Helpdesk Research Report: Natural resource exploitation and peacebuilding  
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Query: Please provide analysis and concrete examples of how and where natural resource exploitation can/has contributed to peacebuilding.

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1. Overview of main findings

Much of the literature examining the relationship between natural resource exploitation and peacebuilding echoes the conclusion reached by Bruch et al (2009, p. 82) in their comprehensive review of international experience in this area, that ‘decisions and actions regarding natural resources can both unite and divide post-conflict societies’. Natural resource exploitation has been extensively analysed as a potential source of conflict and a constraint on peace and stability. Studies have continued to demonstrate how ineffective or inequitable arrangements for resource extraction can reignite or exacerbate conflict, perpetuating social and economic grievances and horizontal inequalities. There appears to be relatively little literature and few empirical studies assessing the positive contribution of natural resource exploitation to peacebuilding processes. Evidence of this link is currently limited to isolated, ad hoc case studies (Bruch et al 2009; Mähler Shabafrouz and Strüver (2011). These studies typically emphasise the complex and ‘messy’ dynamics of the relationship between resource exploitation and conflict at the local level and conclude contextual factors are important in determining the success or otherwise of donor interventions in this area (Le Billon, P and de Freitas, C. 2011; Rustad, Lujala and Le Billon 2011, p. 572).

In spite of limited ‘concrete’ evidence in the form of empirical studies, there is nevertheless considerable consensus in the policy and grey literature that natural resource exploitation - more specifically well-managed resource exploitation - can under certain conditions support wider peacebuilding processes. The obvious corollary to the core argument that natural resource exploitation can exacerbate conflict if badly managed is that if properly managed, it can potentially help avoid conflict recurrence. In this regard, the question of what constitutes ‘proper management'
becomes critical, and has been central to recent debates about the role of natural resource exploitation in peacebuilding (Rustad, Lujala and Le Billion, 2011). A good deal of analysis has focused on the factors influencing natural resource management, specifically, how the nature of institutions, the local resource economy, and relationships between stakeholders may influence peacebuilding outcomes at the local level (see section 3).

A number of recent donor post-conflict assessments and policy papers have analysed the potential role of natural resources in supporting (or undermining) peacebuilding, and there is ongoing research being undertaken in this area (see section 2). The main arguments used to support the position that well-managed natural resource exploitation can contribute to peacebuilding are: it can help fulfil basic needs and generate livelihoods opportunities in the immediate post-conflict period; it can stimulate the economy and generate tax revenue (which can support state-building); and it can strengthen wider governance by promoting transparent institutions (Bruch et al, 2009, p. 67; UNEP, 2009). It has also been argued that natural resource exploitation can promote collaboration and cooperation between formerly or potentially antagonistic social groups at the community level (UNEP, 2009). Accordingly, Bruch et al (2009, p. 58-67) describe the contribution of natural resource exploitation in terms of both eliminating potential obstacles to peace, and providing opportunities for confidence-building. Whilst issues around natural resource exploitation are considered an important element of all post-conflict peacebuilding interventions, they are seen as particularly important in countries that have experienced resource-related conflicts (UNDP, 2010). This is on the basis that where natural resources have had a determining role in conflict, they may also be crucial in determining the prospects for peace (UNDP, 2010).

2. The potential role of resource exploitation in peacebuilding

There appears to be some consensus about the potential role of well-managed natural resource exploitation in contributing to conflict prevention and peacebuilding. Much of this analysis is, however, focused on the indirect links between resource exploitation and peacebuilding in the broad sense that well-managed resource exploitation can help create the economic and social conditions necessary to underpin lasting peace. Based on an extensive literature review, Bruch et al (2009, p. 63) argue resource exploitation can support some of the essential components of peacebuilding and recovery, which include: fulfilling essential human needs (including water, food shelter and livelihoods); rebuilding the economy; decommissioning armed forces; and strengthening post-conflict governance and justice. UNEP’s (2009) widely cited report entitled From Conflict to Peacebuilding: The Role of Natural Resources and the Environment identifies three ‘compelling’ ways in which natural resource management can ‘concretely contribute to peacebuilding’. These are: i) supporting economic recovery; ii) developing sustainable livelihoods; iii) contributing to dialogue, cooperation and confidence building.

The main arguments put forward about how natural resource exploitation can contribute to peacebuilding - or help create the conditions favourable to it - are briefly summarised below.

- **Natural resources and peace negotiations**: Natural resources can be incorporated into the peace negotiation process as ‘deal sweeteners’ in settlement agreements, and can become confidence- and trust-building measures (Bruch et al, 2009, p. 63). Haysom and Kane (2009) argue the legal framework that determines the ownership, control and wealth sharing involved in natural resources is important because it can either ‘strengthen a national compact or exacerbate conflict’.

1 Their paper provides a detailed exploration of how these three factors may be managed so as to support rather than undermine state-building and peacebuilding processes.
• **Supporting economic recovery**: UNEP (2009) argue that where ‘high value’ (oil, gas, minerals) natural resources are governed equitably, they can support positive economic development, generate employment and increase state revenue. In post-conflict situations, extractable natural resources are often the only option for kick-starting economic growth/recovery. Nevertheless, rapidly exploiting natural resources for short-term gain without paying due attention to sustainability can also create the conditions for renewed conflict (Le Billion and de Freitas, 2011).

• **Supporting livelihoods and basic needs**: In many post-conflict countries, agricultural land and other natural resources provide the primary source of income for the vast majority of the population (Bruch et al, 2009). Bruch et al (2009, p. 59-60) argue that ‘the link between post-conflict livelihoods and conflict recurrence has been well established’ and that stable sources of livelihood are essential to long-term peace. Natural resources in the post-conflict period can generate employment opportunities, reduce poverty, and provide access to hard currency and construction material (e.g. from forests) (Rustad, Lujala and le Billion, 2011). UNEP (2009) argue effective management of the natural resource base in a way that minimizes vulnerability to natural resource hazards and climate change is essential for sustainable livelihoods in the long-term.

• **Contributing to dialogue, cooperation and confidence-building at the community level**: UNEP (2009) argue that natural resources can act as a catalyst for dialogue between divided groups at both the national and local level. Specifically, the process of identifying shared interests and cooperative management of shared natural resources among (potentially) adversarial groups can increase trust and encourage wider cooperation in other areas.

• **Improving governance and state-building**: Bruch et al (2009, p. 82) argue reforms in the laws, institutions, and practices that govern natural resource exploitation can serve as high-profile models to catalyze and inform other governance reforms. ‘In addition, to the extent that natural resources were abused during conflict—for example, sold to purchase weapons—formally addressing past injustices in the distribution and use of resources can help to move away from past grievances’.

### 3. Factors influencing the role of resource exploitation in peacebuilding

Country context, nature of conflict, and nature of the resource

Much of the literature emphasizes that the potential contribution of natural resource exploitation to peacebuilding is likely to be contingent on the particular national context. As Rustad, Lujala and Le Billion (2011, p. 572) state, the context may vary according to ‘the causes and trajectory of the conflict, the characteristics of the natural resources in question and their role in conflict; the quality of domestic institutions; regional dynamics and international markets; and current and previous approaches to the management of natural resources and the associated revenues.’ Bruch et al (2009, p. 86) similarly emphasize:

‘Every country or region emerging from conflict has its unique history and distinct political, economic, social, and natural environment, and such factors determine the applicability, prioritization, and efficacy of any particular form of natural resource management as a peacebuilding approach. A conflict borne of land scarcity will not necessarily respond to the same management strategies as a dispute motivated by the historically corrupt distribution of diamond export revenues or a political conflict that has caused serious environmental harm.’
In the concluding chapter of the edited volume of case studies on *High Value Natural Resources and Post Conflict Peacebuilding*, the editors observe that it is ‘extraordinarily difficult to design and implement successful interventions’ and that ‘program officers, decision makers, and the public need to be realistic about the complexity of the challenges and the commitment that will be required’ (Rustad, Lujala and Le Billion, 2011, p. 572). Others have similarly noted that interventions aimed at improving resource governance in post-conflict and fragile contexts have not always yielded the desired results, and this has been attributed by some to a failure on the part of donors to fully grasp the complex political, economic and social dynamics surrounding natural resource extraction at the grassroots level (see International Alert, 2010, for an in depth study of these dynamics and donor interventions in Eastern DRC).

**The local resource economy**

Rustad, Lujala and Le Billion (2011) conclude the success of resource exploitation for the purpose of livelihood support will depend on the dynamics of the local resource economy, essentially defined as both the extent of the resource base and the role of resources in local livelihoods. Citing the example of opium poppy cultivation and counternarcotics efforts in Afghanistan, they argue that ‘livelihood needs are likely to be forgotten in the rush to curtail rebels’ or peace spoilers’ access to resources’ and that this may ‘cause the peace potential of informal (and even illegal) resource extraction to be overlooked’ (Rustad, Lujala and Le Billion, 2011 p. 574).

A study of diamond mining in Sierra Leone (Le Billion and Levin, 2009) similarly found that the preference for industrial mining over artisanal mining has not produced the intended benefits in terms of security and development. The report argues that whilst industrial mining is often the favoured central government strategy in post-conflict settings, artisanal mining offers benefits by generating a high level of employment, but also by reducing conflict and crime and providing an outlet for ‘disenfranchised youth’. The report recommends the decriminalization of informal economic activities, the prioritization of local livelihoods and development needs over central government fiscal priorities and foreign direct investment, and better integration between local economies and industrial resource exploitation.

**Revenue allocation**

Revenue allocation has been seen as a decisive factor in determining whether or not natural resource exploitation contributes to or undermines peacebuilding, particularly in low-income divided states with high levels of horizontal inequalities (Le Billion, 2008). Le Billion (2008) has argued that when well-managed, natural resources can support post-war reconstruction, but when mismanaged, can retard economic diversification, exacerbate identity politics, and undermine the quality of governance (Le Billion, 2008). Rustad, Lujala and Le Billion (2011, p. 583) outline several conditions under which resource allocation might support peacebuilding, particularly emphasising that:

‘From a peacebuilding perspective, an optimal allocation arrangement harmonizes the political objective of reconciliation and the economic objective of broad development. In practice, this often means balancing revenue allocation between producing regions and the country as a whole, while simultaneously (1) fostering productive long-term investments such as education, infrastructure, and economic diversification, and (2) responding to immediate needs such as health care, sanitation, and nutrition’.

**Company-community relations**

Boege and Franks (2011) explore the interaction between companies, communities and the state in Papua New Guinea and Guatemala, where mines have been re-opened or developed. They argue
that companies operating in post-conflict environments, which are often characterized by hybrid political orders, must obtain a ‘social license’ if their operations are to contribute to peacebuilding. This requires being responsive to the local community, operating on the basis of conflict-sensitive community relations practices, and engaging in activities specifically designed to support peacebuilding. ‘In practical terms, this means:

- Reconstructing infrastructure destroyed by prior violent conflict
- Establishing mutually beneficial relations between all stakeholders
- Securing positive and sustainable outcomes that reflect the interests of companies, communities, and host governments’ (Boege and Franks, 2011, no page number).

4. Evidence of the contribution of resource exploitation to peacebuilding

General examples

Bruch et al’s (2009, p. 58) review of recent literature on this topic argues there is now ‘ample evidence’ of how natural resource management can maintain and strengthen peace, but it nevertheless acknowledges that much of the available evidence is ad hoc in nature. The review cites several cases where natural resources can be said to have impacted positively on peacebuilding processes. For instance, it refers to post-conflict efforts to support the recovery in marshland areas in Iraq, areas that suffered environmental degradation during the rule of Saddam Hussein, as a symbolic ‘act of peace’ and an example of how natural resources can provide ‘quick wins’ that can demonstrate the value of peace to the public (Bruch et al, 2009 p. 82). Another example is presented from Mozambique, where the employment of ex-combatants as Game Scouts in Mozambique’s National Directorate of Forestry and Wildlife provided livelihoods for many demobilized soldiers. This supported the wider DDR process critical to the country’s successful transition to peace (Bruch et al, 2009 pp. 81-82). The paper also cites Liberia as an example of how effective natural resource management might reduce the risks of a return to conflict:

‘The experience of post conflict Liberia illustrates how effective natural resource management can reduce conflict recurrence. The new government of Liberia and the United Nations placed a priority on establishing a strong, effective, and sustainable legislative and institutional framework to manage the resources whose theft and abuse had for so long provided the engine of war. In her first executive order— Executive Order no. 1—Liberian president Ellen Johnson-Sirleaf cancelled all existing timber concessions in Liberia in early 2006. In the order, the president charged that ‘the natural resources sector over the last two decades has been characterized by lack of: transparency, accountability, civil society participation (especially by non-governmental organizations and rural people), and equitable sharing of benefits by the industry.’ This order laid the groundwork for subsequent reforms to improve the governance of the timber sector, removing a source of conflict as well as a means of financing conflict.’ (Bruch et al, 2009, p. 80)

Contribution to livelihoods

A series of edited volumes documenting experience of peacebuilding through natural resource management in over 55 conflict-affected countries is currently in the process of being published. The series is a product of a four-year research programme jointly managed by the Environmental Law Institute (ELI), United Nations Environment Programme (UNEP), the University of Tokyo and McGill University^2^. The first book in a planned series, entitled High Value Natural Resources and post

^2^ Six edited books will be published by Earthscan and Routledge on specific dimensions of the relationship between natural resource and conflict: (1) high-value natural resources; (2) land; (3) assessment and restoration
Conflict Peacebuilding, provides extensive case study evidence of the challenges of managing high-value natural resources in post-conflict contexts. Sanio and Chapagain’s (2011) study of Community Forest User Groups (CFUGs) in Nepal included in this volume provides a rare successful example of how local community groups engaged in the local resource economy can potentially support peacebuilding. In this case, CFUG’s:

‘facilitated the transition to peace by supporting both livelihoods and civil rights—most particularly by helping to reintegrate internally displaced persons, assisting with the reconstruction of homes, negotiating property rights disputes, and supporting Small scale enterprises. CFUGs were able to accomplish what they did because their sustainable, communal management of forest resources gave them a solid economic and social base from which to operate’ (Rustad, Lujala and Le Billion, 2011). Their success is also attributed to the fact they played a neutral role during the conflict, ‘accommodating multiple interests that included those of Maoist cadres and combatants, and thus functioning as a common platform in villages’ (Sanio and Chapagain, 2011, p. 1).

The effectiveness of ‘countermeasures’

Very few studies have examined the impact of ‘countermeasures’, or initiatives aimed at reducing the risk that natural resources will perpetuate or exacerbate conflict (e.g. wealth sharing in peace agreements, transparency initiatives). Le Billion and de Freitas (2011, p. 21) observe there has been widespread non-implementation of countermeasures aimed at averting renewed hostilities – and this includes high profile measures such as the Kimberley Process Certification Scheme (KPCS), the Extractive Industries Transparency Initiative (EITI), and the Publish What You Pay (PWYP) campaign, They conclude that ‘the specific conflict-related impacts of some mechanisms – such as KPCS – remain ambiguous at best’. Nevertheless, whilst acknowledging the evidence of the impact of such initiatives is slim and being keen not downplay the often “messy” realities encountered in post-conflict contexts, they argue some countermeasures ‘provide considerable challenges – but also a great many promises if natural resources can be made to work for peace’ (Le Billion and de Freitas, 2011 pp. 23-24).

Rustad, Lujala and le Billion (2011) argue that reviewing and renegotiating unfavourable contracts for resource extraction, for example so that they include provisions for local development, can provide tangible peace dividends for local populations. They refer to the case of the revision of contracts for rubber plantation concessions in Liberia, which were renegotiated to include better housing for workers. They also argue that commodity tracking systems, which aim to reduce the market value of non-certified commodities, can curtail ‘peace spoilers” access to resources and increase state revenues from extractive industries. Nevertheless, the authors acknowledge that there is unlikely to be sufficient institutional capacity within government to manage these types of initiatives in post-conflict or fragile contexts, and that therefore institutional reforms should be a peacebuilding priority (Rustad, Lujala and le Billion, 2011 p. 589).

A recent review of the effectiveness of the EITI in Liberia observed that ‘building trust in a resource-rich post-conflict environment like Liberia may take years, but LEITI [Liberia EITI] is taking the first bold steps in creating an environment for reconciliation’ (EITI, 2009, p. 1). A rare empirical study by Mähler Shabafrouz and Strüver (2011) examined the impact of international and national resource management initiatives (including the EITI) on conflict prevention in Algeria, Nigeria and Venezuela. This comparative study found no systematic correlation between countermeasures and a reduced risk of conflict. This was attributed in part to weak implementation of these measures, resulting from a combination of lack of political will and limited civil society pressure for change. The authors note,
however, that these results are preliminary and that the long-term effects of these initiatives are unknown.

**Conflict resolution at the local community level**

UNEP conducts post-conflict assessments which include some analysis of where and how improved management of natural resource exploitation may potentially contribute to peacebuilding. The 2011 assessment in Rwanda, for example, emphasizes the potential contribution of a participatory approach to environmental management to conflict resolution. Another recent assessment in Sierra Leone (UNEP, 2010) found that public participation and consultation around natural resources, and in particular the inclusion of women in consultations about how resources are exploited, was able to tackle pronounced community grievances and therefore to build trust between local and national authorities and communities. The report concludes that community participation in natural resource management can play an important role in long-term peacebuilding processes. In addition, it argues that revising mining contracts could also have important effects on peacebuilding because of the symbolic nature of natural resources in the country:

‘The mines and mineral sector has high symbolic value in Sierra Leone, meaning that improvements in transparency, accountability and good governance reverberate widely and positively through the country. Good faith and open efforts to negotiate concessionary contracts with mining companies through the consultation of local communities may go a long way towards bridging potential divides, restoring faith in government and reducing conflict in mining areas’ (UNEP, 2010, p. 70).

5. **Sources**

**Experts consulted**

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Key websites

International Institute for Sustainable Development (IISD)

Post-conflict peacebuilding and natural resources, Environmental Law Institute
http://www.eli.org/Program_Areas/PCNRM/

UNEP – Disasters and Conflicts
http://www.unep.org/disastersandconflicts/

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