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VALUABLE MINERALS AND VIOLENT CONFLICT¹

The presence of valuable minerals can drive violent conflict, significantly affecting its geographic focus, duration and intensity. Improving the governance and management of these resources and addressing inequities can help prevent violent conflict.

This issues brief aims to raise awareness of the relationship between valuable minerals and conflict. It looks at how these challenges can be addressed and at how development activities involving mineral resources might inadvertently contribute to conflict. It complements other [environment](#)-related issues briefs on [land](#), [forests](#) and [water](#).

Underlined words are hyperlinks to other topics available at www.oecd.org/dac/conflict/issuesbriefs.

KEY MESSAGES:

- The presence of minerals can have an impact on the dynamics of conflict and peace within states and across sub-regions, significantly affecting the geographic focus, duration and intensity of violent conflict.
- The exploitation of minerals can be linked to conflict by: (i) increasing a country's vulnerability to price shocks, economic mismanagement and corruption; (ii) fuelling power struggles and financing armed groups; and (iii) threatening traditional livelihoods, land use or property rights, and the environment.
- Given these risks, improving governance and resource management and promoting sustainable trade in minerals should be a priority – especially through supporting transparent management and equitable distribution of resource payments and revenues and by developing and enforcing certification schemes.
- Support can also be provided to increased civil society participation in decision-making and capacity to monitor natural-resource governance – through fostering partnerships and dialogue with and among stakeholders on these issues, for example, including local communities and companies.
- All companies with activities in conflict-prone and -affected settings can seek to ensure that negative effects are minimised, and their contribution to peace maximised.
- These steps should be accompanied by measures to help protect and improve lives and sustainable livelihoods.

¹ The drafting of this issues brief was led by the United States Agency for International Development.

Tackling mineral resource issues can lead to multiple benefits

...as mineral wealth can be linked to violent conflict in a number of ways

...affecting its geographic focus, duration and intensity

INTRODUCTION

The exploitation of valuable minerals (such as gemstones, gold, coltan, cobalt, silver, copper, manganese and phosphates) can be vitally important to economic activity and growth. In Sierra Leone, for example, mining contributes about 20% of GDP and 90% of exports. However, mineral exploitation can have highly negative impacts on peace and security within states and across sub-regions. Although people, not minerals, engage in conflict, the linkages between the two can be critical factors driving conflict.² Moreover, the greed, grievances and power struggles characteristic of conflict situations can be exacerbated by the presence of valuable mineral resources.

Although tackling mineral resource issues in a conflict setting can be extremely complex and even dangerous, it is an intervention that can lead to multiple benefits. Minerals are sought after both as luxury goods and because many industrial and consumer products and processes depend on them. Therefore, when managed well, the exploitation of valuable minerals can play a significant and positive role in a country's development by enhancing economic growth and stability.

It is the process of controlling access to that wealth – and managing and distributing the resulting revenues – that shapes, either positively or negatively, the dynamics of conflict and peace in a society.

KEY ISSUES

Valuable minerals become "conflict-minerals" when their control, exploitation, trade, taxation or protection contributes to, or benefits from, armed conflict. They are linked to violent conflict in three primary ways:

- Mineral wealth can increase vulnerability to price shocks, economic mismanagement and corruption, which weakens states and the will and ability of ruling elites to govern effectively and accountably.
- Minerals can fuel power struggles and can be used to finance armed groups and disproportionate spending on national military forces.
- Mining activities can lead to lower-scale conflicts.

Thus the presence of valuable minerals can significantly affect the geographic focus, duration and intensity of conflict.

Geographic focus: Even if controlling mineral resources is not the original cause of conflict, it can become the focus of fighting. The presence of minerals in remote regions can also reinforce secessionist tendencies. Such conflict over resources does not always receive the attention of the international community, allowing the conflict to fester.

Duration: Mineral wealth can finance continued fighting, strengthen incentives to defect from peace processes and undermine discipline

² Example agency guidance on conflict analysis is provided on the CPDC webpage at www.oecd.org/dac/conflict/analysis. The DAC Network on Governance is looking at political economy analysis to identify good practices in using the different approaches under development, such as drivers of change (go to <http://www.oecd.org/dac/governance>). See also the site www.conflictsensitivity.org.

Policies and governance are key determinants of prosperity and development

Inequitable and untransparent distribution of mineral wealth can create vested interests in perpetuating instability...

Wealth from minerals may be used to fund patronage networks, arms purchases, and violence

in military forces, thus lengthening a conflict. Struggles over ownership and access to the minerals can also contribute to the complexity and duration of a conflict.

Intensity: Mineral wealth can finance arms purchases, raising the level of military and civilian casualties. It can also become a further point of antagonism that fuels the conflict. On the other hand, the presence of resources can help diminish conflict intensity if, for example, the management of minerals can be co-opted to provide a channel for cooperation and confidence-building.

The macro-economic resource curse and impacts on governance

Economic and political policies and governance determine whether mineral wealth brings prosperity and social development or leads to a downward spiral of corruption, violence and counter-violence. Where structures and mechanisms for the effective, transparent and accountable governance of natural resources are not present, the potential for instability and state fragility and/or failure is increased.

Where there are shortfalls in governance and political will, a country's dependence on the export of primary commodities has been shown to lead to a higher risk of conflict than other poor countries, particularly during periods of economic decline. It increases socioeconomic vulnerability to destabilising commodity price-shocks. The over-dependence on one commodity, exports of which may, particularly when combined with a weak US dollar (in which nearly all commodities are quoted) cause a rise in the national currency, at the expense of other exporting industries and inflation, and can weaken a state's economy, making it highly vulnerable to volatile global commodity price swings. This resource curse can also, due to neglect of other sectors and external economic shocks, limit or reduce job opportunities and lead to inequitable wealth distribution, fuelling grievances.

Furthermore, the existence of mineral wealth alongside weak governance can increase corruption as well as the power of those with control of, and access to, the wealth generated. Financial flows from mineral wealth, which are easily hidden, can be used to reinforce military capacity and pay off the opposition, and to provide patronage to key collaborators and other "clients". Not only does the inequitable and untransparent distribution of this wealth obstruct development, but it also creates vested interests in perpetuating instability and conflict. This may undermine the integrity and effectiveness into the [security system](#).

Fuelling and financing power struggles and violence

The presence of valuable primary commodities can lead to competition between groups for access or control – causing, triggering or, more often, driving and prolonging conflict. Valuable minerals can be used to provide the steady flow of money needed to sustain a patronage network and, in many conflict contexts, to fund fighting forces. Governments and other groups (including militaries) have used minerals to sustain wars against secessionist groups and rebels to the detriment of social investments. (For example in Sierra Leone, expenditure on security forces during the armed conflict amounted to about 5% of GDP, compared to social spending of

...and mineral extraction may drive tensions on a local level, which risks spilling over into violent conflict on a wide-scale.

Women and girls are often particularly vulnerable to social change resulting from resource extraction

about 1%.) Governments and/or other armed groups have sold mineral rights to private interests to generate funds to buy [arms](#) and hire mercenaries. At times, the discovery of valuable minerals has also led to attempts to overthrow governments in order to capture a share of future revenues. Moreover, governments, armed rebel groups or military units often seek revenue, which can be used to fuel conflict, by mining and selling valuable minerals or requiring taxes and royalty payments from legitimate operators. Others extort “protection” funds and some simply steal the minerals after they have been mined.

Driving lower-scale conflicts

Land rights and resource access

When mining begins, conflict can arise over [land](#) claims and access to resources. Relocation of local communities due to mining operations can lead to disputes that are further intensified when local people are offered insufficient compensation, are excluded from decision-making, and/or find their livelihoods threatened. Women are often the most adversely affected in these situations. In such cases, conflicts can arise between communities and companies, as well as with the government.

Distribution of mining wealth and benefits

Central government officials often appropriate tax and royalty revenues from mining companies without adequately consulting and compensating communities. Secrecy and lack of scrutiny of revenues can feed corrupt and illegitimate regimes. This mismatch is closely tied to the absence of democratic or participatory decision-making processes. Unclear property rights and restricted communication as well as lack of representation, consideration and protection for traditional resource users (e.g. farmers, fishermen, artisanal miners) can also lead to conflict. Activity in this sector often exploits diggers and over-concentrates wealth at the top-end of the supply chain.

Entry, construction and exit

During a mining project, the risk of lower-level, local conflict is highest at the time of entry, construction and exit. The decision to develop a site leads to severe and irreversible impacts on local communities, particularly when the communities rely on intact ecosystems for their livelihoods (through subsistence farming, fishing, hunting etc.) or have had little contact with industrialized societies.

Both industrial and artisanal mining frequently bring in a large influx of people from different ethnic, cultural and religious backgrounds, often overwhelming existing communities. Additionally, the development of a large-scale mine can generate conflict if local customs and traditions are violated or public health is undermined by the spread of disease.

From a gender equality perspective³, particular attention needs to be given to the needs and concerns of women in a male-dominated mining industry. In addition, the influx of large numbers of males into a community can lead to an increase in gender-based and sexual violence, including the trafficking of children. These must be pre-empted and tackled at a very early stage.

³ See the tipsheets on land and the environment produced by the DAC Network on Gender Equality (www.oecd.org/dac/gender).

Adverse impacts on the environment and health can be direct and indirect and can destabilize a community or region

Social and environmental mining impacts potentially driving conflict

The overall income effect of mining has the potential to be highly positive, although action is needed to extend the benefits beyond some factions (often elite) at the exclusion of others. The negative effects may cause long-lasting or irreversible damage to [water](#), arable land, [forests](#), wildlife, and hunting and fishing grounds – immediately reducing quality of life (Renner 2002) and threatening livelihoods. They hit those who rely on agriculture or fishing hardest, potentially forcing them to fight to maintain their traditional livelihood. The risks of conflict are particularly acute where the sense of grievance or entitlement is politicised and manipulated along ethnic or tribal lines.

The adverse impacts on the environment and health can be direct and indirect and can destabilize a community or region. Direct impacts include water contamination, standing water malaria and degradation of farming land (e.g. resulting from waste storage). Indirect impacts include loss of watershed protection when land is cleared for mining, thus increasing flood risk and soil damage. Social impacts include child labour and HIV-AIDs transmission in mining towns. Extractive industry companies have a role to play in ensuring that such harmful impacts are minimised.

Conflict-Sensitive Business Practice: Guidance for Extractive Industries

Recognising that companies need to take more active steps to minimise harmful effects and promote peace-building impacts, this work by [International Alert](#) draws on several years' research as well as collaboration with a range of stakeholders, including industry professionals. It is directed towards the extractive industries, which are often close to the frontline of conflict and can suffer from it and influence it both directly and indirectly.

The aim of the work is to increase the capacity of business to understand existing or potential conflict and its actors, causes and consequences accurately as well as understanding the spectrum of influence that a company's investment may have on such conflict: directly, indirectly and at varying levels.

The material provided includes:

- A screening tool to help a company assess whether a country is at risk of conflict.
 - A Macro-Level Conflict Risk and Impact Assessment Tool for analysing the national and regional level context. It explores issues of concern raised in the screening and how the project may interact potential with these.
 - A Project-Level Conflict Risk and Impact Assessment Tool for further analysis of the potential interactions between the project and its context. It outlines processes for participatory analysis and decision making with stakeholders – essential for building confidence and a stable operating environment.
 - Guidance on key Flashpoint Issues: Stakeholder Engagement, Resettlement, Compensation, Indigenous Peoples, Social Investment, Dealing with Armed Groups, Security Arrangements, Human Rights, and Corruption and Transparency.
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The risk of conflict linked to valuable minerals must be carefully assessed

KEY QUESTIONS TO CONSIDER WHEN GETTING INVOLVED

There are a number of key questions that can help evaluate the risk of conflict linked to valuable minerals. These questions should also assist development practitioners in effectively integrating valuable minerals management and conflict prevention/mitigation into their programs and projects.

Not all questions presented here will be relevant in all regions because of historical and cultural differences. Given the wealth and power at stake, it is particularly important that engagement in this area is informed by full analysis of the context in which the activities take place (e.g. formal and informal power relations/networks).

- To what extent is the exploitation of minerals driving instability? Are minerals being used to finance violence or oppression?
- What structures and mechanisms do or don't exist for the effective, transparent and accountable governance of mineral extraction and trade?
- What steps should be taken to establish and/or strengthen formal and customary institutions and mechanisms to:
 - regulate and administer natural resources,
 - arbitrate related disputes, and
 - guide international and local business activity?⁴
- To what degree is there transparency in the flow of public funds and accountability for how revenues are spent or distributed by government? How can this be addressed?
- How can collaboration with business be improved so that businesses adhere to high standards of social and environmental conduct, including in areas of corruption, transparency and conflict-sensitivity?
- Are the social and environmental impacts of planned or ongoing mining activities (for example, where a project causes the displacement or influx of people) likely to fuel grievances and/or violence? How are the benefits (going to be) distributed? Will the activities have a profound impact on existing means of income generation or on relations among societal groups?
- What can be done to improve the representation and participation of vulnerable groups, particularly women, and those who rely directly on intact ecosystems for their livelihoods (for farming, fishing, hunting etc)? How can dialogue and communication mechanisms be strengthened?
- How can livelihoods be improved and diversified to reduce dependence on mineral exploitation and minimize the incentives to use or threaten violence to benefit from the resulting wealth? Do property rights need to be clarified and how can they be equitably established and enforced?

⁴ See the Working with Business chapter of the DAC Guidelines (2001) *Helping Prevent Violent Conflict*

Tensions can be mitigated through measures aimed at:

...governance

...business integrity

...civil society participation

...economic diversification etc.

...and cross-border issues and implications must be taken into account.

IMPLICATIONS FOR PROGRAMMING

Despite the complexity of the links between valuable minerals and conflict, many development initiatives – of aid agencies, NGOs, the private sector and international organizations – are tackling them in support of peace. Successful ways to help mitigate mineral-related conflict include:

- Strengthen [democratic governance](#) and promote the equitable distribution of resource revenue. At the national and local levels, this means increasing [institutional capacity](#). At the international, regional and national levels, it requires a focus on transparency and other measures to tackle bribery and embezzlement, and a mix of preventive and repressive measures: (i) setting standards, (ii) effectively implementing them, (iii) ensuring compliance in all parts of the public service through improved monitoring, detection and repression.⁵ (See the issues brief: [Overview of the Links between the Environment, Conflict and Peace](#).)
- Promote responsible private-sector investment and corporate activity by all companies in mineral-related-conflict-prone and affected contexts – ensuring that private sector activities do not exacerbate conflict or undermine development goals as well as engaging with companies so that they proactively contribute to [peace-building](#).⁶ (See the OECD's work on Multinational Enterprises, the UN Global Compact's initiatives, and the Voluntary Principles on Security and Human Rights – weblinks can be found below.)
- Encourage broad [civil society](#) participation and [dialogue](#), and foster partnership to ensure buy-in from local and external stakeholders. Local communities can be empowered through better access to, and understanding of, information about natural-resource issues.
- Support independent monitoring and advocacy by NGOs that carry out rigorous and verifiable research to further human security.
- Fight poverty, desperation and grievance by protecting and improving sustainable livelihoods (through economic diversification, for example).
- Reduce macro-economic problems caused by overdependence on mineral exports.
- Address gaps in national governance of host countries. Regional initiatives, led by one of the nations with the best records in improving resource governance, can be very constructive.
- Support independent and grass-roots research and monitoring.

In tackling the links between mineral resources and conflict, cross-border issues and implications must be taken into account. For example, changes made to mineral legislation in one country will have an impact on its neighbours (e.g. increased smuggling, more border trade etc).

(www.oecd.org/dac/conflict/preventionguidelines).

⁵ A key focus of the DAC Network on Governance is anti-corruption www.oecd.org/dac/governance.

⁶ Banfield, J. et. al (2003) *Transnational Corporations in Conflict-Prone Zones: Public Policy Responses and a Framework for Action (International Alert)*. See also the joint International Peace Academy and FAFO '[Economic Agendas in Armed Conflict](#)' project and '[Business and International Crimes](#)' project.

WORKING TOGETHER

International actors can assist by strengthening governance of international trade in mineral commodities.

- The Kimberley Certification Process Scheme brings 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. The programme is a joint government, international diamond industry and civil society initiative.

International actors can help address gaps in national policies and governance.

- In Bolivia, the Mineral Resources Sector Reform Project supports regulatory reforms to minimize the environmental impact of mining operations and attract new investment. The project provides technical assistance for rehabilitating mine sites, administering mining codes, managing geological information, and improving health and safety conditions. The Canadian International Development Agency (CIDA) is a key project donor.

International actors should promote more transparent management of resource payments and revenues, including more responsible behaviour by large and small companies.

- The Extractive Industries Transparency Initiative (EITI) aims to improve fiscal transparency and, thus, government accountability. It also addresses corporate responsibility for government corruption. This initiative aims to increase the transparency of mining company payments to partner governments. States that host mining projects or mining companies agree to disclose company payments and government revenues to a trusted third party. The United Kingdom is a key contributor to this initiative.

International actors can work with the private sector to promote transparency and human rights standards in the provision of security – working with civil society, the private sector and governments to advocate change

- The [Voluntary Principles on Security and Human Rights](#) have been put together through a dialogue involving the governments of the United States, the United Kingdom, the Netherlands and Norway; companies in the extractive and energy sectors; and NGOs. They are an industry standard intended to help guide relationships between such companies and public and private security providers – balancing the needs for safety while respecting human rights and fundamental freedoms.

International actors should support increased participation, dialogue and partnership with local communities.

- The Las Cristinas tri-sector partnership in Venezuela successfully resolved conflicts between local communities, artisanal miners and a large-scale mining group. The tri-sector partnership model combined participatory decision-making with benefit-sharing to resolve conflicts between the local community and industrial and artisanal mining.

International actors can support independent monitoring and advocacy by NGOs that carry out rigorous and verifiable research in support of human security.

- 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 directed public attention to the problem of "conflict diamonds" in West Africa.

International actors can fight poverty and help protect and foster sustainable livelihoods.

- 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 aims to improve understanding of ASM, including how it interacts with other sectors and stakeholders and its social, economic, political and environmental dimensions.

FURTHER INFORMATION

Websites and reference documents can be found through www.oecd.org/dac/conflict/themes.

Links

- The OECD Investment Committee, as part of its work program on implementation of the [OECD Guidelines for Multinational Enterprises](#), is pursuing work on conducting business with integrity in weak governance zones. This includes the development, using a public consultation process, of a risk management tool for use by companies.
- A recent OECD paper on [corruption](#) analyzes progress in the fight against corruption in Asia and the Pacific.
- The US-UK [Voluntary Principles on Security and Human Rights](#).
- The [Kimberley Certification Process](#) to tackle "conflict diamonds".
- [International Alert](#) (2005) has led work on "Conflict-Sensitive Business Practice: Guidance for Extractive Industries", a set of tools for companies concerned about improving their impact on host countries.
- International Peace Academy and FAFO-AIS have pursued joint projects on '[Economic Agendas in Armed Conflict](#)' and '[Business and International Crimes](#)'.
- Oxfam America's (2001) [Extractive Sectors and the Poor](#) gives a thorough overview of the extractive sector and the poor, including links between minerals and conflict, highlighting livelihood and governance issues.
- The Mining Minerals and Sustainable Development (MMSD) project report (2002), [Breaking New Ground](#), outlines responses and recommendations.

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