

**Volatile Commodities:  
A Review of Conflicts and Security Issues Related to Extractive Sectors**

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## Key messages

### *What main types of conflicts relate to extractive sectors?*

Extractive sectors - oil, gas, and mining - directly relate to three major types of conflict and security concerns. First, *resource supply* conflicts relate to international, and especially intra-regional disputes over resources, but also social unrest associated with major commodity price hikes and supply disruptions. Second, concerns over *conflict resources* are associated with the funding of armed groups through primary commodity revenues. Third, *community-level resource conflicts* relate to concerns associated with tensions and open disputes between companies, government authorities, and local communities (and their supporters) over extractive sector activities and the distribution of the costs and benefits, as well as more broadly over the control of, and access to resources. This report focuses on the latter type of conflicts, especially community-level conflicts in relation to mining projects.

### *Why have community-level conflicts over extractive sectors increased over the past two decades?*

The number of community-level conflicts have risen in the context of mining boom seeing an increasing number of extractive projects taking place, often in liberalized extractive sectors and partially democratized political systems. This context resulted on the one hand in more assertive and institutionally-legitimated demands by local communities, civil society and local authorities to participate in decision-making and to directly benefit from mineral development, and, on the other, often still inadequate government or corporate will and/or capacity to address rising expectations and to constructively engage these grievances and contestations. Triggering events then often turned tensions into open-conflicts, notably as a result of unfulfilled development promises or expectations, failure in pro-active community engagement in decision-making and grievance mechanisms, accidents potentially attributable to companies, and political events such as electoral campaigns.

### *How can these conflicts be prevented or positively transformed?*

Government authorities, extractive companies and communities can implement initiatives facilitating fair, transparent and participatory relations between stakeholders at all stages of the project lifecycle. These include participative forms of social, environmental, and political risks and impacts analyses; inclusive dialogue and negotiation processes; and a right for free, prior, and informed consent of affected populations. Deliberative tools have to adhere to established international standards and protocols, including creating space for third party oversight and civil society involvement, and mitigating frequent power asymmetries in bi-lateral community-firm relations. Agreements secured between communities and companies need to be transparent, precise in their language, and receive the backing of the state to uphold the rights of communities. Governments need to ensure transparency, accountability, and efficacy in the appropriation and usage of resource revenues, including prevention of corruption. Overall, community members want to have their views and recommendations taken into account. This not only requires the application of strong norms, but also adapting government and corporate procedures to local contexts, surpassing historical legacies of distrust by communities towards companies and authorities, addressing conflictive intra-community social relations, as well as recognizing alternative perspectives and understandings by communities of what may be presented by companies and government authorities as technical issues to be only seen and resolved through non-community-based 'expert knowledge'.

### *What role for Canada?*

As a major mineral producer and a leading jurisdiction for mining corporations, Canada has been called upon to help prevent or resolve mining-related conflicts. The main strategies of the Canadian federal government - Building the Canadian Advantage/ Doing Business the Canadian Way - have been praised by some business interests for combining international competitiveness and high standards of social responsibility, yet they have also been criticized for having limited effects and failing to offer a robust dispute resolution and enforcement mechanism. As a result, Canadian courts are being asked to provide redress for alleged abuses. Canada's role in addressing the causes of community-level conflicts can be further enhanced in the areas of international norms, domestic regulation of overseas corporate practices, and collaboration with host communities and governments.

## Executive summary

Conflicts at the community-level around extractive projects sharply increased in number during the recent commodity boom, becoming a major source of concern for companies, communities and governments, as well as international human rights, environmental and development organizations. Focusing on community-level conflicts associated with mining, this study reviewed 305 publications to identify potential factors exacerbating the risk of conflict onset, as well as approaches to conflict prevention and resolution.<sup>1</sup>

This study suggests that the recent rising trend in reported community-level conflicts over mining projects mostly results from three main sets of factors:

- At the structural level, and drawing upon findings derived from the broader literature on social conflicts, the recent decade-long commodity boom was preceded by extensive neo-liberalisation reforms and structural adjustment plans that attracted new extractive sectors investments while loosening regulatory frameworks and reducing state capacity. Some of these investments flowed into conflict-prone and under-regulated countries undertaking democratization processes frequently characterized by greater public protests, distrust towards government authorities, rising inequalities, and recurrent state repression. The acceleration of global economic growth and increasing demand for primary commodities at the turn of the millennium resulted in rising prices and number of extractive activities, including by companies from 'emerging countries'.
- At the contextual level, liberalization reforms taking place in situations of partial political democratization often resulted in contentious forms of politics involving more open challenges to government authorities and business interests. This notably took the form of more assertive and institutionally-legitimated demands by local communities, civil society and local authorities to participate in decision-making and to directly benefit from mineral development. The accelerating pace of exploration and mine development across most parts of the world raised expectations of benefits as well as concerns among host societies, and in particular poor and historically marginalized communities, as well as among authorities in affected regions. Ill-designed or poorly implemented mineral development strategies, in part due to weak government capacity, left authorities in a challenging position to address the expectations and concerns of many communities.
- At the proximate or 'triggering' level, diverse factors often combined with contextual factors to mobilize communities and their supporters against some of the specific developmental and environmental impacts of mining projects. While such concerns motivated unprecedented efforts in resource governance on behalf of an array of corporate, government and civil society actors, they also translated into greater mobilization against mining activities, most notably in Latin America, in a context where the liberalization of the sectors as well as further democratization (and decentralization) were not matched by greater government capacity – thereby creating situations often characterised by rising expectations and open contestations. Specific triggering factors identified include extractive sector related threats to land rights and local livelihoods, unfulfilled development expectations and a lack of pro-active community engagement in decision-making or failure of grievance mechanisms, notably with regard to impact assessments and benefits distribution, as well as poor company or government practices resulting in accidents, local frustrations with hiring process, or abuses from security forces. Issues around the distribution of benefits and minimization of impacts were exacerbated by higher commodity prices and expectations for higher corporate standards - especially in contexts of fiscal decentralization, weak local government capacities, deep poverty and limited alternative livelihoods. Greater exchange of information and ease of mobilization through social media and transnational advocacy networks often led to a leveraging of protests by local communities and supporters to articulate demands in contexts of historical distrust towards authorities and inadequate participatory decision-making processes. Violent reactions by governments and companies against public protests and alleged

threats to 'civil order' often led to an escalation of conflicts resulting in casualties, but also renewed negotiations over extractive sector activities and in some cases the cancellation of extractive projects.

Paradoxically, the rise in conflicts has taken place within the same time period of increasing efforts by governments and the extractive sector to prevent and reduce conflicts. These efforts focused on mechanisms to improve resource governance through guidelines for investment companies, conflict negotiation tools and institutions, and stricter norms of transparency and accountability; they provided as well a vast array of recommendations for the various stakeholders in terms of community participation, land-use planning, operational practices, and value chain management.

Mechanisms for mitigating and managing community-level conflicts are generally industry-driven and thus largely directed at companies; however, some reports/studies have produced recommendations for host governments and, more rarely, for communities. With respect to companies, studies generally recommend that mining companies implement diverse initiatives at all stages of the mining lifecycle that facilitate *fair, transparent* and *participatory* relations between companies and affected communities. These activities begin with social, environmental, and political risk analyses and impact assessments prior to investments proceeding. Stakeholder mapping is among the most efficacious early-onset conflict prevention tools available to companies, and can be impactful by identifying the most vulnerable and marginalized groups within society (e.g., women, indigenous groups). Additionally, studies widely emphasize the importance of dialogue and negotiation processes beginning at an early stage and continuing in different forms throughout the lifespan of a mining project, including closure. These processes are diverse and range from grievance management systems/protocols, as advocated by the International Financial Corporation (IFC) Performance Standards, to other multilateral conflict resolution mechanisms such as dialogue tables. Once again, studies emphasize the importance of creating formal institutional space for vulnerable and marginalized groups to be able to exercise voice. For deliberative tools to be effective, moreover, they must adhere to established international standards and protocols, while creating space for third party oversight and the involvement of Non-Governmental Organizations (NGOs). Not only can this bolster the legitimacy of these conflict management and resolution tools, it can also mitigate some of the traditional power asymmetries of direct bi-lateral community-firm relations while providing additional opportunities for informational sharing and networking.

Given that both environmental impacts and material distributional issues trigger and predispose community-level conflict, the literature recommends companies adhere to international standards pertaining to resource management, community resettlement, and sustainable development. Impacts on water, land and livestock are among the most contentious triggering issues between companies and communities, and can be managed through participatory environmental monitoring initiatives. Additionally, impact benefit agreements between companies and communities can ensure a timely and mutually agreed upon dispersal of the material benefits that accompany mining. To reduce conflict risks these agreements, however, must be transparent, precise in their language, and facilitate state involvement in order to ensure the rights of communities are upheld.

Beyond institutionalized deliberative processes and mutually agreed upon distributions of benefits and impacts, conflicts - especially those involving an escalation towards physical forms of violence - are also expected to be mitigated through adherence to international multi-stakeholder initiatives, such as the Voluntary Principles on Security and Human Rights. The behavior of private security personnel and state agencies (e.g., military, police) contracted to protect private assets is a critical determinant of the nature of community-firm relations and the trajectories community-level conflicts take. When security personnel operate in accordance with international human rights standards, the legitimacy of the corporate actor as a governing agent can be enhanced. Moreover, adherence to international human rights standards helps safeguard citizens' rights to peaceful protest and interest expression. In this regard, routine human rights training for security personnel, in addition to regular third party auditing of corporate training initiatives are crucial mechanisms that can reduce the likelihood that community-level conflicts will result in violence and have deleterious long-term impacts on security.

With respect to host governments, conflict mitigation and management begins prior to the commencement of operations by ensuring investments obtain the free, prior, and informed consent of

affected populations. The literature recognizes that consultation processes have generally been limited to environmental, human rights, and health and safety issues. However, affected communities must also be able to decide whether they support extractive sectors projects, and have their decisions legally respected by government and industry if they desire alternative development paths. While free, prior, and informed consent has been resisted by governments and companies, many large mining companies are now expressing commitment to these principles (Oxfam America, 2013; 2015). Yet, even when governments have expressed commitment to it, the implementation of free, prior, and informed consent has been beset by challenges of implementation, not least of which involve the formal identification of indigenous groups who are legally entitled to it. Thus, this international principle can be upheld when complemented by broader processes relating to state development and institutional capacity building. Moreover, studies suggest that host country governments must open up debates over free, prior, and informed consent to permit local long-term residents but non-indigenous groups affected by industrial mining investments to exercise similar rights to prior consultation.

Finally, the literature recommends that central, regional, and municipal governments ensure transparency, accountability, and efficacy in the appropriation and usage of resource revenues. Constructive community-company relationships rest, in part, on effective revenue management. Thus, adherence to international transparency initiatives, such as the Extractive Industries Transparency Initiative (EITI), is promoted as a way to help foster greater trust in national, regional, and local authorities and to ensure the benefits of extractive sectors (e.g., taxes) address basic needs, and thereby reduce asymmetries in the distribution of benefits. To be effective, transparency requires governments to make high-quality information available in user-friendly formats that can be disseminated to citizens and facilitate feedback. While transparency should not be viewed as a panacea for conflict management, it is necessary for greater openness and accountability, and to encourage civil society participation more broadly. Lastly, several studies have shown that the decentralization of revenues can be inefficient as a result of weak sub-national bureaucracies, with decentralized revenues exacerbating, rather than mitigating community-level conflict. Accordingly, the literature suggests that community-level conflicts can be mitigated through institutional capacity-building efforts, such as technical training programs for local authorities and civil servants.

Overall, community members want to feel heard and have their views and recommendations taken into account. For this to happen, institutions and capable personnel need to be in place to ensure high quality communication, formal participation, and procedural fairness. This, in turn, not only requires following strong norms, but also adapting government and corporate procedures to local contexts, including historical legacies of distrust by communities towards companies and authorities, to the possibilities of conflictive intra-community social relations, as well as to alternative perspectives and understandings by communities of what may be presented by companies and government as technical issues to be understood and resolved through non-community based 'expert knowledge'. Lastly, the importance of proactive intervention to preempt/prevent community-level conflict cannot be understated. By their very nature, extractive sector projects are long-term investments in which poor historical legacies can plague even the most conflict-sensitive approaches to extractive development. Seemingly small grievances and disputes, if improperly managed by parties, can have deleterious implications that increase conflict and security risks over the project lifespan. Parties must therefore conceptualize conflict management in preventive terms, not only by managing extant conflicts in a fair, responsible, and efficacious manner, but also by taking parallel action to create lasting conditions for social peace.

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