. This might involve making rebel leaders the minister of natural resources or using rents to privilege all or select members of the armed forces to buy their loyalty (Roy, 2017, p. 232). 'Buying off relevant groups, even if dubious under normative considerations and undermining state institutions in the long run, can contribute to demobilisation of armed factions and stability' (Roy, 2017, p. 232). In such cases increased transparency could be counterproductive (Roy, 2017, p. 232). However, if these practices come to light, 'legitimate complaints by excluded groups might lead to renewed protest and, possibly, violence' (Roy, 2017, p. 232). A 'trade-off exists between informal channels of redistribution that bring stability in the short run and transparency that contributes to more sustainable forms of distribution in the long run' (Roy, 2017, p. 232).

## **Peace processes**

Grzybowski (2012, p. 36) notes that it is important to address extractive resources in peace processes and 'addressing questions of management control and distribution of revenues separate from ownership can significantly reduce the challenges associated with negotiating ownership in its entirety (e.g. Sudan Peace Agreement)' (see also Bruch et al, 2016, p. 1001). Efforts should be made during the peace process to integrate lands controlled by different groups in the conflict into national administration (Grzybowski, 2012, p. 37). An assessment needs to be made about 'whether natural resources are too sensitive or complicated to be treated fully within

the space of a peace agreement' (Grzybowski, 2012, p. 37). If so, parties can agree to address the issues at a later date, with clear mechanisms and timeframes in which these issues will be addressed in the peace agreement (Grzybowski, 2012, p. 37).

Ríos et al's (2015, p. 6) research suggests that effective revenue management and allocation and the implementation of sustainable development policies and projects seem to be the most instrumental stages in 'keeping and/or securing the peace dividend in the long term'. 'Successful, visible and responsive benefit-sharing, as well as economic diversification policies, seem to help countries to create new employment opportunities and safety nets that help them weather volatile changes in the commodities market' (Ríos et al, 2015, p. 6).

## 7. Sustainability and development

In some countries artisanal mining of minerals is already a key livelihood activity and the 'success of any peacebuilding effort will be measured, in part, against the past and current benefits derived from the local resource economy' (Rustad et al, 2012, p. 573). In DRC and the Central African Republic, for example, the livelihoods of an estimated 15% of the population depend on artisanal mining (Rustad et al, 2012, p. 573-574). However, artisanal mining is 'frequently associated with low pay, incidents of child labour, unsustainable management of resources, and dangerous working conditions, particularly in countries that lack the capacity to effectively regulate the industry' (Coyle & Bruch, 2016, p. 13). Therefore, policy initiatives operating at the local level include those targeting artisanal miners and communities living in the extractive region (Roy, 2017, p. 232). They 'address working conditions and seek to establish environmental, gender, and working standards that improve extractive workers' status' (Roy, 2017, p. 232; see also Grundel, 2010, p. 6). They often include participatory 'consultation mechanisms that seek to empower local communities and foster grass-root democracy' (Roy, 2017, p. 232; see also Coyle & Bruch, 2016, p. 29). It is important that these participatory processes are truly inclusive and don't concentrate benefits with local elites and their patronage networks' Coyle & Bruch, 2016, p. 29).

Such initiatives can contribute to post-conflict stability by transforming 'artisanal extractive activities from an unregulated and conflict-prone sector to an attractive source of labour for ex-combatants and other returnees that contributes to post-conflict recovery' (Roy, 2017, p. 232). In general, creating local employment within extractive industries development and small and medium enterprises in the supply chain is an important strategy in maximising the local and national benefits from the development of extractive industries and providing local people with tangible peace dividends (Grzybowski, 2012, p. 27; Lujala et al, 2016, p. 240).

In the mineral sector, 'national and regional policies often address the improvement of working conditions, human rights, and education for artisanal diggers and miners' (Roy, 2017, p. 232). Initiatives include 'support for establishing mining cooperatives that provide financial and organisational support to artisans and bypass middlemen' and 'the export of "fairmined" jewellery that is produced while adhering to self-imposed environmental, working, health, and economic standards' (Roy, 2017, p. 232). A 'mineral rights cadastre—a public registry that grants and administers mineral rights for all types of mining concessions and oversees mining activities from the reconnaissance and exploration phases through extraction' may also be set up (Rustad et al, 2012, p. 574). However, Roy (2017, p. 232) notes that implementation of serious reform has been 'difficult and has led to the abandonment of some initiatives or extreme scaling down'.

Countries need to plan for the end of resource extraction, as extractive resources are finite, and alternative and supplemental livelihood initiatives are needed to ensure miners have opportunities for employment after mine sites are exhausted (Coyle & Bruch, 2016, p. 13). Efforts to promote diversification can include creating tax incentives to get companies to reinvest profits in non-extractive sectors; investing revenues in agricultural development; supporting the manufacturing sector, particularly labour-intensive activities; and promoting stronger local linkages along the extraction value chain (Hailu et al, 2011, p. 24). Chile and Indonesia are examples of where measures to promote diversification achieved successes (Hailu et al, 2011, p. 25). Governments can also require 'companies to restore mined land as mining operations proceed and to purchase a bond to pay for any remaining costs of clean up after extraction is complete' (Coyle & Bruch, 2016, p. 13).

'Natural resource exploitation can generate pollution, environmental degradation, and economic and social impacts to individuals and communities' (Bruch et al, 2016, p. 962). As a result, '[g]rievances related to environmental degradation through extraction of valuable resources without appropriate compensation, social changes through unregulated influx of migratory workers, or displacement of local workers by multinational mining companies' need to be addressed through various initiatives, including relevant legislation (Roy, 2017, p. 232; Bruch et al, 2016, p. 962). There needs to be 'continuous, transparent, and effective engagement of communities and stakeholders, leading to agreement on mitigation and compensation measures broadly supported by those that are affected by the development' (Grzybowski, 2012, p. 27).

Participatory assessments with the most affected communities are a 'key starting point for managing environmental impacts' (Grzybowski, 2012, p. 33). These assessments need to 'integrate analysis of social and economic linkages and dovetail with the development and negotiation of management, mitigation and compensation strategies' (Grzybowski, 2012, p. 34). External agencies, such as the UN and EU could invest in 'environmental mitigation and compensation measures that go beyond the scope of the companies obligations and capacity, but still serve to reduce the burden of the development on stakeholders' (Grzybowski, 2012, p. 34).

### **Maximising development outcomes**

The Resource Endowment Initiative carried out research to identify how extractive industries can contribute more substantially to developing countries (Grzybowski, 2012, p. 29). In Chile, for example, in the mining region, Antofagasta, there was a 60% drop in poverty between 1990 and 2003 (Grzybowski, 2012, p. 29). In addition, the mining industry also 'established unusually strong linkages with the local economy, with a flourishing local supplier base - partly the result of deliberate policies by the mining firms and the government to encourage such a 'mining cluster'' (Grzybowski, 2012, p. 29). In Tanzania, the Private Sector Initiative and Business Linkages Programme resulted in closing 'the huge gap between small enterprise and large businesses and creating sustainable procurement partnerships between large corporations and local Small to Medium Enterprises (Grzybowski, 2012, p. 30). Its indirect benefits also included 'increasing sustainable livelihoods, improved skills, increased employment and income opportunities (particularly for women), and improved access to better quality goods for the local population' (Grzybowski, 2012, p. 30).

The research identified three main factors that supported improved outcomes from extractive industry development (Grzybowski, 2012, p. 29):

- 'Reformed (and more predictable) mineral legislation;
- Significantly improved macroeconomic management; and
- Improvements in some dimensions of governance'.

## 8. Including gender and indigenous peoples

It is also important for all actors engaged in natural resource management in fragile and conflict-affected states to '[i]dentify, engage, protect, and recognise the rights of vulnerable populations in natural resource management' (Coyle & Bruch, 2016, p. 20). Coyle & Bruch (2016, p. 19) identify strategies to 'encourage the participation and leadership of vulnerable groups in decision making' as particularly important. This could involve using inclusion mandates and quotas (Coyle & Bruch, 2016, p. 19).

### Gender

The impact of extractive industries on men and women differs and the 'differing roles that woman and men can play in implementing sustainable solutions need to be incorporated into intervention strategies' (Grzybowski, 2012, p. 33; see also Bruch, 2016, p. 983). It is important to incorporate women and men with gender expertise into conflict assessment and intervention design and implementation processes so that both the benefits and risk of extractive industries projects are assessed from the start (Grzybowski, 2012, p. 33; Bruch et al, 2016, p. 984). Women's and men's organisations in local communities should also be engaged in the conflict assessment, and project design and implementation process (Grzybowski, 2012, p. 33).

Support should be provided to community security initiatives to protect women from gender-based violence around extractive industry sites (Grzybowski, 2012, p. 33). In addition, the local justice system should be strengthened to criminalise all forms of gender-based violence so it becomes a more effective means of deterrence (Grzybowski, 2012, p. 33). Links should be made with programmes supporting women's sexual and reproductive health rights, and access to psychosocial counselling for survivors of gender-based violence (Grzybowski, 2012, p. 33).

Women's capacity to be competitive in gaining employment in the extractive industries sector should be enhanced and investment should be made in social programmes to 'alleviate some of the traditional burdens on women and offset some of the impacts of [extractive industries]' (Grzybowski, 2012, p. 33; Bruch et al, 2016, p. 985).

### Indigenous peoples

Extractive industries development projects can have 'significant impacts on indigenous populations whose culture and traditions are quite different from those of the national culture', especially if the development is going to happen in their traditional territory (Grzybowski, 2012, p. 30). Conflict can arise between 'the statutory tenures and concessions of states, and the customary rights and ownership of indigenous people living in the state' (Grzybowski, 2012, p. 31; see also Bruch et al, 2016, p. 963). For example, in 'Colombia, Guatemala, and Peru, governments have granted mining concessions on land legally owned and occupied by indigenous peoples and local communities' (Bruch et al, 2016, p. 963). As well as rights to minerals, mining companies were granted rights to 'other natural resources, including water, soil, and forests, to the extent necessary for extractive purposes, setting up a conflict between the rights of mining companies and the rights of local communities' (Bruch et al, 2016, p. 963).

In order to be successful in developing their project, extractive industries need to develop good relations with these indigenous communities (Grzybowski, 2012, p. 31). Best practice includes (Grzybowski, 2012, p. 31):

- 'establishing relationships built on mutual understanding and recognition of traditional rights and culture before engaging in business or community development tasks;
- establishing culturally appropriate engagement processes that enable free, prior and informed participation, consultation and consent of the indigenous communities in a manner that is consistent with their decision-making processes;
- recognition that the indigenous community may need to engage in the development and derive benefits from it, while simultaneously preventing the development from compromising traditional values, livelihoods and sacred places'.

External actors can aid in this process by ensuring all parties are aware of international legal norms and best practices (such as the UN Declaration on the Rights of Indigenous Peoples, International Labour Organization (ILO) Convention No. 169 on Tribal and Indigenous Peoples, and the International Council on Mining and Minerals (ICMM) Principles of Sustainable Development); providing a neutral forum; and providing mediation support (Grzybowski, 2012, p. 32; Bruch et al, 2016, p. 982).

## Youth

Youth can present special challenges to post-conflict peacebuilding and are often not in the position to access resources, which can contribute to conflict (Bruch et al, 2019, p. 985). It is important that livelihood opportunities around natural resource extraction consider their needs (Bruch et al, 2016, p. 985-986).



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## Key websites

- Environmental Peacebuilding: <https://environmentalpeacebuilding.org/publications/books/>

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