

High-Value Natural Resources and Post-Conflict Peacebuilding

Edited by Päivi Lujala and Siri Aas Rustad
Foreword by Ellen Johnson Sirleaf

High-Value Natural Resources and Post-Conflict Peacebuilding

Edited by Päivi Lujala and Siri Aas Rustad

First published 2012

by Earthscan

2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Simultaneously published in the USA and Canada

by Earthscan

711 Third Avenue, New York, NY 10017

Earthscan is an imprint of the Taylor & Francis Group, an informa business

© 2012 Environmental Law Institute and United Nations Environment Programme

The right of the editors to be identified as the authors of the editorial material, and of the authors for their individual chapters, has been asserted in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the copyright holders.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

High-value natural resources and post-conflict peacebuilding/edited by Päivi Lujala and Siri Aas Rustad.

v.; cm. – (Peacebuilding and natural resources series)

Includes bibliographical references and index.

Contents: Extraction and extractive industries – Commodity and revenue tracking – Revenue distribution – Allocation and institution building – Livelihoods – Lessons learned.

ISBN 978-1-84971-230-9 (pdk : alk. paper) – ISBN 978-0-203-87848-4 (ebk.) 1. Natural resources–Co-management–Case studies.

2. Natural resources–Management–Case studies. 3. Natural resources–Political aspects–Case studies. 4. Peace-building–Case studies. I. Lujala, Päivi. II. Rustad, Siri Aas.

HC85.H54 2012

333.7–dc23

2011036001

Table of contents

| | |
|--|---------|
| <i>List of figures and tables</i> | vii |
| <i>Preface</i> | ix |
| <i>Foreword</i> | xiii |
| <i>Acknowledgments</i> | xv |
| High-value natural resources: A blessing or a curse for peace? <i>Päivi Lujala and Siri Aas Rustad</i> | 3 |
| Part 1: Extraction and extractive industries | 19 |
| Introduction | 21 |
| Bankrupting peace spoilers: Can peacekeepers curtail belligerents' access to resource revenues? <i>Philippe Le Billon</i> | 25 |
| Mitigating risks and realizing opportunities: Environmental and social standards for foreign direct investment in high-value natural resources <i>Jill Shankleman</i> | 49 |
| Contract renegotiation and asset recovery in post-conflict settings <i>Philippe Le Billon</i> | 69 |
| Reopening and developing mines in post-conflict settings: The challenge of company-community relations <i>Volker Boege and Daniel M. Franks</i> | 87 |
| Diamonds in war, diamonds for peace: Diamond sector management and kimberlite mining in Sierra Leone <i>Kazumi Kawamoto</i> | 121 |
| Assigned corporate social responsibility in a rentier state: The case of Angola <i>Arne Wiig and Ivar Kolstad</i> | 147 |
| Part 2: Commodity and revenue tracking | 155 |
| Introduction | 157 |
| The Kimberley Process at ten: Reflections on a decade of efforts to end the trade in conflict diamonds <i>J. Andrew Grant</i> | 159 |

iv High-value natural resources and post-conflict peacebuilding

The Kimberley Process Certification Scheme: A model negotiation? 181
Clive Wright

The Kimberley Process Certification Scheme: The primary safeguard
for the diamond industry 189
Andrew Bone

A more formal engagement: A constructive critique of certification as
a means of preventing conflict and building peace 195
Harrison Mitchell

Addressing the roots of Liberia's conflict through the Extractive
Industries Transparency Initiative 201
Eddie Rich and T. Negbalee Warner

Excluding illegal timber and improving forest governance: The European
Union's Forest Law Enforcement, Governance and Trade initiative 211
Duncan Brack

Part 3: Revenue distribution 221

Introduction 223

Sharing natural resource wealth during war-to-peace transitions 225
Achim Wennmann

Horizontal inequality, decentralizing the distribution of natural resource
revenues, and peace 251
Michael L. Ross, Päivi Lujala, and Siri Aas Rustad

The Diamond Area Community Development Fund: Micropolitics and
community-led development in post-war Sierra Leone 261
Roy Maconachie

Direct distribution of natural resource revenues as a policy for
peacebuilding 275
Martin E. Sandbu

Part 4: Allocation and institution building 291

Introduction 293

High-value natural resources, development, and conflict: Channels
of causation 297
Paul Collier and Anke Hoeffler

Petroleum blues: The political economy of resources and conflict
in Chad 313
John A. Gould and Matthew S. Winters

| | |
|--|------------|
| Leveraging high-value natural resources to restore the rule of law: The role of the Liberia Forest Initiative in Liberia's transition to stability <i>Stephanie L. Altman, Sandra S. Nichols, and John T. Woods</i> | 337 |
| Forest resources and peacebuilding: Preliminary lessons from Liberia and Sierra Leone <i>Michael D. Beevers</i> | 367 |
| An inescapable curse? Resource management, violent conflict, and peacebuilding in the Niger Delta <i>Annegret Möhler</i> | 391 |
| The legal framework for managing oil in post-conflict Iraq: A pattern of abuse and violence over natural resources <i>Mishkat Al Moumin</i> | 413 |
| The capitalist civil peace: Some theory and empirical evidence <i>Indra de Soysa</i> | 437 |
| Part 5: Livelihoods | 461 |
| Introduction | 463 |
| Counternarcotics efforts and Afghan poppy farmers: Finding the right approach <i>David M. Catarious Jr. and Alison Russell</i> | 467 |
| The Janus nature of opium poppy: A view from the field <i>Adam Pain</i> | 491 |
| Peace through sustainable forest management in Asia: The USAID Forest Conflict Initiative <i>Jennifer Wallace and Ken Conca</i> | 503 |
| Women in the artisanal and small-scale mining sector of the Democratic Republic of the Congo <i>Karen Hayes and Rachel Perks</i> | 529 |
| Forest user groups and peacebuilding in Nepal <i>Binod Chapagain and Tina Sanio</i> | 545 |
| Lurking beneath the surface: Oil, environmental degradation, and armed conflict in Sudan <i>Luke A. Patey</i> | 563 |

Part 6: Lessons learned

Building or spoiling peace? Lessons from the management of
high-value natural resources 571

Siri Aas Rustad, Päivi Lujala, and Philippe Le Billon

Appendices 623

List of abbreviations 623

Author biographies 629

Table of contents for *Post-conflict peace building and
natural resource management* 641

Index 657

List of figures and tables

FIGURES

| | |
|--|-----|
| The economic role of the extractive sector in selected post-conflict and conflict-affected countries | 4 |
| Armed civil conflicts involving high-value natural resources, 1970–2008 | 7 |
| Diamond deposits in Sierra Leone (Map) | 123 |
| Diamond deposits in Sierra Leona (Map) | 160 |
| Diamond deposits in Angola (Map) | 161 |
| Oil in Sudan and South Sudan (Map) | 237 |
| Oil and tribal concentrations in Chad (Map) | 319 |
| Forest cover in Liberia (Map) | 339 |
| Forest cover in Sierra Leone and Liberia (Map) | 370 |
| Ethnic groups in Iraq (Map) | 416 |
| Oil in Iraq (Map) | 417 |
| Economic freedom and the risk of internal armed conflict (>25 battle deaths), 1970–2008 | 444 |
| Effects of economic freedom on political repression in oil-exporting states and non-oil-exporting states | 450 |
| Effects of democracy on political repression in oil-exporting states | 451 |
| Effects of democracy and economic freedom on political repression | 452 |
| Poppy cultivation in Afghanistan, 1994–2009 | 471 |
| Poppy cultivation in Uruzgan Province, 1994–2009 | 482 |
| Supply chain for wood-based products | 510 |
| Oil in Sudan and South Sudan (Map) | 565 |

TABLES

| | |
|--|-----|
| Control of conflict resources by UN peacekeeping missions, 1988–2009 | 32 |
| Voluntary social and environmental standards | 57 |
| Renegotiation of Mittal iron-ore mining contract in Liberia: Summary of changes | 76 |
| Effects of a top-down mineral certificate-of-origin scheme | 198 |
| Income-sharing schemes | 233 |
| Oil, gas, and mineral resources and secessionist movements | 253 |
| The effect of economic freedom on the onset of civil war, 1946–2005 | 447 |
| The effect of economic freedom on political repression, 1981–2006 | 449 |
| Variables that influence forest conflict | 512 |
| Forest conflict and armed conflict in the countries profiled during the Conflict Timber Project | 513 |
| Actors and strategies involved in conflict management | 551 |
| Case studies: summary data tables (Forest User Groups and Peacebuilding in Nepal) | 553 |
| Approaches to managing high-value natural resources in post-conflict situations | 610 |

Preface

Decades of civil wars, international wars, and wars of secession demonstrate the strong relationship between natural resources and armed conflict. Disputes over natural resources and their associated revenues can be among the reasons that people go to war. Diamonds, timber, oil, and even bananas and charcoal can provide sources of financing to sustain conflict. Forests, agricultural crops, and wells are often targeted during conflict. Efforts to negotiate an end to conflict increasingly include natural resources. And conflicts associated with natural resources are both more likely to relapse than non-resource-related conflicts, and to relapse twice as fast.

Immediately after the end of a conflict, a window of opportunity opens for a conflict-affected country and the international community to establish security, rebuild, and consolidate peace—or risk conflict relapse. This window also presents the opportunity to reform the management of natural resources and their revenues in ways that would otherwise be politically difficult to achieve. Capitalizing on this opportunity is particularly critical if natural resources contributed to the onset or financing of conflict—and, if this opportunity is lost, it may never reappear. Moreover, poorly informed policy decisions may become entrenched, locking in a trajectory that serves the interests of a limited few.

Since the end of the Cold War, and particularly since 2000, substantial progress has been made in establishing institutional and policy frameworks to consolidate peacebuilding efforts. In 2005, the United Nations established the Peacebuilding Commission to identify best practices for peacebuilding. The commission is the first body to bring together the UN's humanitarian, security, and development sectors so that they can learn from peacebuilding experiences.

The Peacebuilding Commission has started to recognize the importance of natural resources in post-conflict peacebuilding. In 2009, along with the UN Environment Programme, the commission published a pioneering report—*From Conflict to Peacebuilding: The Role of Natural Resources and the Environment*—that framed the basic ways in which natural resources contribute to conflict and can be managed to support peacebuilding. Building on this report, the commission is starting to consider how natural resources can be included within post-conflict

x High-value natural resources and post-conflict peacebuilding

planning and programming in Sierra Leone, the Central African Republic, Guinea-Conakry, and other countries.

Since the establishment of the Peacebuilding Commission, the policies governing post-conflict peacebuilding have evolved rapidly. In his 2009 *Report of the Secretary-General on Peacebuilding in the Immediate Aftermath of Conflict*, UN Secretary-General Ban Ki-moon articulated five priorities for post-conflict peacebuilding, all of which have natural resource dimensions. The following year, in an update to that report, Ban Ki-moon noted the pressing need to improve post-conflict natural resource management to reduce the risk of conflict relapse, and urged “Member States and the United Nations system to make questions of natural resource allocation, ownership and access an integral part of peacebuilding strategies.” And a 2011 UN report, *Civilian Capacity in the Aftermath of Conflict*, highlighted approaches for mobilizing civil society to support peacebuilding in many realms, including natural resources.

The World Bank has also begun focusing on natural resources: the Bank’s 2011 *World Development Report*, for example, placed the prevention of fragility, conflict, and violence at the core of the Bank’s development mandate. Drawing on the Bank’s experiences around the world, the report focuses on jobs, justice, and security, and highlights the contribution of natural resources to these goals.

Despite growing recognition of the importance of post-conflict natural resource management, there has been no comprehensive examination of how natural resources can support post-conflict peacebuilding. Nor has there been careful consideration of the risks to long-term peace caused by the failure to effectively address natural resources. Practitioners, researchers, and UN bodies have researched specific resources, conflict dynamics, and countries, but have yet to share their findings with each other at a meaningful scale, and limited connections have been drawn between the various strands of inquiry. As a result, the peacebuilding community does not know what works in what circumstances, what does not, or why.

Given the complexity of peacebuilding, practitioners and researchers alike are struggling to articulate good practice. It is increasingly clear that natural resources must be included as a foundational issue; many questions remain, however, regarding opportunities, options, and trade-offs.

Against this backdrop, the Environmental Law Institute, the UN Environment Programme, the University of Tokyo, and McGill University launched a research program designed to examine experiences in post-conflict peacebuilding and natural resource management; to identify lessons from these experiences; and to raise awareness of those lessons among practitioners and scholars. The program has benefitted from broad support, with the government of Finland—one of the few donor governments to explicitly recognize the role of natural resources in both conflict and peacebuilding efforts—playing a catalytic role by providing core financing.

The research program has been guided by the collective experiences of the four members of the Steering Committee: as the coordinators of the program and the series editors, we have drawn on our work in more than thirty post-conflict

countries. Our experiences—which include leading environmental assessments in Afghanistan, developing forest law in Liberia, supporting land reform in Mozambique, and fostering cooperation around water in Iraq—have led to a shared understanding that natural resource issues rarely receive the political attention they merit. Through this research program and partnership, we hope to catalyze a comprehensive global effort to demonstrate that peacebuilding substantially depends on the transformation of natural assets into peacebuilding benefits—a change that must occur without mortgaging the future or creating new conflict.

Since its inception in 2007, the program has grown dramatically in response to strong interest from practitioners, researchers, and policy makers. Participants in an initial scoping meeting suggested a single edited book consisting of twenty case studies and cross-cutting analyses. It soon became clear, however, that the undertaking should reflect a much broader range of experiences, perspectives, and dimensions.

The research program yielded more than 150 peer-reviewed case studies and analyses written by more than 230 scholars, practitioners, and decision makers from almost fifty countries. The case studies and analyses have been assembled into a set of six edited books, each focusing on a specific set of natural resources or an aspect of peacebuilding: high-value natural resources; land; water; resources for livelihoods; assessment and restoration of natural resources; and governance. Examining a broad range of resources, including oil, minerals, land, water, wildlife, livestock, fisheries, forests, and agricultural products, the books document and analyze post-conflict natural resource management successes, failures, and ongoing efforts in more than fifty-five conflict-affected countries. In their diversity and number, the books represent the most significant collection to date of experiences, analyses, and lessons in managing natural resources to support post-conflict peacebuilding.

In addition to the six edited books, the partnership has created an overarching book, *Post-Conflict Peacebuilding and Natural Resources: The Promise and the Peril*, which will be published by Cambridge University Press. This book draws on the six edited books to explore the role of natural resources in various peacebuilding activities across the humanitarian, security, and development sectors.

These seven books will be of interest to practitioners, researchers, and policy makers in the security, development, peacebuilding, political, and natural resource communities. They are designed to provide a conceptual framework, assess approaches, distill lessons, and identify specific options and trade-offs for more effectively managing natural resources to support post-conflict peacebuilding.

Natural resources present both opportunities and risks, and postponing their consideration in the peacebuilding process can imperil long-term peace and undermine sustainable development. Experiences from the past sixty years provide many lessons and broad guidance, as well as insight into which approaches are promising and which are problematic.

xii High-value natural resources and post-conflict peacebuilding

A number of questions, however, still lack definitive answers. We do not always understand precisely why certain approaches fail or succeed in specific instances, or which of a dozen contextual factors are the most important in determining the success of a peacebuilding effort. Nevertheless, numerous discrete measures related to natural resources can be adopted now to improve the likelihood of long-term peace. By learning from peacebuilding experiences to date, we can avoid repeating the mistakes of the past and break the cycle of conflict that has come to characterize so many countries. We also hope that this undertaking represents a new way to understand and approach peacebuilding.

Carl Bruch

Environmental Law Institute

David Jensen

United Nations Environment Programme

Mikiyasu Nakayama

University of Tokyo

Jon Unruh

McGill University

Foreword

Ellen Johnson Sirleaf
President of Liberia

In Liberia, we face a paradox similar to that of many post-conflict developing countries described in this book: our country is endowed with rich natural resources, yet our people live in poverty. The story of Liberia's recent history is well known. Despite our abundant natural heritage, for fourteen years Liberia was ravaged by a horrific civil war that disintegrated the nation and brought us near the bottom of the United Nations' Human Development Index. By 2003, our economy had collapsed, our infrastructure was destroyed, and our young people knew only war and want. And once again we faced a paradox: our timber, minerals, and other natural resources promised a way out of poverty and conflict, but they also threatened to pull our country back to the destructive path of patronage, corruption, and violence.

When I became President, in 2006, we faced herculean challenges of where to start the transition from war to peace, from devastation to recovery. Although the transitional government had made important steps, unemployment was at an all-time high, and inflation was driving up food and fuel prices. The war had devastated our economic structures and undermined the government's capacity to implement the sound economic policies necessary to recover. The diamond and timber sectors, key sources of revenue for the country, were frozen under UN sanctions. A whole generation of children was traumatized and had missed the opportunity to go to school. We needed to reintegrate former soldiers and find a way for almost one million Liberians to return home. We had inherited an entrenched, criminalized value system—a system in which impunity and mismanagement of our natural resources had been the norm.

Peace brings promise, and with it high expectations—especially in a country with abundant natural resources. We needed to provide for the basic needs of our people, give them jobs, rebuild our economy, restore governance and government, and reweave the fabric of society. The revenues from our diamonds and timber had been used to fuel conflict, yet we knew that to move our country forward, we had to turn this natural resource “curse” into a blessing. But where to start?

Throughout Liberia, our abundant natural resources offered the promise for consolidating peace and building a better future for our country and our people. Diamonds, iron ore, gold, and other minerals are among Liberia's many buried treasures. Above the soil, millions of hectares of valuable forests cover our landscape. And beneath the sea, our offshore continental shelf may well harbor oil and gas. We needed to figure out how to manage these resources for the

xiv High-value natural resources and post-conflict peacebuilding

transition to peace. We needed to harness these resources to provide our people with tangible peace dividends in the form of jobs, schools, and improved living standards. At the same time, we had to devise a way to reverse the entrenched corruption and mismanagement in order to prevent a relapse into war. While we had considerable international support, we had no model to follow for how to put back the pieces of our broken country.

In order to fulfill the promise of our natural heritage, we realized that better management of natural resources had to become a centerpiece of Liberia's postwar development strategy. A large part of the problem lay in the lack of information about money that companies extracting timber and other natural resources had paid to the government. This money belonged to all the citizens of Liberia, not just to the rulers, business elites, and soldiers.

I vowed to ensure national growth, development, and reconciliation through accountable management of our extractive industry and the revenue it generates. To put this principle into practice, we immediately took steps to rein in uncontrolled extraction of our natural resources and to combat the cancerous vice of corruption. We continued the efforts of the Governance and Economic Management Assistance Program begun by the transitional government; joined the Kimberley Process; established the Land Reform Commission; reformed the timber sector from top to bottom; and joined the Extractive Industries Transparency Initiative (EITI).

My first executive order, in February 2006, cancelled all timber concessions until new standards could be put in place. Six months later, we passed a pioneering new forestry law that provides for sustainable and beneficial use of Liberia's forests. The new law helps ensure that local communities play an active role in approving timber contracts, monitoring timber operations, and benefiting from timber revenues. To overcome the legacy of mistrust, we have made a special effort through the Liberia EITI to be inclusive by widely publicizing revenues from the mining, petroleum, rubber, and forestry sectors.

Trust is the greatest asset that any country can have. After war, however, trust was perhaps our scarcest resource. By restoring transparency, empowerment, and accountability in our core natural resource sectors, we have started to rebuild that trust. These efforts are central to Liberia's conflict reduction strategy.

In reforming management of our high-value natural resources, we are finding our way along the path from conflict to peace and sustainable development. We are not alone on this path. This book examines many of the initiatives that Liberia has undertaken, as well as experiences from other countries. When Liberia was first emerging from conflict, we had no model and little guidance for how to transform our natural resource sectors to rebuild our country. This book provides valuable insights for making peacebuilding more effective through natural resource management. As we learned directly, timber and other high-value natural resources were important for a surprising number of the tasks we faced in rebuilding our country. The experiences and analyses in this book are an essential resource for everyone working in post-conflict peacebuilding. I only wish that this book had been available when I became President.

Acknowledgments

This volume, the culmination of a three-year research project, would not have been possible without the efforts and contributions of many people and organizations.

The volume editors are grateful to Peter Whitten, managing editor, and Sandra F. Chizinsky, manuscript editor, for their peerless editorial assistance. We are also thankful for the support of assistant managing editors Sarah Wegmueller and Annie Brock, who skillfully shepherded the volume through the publication process. Nick Bellorini, of Earthscan, provided guidance throughout; Matt Pritchard, Elan Spitzberg, and Arthur Green created the maps; and Joelle Stallone proofread the manuscript. We are also grateful to our colleagues at the Department of Economics, Norwegian University of Science and Technology, and the Centre for the Study of Civil War, Peace Research Institute Oslo, for their comments and support.

Research assistance and publishing support was provided by numerous research associates, interns, legal interns, and visiting attorneys at the Environmental Law Institute: Elliott August, Andrew Beckington, Susan Bokermann, Daniel Brindis, Heather Croshaw, Akiva Fishman, Caitlin Fogarty, Mona Funicello, Sara Gersen, Adam Harris, Farah Hegazi, Katelyn Henmueller, Emily Jorgensen, Sean Joyner, Rachel Kenigsberg, Masumi Kikkawa, Seda Kojoyan, Vrinda Manglik, Shanna McClain, Mark McCormick-Goodhart, KJ Meyer, Joseph Muller, Rachel Parks, Katarina Petursson, Jessica Renny, Doug Sharp, Sarah Stellberg, John Stokes, Ben Tannen, Carley Wigod, and Louise Yeung.

Peer reviewers were essential to ensuring the analytical rigor of contributions to this volume. The authors would like to acknowledge the assistance of the scholars and practitioners who contributed anonymous peer reviews.

Some chapters in this volume were adapted from earlier publications: “High-Value Natural Resources, Development, and Conflict: Channels of Causation,” by Paul Collier and Anke Hoeffler, is an updated and adapted version of Paul Collier, “Natural Resources, Development, and Conflict: Channels of Causation and Policy Interventions,” in *Economic Integration and Social Responsibility*, ed. Francois Bourguignon, Pierre Jacquet, and Boris Pleskovic (Washington, D.C.: World Bank, 2007), and is printed with permission from the International

xvi High-value natural resources and post-conflict peacebuilding

Bank for Reconstruction and Development, The World Bank. “Horizontal Inequality, Decentralizing the Distribution of Natural Resource Revenues, and Peace,” by Michael Ross, Päivi Lujala, and Siri Aas Rustad, is based on Michael L. Ross, “How Can Mineral Rich States Reduce Inequality?” in *Reversing the Resource Curse*, ed. Macartan Humphreys, Jeffrey Sachs, and Joseph Stiglitz (New York: Columbia University Press, 2007), and is printed with permission from Columbia University Press. “Counternarcotics Efforts and Afghan Poppy Farmers: Finding the Right Approach,” by David Catarious Jr. and Alison Russell, and “Peace through Sustainable Forest Management in Asia: The USAID Forest Conflict Initiative,” by Jennifer Wallace and Ken Conca, are printed with the permission of the Environmental Law Institute.

Financial support for the project was provided by the United Nations Environment Programme; the government of Finland; the U.S. Agency for International Development; the Research Council of Norway; the European Union; the University of Tokyo (including the Graduate School of Frontier Sciences and the Alliance for Global Sustainability); the John D. and Catherine T. MacArthur Foundation; the Canadian Social Science and Humanities Research Council; the Philanthropic Collaborative; the Center for Global Partnership of the Japan Foundation; the Ploughshares Fund; the Compton Foundation; the Global Infrastructure Fund Research Foundation Japan; Zonta Club Tokyo; the International Union for Conservation of Nature Commission on Environmental Law; the Nelson Talbott Foundation; and an anonymous donor.

The cover was designed by Nikki Meith. Cover photography is by Christophe Smets/Luna/Visum/Sill Pictures.

High-Value Natural Resources and Post-Conflict Peacebuilding

High-value natural resources: A blessing or a curse for peace?

Päivi Lujala and Siri Aas Rustad

High-value natural resources have the potential to promote and consolidate peace. Too often, however, they make the path to sustainable peace long and hazardous. Valuable resources can help to jump-start development, secure sustained growth, raise living standards, and increase economic equality. They are also an important source of foreign currency for cash-strapped governments, can reduce dependence on international aid, and can support compensation and post-conflict relief for war-affected populations. But the promise of a brighter and more peaceful future is often spoiled by deep-rooted corruption and patronage, which confer benefits on small groups rather than on the population as a whole, and by shortsighted management of the resources and the revenues they generate.¹ In addition, the mere presence of high-value resources can jeopardize peace, if the resources become the focus of violent disputes or provide financing for groups that seek to ignite (or resume) armed conflict.

In many post-conflict countries, revenues from high-value natural resources—such as oil, natural gas, minerals, gemstones, and timber—are an integral (and even dominant) part of the national economy and state budget. In post-conflict Algeria, Angola, and Sudan, for example, oil and gas account for more than 60 percent of government revenues and over 90 percent of all export revenues (see [figure 1](#)). In Sierra Leone, in the wake of a brutal civil war that ended in 2002, diamonds accounted for 96 percent of all exports (IMF 2009b). And in Chad, Iraq, Libya, and Nigeria—all of which were affected by armed conflict during the early years of the twenty-first century—oil and gas account for as much as 70 percent of gross domestic product and more than 80 percent of government revenues. In

Päivi Lujala is an associate professor of geography at the Norwegian University of Science and Technology (NTNU) and a senior researcher at the Department of Economics, NTNU, and the Centre for the Study of Civil War (CSCW) at the Peace Research Institute Oslo (PRIO). Siri Aas Rustad is a researcher at CSCW, PRIO, and a Ph.D. candidate in political science at NTNU.

¹ Although many patronage systems are corrupt, the phenomenon of patronage is distinct from that of corruption.

4 High-value natural resources and post-conflict peacebuilding

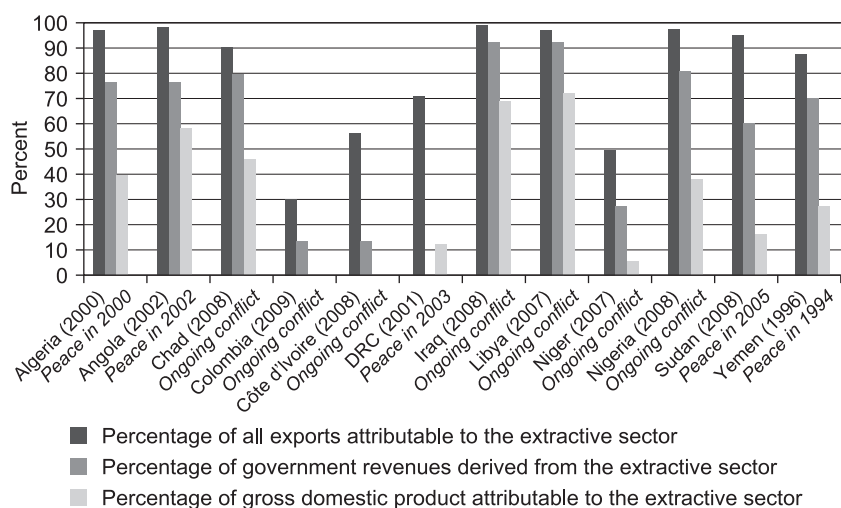


Figure 1. The economic role of the extractive sector in selected post-conflict and conflict-affected countries

Sources: End dates for conflict: Gleditsch et al. (2002); Harbom and Wallensteen (2010). All other data: IMF (2001, 2005, 2007, 2008, 2009a, 2010b, 2010c, 2010d, 2010e, 2011a, 2011b, 2011c).

Notes:

1. Numbers in parentheses indicate the year for which the data were obtained.
2. Where there are two columns instead of three, the data for the third column were unavailable.
3. For post-conflict countries, data were obtained for the year following the end of hostilities or for the first year for which they were available. (In some cases, conflict reignited after the period included in the figure.) For conflict-affected countries, the data are for the latest year for which they were available.
4. Country data reflect various resource sectors, as follows: Algeria, oil and gas; Angola, oil, gas, and diamonds; Chad, Colombia, Libya, Nigeria, Sudan, and Yemen, oil and gas; Côte d'Ivoire, oil, gas, and coffee; the Democratic Republic of the Congo (DRC), mining; Iraq, oil and gas. For Niger, export share data are based on uranium and gold, government revenues data are based on uranium, and gross domestic product data are based on mining.

Niger, uranium and gold are important revenue sources (IMF 2009a), as are oil, cocoa, and coffee in Côte d'Ivoire (IMF 2010d), and diamonds and timber in the Central African Republic (IMF 2010a). In Burma in 2008–2009, gas exports made up one-quarter of all exports; forest products and gemstones were other important exports (Turnell 2010; Talbott, Akimoto, and Cuskelly 2012).

When peace comes, the revenues from high-value natural resources—when managed well—can help finance reconstruction and other vital peace-related needs. When mismanaged, however, resource revenues can undermine both economic performance and the quality of governance, and thereby increase the risk of renewed violence.

Recent high-profile reports by the UN Secretary-General, the World Bank, the UN Environment Programme, and the United Nations have highlighted the need to more effectively harness high-value natural resources for development and peacebuilding (see sidebar) (UNSG 2009, 2010; World Bank 2011; UNEP 2009; UN 2011). If managed effectively, high-value natural resources constitute substantial

assets that national and international actors can use to support core peacebuilding objectives, including macroeconomic recovery, livelihood generation and support, the reform of governance and political processes, and improved security.²

The fact that so many resource-rich countries are unable to achieve long-term peace, however, raises some difficult questions about how high-value resources should be managed in post-conflict settings. How can post-conflict governments cut through corruption and patronage and reform their extractive sectors? How can leaders who are more interested in personal benefit than in improving the lives of their citizens be reined in? How can post-conflict governments make the best use of the potential created by foreign direct investment? What responsibilities do extractive industries have in post-conflict countries? How can the environmental effects of resource extraction be minimized? How can a balance be struck between large-scale production, which can provide considerable revenues for the state, and small-scale and artisanal production, which may be the backbone of local livelihoods? How can illegal extraction be curtailed without damaging livelihoods? How can one ensure that revenues are used to advance long-term development objectives? How should potential peace spoilers be dealt with?

The goal of this volume is to provide insight into these and similar questions—for the benefit of national and local governments,

**Post-conflict peacebuilding and natural resources:
Key terms and concepts**

Following conflict, peacebuilding actors leverage a country's available assets (including natural resources) to transform the country, with the aim of achieving security, service, economic, and governance objectives. Peacebuilding actors work at the international, national, and subnational levels, and include national and subnational government bodies; United Nations agencies and other international organizations; international and domestic nongovernmental organizations; the private sector; and the media. Each group of peacebuilding actors deploys its own tools, and there are a growing number of tools to integrate the peacebuilding efforts of different types of actors.

A post-conflict period typically begins after a peace agreement or military victory. Because a post-conflict period is often characterized by intermittent violence and instability, it can be difficult to pinpoint when the post-conflict period ends. For the purposes of this book, the post-conflict period may be said to end when political, security, and economic discourse and actions no longer revolve around armed conflict or the impacts of conflict, but focus instead on standard development objectives. Within the post-conflict period, the first two years are referred to as the *immediate aftermath of conflict* (UNSG 2009), which is followed by a period known as *peace consolidation*.

According to the United Nations, "Peacebuilding involves a range of measures targeted to reduce the risk of lapsing or relapsing into conflict by strengthening national capacities at all levels for conflict management, and to lay the foundations for sustainable peace and development" (UNSG's Policy Committee 2007). In many instances, this means addressing the root causes of the conflict.

There are many challenges to peacebuilding: insecurity, ethnic and political polarization (as well as marginalization), corruption, lack of governmental legitimacy, extensive displacement, and loss of property. To address these and other challenges, peacebuilding actors undertake diverse activities that advance four broad peacebuilding objectives:

- *Establishing security*, which encompasses basic safety and civilian protection; security sector reform; disarmament, demobilization, and reintegration; and demining

Cont'd on page 6

² The conceptual framework adopted in this book draws substantially from the *Report of the Secretary-General on Peacebuilding in the Immediate Aftermath of Conflict* (UNSG 2009), but the activities have been regrouped and supplemented by activities articulated in USIP and U.S. Army PKSOI (2009), Sphere Project (2004), and UN (2011).

6 High-value natural resources and post-conflict peacebuilding

Post-conflict peacebuilding and natural resources: Key terms and concepts (cont'd)

- *Delivering basic services*, including water, sanitation, waste management, and energy, as well as health care and primary education
- *Restoring the economy and livelihoods*, which includes repairing and constructing infrastructure and public works
- *Rebuilding governance and inclusive political processes*, which encompasses dialogue and reconciliation processes, rule of law, core government functions, transitional justice, and electoral processes.

Although they are sometimes regarded as distinct from peacebuilding, both peacemaking (the negotiation and conclusion of peace agreements) and humanitarian assistance are relevant to peacebuilding, as they can profoundly influence the options for post-conflict programming. Peacemaking and humanitarian assistance are also relevant to this book, in that they often have substantial natural resource dimensions.

Successful peacebuilding is a transformative process in which the country and the international community seek to address past wrongs and proactively lay the foundation for a lasting peace. As part of this process, peacebuilding actors seek to manage the country's assets—as well as whatever international assistance may be available—to ensure security, provide basic services, rebuild the economy and livelihoods, and restore governance. The assets of a post-conflict country include natural resources; infrastructure; and human, social, and financial capital. Natural resources comprise land, water, and other renewable resources, as well as extractive resources such as oil, gas, and minerals. The rest of the book explores the many ways in which natural resources affect peacebuilding.

national and transnational civil society organizations, extractive industries, and the international community. To this end, policy makers, field researchers and practitioners, and scholars—all of whom have close knowledge of the issues at hand—have been asked to share their views on the challenges associated with the management of high-value resources in post-conflict and conflict-affected countries.

FROM POTENTIAL PROSPERITY TO CONFLICT: WHAT GOES WRONG?

High-value natural resources have been associated with dozens of armed conflicts, millions of deaths, and the collapse of several peace processes—and case study and statistical evidence confirms that such resources play a role in sparking and fuelling armed civil conflict.³ According to data gathered by Siri Aas Rustad and Helga Malmin Binningsbø, between 1970 and 2008 the portion of armed civil conflicts

³ For the purposes of this chapter, the term *armed civil conflict* refers to both internal and internationalized internal conflicts included in the Uppsala Conflict Data Program/Peace Research Institute Oslo (UCDP/PRIO) Armed Conflict Dataset. According to the UCDP/PRIO data set (Gleditsch et al. 2002; Harbom and Wallensteen 2009), from 1989 to 2008 there were only eight armed conflicts between independent countries, including Pakistan and India (1989–2003); the Iraqi invasion of Kuwait (1990–1991); Ecuador and Peru (1995); and the invasion of Iraq by a coalition led by the United States and the United Kingdom (2003). During the same period, more than 120 internal conflicts occurred, although some of these were internationalized in the sense that other countries provided military support for the government or for the rebels (Gleditsch et al. 2002; Harbom and Wallensteen 2010). Examples of internationalized internal conflict include the conflicts in the Balkans (1991–2001), Afghanistan (2001–present), Iraq (2004–present), and the Democratic Republic of the Congo (1996–2001). The preponderance of internal conflicts is reflected in this volume, which focuses on resource management in the wake of such conflicts. Among the issues not addressed in this volume, for example, is the joint management of resources that straddle national borders.

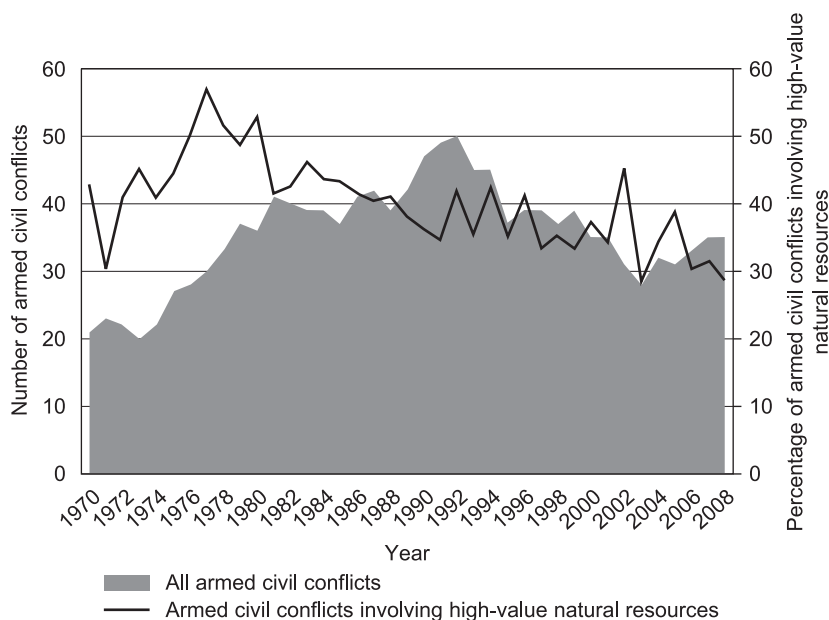


Figure 2. Armed civil conflicts involving high-value natural resources, 1970–2008

Sources: Conflict data: Gleditsch et al. (2002); Harbom and Wallensteen (2007, 2009). Resource data: Rustad and Binningsbø (2010).

Notes: The Uppsala Conflict Data Program/Peace Research Institute Oslo Armed Conflict Dataset defines *conflict* as an armed contestation between the government in a country and a rebel organization in which more than twenty-five battle-related deaths occur (Gleditsch et al. 2002). The figure includes all armed civil conflicts active from 1970 to 2008.

that were related, in some way, to high-value natural resources ranged from 29 to 57 percent (see [figure 2](#)) (Rustad and Binningsbø 2010).

Why is peace so difficult to achieve and sustain in the presence of these resources?⁴ High-value natural resources increase the risk of conflict in a number of ways. The risk of conflict can be directly increased when access to revenues motivates or finances belligerent movements, or when grievances are created (1) by unmet expectations or inequalities in the distribution of revenues, jobs, and other benefits, or (2) by the negative side effects of resource exploitation. The risk of conflict can be indirectly increased when resource sectors undermine economic performance and the quality of institutions. Thus, the three main avenues that lead from natural resources to armed conflict are resource capture, resource-related grievances, and adverse effects on the economy and institutions.

⁴ In a later chapter in this volume, “High-Value Natural Resources, Development, and Conflict: Channels of Causation,” Paul Collier and Anke Hoeffler consider the links between conflict and high-value natural resources in more detail.

8 High-value natural resources and post-conflict peacebuilding

Paul Collier and Anke Hoeffler (2004, 2006) and Päivi Lujala (2010) suggest that the capture of resources for personal or regional enrichment is a possible motivation for rebel uprisings and violent secessionist movements.⁵ Although resource capture can be one of the goals of armed rebellion, it is rarely, if ever, the sole motivation for conflict. Even in Sierra Leone, where the Revolutionary United Front has been represented as the classic example of a predatory, greed-driven movement, the reality is far more complex.⁶ More often, resource capture is a means of financing warfare and attracting supporters. For example, the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, or *FARC*) has relied on kidnapping and drugs to finance its insurgency for decades. As efforts to curtail *FARC*'s access to income from these activities have met with some success, *FARC* has turned to gold mining to support its violent campaign against the government (*Economist* 2011; *New York Times* 2011).

Grievances can motivate armed conflict, particularly when the parties to a resource-related dispute are divided along ethnic, religious, or other lines. Among the events that may spark violent uprisings are land appropriation, environmental degradation, population displacement, large inflows of migrants, and frustration over unfulfilled economic expectations. Examples of grievance-based conflicts include Aceh, in Indonesia; Bougainville, in Papua New Guinea; Kurdistan, in Iraq; northern Niger; and southern Sudan. Grievances do not necessarily arise in the context of potential regional autonomy, as was the case in Aceh and southern Sudan; they may also occur in response to the abuse of power by local elites, as was the case in Sierra Leone.

With respect to economic growth and developmental outcomes, many resource-rich countries perform poorly in comparison to their less resource-rich counterparts. This phenomenon, often referred to as the *resource curse* or the *paradox of plenty*, is exemplified in countries such as Algeria, the Democratic Republic of the Congo, Iraq, and Nigeria.⁷ The resource curse has a number of potential causes, including the following:

- A government that is able to finance its budget through natural resource revenues rather than public taxation can easily become detached from, and therefore less accountable to, the populace.

⁵ The numerous examples of secessionist movements in resource-rich areas include Aceh, in Indonesia; Biafra, in Nigeria; Bougainville, in Papua New Guinea; Cabinda, in Angola; Kurdistan, in Iraq; and southern Sudan.

⁶ For further discussion of the conflict in Sierra Leone, see, for example, Roy Maconachie, "The Diamond Area Community Development Fund: Micropolitics and Community-led Development in Post-war Sierra Leone," in this volume.

⁷ The term *resource curse* was coined by Richard M. Auty (1993); *paradox of plenty* was coined by Terry Lynn Karl (1997). At its broadest, the phrase *resource curse* refers not only to poor economic development, but also to other negative political and social outcomes that have been associated with abundant natural resources, including detachment from the electorate and increased risk of armed conflict.

- Resource revenues often fuel patronage, corruption, and rent seeking, all of which may promote the interests of a small and predatory elite.⁸ In Nigeria, for example, it is estimated that 1 percent of the population enjoys 80 percent of the oil revenues (Kalu 2008).
- When the group in power focuses on short-term gains (sometimes in an effort to meet popular demands), the results may include overspending, poor investment decisions, and ill-conceived economic policies.
- In countries whose economies depend on a few valuable resources, the weakness of political and economic institutions may be compounded by exposure to price shocks, which occur when rapid shifts in raw material prices lead to abrupt fluctuations in resource revenues.

Political and economic underperformance is endemic in many resource-rich countries—which, according to empirical studies, renders them vulnerable to conflict. Several studies have documented that armed civil conflict is more likely to occur in poor countries than in rich ones.⁹ Research also shows that dysfunctional institutions and low state capacity are positively correlated with an increased likelihood of conflict.¹⁰

Supporting the case study evidence (Ross 2004a, 2004b), several statistical studies document strong and significant relationships between particular natural resources and conflict, but few have been able to disentangle the possible mechanisms behind the relationships. James Fearon and David Laitin (2003), for example, have found that oil increases the likelihood of conflict—a finding that has been confirmed by the work of Indra de Soysa and Eric Neumayer (2007), Macartan Humphreys (2005), and Päivi Lujala (2010). Lujala has found that when oil and gas are located in the conflict area, conflicts tend to be longer and more severe (Lujala 2009, 2010). Taken together, Lujala shows that (1) oil-producing countries are 1.5 to 2 times more likely to experience armed civil conflict than nonproducers, and that (2) when internal conflict occurs in a region that has oil reserves, it lasts twice as long as conflicts that occur in areas without oil reserves, and combatant deaths are twice as high. Collier and Hoeffler's 2006 study of conflict types links oil to higher risk of secessionist conflict, and Lujala (2009) shows that secessionist conflicts in regions with oil reserves tend to be more severe than any other conflicts.

⁸ *Rent seeking* refers to attempts to capture economic benefits without contributing to overall economic production. In the case of high-value natural resources, where revenues are extraordinarily high in relation to the costs of extraction, rent seekers may attempt to capture rents through such means as corrupt practices and patronage. Apart from the fact that rent seeking does not contribute to overall economic activity, it can directly undermine economic outcomes—by, for example, weakening economic institutions or diverting revenues from education and other activities that are crucial for economic growth.

⁹ See, for example, Collier and Hoeffler (2004), Fearon and Laitin (2003), and Hegre and Sambanis (2006).

¹⁰ See, for example, Collier et al. (2003).

10 High-value natural resources and post-conflict peacebuilding

Diamonds and other gemstones have also been subject to statistical studies. Fearon (2004) and Lujala (2009, 2010) have shown that gemstones have effects similar to those of oil—namely, conflict is more likely and tends to last longer. The role of timber, opium, and other high-value crops is less clear. There is some evidence that opium cultivation makes conflicts last longer (Fearon 2004; Lujala 2010), but little systematic evidence links timber production to civil war (Rustad et al. 2008).

RESOURCES FOR CONFLICT

Because natural resources have varying characteristics, they are not equally relevant to conflict—and those that are relevant may be so for different reasons. High-value resources, for example, may be either renewable or nonrenewable, although most—such as oil, gas, rutile, coltan, cobalt, diamonds, and gold—are nonrenewable, and tend to be located in geographically limited areas. What all high-value resources have in common, however, is the potential to yield substantial revenue.

Some high-value resources are limited to confined areas and depend on sophisticated and expensive extraction methods or require special types of transportation (e.g., pipelines). Because such resources are difficult to loot and are generally securely controlled by the government during both peace and war, they provide fewer opportunities for conflict financing.¹¹ Thus, the revenues from resources such as oil, natural gas, kimberlite diamonds, copper, and rutile are likely to accrue to the central government and those who control it. Such resources may nevertheless play a role in conflict: rebel movements may seek to oust the government to gain control of them, and if the resources are located in more remote areas, they may play a role in secessionist uprisings (Le Billon 2001). Rebels may also loot existing stockpiles of commodities or may attempt to bring extraction or transportation to a halt, in order to cut off the central government from its revenue source. Finally, the large revenues derived from high-value resources may increase the risk of conflict through adverse effects on political and economic institutions.

Some high-value resources are linked to conflict because of their financing potential.¹² However deep grievances may be, rebellion is unlikely to begin or to be sustained without financing opportunities. Since the end of the Cold War,

¹¹ An extreme case is offshore oil and gas drilling, in which the product can be exported by pipelines or ships without ever being present on land in the producing country.

¹² Resources that are used to finance conflict are sometimes referred to as *conflict resources*. Although definitions of the term vary, one widely used definition is that of Global Witness (n.d.): “Conflict resources are natural resources whose systematic exploitation and trade in a context of conflict contribute to, benefit from or result in the commission of serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law.” Because this definition applies only to conflicts in which there are specific violations of international law, it has a somewhat narrower scope than others.

financing from the superpowers has declined, and revenues from valuable natural resources have gained importance as a source of conflict financing.¹³

The resources most suitable for wartime looting have extremely high value-to-weight ratio and can be easily extracted, concealed, smuggled, and sold. Easy extraction is a particular advantage: a resource that can be extracted by individuals or small groups using simple tools (that is, through artisanal mining techniques) can be readily exploited by rebels who either undertake the mining themselves or use forced labor. Among the commodities with high price-to-weight ratios that can be artisanally mined are alluvial gold, alluvial diamonds, and gemstones such as rubies and sapphires.¹⁴ Rebels do not need to rely on extraction directly; they also engage in illegal taxation of trade and export routes. And in some cases, including Colombia and Nigeria, rebels have succeeded in obtaining ransoms from extractive firms by threatening to blow up oil pipelines or by kidnapping personnel working on installations.

When it comes to conflict financing, many natural resources have another advantage: they are generic, which means that their origins cannot be traced as easily as those of manufactured products. Because generic illegal commodities can be readily integrated into legal trade channels, they are a particularly lucrative form of contraband, with trade prices that differ only marginally from those of their legal counterparts.

Another advantage of some high-value resources is their scarcity. Some occur in only a small number of countries and have few substitutes, and are therefore of strategic importance. Demand for such resources may sometimes override other considerations, such as the legality of the exploitation, the behavior of the government that has granted exploitation rights, and the role of the commodities in financing warfare.

Of course, resources other than high-value minerals may play a role in conflict or have adverse effects on economic and political institutions. Most notable are coca and opium, which have been linked to conflicts in Latin America and Asia, respectively, and timber, which has been connected to a number of conflicts in Africa and Southeast Asia. Fisheries have also been used to finance conflict; in Somalia, for example, some warring groups have sold false fishing licenses for offshore tuna reserves (Webersik and Crawford 2012).

FROM CONFLICT TO PROSPERITY: WHAT CAN BE DONE?

When conflict ends, many of the original causes often remain unresolved—whether they relate to resources or not—and may even have been aggravated by the

¹³ There are, of course, other financing sources, including payments from nationals living abroad and voluntary and nonvoluntary support from civilians.

¹⁴ Alluvial deposits are found in sand, clay, and gravel discharged by rivers. Existing or ancient riverbeds can be mined using simple tools such as shovels, buckets, and pans.

12 High-value natural resources and post-conflict peacebuilding

grievances and economic and political havoc associated with the conflict itself.¹⁵ Post-conflict countries thus face daunting challenges when it comes to building peace, reducing poverty, and managing natural resources—particularly when poor resource management may be undermining both peacebuilding and poverty reduction. As is clear from both the chapters in this volume and the literature in general, many resource-rich post-conflict countries are unable to sustain peace. This observation has been confirmed by empirical studies: for example, Rustad and Binningsbø's analysis of 285 episodes of armed civil conflict shows that when natural resources play a role, the period of post-conflict peace is 40 percent shorter than when they do not (Rustad and Binningsbø 2010).¹⁶

The difficulty of sustaining peace when high-value natural resources are involved has two key implications: (1) the conflicts involving such resources are generally harder to resolve; and (2) thus far, the measures that have been used to manage natural resources and their associated revenues are generally unsatisfactory. Improved management of high-value natural resources and the associated revenues is thus fundamental to peacebuilding.

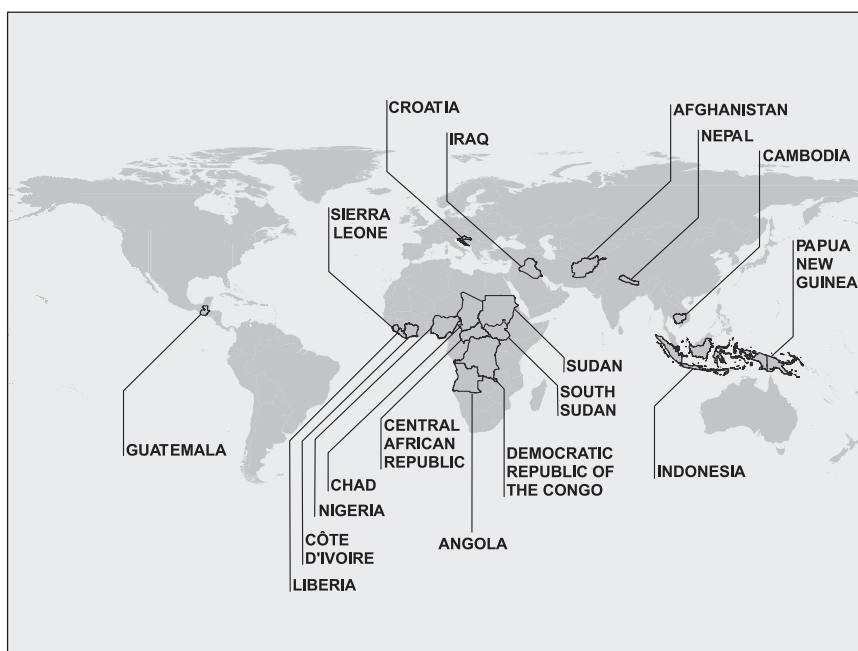
This volume addresses the full range of challenges associated with high-value resources in post-conflict settings. Its thirty chapters reflect the perspectives of forty-one contributors and consider the experiences of eighteen countries (see map on page 13); the book also includes analyses of additional countries. The chapters vary in their approach: some focus on particular cases, such as Afghanistan, Sierra Leone, or Sudan; and others on particular resources, such as oil, diamonds, or timber. Still others consider specific policy options, such as conflict-sensitive resource extraction or decentralized revenue distribution; such options are often discussed in light of one or more case examples.

Broadly speaking, the organization of the volume reflects the successive stages in the chain that extends from resource extraction to final allocation and expenditure of revenues. The chapters are grouped into five sections that examine specific challenges and opportunities within each stage of the resource chain.

Part 1 focuses on the ways in which host governments, extractive industries, and the international community can strengthen the management of extraction to promote peace. Once a peace agreement is signed, one of the crucial tasks is to prevent potential peace spoilers from obtaining access to the resources that

¹⁵ It is important to note that in some cases, high-value resources have nothing to do with triggering or financing the conflict—but as the conflict winds down, they become important issues to be addressed in the peacebuilding process.

¹⁶ The term *conflict episode* refers to how a conflict is reported in the UCDP/PRIO Armed Conflict Dataset: a peace period is defined as the absence of conflict for more than two calendar years, and begins the first day that hostilities end (e.g., after military victory by one side) (Gleditsch et al. 2002; Harbom and Wallensteen 2007, 2009). The Rustad and Binningsbø 2010 study considers oil, gas, diamonds, minerals, forest resources, land, and agricultural products (including crops used to produce drugs), and all internal conflicts from the UCDP/PRIO Armed Conflict Dataset from 1946 through 2006.



Post-conflict and conflict-affected countries and territories from which lessons have been drawn in this book, either through case studies or broader thematic analyses

had been used to finance the conflict or that could be used to finance a renewed conflict. Post-conflict countries may also need to deal with contracts signed by previous governments, transitional governments, or rebel groups, in which the shortsighted interests of the few may have trumped the long-term development needs of the population as a whole. Extractive companies, which may be reluctant to conduct their business in ways that take post-conflict fragility into account, which intentionally enter post-conflict countries in order to take advantage of weak governance structures, or which may simply be unsure how to develop conflict-sensitive projects, pose yet another challenge.¹⁷

Part 2 focuses on the instruments used to track commodities and revenues. In both cases, transparency is critical. If conflict resources are to be prevented from entering markets, their origins must be known; similarly, to curtail corruption and patronage, revenue flows between extractive industries and governments

¹⁷ Conflict-sensitive projects take into consideration the causes and impacts of past conflicts, and try to minimize further negative impacts by developing extraction strategies that, at the very least, do not contribute to renewed conflict—and, ideally, contribute to the peace process.

14 High-value natural resources and post-conflict peacebuilding

must be made public. Specifically, part 2 considers the Kimberley Process Certification Scheme, which tracks the origin and trade of rough diamonds; the Extractive Industries Transparency Initiative, which supports transparency in the management of oil, gas, and mining revenues; and the Forest Law Enforcement, Governance and Trade initiative of the European Union, which seeks to curb illegal timber harvesting and trade.

Many high-value resources generate substantial revenues that the central government distributes, by means of budgetary allocations or direct transfers, to lower-level administrative units. The chapters in part 3 explore the pros and cons of various options for revenue distribution and address one of the most contentious issues associated with high-value resources: whether producing regions should receive preferential treatment in revenue distribution. Because many post-conflict countries are riddled with corruption, which diverts revenues from economic and social development needs, most of the chapters in part 3 also consider measures that can help stem corruption.

Even if resource revenues are distributed in a way that producing regions regard as fair, this does not ensure long-term development and peace. Long-term development and sustainable peace require that the revenues accruing to the central government and lower administrative units be spent wisely. But because many post-conflict countries are burdened by weak institutions and corrupt practices, it is difficult to ensure that revenue spending will have the desired effect on long-term development. Institution building is therefore crucial to natural resource management. Part 4 examines the role of revenue allocation and institution building, and includes several in-depth case studies on various approaches.

Resource management decisions promoted by donors and made by the central government may have strong and unintended effects on local livelihoods. Resources that have fueled conflict may also be central to the survival of local communities; hence, interfering with the extraction of such resources may create new grievances and conflicts. Part 5 highlights the importance of taking local livelihoods and economies into account in the design and implementation of approaches to managing high-value natural resources. The chapters address sustainable forest management, the precarious position of women in artisanal mining, the effects of environmental degradation on the peace process, and the vulnerability of farmers who cultivate opium poppy.

A concluding chapter distills lessons from the preceding chapters and identifies sequencing options for various approaches to high-value natural resource management.

Taken together, the chapters in this volume offer a consistent message: proper management of high-value natural resources is crucial in the aftermath of armed conflict. Effective management of these key assets can support a range of peacebuilding objectives—from livelihood and macroeconomic recovery, to good governance and inclusive political processes, to improved security. But the chapters also demonstrate that there is no single, universally applicable approach to natural resource management in post-conflict settings.

On the one hand, the many strategies presented in this volume are not mutually exclusive but complementary. At the same time, not all strategies are appropriate for all post-conflict countries or for all natural resources. Resource management initiatives must take into account a number of factors, including the type of resources involved; past, current, and potential linkages with conflict; both regional and international dynamics and trade patterns; institutional quality and capacity with respect to resource management; and conditions that may have shaped resource management in the past. For example, where pre-conflict patronage systems and customary rules still exert strong influence, they should be attended to. Similarly, institutional capacity may limit the types of approaches that can be adopted; there may be little point, for instance, in putting time, money, and effort into comprehensive contract reviews when the political will to act on the results is lacking. Thus, decisions about how to improve the management of high-value natural resources in post-conflict settings require, first and foremost, thorough knowledge of the context, including the limitations on institutional capacity and political will. Only then is it possible to choose the appropriate strategies, determine how they will be implemented, and assign them priority within the overall post-conflict peacebuilding process.

One must always keep in mind the opportunities that lie, sometimes well hidden, in high-value resources. With improved governance, resource-rich countries can turn the resource curse into a blessing. Although many of the cases in this book depict missed opportunities and failed efforts to bring countries and people to peace, the hope is that this volume, by recounting past successes as well as failures, will help readers grasp the many opportunities that high-value natural resources offer to war-torn countries.

REFERENCES

- Auty, R. M. 1993. *Sustaining development in mineral economies: The resource curse thesis*. London: Routledge.
- Collier, P., L. Elliot, H. Hegre, A. Hoeffler, M. Reynal-Querol, and N. Sambanis. 2003. *Breaking the conflict trap: Civil war and development policy*. World Bank Policy Research Report. Oxford, UK: Oxford University Press.
- Collier, P., and A. Hoeffler. 2004. Greed and grievance in civil war. *Oxford Economic Papers* 56 (4): 563–596.
- . 2006. The political economy of secession. In *Negotiating self-determination*, ed. H. Hannum and E. F. Babbitt. Lanham, MD: Lexington Books.
- de Soysa, I., and E. Neumayer. 2007. Resource wealth and the risk of civil war onset: Results from a new dataset on natural resource rents, 1970–99. *Conflict Management and Peace Science* 24 (3): 201–218.
- Economist*. 2011. Guerrilla miners: The FARC turn to gold. January 27. www.economist.com/node/18013780?story_id=18013780.
- Fearon, J. D. 2004. Why do some civil wars last so much longer than others? *Journal of Peace Research* 41 (3): 275–301.
- Fearon, J. D., and D. D. Laitin. 2003. Ethnicity, insurgency, and civil war. *American Political Science Review* 97 (1): 75–90.

16 High-value natural resources and post-conflict peacebuilding

- Gleditsch, N. P., P. Wallensteen, M. Eriksson, M. Sollenberg, and H. Strand. 2002. Armed conflict 1946–2001: A new dataset. *Journal of Peace Research* 39 (5): 615–637.
- Global Witness. n.d. Definition of a conflict resource. www.globalwitness.org/campaigns/conflict.
- Harbom, L., and P. Wallensteen. 2007. Armed conflicts, 1946–2006. *Journal of Peace Research* 44 (5): 623–634.
- . 2009. Armed conflicts, 1946–2008. *Journal of Peace Research* 46 (4): 577–587.
- . 2010. Armed conflicts, 1946–2009. *Journal of Peace Research* 47 (4): 501–509.
- Hegre, H., and N. Sambanis. 2006. Sensitivity analysis of the empirical literature on civil war onset. *Journal of Conflict Resolution* 50 (4): 508–535.
- Humphreys, M. 2005. Natural resources, conflict and conflict resolution: Uncovering the mechanisms. *Journal of Conflict Resolution* 49 (4): 508–537.
- IMF (International Monetary Fund). 2001. Republic of Yemen: Selected issues. IMF Country Report No. 01/61. April. www.imf.org/external/pubs/ft/scr/2001/cr0161.pdf.
- . 2005. Algeria: Statistical appendix. IMF Country Report No. 05/51. February. www.imf.org/external/pubs/ft/scr/2005/cr0551.pdf.
- . 2007. Angola: Selected issues and statistical appendix. IMF Country Report No. 07/355. October. www.imf.org/external/pubs/ft/scr/2007/cr07355.pdf.
- . 2008. Socialist people's Libyan Arab Jamahiriya: Statistical appendix. IMF Country Report No. 08/301. September. www.imf.org/external/pubs/ft/scr/2008/cr08301.pdf.
- . 2009a. Niger: Selected issues and statistical appendix. IMF Country Report No. 09/70. February. www.imf.org/external/pubs/ft/scr/2009/cr0970.pdf.
- . 2009b. Sierra Leone: Selected issues and statistical appendix. IMF Country Report No. 09/12. January. www.imf.org/external/pubs/ft/scr/2009/cr0912.pdf.
- . 2010a. Central African Republic: Sixth review under the arrangement under the extended credit facility and financing assurances review—staff report; debt sustainability analysis; staff supplement; press release on the executive board discussion; and statement by the executive director for Central African Republic. IMF Country Report No. 10/332. www.imf.org/external/pubs/ft/scr/2010/cr10332.pdf.
- . 2010b. Chad: 2010 article IV consultation—staff report; staff supplements; public information notice on the executive board discussion; and statement by the executive director for Chad. IMF Country Report No. 10/196. June. www.imf.org/external/pubs/ft/scr/2010/cr10196.pdf.
- . 2010c. Colombia: Arrangement under the flexible credit line and cancellation of the current arrangement—staff report; staff supplement; press release on the executive board discussion; and statement by the authorities of Colombia. IMF Country Report No. 10/156. May. www.imf.org/external/pubs/ft/scr/2010/cr10156.pdf.
- . 2010d. Côte d'Ivoire: Second review under the three-year arrangement under the extended credit facility, request for waivers of nonobservance of performance criteria, and financing assurances review—staff report; staff statement; press release on the executive board discussion; and statement by the executive director for Côte d'Ivoire. IMF Country Report No. 10/228. July. www.imf.org/external/pubs/ft/scr/2010/cr10228.pdf.
- . 2010e. Democratic Republic of the Congo: Statistical appendix. IMF Country Report No. 10/11. January. www.imf.org/external/pubs/ft/scr/2010/cr1011.pdf.

- . 2011a. Iraq: Second review under the stand-by arrangement, requests for waiver of applicability, extension of the arrangement, and rephrasing of access—staff report; press release on the executive board discussion; and statement by the executive director for Iraq. IMF Country Report No. 11/75. March. www.imf.org/external/pubs/ft/scr/2011/cr1175.pdf.
- . 2011b. Nigeria: 2010 – article IV consultation—staff report; debt sustainability analysis; informational annex; public information notice on the executive board discussion; and statement by the executive director for Nigeria. IMF Country Report No. 11/57. February. www.imf.org/external/pubs/ft/scr/2011/cr1157.pdf.
- . 2011c. Sudan: Second review under the 2009–10 staff-monitored program—staff report; staff supplement; and statement by the executive director for Sudan. IMF Country Report No. 11/86. April. www.imf.org/external/pubs/ft/scr/2011/cr1186.pdf.
- Kalu, K. N. 2008. *State power, autarchy, and political conquest in Nigerian federalism*. Lanham, MD: Lexington Books.
- Karl, T. L. 1997. *The paradox of plenty: Oil booms and petro-states*. Berkeley: University of California Press.
- Le Billon, P. 2001. The political ecology of war: Natural resources and armed conflicts. *Political Geography* 20 (5): 561–584.
- Lujala, P. 2009. Deadly combat over natural resources: Gems, petroleum, drugs, and the severity of armed civil conflict. *Journal of Conflict Resolution* 53 (1): 50–71.
- . 2010. The spoils of nature: Armed civil conflict and rebel access to natural resources. *Journal of Peace Research* 47 (1): 15–28.
- New York Times*. 2011. In Colombia, new gold rush fuels old conflict. March 3. www.nytimes.com/2011/03/04/world/americas/04colombia.html?_r=2&hp.
- Ross, M. 2004a. How do natural resources influence civil war? Evidence from thirteen cases. *International Organization* 58 (Winter): 35–67.
- . 2004b. What do we know about natural resources and civil war? *Journal of Peace Research* 41 (3): 337–356.
- Rustad, S. A., and H. M. Binningsbø. 2010. Rapid recurrence: Natural resources, armed conflict and peace. Working Paper, Center for the Study of Civil War. Oslo: Peace Research Institute Oslo.
- Rustad, S. A., J. K. Rød, W. Larsen, and N. P. Gleditsch. 2008. Foliage and fighting: Forest resources and the onset, duration and location of civil war. *Political Geography* 27 (7): 761–782.
- Sphere Project. 2004. Humanitarian charter and minimum standards in disaster response. www.sphereproject.org/content/view/720/200/lang.english/.
- Talbot, K., Y. Akimoto, and K. Cuskelly. 2012. Burma's cease-fire regime: Two decades of unaccountable natural resource exploitation. In *Governance, natural resources, and post-conflict peacebuilding*, ed. C. Bruch, C. Muffett, and S. S. Nichols. London: Earthscan.
- Turnell, S. 2010. Finding dollars and sense: Burma's economy in 2010. In *Finding dollars, sense, and legitimacy in Burma*, ed. S. L. Levenstein. Washington, D. C.: Woodrow Wilson International Center for Scholars.
- UN (United Nations). 2011. *Civilian capacity in the aftermath of conflict: Independent report of the Senior Advisory Group*. www.civcapreview.org/LinkClick.aspx?fileticket=K5tZZE99vzs%3d&tabid=3188&language=en-US.
- UNEP (United Nations Environment Programme). 2009. *From conflict to peacebuilding: The role of natural resources and the environment*. Nairobi. http://postconflict.unep.ch/publications/pcdmb_policy_01.pdf.

18 High-value natural resources and post-conflict peacebuilding

- UNSG (United Nations Secretary-General). 2009. Report of the Secretary-General on peacebuilding in the immediate aftermath of conflict. A/63/881-S/2009/304. June 11. New York: United Nations.
- . 2010. Report of the Secretary-General on peacebuilding in the immediate aftermath of conflict. A/64/866-S/2010/386. July 16. New York: United Nations.
- UNSG's (United Nations Secretary-General's) Policy Committee. 2007. Conceptual basis for peacebuilding for the UN system. May. New York: United Nations.
- USIP (United States Institute of Peace) and U.S. Army PKSOI (Peacekeeping and Stability Operations Institute). 2009. *Guiding principles for stabilization and reconstruction*. Washington, D.C.: Endowment of the United States Institute of Peace. www.usip.org/publications/guiding-principles-stabilization-and-reconstruction.
- Webersik, C., and A. Crawford. 2012. Commence in the chaos: Charcoal, bananas, fisheries, and conflict in Somalia. In *Livelihoods and natural resources in post-conflict peacebuilding*, ed. H. Young and L. Goldman. London: Earthscan.
- World Bank. 2011. *World development report 2011*. Washington, D.C. http://wdr2011.worldbank.org/sites/default/files/pdfs/WDR2011_Full_Text.pdf.

PART 1

Extraction and extractive industries

Introduction

In post-conflict countries, proper management of high-value natural resources can yield the necessary revenues to put the economy back on track and allow recovery from conflict. But such resources can also be a source of tension and even violence: for example, former belligerents who are unsatisfied with the terms of the peace agreement may seek opportunities to finance a new uprising; extractive companies may attempt to take advantage of disarray to secure lucrative resource concessions; and corrupt government officials may seek opportunities to enrich themselves and their constituencies. Local populations, meanwhile, are desperate to rebuild their homes and their lives; often depend on natural resources for their livelihoods; and may be suffering not only from the effects of conflict, but also from the negative side effects of resource extraction.

It is imperative, in post-conflict settings, to curtail potential peace spoilers' access to resources that have previously financed conflict or that could be used to finance renewed conflict. At the same time, to avoid exacerbating old grievances or creating new ones, it is important to minimize the harmful social and environmental consequences of extraction, to ensure that local residents participate in decision making about extraction projects, and to maximize benefits to local communities. Finally, it is essential to ensure that contracts for large-scale resource extraction are fair, and that the state receives a fair share of revenues. Each of the six chapters in part 1 approaches these issues from different angles.

In most post-conflict countries, peace is fragile at first, and some groups may actively seek to destabilize it. Whatever the motivations for such actions, they can be financed by readily extractable resources; curtailing these groups' access to resources may thus be crucial to promoting peace. In "Bankrupting Peace Spoilers: Can Peacekeepers Curtail Belligerents' Access to Resource Revenues?" Philippe Le Billon evaluates United Nations initiatives designed to prevent peace spoilers from gaining access to resource revenues. Drawing on examples from eight countries, Le Billon concludes that the UN should mandate peacekeeping missions to engage more directly with resources that could finance conflict, both at extraction points and along transit routes, and that such efforts should be backed up by targeted commodity sanctions and careful monitoring.

Foreign direct investment in the natural resource sector is common in resource-rich countries, and post-conflict countries are no exception. From a peacebuilding perspective, foreign direct investment is important because it brings private sector resources to bear on the reconstruction of post-conflict economies and societies. While it is often in a company's best interest to act responsibly—whether to enhance its reputation, secure financing, or avoid costly conflicts with local populations and host governments—firms sometimes need to be compelled to adhere to corporate social responsibility standards. In other cases, companies may have the will but may lack understanding of the particular challenges posed

22 High-value natural resources and post-conflict peacebuilding

by resource extraction in post-conflict situations. The voluntary standards outlined in Jill Shankleman's chapter, "Mitigating Risks and Realizing Opportunities: Environmental and Social Standards for Foreign Direct Investment in High-Value Natural Resources," are designed to help extractive companies engage in responsible natural resource exploitation. Although the standards were not developed specifically for post-conflict settings, they are relevant to peacebuilding because, among other requirements, they call for investors to evaluate, monitor, and respond to risks to the environment, land rights, migration, employment, and security. The chapter describes the standards, illustrates their application in post-conflict countries, and evaluates their strengths and weaknesses with respect to peacebuilding.

The phrase *odious contracts* is used to refer to contracts that grant extractive companies unduly high profit margins, generous tax exemptions, or other benefits; that are signed under conditions that lack transparency and accountability; that are not approved by local communities; or that fail to stipulate appropriate environmental and social standards. Such contracts can not only lead to significant losses of public revenues, but can also generate grievances and conflict. In "Contract Renegotiation and Asset Recovery in Post-Conflict Settings," Philippe Le Billon uses two case examples—Liberia and the Democratic Republic of the Congo—to consider the challenges involved in reviewing such contracts. The chapter also examines the theft of revenues during conflict, either by rebels or corrupt government officials. Le Billon argues that although asset recovery (which involves tracking, freezing, and repatriating stolen revenues) has a mixed record, it is an important means of signaling an end to impunity for war profiteering.

The topics of transparency, accountability, participation, and environmental and social responsibility are further developed in "Reopening and Developing Mines in Post-Conflict Situations: The Challenge of Company-Community Relations," by Volker Boege and Daniel M. Franks. Many post-conflict governments are weak—and, in some regions, virtually absent. Where state institutions lack capacity and effectiveness, local populations may adhere to local traditions and customary laws, under which resource concessions granted by the central government lack legitimacy. In such cases, company-community relations become crucial in obtaining local consent for extraction projects. Focusing on case examples from Papua New Guinea and Guatemala, Boege and Franks illustrate the importance of dialogue, consultation, and public participation in efforts to gain legitimacy in the eyes of the population. The chapter also examines the role of company-community relations in finding solutions that are not only beneficial for extractive firms, local communities, and host governments, but that also contribute to peace.

Company-community relations are explored further in Kazumi Kawamoto's "Diamonds in War, Diamonds for Peace: Diamond Sector Management and Kimberlite Mining in Sierra Leone." The first portion of this chapter traces the history of the relationship between diamonds and conflict in Sierra Leone. The second focuses on an industrial diamond-mining site where forced relocations, contention over promised amenities, and failure to take local communities'

concerns into account led to a violent riot. Although this one incident does not seem to have jeopardized long-term peace, Kawamoto's chapter provides a cautionary tale about the importance of taking grievances seriously and including local residents in decisions about extraction. When such incidents are allowed to proliferate, they may not only create serious tensions, but may also divert attention and revenues from other pressing issues, and thereby prolong or even destabilize peacebuilding.

In the final chapter of part 1, "Assigned Corporate Social Responsibility in a Rentier State: The Case of Angola," Arne Wiig and Ivar Kolstad discuss the responsibility of international oil companies in a nation where the government has failed to meet the socioeconomic needs of the population. Wiig and Kolstad argue, on the basis of the assigned-responsibility model, that because the government has failed to meet its responsibility, and the international community and civil society have failed (or were unable) to take secondary responsibility, the large multinational oil companies doing business in Angola are morally obligated to step into the breach and advocate improved governance. This obligation is especially strong because the companies have been financing the country's patronage system, have benefited from the dysfunctional institutions that are in place, and have sufficient power to push for improved governance.

Taken together, the chapters in part 1 focus on the ways in which governments, extractive industries, the international community, and civil society can strengthen the management of high-value resource extraction to promote peace. The principal areas of focus are preventing potential peace spoilers from obtaining access to resources, reviewing and addressing contracts signed by previous governments, developing conflict-sensitive extraction projects, and ensuring community participation in decision making about extraction projects.

Bankrupting peace spoilers: Can peacekeepers curtail belligerents' access to resource revenues?

Philippe Le Billon

High-value natural resources—such as timber, minerals, and opium—are often sources of tension and violence during post-conflict transition periods. Resource production areas and trade routes are commonly hot spots for armed groups, including security forces that have been demobilized but not disarmed and reintegrated; they also tend to be theaters for clashes between competing groups that run protection rackets for illegal activities. Armed groups rely on resource sectors for survival; they may also engage in resource-related human rights abuses—as, for example, when security forces forcibly displace local residents or migrant workers, or compel them to engage in forced labor in order to open up land for resource projects.

Curtailling belligerents' access to weapons has been a major focus of international security actors. Although weapons embargoes and disarmament initiatives are important, they are difficult to implement and generally insufficient to secure long-term peace. Curtailling belligerents' access to resource revenues provides a complementary and possibly more effective approach, particularly when it is combined with reforms that address both the “enabling effect” of resources on armed violence and the broader economic, political, and environmental causes of conflict associated with resource sectors.

One approach to curtailing belligerents' access to revenues and reducing the human rights abuses associated with resource sectors is to mandate peacekeeping missions whose express responsibility is to prevent peace spoiling and protect civilians. Such a mandate could be backed by commodity sanctions that are contingent on (1) the achievement of peace-process benchmarks and (2) adherence to legal (or at least specified) practices in a given resource sector. A logging sector, for example, can be closed for exports until sound regulatory institutions are in place and until the state has the capacity, legitimacy, and stability to ensure

Philippe Le Billon is an associate professor at the University of British Columbia, where he is affiliated with both the Department of Geography and the Liu Institute for Global Issues.

26 High-value natural resources and post-conflict peacebuilding

their effectiveness. Although there are major obstacles to deploying peacekeeping forces to curtail access to resources, which will be discussed in the course of the chapter, the approach nonetheless offers a number of benefits.¹

The chapter is divided into five major parts: (1) a brief review of the principal instruments that the United Nations Security Council (UNSC) has used to address “conflict resources”;² (2) a discussion of strategies for controlling access to conflict resources; (3) a summary of the work of eight UN peacekeeping missions in contexts that involved conflict resources, with particular attention to the Democratic Republic of the Congo (DRC); (4) a summary discussion of the issues associated with the deployment of peacekeepers in efforts to curtail access to conflict resources; and (5) a brief conclusion.

UN INITIATIVES

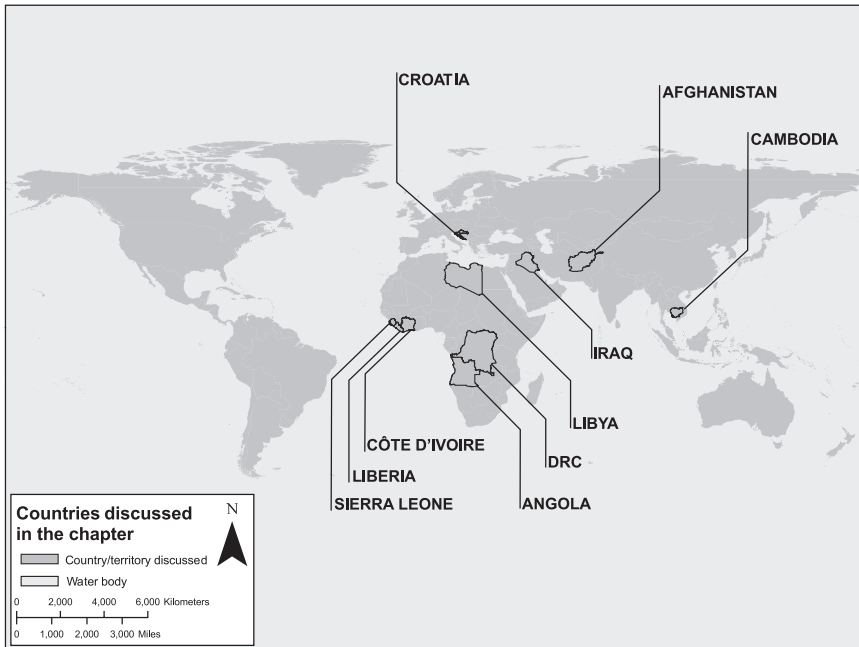
UN initiatives to address the links between high-value natural resources and armed conflicts have included economic sanctions, expert panels, and specific measures undertaken as part of the peacemaking, peacekeeping, or peacebuilding tasks carried out by UN missions.³ Through resolutions passed in the UNSC and General Assembly, the UN has also supported a number of other initiatives, such as the Kimberley Process Certification Scheme, which is designed to stem the trade in conflict diamonds. And through the UN Global Compact, the UN has supported corporate social responsibility—most notably by raising awareness and standards of practice among extractive companies operating in conflict zones.

Commodity sanctions have targeted rebel groups by curtailing their access to resource revenues; examples include the Khmer Rouge, in Cambodia (logs); the National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola, or UNITA), in Angola (diamonds); the Revolutionary United Front (RUF), in Sierra Leone (diamonds); the Taliban, in Afghanistan (opium production); and the New Forces (Forces Nouvelles), in Côte d’Ivoire (diamonds). Resource-focused sanctions have also targeted the governments of Iraq, Liberia, and Libya (the third for its involvement in the Lockerbie

¹ The analysis in this chapter draws on primary and secondary sources, personal communications with staff at the UN Department of Peacekeeping Operations, and on direct observation of, or participation in, peacekeeping operations in Angola, Cambodia, the Democratic Republic of the Congo, Sierra Leone, and the former Yugoslavia. The chapter does not present a comprehensive record of peacekeeping.

² *Conflict resources* are defined as “natural resources whose systematic exploitation and trade in a context of conflict contribute to, benefit from or result in the commission of serious violations of human rights, violations of international humanitarian law or violations amounting to crimes under international law” (Global Witness n.d.).

³ *Peacemaking* seeks to facilitate the resolution of a conflict; *peacekeeping* seeks to prevent further violence; and *peacebuilding* is a long-term process that seeks to promote reconciliation and prevent future conflicts.



bombing, rather than for its training and funding of insurgent groups in civil wars) (Cortright and Lopez 2002).

With the exception of Cambodia, Iraq, and Libya, all these sanction regimes were associated with investigations by UN expert panels—consultants hired by the UN Secretariat to investigate war economies and sanction busting.⁴ Because the panels' reports are made public, they have been instrumental in successful “naming and shaming” campaigns. Even though fewer than a handful of sanction busters had been successfully prosecuted by 2006, the public reports had the desired chilling effect.

UN transitional authorities and specialized UN agencies have also engaged in other activities that are related to conflict resources, including partnering with national authorities and international aid agencies to reform resource sectors and build local institutional capacity in post-conflict settings.⁵ For example, the UN Transitional Authority in Timor-Leste renegotiated the maritime boundary between Timor-Leste and Australia, which had implications for petroleum exploitation; and the UN Mission in Liberia (UNMIL) supported the Governance and Economic

⁴ The first such panel was launched in 1999 by Robert Fowler, chair of the Angola Sanction Committee. The UN Commission of Inquiry on Rwanda, established in 1994 (Boucher and Holt 2009), predated the investigation of the Angola Sanction Committee.

⁵ The UN Food and Agriculture Organization, the UN Environment Programme, and the UN Development Programme are among the UN agencies involved in such efforts.

28 High-value natural resources and post-conflict peacebuilding

Management Assistance Program (GEMAP) for Liberia. An initiative led by the World Bank, GEMAP is a quasi-trusteeship agreement that allows direct international supervision of most of the financial operations of the Liberian government. UN missions have also addressed conflict resources by deploying border monitors and troops; policing (e.g., deploying UN troops as backup for resource management officials); and providing supervision and technical assistance for economic reforms and resource management. Finally, the activities of some UN missions have had an indirect impact on resource sectors: for example, effective disarmament, demobilization, and reintegration programs often lead to employment for former soldiers, who might otherwise turn to illegal resource exploitation.⁶

Overall, the UNSC holds the greatest potential and has so far carried the most weight in efforts to address the linkages between high-value resources and armed conflicts. Not only does the Security Council decide whether to impose economic sanctions and dispatch UN expert panels, but it also decides on the size and mandate of UN missions in conflict-affected countries. Since the end of the Cold War, the UNSC has theoretically had greater freedom to impose sanctions and similar measures, because fewer members of the Security Council were inclined to veto such steps in order to support their allies. The UNSC has been somewhat slow, however, to take advantage of this potential. Meanwhile, the importance of resources to armed groups has grown rapidly since the late 1980s, as belligerents turned to natural resources to replace external political sponsorship. For most of the 1990s, the UNSC made increasing use of arms sanctions, negotiated settlements, and regional or UN peacekeeping missions, but rarely of commodity sanctions. Although arms sanctions may be more effective than commodity sanctions and may therefore continue to be the principal sanction strategy, that is not to say that the two approaches cannot be combined.⁷

Between 1989 and 2006, the UNSC used commodity sanctions in only about one-third of the conflicts involving resources (Le Billon 2007). Most of these sanctions have been imposed since the late 1990s, nearly a decade after resources came to play a major role in belligerents' finances. When the use of commodity sanctions finally increased, it was given a further boost by a more proactive use of sanctions committees and expert panels. Because of broader engagement on the part of nongovernmental organizations (NGOs), conflict analysts, and resource industries, sanctions are now better targeted, monitored, and enforced, while their humanitarian impact is more carefully considered. The UNSC is now considering bolstering the authority and capacity of UN peacekeeping missions to more directly intervene in the control of resource sectors—a step that was recently taken in the DRC.

⁶ UN involvement in disarmament, demobilization, and reintegration dates back to the UN's first major, multidimensional peacekeeping mission, which was established in Cambodia in the early 1990s. (This mission is discussed later in the chapter.)

⁷ On the cases of Liberia and Côte d'Ivoire, see Strandow (2006).

STRATEGIES FOR CONTROLLING ACCESS TO CONFLICT RESOURCES

Experience with the imposition of sanctions, and understanding gained through investigations conducted by expert panels, conflict analysts, and NGOs, suggests that efforts to address the links between high-value natural resources and armed conflicts will be more effective if the approach is explicitly shaped by what is known about the situation, including the following factors:

- The characteristics of the resources (legality, accessibility, and geographical distribution).
- The structure of the industry and of the commodity chain (that is, the chain of supply between production and consumption): transportation routes, transformation sites, relative monopoly within the sector, level of concentration, and consumer awareness.
- The motivation and capacity of intermediaries and authorities along the commodity chain (e.g., domestic and regional governments, trade associations).
- The type of conflict and the types of armed groups being targeted.

Taking direct control of production sites allows peacekeepers to more readily prevent connections between resource production and armed groups. Control of production sites is extremely difficult, however, when resource operations are transient and when both workers and armed groups move rapidly. For example, mining operations that target easily reached minerals may be as short as a few days. Logging ventures may also be transient, especially when they can take advantage of an existing transportation network.

The sheer number, remoteness, insecurity, and transient character of production sites may render mapping difficult (Spittaels and Hilgert 2009); this not only increases labor demand but also increases the risk of casualties for both UN troops and the civilians who are brought in to regulate resource activities. Moreover, when peacekeepers attempt to control transient production sites in rebel-controlled areas, it may be difficult to distinguish between civilians and combatants. Finally, there is a risk of “mission creep,” in which the UN assumes responsibility for an increasing number of tasks, thereby creating further dependence on UN troops. Nevertheless, the presence of armed groups often increases poverty and the likelihood of abuse of local populations (Weinstein 2006); hence, for lack of an alternative, the direct deployment of UN peacekeeping troops in resource production areas may make sense.

A second, related approach is to control key points in trade and transportation routes, such as trading houses; storage locations; and major roads, bridges, rivers, and airports. This approach has two main difficulties, however: determining where resources have come from and whether they are legitimate, and avoiding delays for legitimate entrepreneurs (Crossin, Hayman, and Taylor 2003). Working with expert panels and local authorities, peacekeeping missions can help identify

30 High-value natural resources and post-conflict peacebuilding

and, if given the necessary authority, arrest traders who are dealing in conflict resources. Trade controls at national borders, in particular, can simultaneously stem the flow of revenues to armed groups and assist the government to improve revenue collection. Peacekeepers posted at control points may also support sanction schemes or verify that certification measures are in effect. It is important to note, however, that most UN missions have limited mandates and operational scope. Border controls, for example, have focused mostly on controlling imports (such as incoming weapons), rather than exports (such as smuggled natural resources), although there have been some exceptions, most notably in the case of missions that assume governing functions, including the provision of border security (Walsh et al. 2007).

The first two approaches—taking control of production sites and of key points in trade routes—involve *direct* control over natural resources; a third approach should be considered when belligerents obtain funding through *indirect* control over natural resources. For example, armed groups may impose “taxes” on supplies destined for mining camps; extort funds from municipalities that are in proximity to natural resources (or that receive revenue from natural resources); or engage in other forms of extortion and racketeering. In such cases, peacekeeping forces are needed to improve security, severing the indirect control of resources and decreasing belligerents’ opportunities to threaten, intimidate, or harm civilians, companies, or government institutions. Peacekeepers may also step in for local police forces when it is necessary to make politically charged arrests.⁸ Field investigations have revealed dangerous complicities with belligerents—notably among local officials—that must be taken into account in the peacebuilding process (e.g., when officials are engaging in sanction busting or providing fuel to armed groups).

While the first three approaches deal with supply-side issues, a fourth approach is needed to tackle the demand side—that is, helping importing countries implement resource control measures such as sanctions or certifications. Typically, demand-side enforcement mechanisms include sanctions on specific commodities from particular countries (e.g., timber from Liberia); information sharing between peacekeeping forces, customs offices, importing governments, UN missions, and UN expert panels; and the monitoring of both upstream and downstream channels, through due diligence processes, to determine the legality of the extraction process and identify any human rights abuses.

Although the lack of territorial and institutional access to neighboring countries has so far prevented peacekeeping missions from implementing these approaches, specific mandates for peacekeeping missions, combined with formal

⁸ When organizations or individuals are attempting to survive (or even prosper) in the midst of conflict, boundaries between belligerent groups, government officials, and civilians may become blurred; this is particularly the case when the belligerent groups’ “frontlines” are shifting or nonexistent.

requests to neighboring governments from the UNSC, may secure such access. As noted earlier, sanctions are one of the Security Council's main tools; thus, the UNSC has, on occasion, imposed so-called secondary sanctions on neighboring states. These secondary sanctions target countries that have failed to block the import of conflict resources and continue to export them as a legal commodity, or that have refused access to peacekeeping missions attempting to implement sanctions on a commodity. Although secondary sanctions are effective when targeted to very specific commodities (as was the case in Liberia, where diamond exports were sanctioned as a result of the government's support of the rebellion in Sierra Leone), broader secondary sanctions raise ethical issues.

On the basis of past UN experience, a possible strategy for controlling access to conflict resources would involve the following sequence of initiatives:

1. An investigation by an expert panel.
2. The imposition of targeted commodity sanctions.
3. The establishment of peacekeeping missions authorized to engage in resource control.
4. If necessary, the imposition of secondary sanctions on sanction busters.

One way to strengthen this sequence is to encourage greater collaboration between expert panels and peacekeeping missions (Holt and Boucher 2009). Efforts to curb access to conflict resources are often combined with a post-conflict review of all resource sectors, and support for local authorities' efforts to recover looted assets and renegotiate resource contracts signed during hostilities.⁹

UN PEACEKEEPING MISSIONS AND CONFLICT RESOURCES

UN peacekeeping operations have been established in at least eight countries where conflict resources contributed to prolonging hostilities. This section briefly reviews the mandates, specific measures, and effectiveness in each case; examples are presented in chronological order (see [table 1](#)).

Angola

UNAVEM, the UN Angola Verification Missions (1988–1997), and MONUA, the UN Observer Mission in Angola (1997–1999), had limited mandates (mostly observation and facilitation of demobilization) and little military capacity. Neither mission took major steps to prevent diamonds from financing UNITA, either before or after 1997, when the UN imposed an export ban on diamonds that were not certified by the government (uncertified diamonds were presumed to come

⁹ For further discussion of contract renegotiation and asset recovery, see Philippe Le Billon, "Contract Renegotiation and Asset Recovery in Post-Conflict Settings," in this volume.

Table 1. Control of conflict resources by UN peacekeeping missions, 1988–2009

| <i>Mission</i> | <i>Type of mandate</i> | <i>Measures</i> | <i>Outcomes</i> |
|--|------------------------|---|--|
| Angola: UNAVEM ^a (1988–1997), MONUA ^b (1997–1999) | Observation | Ban on noncertified diamond exports | The missions had very limited effectiveness, but the ban was effective—partly because of military pressure on UNITA from the Angolan government, and partly because the governments in Kinshasa (DRC) and Brazzaville (Republic of the Congo), which had provided conduits for UNITA's diamond smuggling, were toppled; peacekeepers provided some assistance to UN expert panels. |
| Cambodia: UNTAC ^c (1992–1993) | Transitional authority | Ban on logging exports (sawn timber exempt) | Limited effectiveness because the ban was not implemented for long enough, and there was no UN enforcement of the ban in Khmer Rouge areas along the Thai border; the UN mission provided some assistance as a transitional authority in the area of environmental and resource management. |
| Croatia UNTAES ^d (1996–1998) | Transitional authority | Border monitoring | Limited support for local police forces. |
| Sierra Leone: UNAMSIL ^e (1999–2005) | Assistance | Ban on noncertified diamond exports | Peacekeepers provided some assistance with monitoring and conflict resolution in the diamond sector. |
| DRC: MONUC ^f (1999–2010), MONUSCO ^g (2010–present) | Assistance | Curtailling financing of illegal groups | Monitoring, border control at airports, some military assistance to Congolese army to curtail armed groups' access to natural resources. |
| Afghanistan: UNAMA ^h (2002–present) | Assistance | Counternarcotics operations | Policy coordination and technical cooperation; no military component. |
| Liberia: UNMIL ⁱ (2003–present) | Assistance | Ban on timber and all diamond exports | Limited assistance in key areas; UNMIL also maintains an Environment and Natural Resources Unit, which assists UN expert panels. |
| Côte d'Ivoire: MINUCF (2003–2004), UNOCI ^k (2004–présent) | Assistance | Ban on all diamond exports | Embargo-monitoring unit; no mandate to address key resource sectors (e.g., cocoa) from which rebels obtain financing. |

Notes:

- a. UN Angola Verification Missions.
b. UN Observer Mission in Angola.
c. UN Transitional Authority in Cambodia.
d. UN Transitional Administration in Eastern Slavonia, Baranja, and Western Sirmium.
e. UN Assistance Mission in Sierra Leone.
f. UN Mission in the Democratic Republic of the Congo.
g. UN Stabilization Mission in the Democratic Republic of the Congo.
h. UN Assistance Mission in Afghanistan.
i. UN Mission in Liberia.
j. UN Mission in Côte d'Ivoire.
k. UN Operation in Côte d'Ivoire.

from UNITA-controlled areas). MONUA did, however, provide logistical assistance to a UN panel of experts in 1999.

Cambodia

In Cambodia, the Khmer Rouge (also known as the Party of Democratic Kampuchea, or PDK) was financed by logging and, to a lesser extent, gem mining. Using military observers and aerial surveys, UNTAC, the UN Transitional Authority in Cambodia (1992–1993), documented the extent of the exploitation, thereby increasing the (mostly ineffective) pressure that environmental and human rights groups had been putting on the transitional government, the Supreme National Council, to declare a moratorium on the export of logs from Cambodia—which it did, on September 22, 1992. On November 30, 1992, the UNSC supported the moratorium through resolution 792, which requested “States, especially neighbouring States, to respect . . . [the] moratorium by not importing such logs” and further requested “UNTAC to take appropriate measures to secure the implementation of such moratorium” (UNSC 1992). The resolution also extended the moratorium to the export of minerals and gems.

Although the resolution was carefully phrased as an effort to protect Cambodia’s natural resources, the fact that it was not vetoed by China, the PDK’s main backer, sent an important political signal to the PDK. Nevertheless, the resolution was largely useless: UNTAC was unable to gain access to smuggling areas, either from PDK-controlled territory or from the Thai side; the transitional government’s implementation of the moratorium was erratic; and sawn-timber exports were exempt from the moratorium. Moreover, immediately after the UN-sponsored elections in May 1993, the transitional government expanded exemptions even further. In addition to its limited involvement in the moratorium, UNTAC provided some guidance to local authorities in environmental and resource management, as part of its mandate as a transitional authority.

Croatia

Like UNTAC, the UN Transitional Administration in Eastern Slavonia, Baranja, and Western Sirmium, or UNTAES (1996–1998), also had to deal with illegal logging, but on a much smaller scale; as Serbian-held territories reverted to Croatia, local “mafia” groups engaged in a pattern of “looting before leaving.” Timber smuggling appeared to be mostly criminally motivated, with limited consequences for the evolution of the conflict. While border monitors were checking for incoming weapons, valuable hardwoods, including oak, were being smuggled to Serbia for eventual export to Europe. Trafficking routes were known, but neither UN border officers nor UNTAES military personnel were authorized to take action, other than to provide limited support for local police forces; Serbian militias also refrained from intervening. Joint Serbian-Croatian police forces, however, did conduct some operations, including border patrols, which

34 High-value natural resources and post-conflict peacebuilding

apparently had some success in countering illegal logging and smuggling (UNSC 1997).

Sierra Leone

The UN Assistance Mission in Sierra Leone, or UNAMSIL (1999–2005), actively engaged in diamond sector regulation only in the last stages of its operation. Before that point, peacekeeping forces had intervened in an ad hoc fashion to prevent the escalation of resource-related conflicts,¹⁰ but the UN mission remained wary of overstepping its mandate,¹¹ antagonizing local interest groups, exposing UN troops to criminal violence, or reinforcing rumors that peacekeeping forces were involved in diamond deals (UNAMSIL 2001). Although some of these concerns were legitimate, reports from military observers about diamond-related conflicts (including ongoing armed skirmishes) and requests for assistance from the government and from the donors who were funding diamond reforms eventually led UNAMSIL to take on a more proactive role. In 2003, two years after hostilities had ceased, UNAMSIL began conducting aerial surveys, deploying foot patrols, and engaging in targeted conflict-settlement interventions in the diamond sector—most notably, working with local youths who were in conflict with mining groups made up of former RUF soldiers. These efforts were often undertaken jointly with the Ministry of Mines, but UNAMSIL occasionally served in a supervisory capacity for that ministry (DFID 2006).

Democratic Republic of the Congo

Since its establishment in 1999, the UN mission in the Democratic Republic of the Congo (Mission de l'Organisation des Nations Unies en République Démocratique du Congo, or MONUC) repeatedly confronted conflict-related resources issues. During the first war (1996–1997), the second war (1998–2003), and the aftermath of the second war, mineral resources financed both local and foreign armed groups, especially in the eastern part of the country. Although the UN has used expert panel investigations and public reporting to address this connection, it has not imposed sanctions on conflict resources.¹²

By 2008, MONUC was already planning joint operations with the Congolese army, the Forces Armées de la République Démocratique du Congo (FARDC), to disrupt the presence of the Democratic Forces for the Liberation of Rwanda

¹⁰ Peacekeepers intervened, for example, in the clashes between local youths and demobilized rebel soldiers during the 2001 diamond rush in Koidu, Sierra Leone's diamond capital.

¹¹ This reluctance was despite the fact that the mandate included coordinating with, and assisting, Sierra Leonean law enforcement in the discharge of its responsibilities (UNAMSIL 2005).

¹² The DRC is part of the Kimberley Process Certification Scheme; thus, its official exports ought to exclude diamonds that come from rebel-controlled areas.

(Forces Démocratiques de Libération du Rwanda, or FDLR) “in mining areas . . . [to drive] them away from their most important trading routes” (Doss n.d.).¹³ In December 2008, with Resolution 1856 the Security Council gave MONUC a mandate to

coordinate operations with the FARDC integrated brigades deployed in the eastern part of the Democratic Republic of the Congo and support operations led by and jointly planned with these brigades in accordance with international humanitarian, human rights and refugee law with a view to . . . preventing the provision of support to illegal armed groups, including support derived from illicit economic activities (UNSC 2008f, para. 3(g)).

MONUC was also given authority to “use its monitoring and inspection capacities to curtail the provision of support to illegal armed groups derived from illicit trade in natural resources” (UNSC 2008f).

In Resolution 1857, the UNSC extended the list of individuals and companies subject to travel sanctions, financial sanctions, or both, to “individuals or entities supporting the illegal armed groups in the eastern part of the Democratic Republic of the Congo through illicit trade of natural resources,” thus sending a strong signal to companies involved in trading conflict resources (UNSC 2008g para. 4(g)).¹⁴ The UNSC also requested that MONUC, governments in the region, and the group of experts “cooperate intensively, including by exchanging information regarding . . . the illegal trafficking in natural resources” (UNSC 2008g, para. 11).¹⁵ Military cooperation between MONUC and the Congolese government has not been straightforward, however; in a joint Congolese-Rwandan operation undertaken in January and February 2009 against the FDLR, for example, MONUC was largely excluded from planning and implementation.

Implementation of Security Council Resolution 1856 involves some major difficulties:

- The resolution calls for MONUC to work “in close collaboration” with the Congolese government and to intervene “in support of” FARDC-led operations (Peleman 2009). While this requirement recognizes the sovereignty of the Congolese state, it has led to delays that might not have occurred if MONUC troops been able to intervene autonomously.
- Many of the new FARDC officers are former members of armed groups that continue to have a stake in illegal exploitation, and some FARDC units are directly involved in such exploitation. As noted by Global Witness, “in parts of Mwenga and Kalehe, Congolese army units . . . have started taking over

¹³ The FDLR is a militia made up of chiefly Rwandan Hutus, many of whom have lived in the DRC since the 1994 Rwandan genocide.

¹⁴ An earlier resolution, 1807, had established the initial list (UNSC 2008d). The only companies on the list were from the DRC, Rwanda, or Uganda (UNSC 2009a).

¹⁵ “Group of experts” is the new name for UN expert panels.

36 High-value natural resources and post-conflict peacebuilding

mining sites after dislodging the FDLR” (2009b, 3). In response to criticism of such actions, Joseph Kabila, the president of the DRC, ordered all military personnel to vacate mining sites (Global Witness 2009a).¹⁶

- The situation in the DRC is complicated by the fact that natural resources are not the only source of finance for armed groups. Some militias also derive income from illegally taxing the local population. Curtailing access to resource revenues may therefore, at least in the short term, increase predatory behavior toward local populations—which might, in turn, increase the workload of the UN mission, whose main task is to protect the civilian population. MONUC has limited capacity, and needs to prioritize its activities. As of this writing, MONUC is placing priority on protecting civilians and curbing the activities of armed groups (chiefly the FDLR), even if curtailing armed groups’ access to resources would improve medium-term prospects.
- Not all mining sites and links in the trading network can be brought under control. Systematic mapping of mining- and mineral-trade routes in North Kivu and South Kivu (in the eastern DRC) identified 215 mining sites, 45 trading houses, 10 airports, and 6 major border crossings (IPIS 2008). In July 2009, Lt. Col. Jean-Paul Dietrich, a MONUC military spokesperson, noted that while Kimia II, a joint FARDC-MONUC military operation undertaken in 2009, “aimed at recovering the main mining sites . . . there are other sources of income [still available] for the FDLR and the armed groups” (IRIN 2009). A report from Global Witness also stressed that while Kimia II

appears to have temporarily disrupted the FDLR’s mining activities in certain other areas, . . . the longer-term effect is not yet clear. The FDLR have abandoned some mines in parts of Mwenga (South Kivu), in anticipation of the deployment of [Kimia II], only to continue mining in nearby areas. The FDLR have turned increasingly violent against the civilian population since the start of [Kimia II] (2009b, 3).

- Despite nearly a decade of media, UN expert panel, and NGO reports stressing the importance of conflict resources, and despite the UNSC resolutions of late 2008 (UNSC 2008a, 2008b, 2008d)—which encouraged MONUC, more strongly than ever before, to cooperate with the FARDC to curtail the illegal resource trade—the UN has not taken the step of imposing sanctions, which would have made it easier to distinguish between legal and illegal

¹⁶ Because MONUC is required to collaborate with the Congolese army, President Kabila’s order effectively prevented MONUC troops from intervening at mine sites, giving a potential advantage to illegal armed groups that have sufficiently reduced their military presence to prevent the president from reversing his policy (and sending Congolese troops back to the mines), but that are nevertheless continuing their economic activities.

resources, exploitation, and trade.¹⁷ In the absence of official sanctions, many resource companies, faced with accusations of complicity in war crimes, claim to have stopped importing minerals from conflict zones in the DRC—in particular, tantalite, from the eastern DRC. Thus, a poorly implemented de facto sanction regime is currently in place that obstructs even the legal traders, who then shift toward, or are replaced by, informal (and in some cases criminal) trading networks. The economic ascendance of informal or criminal networks, in turn, drags down miners' incomes (because these networks are associated with both lower prices and lower demand), and undermines the formal economy, governing institutions, and government revenues.

- Finally, implementation of UNSC Resolution 1856 is complicated by the involvement of Congolese military, political, and business leaders in “illegal” trade—an issue that is rendered even more complex by the difficulty of defining legality in the DRC, where political legitimacy (that is, the standing of the authorities that passed the laws) is uncertain, and where international, national, provincial, and customary laws may simultaneously apply (Cuvelier 2004). A 2009 UN report noted that “conducting random checks at port, airport or border posts can . . . have serious consequences for the Mission’s relations with the Government and the FARDC” (JMAC 2009, 4). In 2008, a UN expert panel argued that “targeting companies complicit in systematically trading minerals with FDLR and promoting due diligence within the international minerals supply chain represent effective ways of cutting off the financial support of FDLR” (UNSC 2008h, 19). Such efforts are complicated, however, by the fact that many of the businesspeople involved in conflict resources are also major subcontractors or landlords for MONUC and aid agencies. Thus, MONUC is in a somewhat difficult position: to accomplish its mandate, it must maintain a good relationship with the government of the DRC; but it may not always be in the interests of the government to have MONUC on board.

To address these problems, MONUC staff have recommended the following strategies (JMAC 2009):

- Training MONUC staff, especially military observers and civil police, in the monitoring of conflict resource trade (e.g., how to identify trade vectors—such as vehicles, planes, and companies—and how to recognize legal documentation).

¹⁷ There were three reasons for the UN’s resistance to the imposition of an embargo: concerns about its feasibility in the absence of support from neighboring countries; concerns about the embargo’s effects on livelihoods and the overall economy; and the fact that regional political and economic elites—upon which both the political process and the logistics of the UN mission depend—may have been implicated in questionable activities.

38 High-value natural resources and post-conflict peacebuilding

- Deploying military observers at key locations (including airports), and providing support for unannounced inspections (e.g., of aircraft) by Congolese security forces.
- Removing armed groups and army checkpoints that are illegally taxing the resource trade.
- Assisting with capacity building for Congolese police, military personnel, and customs officers, through the provision of training and equipment.
- Profiling peace spoilers and key economic actors who are likely to be involved in the production and trading of conflict commodities.
- Undertaking satellite observation of mining sites and transportation corridors.
- Undertaking centralized data gathering and analysis.
- Building awareness, among local businesses, of illegal exploitation.¹⁸
- Engaging in broader collaboration with development agencies and local authorities to regulate and bring trade into the formal economy.

The Congolese government has also given attention to resource issues as part of its Programme of Stabilization and Rebuilding of Former Conflict Zones (STAREC). The program calls for Congolese security forces to monitor mining sites operated by armed groups; for government services (specifically, the mining registry; the Center of Evaluation, Expertise, and Certification, the DRC's regulatory mining body; and the Ministry of Mines' antifraud office) to be strengthened in the provinces; and for controls to be established on airfields and roads leading to mine sites (Custers 2009). As part of the STAREC initiative, the Congolese prime minister has asked MONUC to assist in the transportation and deployment of mining inspectors, but MONUC staff does not feel that such an effort can be undertaken until road projects are completed and police forces and credible public administrators are in place in areas where mines are located.

Afghanistan

UNAMA, the ongoing UN Assistance Mission in Afghanistan, was established in 2002 and faces the most difficult conflict resource issue of any current peace-keeping operation: in 2008 alone, opium is estimated to have provided between US\$250 and US\$470 million to the Taliban (UNODC 2008).¹⁹ UNAMA's mandate is to cooperate with the Afghan government in "identifying individuals and

¹⁸ This would involve, for example, helping businesses to understand that conflict resources are used to finance armed groups, to grasp the importance of legitimate government taxation, and to be aware of the risk of being sanctioned for dealing in conflict resources.

¹⁹ Timber and other resources are also at issue, but to a much smaller degree (UNODC 2008).

entities participating in the financing or support of acts or activities of al Qaeda and the Taliban using proceeds derived from illicit cultivation, production and trafficking of narcotic drugs and their precursors” (UNSC 2009b, para. 31).²⁰

Narcotics—in Afghanistan, most notably opium production and trafficking—have long been monitored by the UN Office on Drugs and Crime (UNODC), which closely cooperates with UNAMA and with a growing number of international development organizations. UNAMA’s director for narcotics is also the UNODC director, and both organizations engage in policy coordination and technical cooperation but have no peacekeeping military component; most of the international troops in Afghanistan are part of the UNSC-mandated International Security Assistance Force (ISAF), which is under the command of the North Atlantic Treaty Organization (NATO).²¹

Until 2008, the ISAF limited its role to the support of Afghan-government drug-eradication policies, most visibly through the military protection of crop eradication units. Since then, NATO has taken a more direct approach, targeting drug laboratories and traffickers; however, each country that sends troops to the ISAF can choose its own level of involvement in counternarcotics activities, and interventions “can be taken only upon request of the Afghan Government and with the consent of the national authorities of the forces involved” (NATO n.d.).²²

Several studies have pointed out that unless eradication programs improve the broader agricultural, economic, and, most importantly, institutional context of narcotics production, they are counterproductive (Byrd 2008; Goodhand 2008).²³ Although opium poppy cultivation declined in 2008, opium production had exceeded external demand for several years, primarily because of a lack of effective counternarcotics policies;²⁴ the resulting massive stockpiles have led to a drop in prices, which has contributed to an increase in the use of opium within Afghanistan (UNODC 2009).

²⁰ See also UNSC Resolutions 1267, 1735, 1806, and 1822 (UNSC 1999, 2006, 2008c, 2008e).

²¹ For further discussion of counternarcotics policies and the organizations that are implementing them, see David M. Catarious Jr. and Alison Russell, “Counternarcotics Efforts and Afghan Poppy Farmers: Finding the Right Approach,” in this volume.

²² ISAF describes its direct military intervention in this area as “providing in-extremis support to the Afghan National Security Forces’ counter-narcotics operations,” although it will also provide “enhanced support” that includes “the destruction of processing facilities and action against narcotic producers if there is a clearly established link with the insurgency” (NATO n.d.).

²³ For more information on the role of opium in Afghanistan, see Adam Pain, “The Janus Nature of Opium Poppy: A View from the Field,” in this volume.

²⁴ During the initial years of NATO’s presence in Afghanistan, the primary focus was on political stability and antiterrorism—which led NATO countries to turn a blind eye to the involvement of supposed allies in the opium trade. NATO also wished to avoid upsetting the opium-based rural economy in many parts of the country.

40 High-value natural resources and post-conflict peacebuilding

Liberia

UNMIL, the ongoing UN Mission in Liberia, was established in 2003; its mandate is “to assist the transitional government in restoring proper administration of natural resources,” as part of the implementation of the peace process (UNSC 2003, para. 3(r)). Conflict resources—mostly timber, but also rubber and diamonds—had played a major role in the Liberian conflicts between 1989 and 2003.

Because of the rapid cessation of hostilities and improving security after 2003, UNMIL did not confront extensive problems with conflict commodities—which was a positive factor, considering that UNMIL’s full deployment took nine months, largely because UN member countries failed to provide the pledged troops.²⁵ Nevertheless, UNMIL was subject to criticism for failing to do more to address the problem of conflict resources. Among its critics was Global Witness, the leading NGO in the realm of resources and armed conflicts. In 2005, Global Witness wrote a letter to the UNSC, stating that UNMIL had failed to implement its mandate because

they have not been given the legal authority to act as independently and pro-actively as they need to effectively seek out and stop illegal timber or diamond operations. . . . UNMIL’s ability to fulfill its mandate is further undermined by its lack of deployment in diamond- and timber-rich areas, particularly along Liberia’s porous border regions with Côte d’Ivoire, Guinea and Sierra Leone (Global Witness 2005).

If UNMIL did not undertake sufficient efforts to secure conflict commodities, it did create an environment and natural resources unit, although the unit’s work on conflict resources is largely limited to assisting with the investigations of UN expert panels.²⁶ Arguably, other UN agencies—such as the UN Environment Programme, the UN Food and Agriculture Organization, and the UN Development Programme—have a more general mandate to engage in environmental protection and resource management, but the creation of the environment and natural resources unit was in line with UNMIL’s quasi-trusteeship functions during the transition period from 2003 to 2005.

UNMIL did carry out some aerial reconnaissance to monitor mining, along with occasional (but rare) ground patrols. On some occasions, it also deployed troops in resource-rich areas—for example, to remove artisanal diamond miners operating illegally within an oil palm plantation; to close a large artisanal diamond mining site that had been identified by an expert panel but had not been shut down by the transitional government (allegedly, diamonds were being stockpiled

²⁵ The deployment of UNAMSIL, in contrast, was delayed in part because the RUF maintained control of diamond-rich territories, notably in Kono District.

²⁶ The unit has also helped the mission to minimize the environmental impact of peace-keeping operations and has conducted an environmental baseline survey; see Ravier (2008) and UNMIL (n.d.).

at the site while the owners waited for sanctions to be lifted) (UNSC 2004; Powell and Yahya 2006);²⁷ and to protect the interests of a U.S. diamond company and restore calm and order after demonstrations at a Firestone rubber concession in 2007. Some troop deployments have sparked controversy; in particular, Liberian mining interests and company employees have accused UNMIL of protecting the interests of foreign companies over those of local populations (Mines and Communities 2007; *News* 2007). Such accusations demonstrate that UN peacekeeping deployment in resource sectors can generate new conflicts, and should therefore be considered from a political perspective instead of being narrowly conceived as a law-and-order measure.

Côte d'Ivoire

The UN Mission in Côte d'Ivoire, MINUCI (2003–2004) and the UN Operation in Côte d'Ivoire, UNOCI (2004–present), faced limited direct hostilities between the government and the Forces Nouvelles, the rebel group that controlled the northern part of the country. A UNSC resolution banned all diamond exports in 2005, and a UNOCI embargo-monitoring unit was established in 2006 to collaborate with UN expert panels; however, most of the funding for belligerents—especially the Forces Nouvelles—comes from illegal taxes on primary commodities (primarily cocoa, but also coffee, timber, and cotton) and transportation fuel (Global Witness 2007; Powell and Yahya 2006; UNSC 2005).

The cocoa sector has been singled out for its contribution to a parallel economy that feeds corruption and hostilities, but because of massive employment in that sector, cocoa sanctions would have devastating consequences. Although UN expert panels and NGOs have recommended the investigation of rebel financing, corruption, land conflicts, and human rights abuses in the cocoa sector, UN officials have expressed reluctance to work on such politically sensitive subjects (Global Witness 2007). MINUCI did take some limited actions with regard to the cocoa sector—to help reduce poverty among farmers, for example, MINUCI provided training in income management—but these measures did not directly address other, potentially controversial issues associated with resources (APO 2009; ONUCI 2009).

ISSUES AND PERSPECTIVES

As an international military force deployed to keep the peace, UN peacekeeping operations—and, more broadly, non-UN peacekeeping forces (such as regional peacekeeping forces)—have a unique ability to help sever links between resources and peace spoilers. Although peacekeepers could theoretically be deployed to

²⁷ UN sanctions were imposed on diamond exports from 2001 to 2007, and on timber exports from 2003 to 2006.

42 High-value natural resources and post-conflict peacebuilding

control diamond mining, logging, or drug trafficking operations that finance armed groups, the governments that are mandating peacekeeping operations—through the UNSC, for example—are often reluctant to assign peacekeepers such roles.

At the mission level, operational staff, both at headquarters and on the ground, recognize the importance of curtailing peace spoilers' access to high-value resources, but they are also aware of the difficulties associated with intervention. Mission staff, including military observers monitoring military activities and, to a lesser extent, UN civil police monitoring and assisting local police forces, often report on the role of resources in local skirmishes—not only between armed groups but also between rival government security agencies, private militias, and criminal gangs. This low-level violence rarely receives political attention, but political affairs officers at UN missions have nevertheless warned of the potential for escalation; they have also noted the broader implications of resource revenues for relations within and between armed groups. Such issues have also received greater consideration because UN intelligence efforts have been boosted by Joint Mission Analysis Cells, which are charged with assessing the overall political and security situations of UN missions and reporting to the Special Representatives of the UN Secretary-General that head the missions.

The deployment of UN troops for combat operations intended to curtail rebel access to resources raises a number of questions. Is direct intervention legal? How might it affect relations between the UN mission, the host government, and local populations? Might such intervention further military dependence on UN troops? Do the peacekeeping missions have the necessary capacity to intervene successfully? Finally, is it worth the risk—both for the troops and for civilians in the targeted area?²⁸

Answers to these questions depend, in large part, on the specific circumstances. Legally, local authorities have the right to prohibit unilateral deployment, unless the country is under a UN trusteeship mandate, under which sovereign authority is vested in a UN administrative body. Moreover, because most missions prior to 2000 were carried out under chapter VI of the UN Charter, which addresses pacific settlement of disputes, rather than chapter VII, which addresses forceful settlement of disputes, peacekeeping missions are prevented from engaging in any “offensive” combat role—including taking control of resource production areas. Despite the recent use of chapter VII authorizations, out of the half-dozen peacekeeping missions established since 1988 in countries where hostilities had been financed, in large part, by conflict commodities, only one—MONUC—has been specifically mandated to address the financing of illegal groups by illicit economic activities, which included the provision of military support to DRC government troops. Although the UN Head of Mission and the UN

²⁸ Some regional and UN peacekeeping units have allegedly been involved in resource trafficking (diamonds in Sierra Leone, and arms for gold in the DRC) (Montague 2002; Basanisi 2008). Thus, there is the additional risk that, through closer involvement with conflict resources, UN personnel will become embroiled in corruption.

Mission Chief of Staff, as well as individual UN-mandated military contingents, or even officers, have used their room for maneuver to investigate, report on, or stop illegal practices,²⁹ decision makers within UN missions have generally been wary of overstepping their mandate, overextending or diverting resources, alienating economic or political stakeholders, or putting both peacekeepers and civilians at risk by interfering with the economic interests of criminals and armed groups.

Sovereignty issues (including sovereignty over resources) have also discouraged sending and receiving governments from assigning UN peacekeepers an active role in preventing conflict resources from funding peace spoilers.³⁰ Furthermore, because the economic interests of governments and companies may conflict (either because a company and a host government are competing producers, or because a sending government also happens to be the home government of investors), there is a risk that, if peacekeepers are directly involved in conflict resources issue, there may be allegations that the peacekeepers are serving the interests of their home countries—specifically by protecting those countries' access to resources. Although the U.S. invasion of Iraq was not a “peacekeeping” mission, the non-UN mandated and U.S.-led “coalition of the willing” was the subject of such allegations. On the other hand, shared economic interests could create an incentive for granting peacekeeping missions broader mandates and thereby increasing their effectiveness.³¹

Most governments provide troops to UN missions on the assumption that the risk of casualties is very low. In addition, the military capacity of most UN contingents is usually limited, especially for offensive combat operations. Many

²⁹ Given the wide variations in the behavior of individual missions or elements within those missions, the review provided in this chapter is only preliminary; a systematic assessment of the involvement of UN missions in resource sectors could contribute to more effective future peacekeeping operations.

³⁰ For example, Russia was initially very reluctant to support and participate in the Kimberley Process Certification Scheme because it viewed transparency about production volume and diamond prices as an infringement on its sovereignty and commercial interests.

³¹ Most accusations of resource appropriation have been made under the following circumstances: when mining was being undertaken by mercenary companies (as was the case with the South African mercenary group Executive Outcomes, in the mid-1990s); when neighboring countries have conducted military interventions (as both Uganda and Rwanda did during the late 1990s, in the former Zaire/DRC); and when non-UN-mandated foreign military interventions have been conducted, as was the case with the United States in Colombia and Iraq (Le Billon 2005). Concerns about resource appropriation may be valid for UN-mandated peacekeeping contributors with large mining investments. In the case of the DRC, relative stability in the most significant mining areas (especially in Katanga) may have contributed to the neglect of “local” violence, most of which was concentrated in the eastern part of the country and affected artisanal mining. As long as key mining projects were not under threat, the country was considered “at peace.” For the argument that peacekeeping in the DRC failed largely because the broader implications of local conflicts and local violence were ignored, see Autesserre (2006).

44 High-value natural resources and post-conflict peacebuilding

governments that send troops to UN peacekeeping missions view resource control not only as a high-risk option, but as a distraction from, or even as counterproductive to, peacekeepers' principal political and humanitarian mandates. "Robust" peacekeeping—entailing combat operations in mining or logging areas, for example—is thus unlikely, in part because of the risk of casualties among both civilians and UN troops.³² Nevertheless, in some cases, the deployment of UN troops in resource areas has been viewed as a necessity.³³ Where such efforts have been undertaken, however, they have occasionally met with determined resistance from armed groups, and the resource-rich areas have often been the last ones to come under UN control.³⁴

One of the most pressing issues is whether intervention will make a substantial contribution to a speedier end to the conflict, without creating harmful consequences in the future—loss of livelihoods, for example, or abuse by rebel groups. When armed groups' access to conflict resources is curtailed, they sometimes turn on the local populations, either to obtain funding or simply for revenge—events for which the UN would bear some responsibility. There is another perspective on this problem, however: Weinstein (2006) has found that rebel groups that emerge in resource-rich environments tend to commit worse abuses against civilians. This behavior appears to be associated with a membership pool of "consumers" rather than "investors"—that is, combatants who are drawn to the rebellion by short-term, opportunistic economic objectives rather than by long-term political objectives.³⁵ In the short term, UN military interventions in resource sectors may risk exacerbating abuses by rebels against civilian populations; but in the long term, such interventions may not only reduce the capacity of rebel groups but may also help focus rebel movements on political objectives—and therefore on negotiations, rather than on survival and profiteering.³⁶ Thus, intervention needs to be carefully considered from a number of perspectives, including ethical, military, political, and economic.

³² Potential alternatives include targeted interventions at key sites and backing for judicial procedures against traders involved in conflict-resource trafficking.

³³ For example, Jean-Marie Guéhenno, Special Representative of the Secretary-General for Peacekeeping Operations, has stressed that peacekeeping deployment should take mining areas into account, a consideration that he considered particularly important in the case of the DRC (UNSC 2007).

³⁴ This was the case, for example, in Sierra Leone, where the RUF maintained control of the Kono diamond mines. Resources are not the only consideration, however. In Angola, UNITA units moved from diamond-rich areas to the homeland of its leader—a choice that was criticized from within the movement (UNITA 2001).

³⁵ In resource-rich areas, a higher incidence of abuses against civilians may also be linked to low dependence on local populations for sustenance; this is in contrast to rebellions that operate in resource-poor areas or that lack access to external sponsors.

³⁶ This effect works by weeding out "consumers," including those in leadership positions. Such "repoliticization" of rebel movements, however, may foreclose the option of "buying out" movement leaders through economic and security incentives—an approach that has sometimes led to key defections.

CONCLUSION

Requiring peacekeepers to prevent resources from financing peace spoilers is part of a growing effort, since the early 1990s, to strengthen peacebuilding by improving the developmental outcomes of resource exploitation. Overall, much can be achieved if peacekeeping missions directly address conflict resources. Attention must be paid, however, to the characteristics of the resource sectors, the specific incentives that shape the post-conflict situation, and the capacity and determination of local and international institutions. Although much experience has been gained, the establishment of study groups, within UN missions, that have specific expertise on resource sectors in the post-conflict setting would help to identify further constraints and opportunities.

The preliminary review provided in this chapter gives rise to several general observations and recommendations. Most broadly and most importantly, peacekeeping forces can play a role in curtailing peace spoilers' access to resource revenues. Meeting this objective requires identifying actors in the extractive industries, demilitarizing resource production areas, and closing down activities that benefit spoilers. The capacity of peacekeepers should be reinforced so that they can more effectively engage in observation, mediation, and policing. Further attention should be given to the resource areas in which peacekeepers can be more efficiently deployed. The experience of MONUC, in the DRC, will be of major interest in this regard, especially given its specific mandate from the UNSC. The investigative role of expert panels should be further strengthened through greater collaboration with peacekeeping missions; expert panels should also engage in the collection of evidence for the purpose of prosecution.

As part of their peacebuilding mandate, UN mission staff should seek to address broader linkages between resource revenues and conflicts by assisting (1) local authorities who are in charge of resource sectors and (2) international transitional authorities and aid agencies that are engaged in these sectors. Monitoring, logistical support, and the "good offices" of the UN Head of Mission can all contribute to such efforts. In the DRC, for example, MONUC shares information collected on illegal logging with several UN agencies, NGOs, and government authorities.

The UNSC has an extensive, if controversial, track record in seeking to curtail belligerents' access to resource revenues. The experience of peacekeeping forces, in contrast, remains very limited. Peacekeepers have only recently been specifically mandated by Security Council resolutions to address resource financing; previously, such efforts were generally ad hoc measures undertaken at the mission level or at the direction of local UN commanders.

The evidence reviewed in this chapter suggests that traditional peacekeeping missions are generally poorly prepared to forcefully and effectively curtail peace spoilers' access to resource revenues. Such interventions must be (1) carefully considered from humanitarian, political, and economic standpoints before being carried out; (2) preceded by careful operational planning; and (3) conducted by

adequately trained, equipped, and disciplined international forces—so that the risks of human rights abuses, military failure, and corruption are minimized. Collaboration with local forces should also be monitored, and should be subject to stringent guidelines. Short of engaging in interdiction, peacekeepers do have the potential to help collect information on resource sectors, remove peace spoilers from important resource extraction areas, and back up police efforts to arrest illicit traders.

REFERENCES

- Autesserre, S. 2006. Local violence, national peace? Postwar “settlement” in the eastern D.R. Congo (2003–2006). *African Studies Review* 49 (3): 1–29.
- Basanisi, M. 2008. Who will watch the peacekeepers? *New York Times*, May 23.
- Boucher, A. J., and V. K. Holt. 2009. *Targeting spoilers: The role of United Nations panels of experts*. Washington, D.C.: Stimson Center.
- Byrd, W. A. 2008. *Responding to Afghanistan’s opium economy challenge: Lessons and policy implications from a development perspective*. Washington, D.C.: World Bank.
- Cortright, D., and G. A. Lopez. 2002. *Sanctions and the search for security: Challenges to UN action*. Boulder, CO: Lynne Rienner.
- Crossin, C., G. Hayman, and S. Taylor. 2003. Where did it come from? Commodity tracking systems. In *Natural resources and violent conflict: Options and actions*, ed. I. Bannon and P. Collier. Washington, D.C.: World Bank.
- Custers, R. 2009. *Le plan STAREC du gouvernement congolais: Une analyse préliminaire*. Antwerp: IPIS.
- Cuvelier, J. 2004. Linking the local to the global: Legal pluralism in the DRC conflict. In *Conflict and social transformation in eastern DR Congo*, ed. K. Vlassenroot and T. Raeymakers. Ghent: Academia Press.
- DFID (Department for International Development). 2006. Interview, DFID-sponsored diamond advisor to the president of Sierra Leone. July.
- Doss, A. n.d. Letter from the Special Representative of the UN Secretary-General. Cited in Global Witness, *Faced with a gun, what can you do? War and the militarisation of mining in Eastern Congo* (London, 2009).
- Global Witness. 2005. Open statement to the Security Council details the critical need for the maintenance of sanctions on Liberian diamonds and renewal and extension of the mandate of MONUC. March 18. www.globalwitness.org/media_library_detail.php/372/en/open_statement_to_the_security_council_details_the.
- . 2007. *Hot chocolate: How cocoa fuelled the conflict in Côte d’Ivoire*. London.
- . 2009a. *Faced with a gun, what can you do? War and the militarisation of mining in Eastern Congo*. London.
- . 2009b. *Bisie killings show minerals at heart of Congo conflict*. London.
- . n.d. Definition of conflict resources. www.globalwitness.org/pages/en/definition_of_conflict_resources.html.
- Goodhand, J. 2008. Corrupting or consolidating the peace? The drugs economy and post-conflict peacebuilding in Afghanistan. *International Peacekeeping* 15 (3): 405–423.
- Holt, V., and A. Boucher. 2009. Framing the issue: UN responses to corruption and criminal networks in post-conflict settings. *International Peacekeeping* 16 (1): 20–32.

- IRIN (Integrated Regional Information Networks). 2008. Mapping conflict motives in war areas. www.ipisresearch.be/mapping.php.
- . 2009. DRC: Charcoal profits fuel war in east. *IRIN Humanitarian News and Analysis*, 28 July. www.irinnews.org/report.aspx?ReportId=85462.
- JMAC (Joint Mission Analysis Cell). 2009. *Talking points; SRSR Doss on illegal exploitation: MONUC*. Kinshasa: MONUC.
- Le Billon, P. 2005. *Fuelling war: Natural resources and armed conflict*. Adelphi Paper No. 373. London: Routledge.
- . 2007. Natural resources, armed conflicts, and the UN Security Council. Liu Institute for Global Issues. May 30. http://liu.xplorex.com/sites/liu/files/Publications/30May2007_Natural_Resources_Armed_Conflicts_UNSC07-001.pdf.
- Mines and Communities. 2007. Africa update. April 18. www.minesandcommunities.org/article.php?a=115.
- Montague, D. 2002. The business of war and the prospects for peace in Sierra Leone. *Brown Journal of World Affairs* 9 (1): 229–237.
- NATO (North Atlantic Treaty Organization). n.d. NATO's role in Afghanistan. www.nato.int/cps/en/natolive/topics_8189.htm.
- News (Monrovia). 2007. Liberia: UNMIL deploys extra security in Firestone. December 11. <http://allafrica.com/stories/200712110877.html>.
- ONUCI (Opération des Nations Unies en Côte d'Ivoire). 2009. L'ONUCI finance la formation de 500 producteurs de cacao de Bloléquin. August 10. www.onuci.org/spip.php?article2433&var_recherche=cacao.
- Peleman, J. 2009. Personal communication with the chief of Joint Mission Analysis Cell, Office of the Special Representative of the UN Secretary-General. August.
- Powell, R., and M. Yahya. 2006. *The current state of diamond mining in the Mano River region and the use of diamonds as a tool for peace building and development*. London: International Alert.
- Ravier, S. 2008. Environment in UN peacekeeping operations. University of Geneva/ UN Environment Programme. www.unige.ch/formcont/environmentaldiplomacy/TheseSophieRAVIER.pdf.
- Spittaels, S., and F. Hilgert. 2009. *Accompanying note on the interactive map of militarised mining areas in the Kivus*. Antwerp: International Peace Information Service.
- Strandow, D. 2006. Sanctions and civil war: Targeted measures for conflict resolution. Department of Peace and Conflict Research, Uppsala University. www.smartsanctions.se/literature/strandow_content060926.pdf.
- UNAMSIL (United Nations Assistance Mission in Sierra Leone). 2001. Interviews, UNAMSIL officers. April.
- . 2005. Sierra Leone—UNAMSIL—Mandate. United Nations. www.un.org/en/peacekeeping/missions/unamsil/mandate.html.
- UNITA (União Nacional para a Independência Total de Angola). 2001. Interviews, UNITA officials, Luanda.
- UNMIL (United Nations Mission in Liberia). n.d. Environmental and natural resources unit. <http://unmil.org/1content.asp?ccat=environmental&zdoc=1>.
- UNODC (United Nations Office on Drugs and Crime). 2008. Afghanistan opium survey 2008. www.unodc.org/documents/crop-monitoring/Afghanistan_Opium_Survey_2008.pdf.
- . 2009. Global decrease in opium due to a decrease in Afghanistan. UNODC Afghanistan. www.unodc.org/afghanistan/en/frontpage/2009/may/global-decrease-in-opium-cultivation-due-to-a-decrease-in-afghanistan.html.

48 High-value natural resources and post-conflict peacebuilding

- UNSC (United Nations Security Council). 1992. Resolution 792. S/RES/792 (1992). November 30.
- . 1997. *Security Council official records, fifty-second year, supplemental for April, May and June 1997*.
- . 1999. Resolution 1267. S/RES/1267 (1999). October 15.
- . 2003. Resolution 1509. S/RES/1509 (2003). September 19.
- . 2004. Expert panel report on Liberia, pursuant to resolution 1521. S/2004/955. December 6.
- . 2005. Resolution 1643. S/RES/1643 (2005). December 15.
- . 2006. Resolution 1735. S/RES/1735 (2006). December 22.
- . 2007. Natural resources and armed conflicts. Seminar. May.
- . 2008a. Resolution 1797. S/RES/1797 (2008). June 30.
- . 2008b. Resolution 1804. S/RES/1804 (2008). March 13.
- . 2008c. Resolution 1806. S/RES/1806 (2008). March 20.
- . 2008d. Resolution 1807. S/RES/1807 (2008). March 31.
- . 2008e. Resolution 1822. S/RES/1822 (2008). June 30.
- . 2008f. Resolution 1856. S/RES/1856 (2008). December 22.
- . 2008g. Resolution 1857. S/RES/1857 (2008). December 22.
- . 2008h. UN group of experts report on the DRC, pursuant to resolution 1533. S/2008/773. December 12. New York: United Nations.
- . 2009a. Report of panel of experts on Liberia. S/2009/290. June 5. New York: United Nations.
- . 2009b. Resolution 1868. S/RES/1868 (2009). March 23.
- Walsh, K., K. N. Andrews, B. L. Hunt, and W. J. Durch. 2007. *Post-conflict borders and UN peace operations*. Stimson Center Report No. 62. Washington, D.C.: Stimson Center.
- Weinstein, J. 2006. *Inside rebellion: The politics of insurgent violence*. Cambridge, UK: Cambridge University Press.

Mitigating risks and realizing opportunities: Environmental and social standards for foreign direct investment in high-value natural resources

Jill Shankleman

This chapter addresses a significant aspect of resource extraction in post-conflict settings: the way in which extractive companies operate resource concessions. In the wake of conflict, there is a risk that resource extraction will have destabilizing impacts—by, for example, damaging the environment, preventing local people from accessing the resources that they depend on, or fostering tension about the distribution of jobs and other project benefits. Responsible resource extraction requires companies to minimize such risks, and thereby render their activities more likely to contribute to post-conflict stability and economic development.

The main focus of the chapter is on three sets of voluntary standards that have been developed, since the early 2000s, to improve the environmental and social performance of major investment projects:

- The International Finance Corporation's Performance Standards on Social and Environmental Sustainability (IFC-PS), which extended and provided a private sector focus to the World Bank safeguard policies that had been introduced in the late 1990s (IFC 2006).¹
- The Equator Principles (EPs), which were developed by commercial banks in concert with the IFC and largely followed previously established IFC standards (Equator Principles 2006).²
- The Voluntary Principles on Security and Human Rights (VPSHR, or VPs), which were developed by the United States and United Kingdom (UK), in collaboration with some large oil and mining companies and international nongovernmental organizations (NGOs) (VPSHR n.d.).

Jill Shankleman is director of J. Shankleman Limited, a business consulting firm that assists oil and gas companies to assess the social impact of their investments.

¹ The IFC is the private sector lending and investment arm of the World Bank Group. As of March 2010, the IFC-PS was under revision, following consultations conducted in 2009. For a description of the World Bank safeguard policies, see World Bank (n.d.b).

² Any bank involved in project financing can become an EP signatory. See Equator Principles (2006).

50 High-value natural resources and post-conflict peacebuilding

These three sets of standards are interlinked and cross-referenced: the IFC-PS refers to the VPs, and the EPs incorporate the IFC-PS. In that they are applied to investment projects in addition to host-country legal requirements, the standards are voluntary. But some companies make formal commitments to apply the standards, and adherence is often a condition of project financing from banks.

The chapter explores what these standards mean for extractive industry projects in general, and for projects in post-conflict settings in particular.³ Although the standards were not developed specifically for projects in post-conflict countries, they can help ensure that companies investing in extractive industry projects in such settings take seriously the risk of social and environmental damage, and position themselves to support post-conflict peacebuilding by providing economic (and sometimes social) development opportunities.⁴

On the one hand, the standards are a useful tool for helping to make foreign direct investment in the natural resource sector a stronger contributor to post-conflict peacebuilding: they provide a framework that enables firms to be more aware of the complexities of post-conflict environments and to behave more responsibly than might otherwise be the case. On the other hand, because of their voluntary nature and the absence of requirements for systematic follow up on implementation, the standards have not been as effective as they might otherwise have been. In order to have greater impact, the standards should be revised to require companies to publish regular and detailed progress reports. Further, environmental regulations in most developing countries, especially those emerging from conflict, need to be revised and updated to incorporate the social, labor, health, and security requirements included in the voluntary standards.

The chapter is divided into five major sections: (1) background information on foreign direct investment in post-conflict settings; (2) a description of project financing methods and the role of environmental and social standards

³ Because this chapter is focused on the environmental and social management of natural resource operations, it does not consider other important initiatives, such as the Extractive Industries Transparency Initiative and the Kimberley Process Certification Scheme, which address revenue management and product trading, respectively. Both are important aspects of natural resource exploitation and are addressed in a number of chapters in this volume: Eddie Rich and T. Negbalee Warner, "Addressing the Roots of Liberia's Conflict through the Extractive Industries Transparency Initiative"; Harrison Mitchell, "A More Formal Engagement: A Constructive Critique of Certification as a Means of Preventing Conflict and Building Peace"; J. Andrew Grant, "The Kimberley Process at Ten: Reflections on a Decade of Efforts to End the Trade in Conflict Diamonds"; Clive Wright, "The Kimberley Process Certification Scheme: A Model Negotiation?" and Duncan Brack, "Excluding Illegal Timber and Improving Forest Governance: The European Union's Forest Law Enforcement, Governance and Trade Initiative."

⁴ The Natural Resource Charter initiative, which is designed to help governments and societies effectively harness the opportunities created by natural resources, recognizes the importance of environmental and social standards in natural resource management; such standards are reflected in one of the twelve precepts developed by the Natural Resource Charter to inform and improve natural resource management (Natural Resource Charter n.d.).

in project financing; (3) a description of the origins and requirements of the key voluntary standards; (4) a discussion of the application of the standards in post-conflict settings; and (5) a concluding discussion of the standards as peacebuilding tools.

BACKGROUND: NATURAL RESOURCE PROJECTS IN POST-CONFLICT ENVIRONMENTS

In post-conflict countries with high-value natural resources, the first foreign direct investments are often in the resource extraction sector. There are four principal reasons for this pattern:

- Oil, gas, minerals, and metals firms have to locate where the resources are, whereas investors who are more free to choose their location are likely to delay investment until conditions are stable.
- Natural resource investments are usually governed by direct agreement between investors and the government, which are enforceable through the laws of third-country legal systems, often those of the United States, the United Kingdom, or the Netherlands.⁵ Such arrangements enable investors to circumvent the weaknesses of legal institutions in post-conflict states.
- Large-scale natural resource projects can be operated as enclaves, insulated from the deficiencies of post-conflict infrastructure; they often have their own power generation, water treatment, housing compounds, and even airstrips.
- A skilled workforce can be brought in from outside, especially when oil fields and pipelines are being constructed; the local workforce can then be trained, over time, to undertake most of the operational work.

However, most developing countries lack the knowledge, the laws, and the institutions to ensure that resource extraction projects are carried out responsibly,

⁵ For example, the production-sharing agreement between the State Oil Company of Azerbaijan (SOCAR) and a consortium of oil companies, which provides the legal basis for oil production from the Azeri Chirag Guneshli field, includes the following provision regarding disputes: “in the event a dispute arising between SOCAR and any or all of the Contractor Parties . . . , the disputing Parties shall meet in an attempt to resolve the dispute to their mutual satisfaction by reference to the terms of this Contract applying the principles of contractual interpretation under Azerbaijan law; if mutual satisfaction is not so achieved the disputing Parties will apply the principles of contractual interpretation under English law. If satisfactory mutual agreement is not achieved within thirty (30) days after receipt by a Party of notice of such dispute, such dispute shall be settled in accordance with the arbitration provisions of Appendix VI and the applicable law provisions of Article 23.1” (State Oil Company of Azerbaijan et al. 1994, 61). Arbitration is through application of the Arbitration Rules of the United Nations Commission on International Trade Law (State Oil Company of Azerbaijan et al. 1994).

52 High-value natural resources and post-conflict peacebuilding

in ways that protect people and the environment. Since the mid-1990s, resource companies, the banks that finance resource projects, donor nations and agencies, and NGOs have become increasingly aware that in the absence of effective social and environmental protection measures, the viability of resource extraction operations is at risk. The leading example of such risks is in the Niger Delta, where about one-quarter of potential oil production is lost to theft, violence, or sabotage.⁶ There are many less dramatic cases in which companies have faced opposition or found it slower, more costly, or more controversial to operate than expected.⁷

Investments in resource sectors have the potential to help stabilize post-conflict countries by generating government revenues, creating employment, and demonstrating to other businesses that countries are safe to invest in. Host governments receive payments when they sell the rights to explore for oil or minerals, and generally receive a regular income flow when production is under way.⁸ Especially in oil-rich areas, such as Angola or Southern Sudan, government revenues from oil far outstrip all other income sources, including donor assistance and non-oil taxation.

However, as is discussed elsewhere in this volume, unless carefully and transparently managed, resource revenues can also fuel corruption and conflict. Similarly, unless the potential impacts are carefully assessed in advance, resource extraction can damage the environment and undermine social stability, especially in fragile post-conflict contexts. Responsible investing minimizes harmful effects, ensures that communities are compensated fairly and transparently for any land taken or damage caused, and recognizes and addresses the possibility of unintended consequences.⁹

The laws of most developing countries require environmental impact assessments of new projects (Craik 2008), but conventional assessments—that

⁶ According to the U.S. Energy Information Administration (EIA), “the instability in the Niger Delta has caused significant amounts of shut-in production and several companies declaring *force majeure* on oil shipments. EIA estimates Nigeria’s nameplate oil production capacity to be around 2.7 million barrels per day (bbl/d), but as a result of attacks on oil infrastructure 2008 monthly oil production ranged between 1.8 million bbl/d and 2.1 million bbl/d” (EIA n.d.).

⁷ For examples from mining, see Volker Boege and Daniel M. Franks, “Reopening and Developing Mines in Post-Conflict Settings: The Challenge of Company-Community Relations,” in this volume.

⁸ Once investment costs have been covered through oil sales, oil projects typically generate some revenue flow to governments through profit-sharing arrangements between the company and the government. Mining projects generally involve some sort of royalty payment to the government. For further discussion of revenue sharing between companies and governments, see Achim Wennmann, “Sharing Natural Resource Wealth during War-to-Peace Transitions,” in this volume.

⁹ An example of an unintended consequence is the sudden and overwhelming influx of people seeking jobs and opportunities amid the “gold rush” mood that may develop around new or reopened production areas.

is, those that do not apply the new standards—typically afford little consideration of the social context, such as a legacy of disputed land rights, displaced persons, or intergroup tensions. In the words of a mining ministry official in a resource-rich post-conflict country,

these impact assessments look like cut-and-paste jobs by consultants. They tell us nothing—and anyway, we do not have the technical skills to interpret them, or the people and vehicles enabling us to go and inspect and see what is happening on the ground.¹⁰

When resource companies claim to respect local law, this often means that they undertake environmental impact assessments primarily as administrative tasks designed to secure the necessary permits, not as tools for understanding the physical and social environment into which they are entering. Ideally—and as required under the standards discussed in this chapter—impact assessment is an iterative process used to gain a detailed understanding of the full range of project impacts, both positive and negative. The assessment should influence siting and design so as to avoid negative impacts where possible, and it should provide the basis for an investor's commitment to systematic management and monitoring of impacts.

Companies that wish to establish extractive projects in post-conflict environments must anticipate, understand, and address a number of particularly destabilizing social and environmental issues that are often associated with such settings; chief among these are land rights and ownership, migration, employment, and security. Conflict is likely to have displaced people from the land, and it is often unclear who owns the land, who has rights to it, and who should be negotiated with (and compensated) when land is lost to an oil field, a mine, or a pipeline. Land issues are particularly important in many parts of rural Africa, where formal legal title is rare and people hold land under customary tenure. Under local laws, in many cases, those who hold customary rights would not be compensated or receive replacement land if the land that they were farming and living on were appropriated for a natural resource project.

Large projects usually encourage migration. Although migration can have destabilizing effects by putting pressure on resources and facilities, in some cases it can contribute to stability. In Sierra Leone, for example, many people would like to see new investment in mining (or in other sectors, such as biofuel), drawing young men back to their villages of origin, where they can take up employment in resource extraction projects; the fear is that if the young men remain in the cities, rootless and unemployed, they will be ideal recruits for future charismatic but destructive leaders. Circumstances like these are ideal opportunities for resource extraction firms to reserve unskilled jobs for local residents, and to define “local” to include family members who are temporarily residents elsewhere. In

¹⁰ Personal communication with the author.

54 High-value natural resources and post-conflict peacebuilding

post-conflict environments, it is particularly important for jobs—one of the key local benefits of investment—to be distributed fairly, transparently, and without exacerbating the tensions that contributed to the original conflict (by, for example, unintentionally favoring one ethnic group or community over another).

Oil and mining projects invariably require extensive security. During construction, the projects bring in large amounts of valuable equipment and materials; once the facilities are up and running, oil wells, mines, and pipelines are valuable assets that are potentially vulnerable to theft or sabotage. Projects can draw criminals (or even rebels) to the area, putting local residents at risk—and, particularly in conflict-ridden areas in Ethiopia, the Niger Delta, and parts of Latin America, workers may also be subject to kidnapping and other attacks.

Typically, the company that is in charge of the project has its own guard force, which is backed up on a permanent or incident-response basis by government forces, police, or the military. While such arrangements may improve security for the local population—for example, by bringing in a police presence for the first time—they can also have the opposite effect: ill trained, unpaid, or hostile security forces may prey on local residents, for example. In an extreme case that occurred in 2004, in Katanga, in the Democratic Republic of the Congo (DRC), a number of security issues came together: a rebel group took over a small town; the army requisitioned transport from the mining company in the area, then put down the rebellion with extreme force, killing a number of civilians. Twelve soldiers and three expatriate employees of the mining company were charged with war crimes and complicity in war crimes in connection with the massacre; all were acquitted (CNW 2007).

PROJECT FINANCING

Private sector investment in natural resources is capital intensive. Whereas a company may use its own resources to undertake exploration to determine whether a site offers resources worth extracting, the cost of developing oil fields, pipelines, and mines runs from the hundreds of millions of dollars to billions, depending on the scale and location of the resources, and requires outside investment. The first phase in the development of the huge Tenke Fungurume copper mine in the DRC, for example, is estimated to cost over US\$2 billion (Tenke Fungurume Mining n.d.).¹¹ On a smaller scale, the Kinsevere Stage II mining project, also in the DRC, is expected to require a capital investment of US\$400 million (Anvil Mining n.d.).

With the exception of the very largest oil and mining firms, companies that have successfully explored for oil or minerals generally need to obtain financing—that is, to secure equity investment, loans, or both—in order to have sufficient capital to progress from exploration to resource development. The project financing structure typically involves both equity investors, known as sponsors, and bank

¹¹ More information about this project can be found at www.tenke.com.