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# Communities, Civil Society Organisations and the Management of Mineral Wealth

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## **I Introduction**

Mineral production constitutes a major source of foreign and fiscal revenues for many third world economies and is an important activity for some developed economies. For all of these mineral-producing countries, it has been hoped that mineral revenues will provide a basis for economic development. In practice, though, this has generally not been the case and few mineral economies have delivered the development promised (Auty, 1998). The explanations that have been offered for this failure have included the proposition that a good mineral endowment could in fact be a curse, instead of a blessing, because it may permit the postponement of institutional and other changes required of states to promote development. Other explanations have included poor management of mineral revenues leading to the Dutch disease phenomenon. These explanations look at the economic organisation and activities of the state as well as its capacity to manage mineral revenues. These factors are important because the state determines the framework within which mineral exploitation occurs as well as the manner in which mineral wealth is used. There are, however, other aspects of the state and its activities, such as issues of governance and participation, that are relevant to a discussion of the management of mineral wealth and which are examined later in this paper.

The other key actors in mineral development are mining companies, the communities affected by mining operations and international organisations, particularly financial institutions. This paper examines the role of communities and civil society organisations in the management of mineral wealth. It begins by looking at where communities currently fit in discussions and policy relating to mineral wealth and at their marginalisation and lack of capacity. It then addresses the issues of governance, participation and human rights; proceeds to an examination of government and company capacity and looks at community capacity and three case studies that show ways in which companies and NGOs can assist communities participate in the management of mineral wealth. The paper concludes with recommendations regarding institutional and other changes that may be required to facilitate community participation in the management of mineral wealth and of the roles that NGOs and development agencies can play in assisting the process.

## **2 Communities and Mineral Wealth; Marginalisation and Lack of Capacity**

Communities have been the least regarded of the actors and have historically been neglected in policy and other discussions relating to mineral development. They have been considered as being at the receiving end of mineral development. Thus negotiations and discussions have been primarily between governments and companies and have not involved those whose lives and livelihoods are impacted directly and, usually, adversely by mineral operations (IISD, IDRC 1998; McMahan, 2000). Governments have formulated their mineral development policies without reference to or consultation with the communities that were likely to be affected, while company practice has been to assume that striking a deal with government is enough.

It is protests by communities against the adverse socio-economic impact of mineral operations and community disruption of operations that have brought about their recognition as important actors who must be consulted. However, recognition is by no means the norm and many governments still regard protesting communities as obstacles to foreign investment and have often responded with force to their protests (Akabzaa, 2000). This was also the attitude of many mining companies, which were complicit in government violations of the human rights of protesting communities and sometimes facilitated such acts (Human Rights Watch, 1999).

Communities have questioned government misuse of mineral revenues because they have suffered the adverse socio-economic consequences of mineral operations, such as destruction of livelihoods and the influx of large numbers of migrants with their attendant economic and social consequences, without seeing significant benefits. The prevalence of capital-intensive, surface mining has led to mining operations no longer requiring large settlements, with their attendant social infrastructure, to house employees. Thus, facilities that have come to be perceived as benefits to mining communities are no longer being provided. Moreover, the suspension or closure of mineral operations has often led to economic decline because economic activity would in the intervening period have become almost wholly linked to the operations.

Community involvement in discussions of mineral wealth is therefore a recent practice, occurring predominantly at the local level and within the context of community complaints about the absence of tangible benefits within the catchment area of mineral operations. It has not been part of a wider national discussion of the management and uses of mineral wealth.

The history and context of current community involvement in discussions of mineral wealth is the result of rural and indigenous populations having been marginalized politically, socially and economically in many mineral economies. This is evidenced, among other things, by their deprivation relative to the rest of their countries. One of the effects of this deprivation is that communities invariably lack the capacity to participate meaningfully in discussions relating to mineral operations and even more so to the management of mineral wealth. Redressing this state of affairs will require attention to issues of governance. It will also require attention to capacity building.

### **3 Governance, Participation and Human Rights**

A number of the countries that have experienced community protests are also countries in which there has been an absence of national discussion of economic policy generally or of the use of mineral wealth. There are countries whose mineral revenues are not reported in the national accounts, while in others mineral revenues are under the direct control of the head of state; and this may be despite (or perhaps because of) the fact that they may constitute a major, or the most important, source of revenue. Many third world mineral economies have weak democratic institutions and poor public accountability. In many instances, these weak systems of governance are the legacy of authoritarian colonial rule and/or military rule. Multilateral financial institutions may have contributed to a reinforcement of authoritarian tendencies in these and other countries by not allowing for open discussion

of major national development decisions, such as those that were required for the adoption of structural adjustment programmes (Sawyer, 1999). Rural and indigenous communities have often not been part of such internal debates of policy as have occurred. The attitude to such communities has usually, at best, been paternalistic. They have been regarded as objects of development and not participants in its processes.

Providing an environment that facilitates participation of rural and indigenous communities in discussions of mining policy and in the management of mineral wealth will require the development of a new governance framework which is more democratic and participatory and which promotes public accountability and a greater observance of human rights. It will also require the integration of rural and indigenous communities into the mainstream of national life. Discussions of the development of mining communities would be within the context of discussions of a national mineral policy whose elements would, inter alia, include:

- transparency;
- trust, credibility and understanding between the state, mining companies and communities;
- environmental protection;
- mineral revenue allocation;
- mineral revenue stabilisation;
- social and human development;
- access to information;
- community development;
- artisanal/small-scale mining;
- decentralisation;
- the need to strengthen local government; and
- corporate social responsibility.

(Mate, 2000)

Ensuring effective community participation in the management of mineral wealth may also require the development of new governance structures and consultation procedures, particularly at the local government level.

Companies can no longer claim that issues of governance are not part of their remit or that addressing such issues would amount to interference in the internal affairs of host countries. This is particularly the case if bad governance and community disaffection or perceptions of company complicity in government violations of human rights may lead to kidnapping of officials, attacks on company installations and other adverse consequences (Human Rights Watch, 1999). Companies should at least act in a manner that does not promote bad governance. On the positive side, there are instances of mineral companies assisting host governments to improve their management of mineral revenues or assisting in improving governance generally by providing assistance for the training of judges.

## **4 Government and Company Capacity; Responses to Community Demands**

Ineffective institutions, inadequate resources, downsizing, and inertia are some of the reasons for the state's inability, in a number of countries, to respond to community demands for direct benefits from mining. In those situations, it is to the operating companies that communities have turned, and companies have found themselves having to provide development services, at least, in order to obtain a social licence. This is further reason why companies should be interested in good government.

Many countries that are dependent on mineral exports do not have explicit mineral wealth management programmes or mineral revenue stabilisation schemes. Such programmes and schemes are however critical because of the volatility of mineral prices and the finite nature of mineral deposits. They could facilitate and assure the implementation and sustainability of national and community development programmes that are based on mineral revenues.

In addition to their lack of capacity for revenue management and stabilisation, many governments do not have the capacity for addressing for many of the other issues, such as the need for an integrated land use policy, that may arise from mineral operations or for networking the different areas of policy that need to be involved. Local government authorities may also not have the capacity for responding to the issues that may arise or to provide the regional planning and other services that may be required to mitigate the adverse socio-economic impact of mineral operations. These deficiencies could aggravate the alienation of communities from government and reinforce their tendency to turn to operating companies to provide for their development and other needs or to resort to violence.

Owing to the recent origin of community demands for direct and sustained benefits from mineral wealth, neither government institutions nor companies have been properly equipped or organised to respond to them. We have already indicated the reasons that have hampered or prevented appropriate state responses. Ghana's Mineral Development Fund, which was established to provide a portion of mineral royalties for community development and for capacity building in institutions responsible for supporting mining is a useful example of the way forward, despite its deficiencies.

Company responses to community demands have included payments to community residents, development of amenities, developing community projects in association with local government and civil society organisations and establishing foundations into which they pay sums to be used for community development. Some companies have incorporated these activities in their corporate social responsibility and community outreach programmes. Companies have also engaged NGOs to assist them develop internal procedures and manuals for corporate social responsibility, to act as the liaison with communities and to facilitate the formulation and implementation of development programmes.

## **5 Community Capacity; Companies and the Distribution of Mineral Wealth to Communities**

Given their marginalisation, communities are not likely to have the capacity to respond fully on their own to the issues that arise in the context of the management of mineral wealth. In areas that do not have a history of mineral operations they may be unfamiliar with their character and nature and therefore have a poor idea of what to expect of such operations and consequently of what to ask for. In areas where the state has failed to deliver and where demands are being made to companies for direct benefits from mineral operations they may have to take on some of the 'functions' of the state for the 'allocation of mineral wealth' to community development. If properly developed and managed, such activities could lead to communities not only participating in the enjoyment of mineral wealth but also developing a capacity to participate in its management. Although it is not the 'business' of mineral companies to work at improving the capacity of communities for participating in the management of mineral wealth, there are examples of companies providing assistance in that regard. We will examine one such example, the Akassa Community Development Project, in the case studies that follow.

We will look now at 3 studies that illustrate ways in which companies and civil society organisations may assist communities participate in the enjoyment of mineral wealth and participate in its management.

### **5.1 Large Mines Study (McMahon, 2000)**

The study examined, the socio-economic and environmental impact of 10 large mines in Latin America, Canada and Spain at the micro-economic or regional level. The presentation will focus on the aspects of the study that are relevant to the discussion of how companies may be a vehicle for community participation in the enjoyment of mineral wealth.

The study found that direct employment in the Latin American mines had usually been small because of the prevalence of labour saving open pit mining and the increasing capital-intensive nature of mining. Indirect employment through sub-contracted firms or mine goods and services suppliers provided as much or more employment than the mine. It was estimated that non-mine related employment generated through multiplier effects was often much higher than direct or indirect mine employment. The study found that outsourcing was critical for both the size and sustainability of the economic impact of mining operations and was the key source of entrepreneurial development. Some of the mines assisted local companies in improving quality control. Business creation for outsourcing, unlike business creation for the sale of basic commodities or recreation to miners, required the mining company to play a proactive role. The study however acknowledged that the extent of non-mine generated employment would depend on the ability of the local community and the region to take advantage of the opportunities offered by the mining operation.

Most of the larger mines had established foundations through which they were involved in the provision of health and educational infrastructure as well as the provision of non-mine training and education. The training programmes were aimed at increasing the skills necessary for sustainable community development and health issues for women. One of the

foundations trained local people in the design and preparation of projects which were to be presented for funding. Another had an entrepreneurial development programme.

The study found that the recently developed mines began with many of the community interactions that took several years to develop and attributed that largely to increasing pressure from communities and other stakeholders, including international NGOs. It also found that in the Latin American countries that were studied central governments had abdicated their local community responsibilities to the companies. Communities gained little from tax revenues generated by the mines and there was little formal pressure from central government on the companies to provide services to the communities. Since local governments did not have access to resources companies were obliged to provide services and programmes or face social unrest. Companies had in many respects become substitutes for the government.

The new mines that had been established in indigenous areas in Canada had however followed a different route. Since the 1990s, processes had been developed for tripartite negotiations of mine development between government, the community and mining companies. Indigenous people could demand training programmes for mine work and some assurances of purchase of local inputs. Companies were required to negotiate impact and benefit agreements with indigenous communities. Some of the agreements negotiated had included the provision of training for business development.

The study concluded that the role of central government needed to be redefined. It saw the options as including: a) redistributing more tax revenue to local government, which would often need to be accompanied by capacity building at local government levels; b) including more community development provisions in the mining law; and c) playing a proactive role in community development programmes either directly or indirectly through the use of civil society organisations. It also noted the particular importance that ought to be accorded to the development of a tripartite relationship between government, the community and companies, as well as the important role of government, particularly in areas where there are indigenous people. This may in fact be relevant to most mining operations in the third world, whether or not they are in areas populated by indigenous people, for reasons that we have stated previously.

## **5.2 Akassa Community Development Project (Knight, et al, 2000)**

The Akassa Community Development Project (ACDP) is a community development project in Nigeria's oil producing Niger Delta region which has been facilitated by the NGO Pro Natura International (PNI), and funded by Statoil, in alliance with BP since 1997. It is an example of a mineral development company, Statoil, assisting in the development of community capacity. It also shows the nature and extent of work that needs to be done to improve community capacity as well as to ensure community participation in the management of mineral wealth.

The project aimed at development through interactive participation in a community whose main activity is fishing. Statoil's support for the project arose from an EIA it conducted which identified Akassa as the community most likely to be impacted by oil spills from its offshore exploration wells. The community had no access to public services – pipe-borne



water, sewage disposal, electricity, telecommunications, transport systems or schools. The medical services that were available were largely those of traditional healers. The remoteness of the Akassa people is said to have been exacerbated by the fact that the influence of local government had hardly been felt since colonial times. Statoil wished to establish a reputation as a good corporate citizen from the very beginning and to avoid the unrest that had occurred in other areas of the Niger Delta where deprived communities that demanded a share in the oil wealth of the region and a say in its development had taken to kidnapping oil workers and sabotaging installations. For these reasons it was prepared to take proactive action and to support the project at a time when it had made no decision regarding production.

For PNI the project offered the opportunity of its testing a development model that some members of the project team had been developing and that involved a participatory rural appraisal and learning through action (PRA and PLA) approach. This has involved a PNI team living with the community and involving them interactively in the planning process. The process involved the different interest groups that were identified by the PRA in appraising the community's human and natural resources and in initiating micro-projects of their own design. The interest groups sent their representatives to participate in decision-making at village-level and village representatives were sent to take part in clan-level planning committees. The programme that came into being was an integrated one with four components - poverty alleviation, human resources management, natural resources management and infrastructure - that required institutional development and capacity building for their success.

The community identified insufficient income and the unavailability of credit as key factors in the existence of poverty in the area and so a micro-credit system was designed to help start businesses and to generate more income. The community raised funds for developing the system from their own savings, chose their own leaders for the system and made their own rules and regulations. The success of the project has led to its being identified as a possible UNDP and Bayelsa State micro-credit training and extension agency.

The human resources management component included the development of a primary health care system with the community designing and building 18 community health posts with funding from the project. Health post attendants have been trained and it was expected that traditional birth attendants would be trained to perform the duties of midwives in the year 2000. Other projects that have been developed include adult literacy classes, training in computer skills, sewing and outboard motor maintenance. PNI was said to be exploring the possibility of establishing a telecentre to connect the community with the internet. That would offer the possibility of improved communication – lobbying representatives in parliament, keeping in touch with distant family, information on fish prices, downloading books and information and of developing and disseminating a local language newspaper.

New forestry bye-laws for improved management of forest resources and work on improving rice production are some of the projects that have been undertaken under the natural resource management component. Fishing is the community's main activity and the project has allowed them to address some of the problems they face, such as voluntarily giving up the use of small-meshed nets in order to allow fingerlings to live and to grow.

Among the infrastructure projects that have been undertaken are health posts, the roofing of schools and the construction of bridges, culverts and footpaths and a market place.

PNI sought to ensure the sustainability of the participatory development process by developing existing and new institutions and by building up the capacity of both. This included building on the clan's aspirations for a local government of their own by dividing the clan into ten development areas, each with its own Development Area Council to which representatives were democratically elected by village institutions. These councils plan, implement and manage local micro-projects. Representatives were also elected to an Akassa Clan Development Council which is responsible for projects over the whole of Akassa.

The project appears to have generated a new governance culture in the community in which concepts like democracy, responsibility, transparency, accountability and equity have become important. Its success is evidenced by the fact that neighbouring communities have asked to join while other communities which have kidnapped some of the facilitators have released them promptly when they have discovered that they worked for the project

For PNI, the project has demonstrated that it is only by "meeting and satisfying the locally perceived needs of the angry people who inhabit the villages and fishing ports of the Niger Delta, that the peace and harmony that come with development and prosperity will emerge". They consider that bottom-up development for the Niger Delta, however, depends on top-down support from the oil industry. PNI also sees the project's success as demonstrating that development is possible in the Niger Delta, and that, in the process, conflict can be managed.

### **5.3 Developing Community Legal Resources in Ecuador's Oriente Region (Rogge, 199--97)**

The New York-based Center for Economic and Social Rights developed a programme in Ecuador's Oriente region for legal empowerment and capacity building to enhance communities' awareness of their rights and improve their protection of those rights. This is another aspect of work that needs to be undertaken if communities are to successfully negotiate with governments and mineral companies and to participate in the management of mineral wealth.

The programme arose from a study conducted by the NGO in 1993 which found petroleum operations in the Oriente region of Ecuador to have violated the basic human rights of local communities through pollution and exposure to toxic contamination. The NGO subsequently established an office in Ecuador which developed a programme with community and environmental NGOs for building the legal capacities of affected communities. Its overall aim was to achieve a greater balance between the power and knowledge of the communities affected by oil development, on the one hand, and that of the government and transnational oil corporations, on the other. The objectives included:

- the promotion of all aspects of human rights;
- the promotion of environmental protection, environmental remediation and the use of greener environmental technology and processes where oil development is underway or probably inevitable;

- the promotion of fair and informed negotiation between local communities in accordance with contemporary international norms of self-determination; and
- in some cases, support for local organisations in their efforts to halt or put limits on oil development in specific areas.

The programme sought to identify legal protections and resources that the communities could use without the direct assistance of a lawyer and to improve knowledge of such protections. Workshops were organised to develop community self-reliance in communicating demands about legal rights to government authorities.

The government's limited presence in many parts of the region where oil operations were under way led to communities often looking to oil companies to provide social services such as potable water. Legal educators of the programme often assisted communities in their negotiations with oil companies regarding such services.

A study of the programme found that it had increased the awareness of residents of the region of the real environmental risks of oil development and of the many potentially adverse social consequences. It had also increased the confidence of communities in dealing with oil companies.

## 6 The Way Forward

Government capacity for ensuring community participation in the enjoyment of mineral wealth is not likely to improve substantially in the short run and companies will therefore be obliged to continue to play a major role in funding the development of mining communities. Governments will therefore have to draw up rules and guidelines regarding company funding or other involvement in community development. This should cover such matters as the need for community participation in the determination of development needs, formulation of project objectives and the treatment of company expenditures for tax purposes. Mineral development companies could provide the impetus for the development of these rules and guidelines because they need to have them in place to guide their activities. The intervention of civil society organisations will continue to be required for community capacity building and for facilitating company-funded development.

In the longer term the route to ensuring greater community participation in the management of mineral wealth will include:

- redistributing more tax revenue to local government. This could be through the use of a fund such as Ghana's Mineral Development Fund;
- capacity building at local government level for the management of redistributed revenues, etc.;
- including more community development provisions in the mining law or providing some other form of guidelines; and
- development of a tripartite relationship between government, the community and companies.

For these measures to be meaningful they will have to be located within the context of a mineral policy framework similar to that referred to in Part 3 of this paper.

Community participation in the management and use of mineral wealth at the local level could speed up the process of community empowerment. It could also lead to increased pressure on central government for better management of mineral wealth and for greater transparency and accountability in its management. This could redound to an improvement in governance. We have already indicated the critical role that NGOs will have to play in assisting in the development of community capacity. They could play a further role in raising public awareness generally and in pressuring the state for better management of mineral wealth. Development assistance and multilateral financial institutions could assist the process of ensuring better management of mineral wealth by funding capacity building for state institutions as well as for communities.

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