

International Alert
Comments on Mining, Minerals and Sustainable Development (MMSD) draft report
April 2002

International Alert, the conflict prevention NGO with nearly 20 years' experience in peace-building and conflict resolution work around the world, is currently working to explore the private sector's contribution to conflict prevention. Together with the Prince of Wales International Business Leaders Forum and the Council on Economic Priorities, IA published a report *The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution* in 1999, presenting the bottom line business case for a conflict sensitive approach to operations in conflict prone zones, and a framework for engagement. IA's Business and Conflict programme has continued to develop from this landmark document, and now encompasses field work engaging the private sector in Azerbaijan, Philippines, Sri Lanka and possibly soon Georgia and Angola, as well as a growing global policy focus.

Sensitivity to conflict and efforts for conflict prevention and resolution, although not always explicitly addressed in debates about sustainable development, are essential for achieving its aims. Diverse multilateral institutions and governments concerned with international development are beginning to give attention not only to conflict prevention, but more recently also to the role of the private sector in conflict and conflict prevention – including the EU, the UN and the UK government. The aim of the MMSD project in promoting the minerals sector's contribution to human welfare and well-being today without reducing the potential of future generations is in absolute harmony with IA's and others' goals working in conflict prevention, and the links between the two need to be made more explicit in the report. In the words of the MMSD workshop report on armed conflict and natural resources (which have not made it into the draft report): 'Conflict is invariably the enemy of sustainable development.'

Overall, the report's conception of conflict is limited by its assumption that the only conflict relevant to a mining company is that caused by its operations (whether by inward migration, land use disputes etc). While these factors are all very important, there is also a broader context that warrants attention, and understanding of a country's wider political economy is key to a conflict-sensitive approach to mineral investment. Specific line edits have been sent to this effect, in the hopes that these will be worked in to the final report, enabling it to reflect these concerns.

More generally IA welcome the general effort to engage a range of key groups in working towards sustainable development, including industry, IGOs, governments, trade unions, academics, NGOs etc. The report also stands as a useful overview of the mining industry of today – including its key players, issues and mechanisms for change.

IA also welcome the emphasis made throughout the report on the importance of stakeholder involvement, and the broad definition of this category. Our work in conflict prone zones has shown that stakeholder consultation is an essential process without which proper conflict analysis and prevention strategies cannot be identified.

Perhaps an inevitable downside of its ambitious scope is that the report's use as a tool for the various audience groups is at times undermined by its sheer complexity and detail. In order to maximise the pragmatic outputs of the MMSD project, IA recommend producing shorter final 'action' versions for each constituency (IGO, government, business...). For the private

sector, for instance, such a shorter version should be sure to maintain an emphasis on the (strong) business case for engagement on the various issues throughout, and simplified checklists of recommended action. Some of the more reflective/ academic/ and normative sections could be removed without undermining the sense or utility of the research behind the report as a whole.

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Detailed suggested edits

Following are some suggested amendments that would enable the report to make more of this link:

- 1-14, add *personal security* in fundamental rights of human beings.
- 6-3, 'Is it in a company's financial interest to strive for good environmental, economic and social performance, *and peace*?'
- 6-4, to 'Lower health costs' add a line on the increased stress and risk of lost lives of operating in conflict zones. To 'Easier access to lenders' add a line on the high costs of raising capital for projects in conflict zones. To 'Higher value for goodwill on the balance sheet' add a line acknowledging the high risk and reputational costs associated with operating in conflict zones. Entries could also be added for lower security costs that can accrue from working towards conflict prevention, minimal material losses, and avoidance of litigation costs.
- 6-7, 'In addition, there are many negative examples of substantial costs incurred when environmental, social *and conflict-related* issues were not given due attention ...'
- Box 6-1, add conflict impact assessments under 'Policy development'.
- 6-17, The importance of conflict sensitivity is particularly manifest in recruitment processes, where, in the absence of proper analysis from a conflict perspective, local tensions and competition can be harmfully reinforced. This should be added to the second bullet point on this page.
- 7-2, at the end of second paragraph add: '*As such it can frequently be a source of violent conflict.*'
- 7-7, a crucial first step to achieving 'integrated land use management' is comprehensive conflict analysis. This should be added.
- 8-5, add conflict to last lines.
- 8-28, add: 'For the mineral sector, armed conflict *is becoming* increasingly important ...' Brief recognition is given here to the importance of the political environment in which much mining occurs, but this is not developed. Overall, the report's conception of conflict is limited by its assumption that the only conflict relevant to a mining company is that caused by its operations (whether by inward migration, land use disputes etc). While these factors are all very important, there is also a broader context that warrants attention, and understanding of a country's wider political economy is key to a conflict-sensitive approach to mineral investment. Chapter 8 includes a welcome effort to understand ways in which mineral wealth can be captured and utilised to create lasting benefits for local populations, but the positive implications of this for conflict prevention need to be drawn out.
- The discussion includes useful points about the planning processes required in order to maximise mining companies' positive impact to long-term development. Multi-stakeholder dialogue is identified as one such process that can be driven by government

ministries. It should be added that companies can also lead on these initiatives. They have an interest in doing so, as longer term development will also lead to a more stable investment climate.

- Chapter 8 is divided under three headings (corruption, human rights and conflict). We recommend placing ‘The impact of armed conflict’ first of these, as conflict is a process which can involve both corruption and human rights abuses; and conflict prevention or resolution is an essential precursor to tackling corruption and human rights abuses.
- 8-29, there is a disconnect throughout Chapter 8 between recognition of the problems that mining companies can cause with regard to conflict, and responsibility for finding solutions. The first sentence of the second paragraph should add ‘– *mining companies themselves thus have a critical role to play in conflict prevention*’. A final sentence should be added to this paragraph ‘*Understanding and addressing these issues is thus vital to the success of a mining operation.*’ The third paragraph should add ‘*Searching for means of managing this influx of funding it therefore important*’.
- 8-30, add at the end ‘*Recent research has shown that conflict prevention strategies also benefit from private sector involvement, and equally that the private sector has an interest in becoming involved in these.*’
- 8-18, add just before footnote 39 ‘*often leading to instability and conflict.*’
- 8-26, in the section on labour rights, the dangers of recruitment patterns feeding into existing tensions and even conflict should be added.
- To match the reordering of the sections on corruption, human rights and conflict, the recommendations should also be reordered.
- 8-33, under the recommendations for ‘Preventing Armed Conflict’ ‘mineral-related’ should be deleted (companies can contribute to conflict prevention outside the immediate orbit of their operations, as discussed above).
- 8-33, first bullet should read: ‘*Conduct conflict impact analysis prior to investment decisions where there is a risk of conflict, incorporating the perspectives of all stakeholders. On the basis of the conflict impact assessment, determine (again with input from all stakeholders) what conflict prevention and/or social investment strategy should be implemented.*’
- Second bullet should be moved to the last.
- Add a fifth bullet: ‘*Cooperate with conflict prevention NGOs in order to support and input to conflict prevention work more broadly in the country – including through devising local economic development programmes and strengthening the capacity of local businesses.*’
- Add a sixth bullet: ‘*Companies, NGOs and IGOs should continue researching the relationship between the private sector and conflict, and developing appropriate tools for managing this.*’
- Chapter 9 includes a welcome discussion of the importance of revenue sharing and distribution of wealth from mining operations. At 9-10, last sentence of paragraph 1 add: ‘If people in a community perceive the revenues of mining to be unfairly shared, this can result in social tension, *and even violent conflict*, within the area ...’
- 9-44, to the fourth bullet add: ‘*in conflict zones, SIA needs to be reformulated as CIA*’.
- 11-5, add a line at the end of paragraph 3: ‘*Again this emphasises the links that can occur between mining industry and conflict if conflict sensitivity is not moved to the fore of strategic planning*’.
- Chapter 12 provides a welcome emphasis on the importance of access to information as a tool for achieving sustainable development. From a conflict prevention perspective, meaningful access to information represents a key means by which proper use of the

revenues of mineral exploitation, and avoiding these being spent on exacerbating violence, can begin to be monitored.

- 12-28, add at top of page *CIA guidelines and practice*.
- Chapter 13, the links drawn between informal sector mining and illegality/ smuggling is useful from a conflict perspective (as also discussed in the MMSD workshop on armed conflict and natural resources). This needs to be highlighted in the discussion. Generous and attractive regulatory measures and policies from governments and IGOs, and the support of investing companies for ASMs will not only contribute to poverty alleviation, but also has significant potential for diverting key protagonists from conflict in some countries. This should be added.
- 16-5, add: 'The sustainable development policy can incorporate other relevant company policies such as those on environmental issues, worker health and safety, employee integrity, community relations, reporting, *and new areas such as conflict prevention.*'