

Responding to the Challenge of Fragility  
and Security in West Africa:  
Natural Resources, Extractive Industry  
Investment, and Social Conflict

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## Abbreviations

ASM	artisanal and small-scale mining
CDA	community development agreement
CDC	Community Development Committee
CSR	corporate social responsibility
DACDF	Diamond Area Community Development Fund
ECOWAS	Economic Community of West African States
EIR	Extractive Industries Review
EITI	Extractive Industries Transparency Initiative
ESIA	environmental and social impact assessment
FPIC	free, prior, and informed consent
GDP	gross domestic product
GRA	Ghana Revenue Authority
IMF	International Monetary Fund
MDF	Mineral Development Fund
MNJ	Mouvement des Nigériens pour la Justice
SITR	standard international trade classification
WAEMU	West African Economic and Monetary Union

## 1. Introduction

The inability to unlock natural resource wealth for the benefit of developing countries' local populations—a phenomenon popularly known as the “resource curse” or the “paradox of plenty”—has spawned extensive debate among researchers and policy makers in recent years.<sup>1</sup> There is now a well-established body of literature exploring the links between natural resources and conflict, with some sources estimating that over the past 60 years, 40 percent of civil wars have been associated with natural resources (UN, 2012a). The West African subregion is no stranger to the resource curse, with numerous resource-rich states having strong links to instability and conflict (for example, Sierra Leone, Liberia, Guinea, Côte d'Ivoire, Nigeria, Mali, and Niger). In a number of recent conflicts, warring factions have been able to access “lootable” resources (that is, resources such as alluvial diamonds and gemstones that have a high value-to-weight ratio, and can be easily appropriated and transported by unskilled workers) through artisanal extraction, which some scholars have suggested has been particularly amenable to fuelling and prolonging “greed-based” insurgency.<sup>2</sup>

While an informative debate has coalesced around the issue of violent conflict and the artisanal extraction of lootable resources, West Africa's recent boom in extractive industry investment has become a new object of political and economic concern. Driven by soaring commodity prices and heightened resource demands from the world's emerging economies, the globalization of the extractive industries has also led to dramatic technological, organizational, and regulatory changes in resource-rich West Africa. Indeed, many governments have adopted new mining codes, or revised existing ones, to stimulate a flood of foreign direct investment in mineral extraction (Otto et al., 2006; Bridge, 2004).

The scope and impact of these investments have been remarkable, having profound ramifications on economies and societies across the West African subregion. Six of the ten West African countries represented in Table 1 are characterized as “resource rich” by International Monetary Fund (IMF) classifications, with a number of economies demonstrating a high dependence on the export revenues generated from the extractive industries. Nigeria, for example, receives 91 percent of its export revenues from extractives (oil and gas). Meanwhile, Guinea possesses an estimated 30 percent of global bauxite reserves, and in 2012 mining accounted for approximately one quarter of the country's gross domestic product (GDP) and 85 percent of its export earnings.

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<sup>1</sup> For example, the appropriation and mismanagement of high-value natural resources has been frequently cited as a key factor in triggering, escalating, or prolonging conflicts in all corners of sub-Saharan Africa (see for example, Collier and Hoeffler, 2001; Elbadawi and Sambanis, 2002; Ross, 2003; Bannon and Collier, 2003; Fearon, 2004). However, there continues to be considerable disagreement over the causal factors of conflict in resource-rich countries, with some scholars attributing conflict to resource politics (“grievance”) and others basing their analysis on exploitative economic interests (“greed”). For a more complete overview of the “greed vs. grievance” thesis, see Berdal and Malone (2001) or Collier and Hoeffler (2004).

<sup>2</sup> Many scholars have explored the links between lootable resources and civil violence, drawing different conclusions from compiled datasets on wars and intermittent conflicts (for example, see Berdal, 2005; Collier and Hoeffler, 2004; Korf, 2005; Regan and Norton, 2005). Humphreys (2005), for example, notes that diamonds tend to shorten civil wars by facilitating military victories rather than negotiated settlements. Ross (2004a, 2004b), on the other hand, observes that lootable resources could make conflict so profitable that one or more combatants lose their incentive to reach a peace settlement, a view that is reinforced by le Billon (2001, 2006).

**Table 1. Growth and significance of extractive industry investment in West Africa**

Country	GDP (in US\$ 2005 billions) <sup>a</sup>		GDP per capita (in US\$ 2005 billions) <sup>a</sup>		Real GDP growth rate <sup>a</sup>	Extractive industry contribution to GDP (%) <sup>b</sup>			% export income from extractives revenues <sup>b</sup>			% of tax revenue from extractives revenues <sup>c</sup>	EITI membership status <sup>d</sup>	Key natural resources <sup>e</sup>	IMF classification <sup>f</sup>
	2005	2012	2005	2012	2005–2012	2005 <sup>g</sup>	2012 <sup>h</sup>	2005–2012 <sup>i</sup>	2005 <sup>g</sup>	2012 <sup>h</sup>	2005–2012 <sup>i</sup>	2006–2010	2013		2012
Burkina Faso	5.5	8.1	407	493	6%	0%	18%	6%	1%	78%	37%		Compliant	Gold	Resource poor
Côte d'Ivoire	16.4	19.0	941	958	2%	13%	18%	16%	28%	35%	32%		Compliant	Oil/gas	Resource rich
Ghana	10.7	18.4	502	724	8%	9%	19%	13%	34%	63%	53%		Compliant	Gold/oil	Resource poor
Guinea <sup>j</sup>	2.9	3.5	307	308	3%	23%	25%	24%	78%	85%	78%	23%	Candidate	Mining products	Resource rich
Liberia	0.5	1.2	166	276	11%							16%	Compliant	Gold/diamond/iron ore	Resource rich
Mali	5.3	7.1	444	480	5%	14%	15%	17%	65%	71%	75%	13%	Compliant	Gold	Resource rich
Niger	3.4	5.0	258	290	5%	7%	17%	11%	47%	76%	59%		Compliant	Uranium	Resource rich
Nigeria	112.2	177.6	804	1052	6%	40%	21%	30%	98%	84%	91%	76%	Compliant	Oil/gas	Resource rich
Senegal	8.7	10.9	773	797	4%	4%	6%	5%	24%	32%	28%		Candidate	Mining products	Resource poor
Sierra Leone	1.6	2.6	318	435	7%								Compliant	Diamond	Resource poor

<sup>a</sup> World Development Indicators.

<sup>b</sup> Author's calculations, World Integrated Trade Solutions (WITS) database, and World Development Indicators. Extractive export revenue comprises of the commodities in SITC sections 27 (crude fertilizer, minerals); 28 (metalliferous ores, scrap); 68 (nonferrous metals), 3 (mineral fuels), and 97 (gold nonmonetary excluding ores).

<sup>c</sup> IMF, 2012.

<sup>d</sup> EITI website, accessed May 27, 2014.

<sup>e</sup> EITI website and IMF, 2012.

<sup>f</sup> IMF, 2012. Country characterized as resource rich if it has either natural resource revenue or exports at least 20% of total fiscal revenue and exports, respectively over 2006–2010 (average).

<sup>g</sup> 2006 for Nigeria.

<sup>h</sup> 2011 for Burkina Faso and 2008 for Guinea.

<sup>i</sup> Includes some missing values.

<sup>j</sup> Last available trade data for Guinea is from 2008.

Moreover, it is anticipated that the country's "tier-one" Simandou iron ore project will eventually generate revenue in excess of 130 percent of the country's current annual GDP, based on predicted iron ore prices and production growth (MGI, 2013).

In reviewing Table 1, it is apparent that on average, all of the countries listed experienced positive GDP growth rates between 2005–2012, and some countries performed exceptionally well. In Sierra Leone, for example, World Bank estimates suggest that real GDP growth increased 13 percent in 2013, 15 percent in 2012, and 6 percent in 2011, due largely to the commencement of iron ore production (World Bank, 2013). Likewise in Ghana, reports suggest that the production value of mining, which is predominantly gold, has grown by 290 percent since 2000 (ICMM, 2012, cited in Standing and Hilson, 2013), with mining accounting for over 25 percent of trade export in the country. Other West African countries, such as Burkina Faso, Guinea, and Côte d'Ivoire have also increased gold production dramatically, and Mali, which had no commercial gold industry in 1990, has grown to become Africa's third largest gold producer (Smith, 2012), with 71 percent of export earnings coming from mining in 2012.

Proponents of extractive-led development trajectories, including the World Bank Group, have high expectations and aspirations for the opportunities that natural resource wealth may open up to host governments and the private sector. Indeed, if managed effectively, there is considerable scope for resource endowments to generate significant revenue flows, which could translate into improvements in the quality of life in one of Africa's poorest regions. On the other hand, however, this surge of investment has also been accompanied by an emerging increase in social mobilization and conflict around the adverse effects of mining and hydrocarbon projects. The detrimental impacts of extractive industry expansion have galvanized new interest in the "resource curse" thesis for policy makers, international donors, and the media, as place-based struggles surrounding the unequal patterns of extractive-led development have been identified as a possible trigger for insecurity and conflict in fragile states.<sup>3</sup> In some West African countries, extractive industry investments have had more limited economic impacts, and there has been very little "trickle down" to local populations. Though empirical work in Africa on the local welfare effects of resource booms is underdeveloped, there is a nascent literature on the "capture of resource rents at the national level with little spillover to local communities."<sup>4</sup> More problematic, however, is the fact that the mining economy can lead to "enclave" development with few backward and forward linkages and without sustained prosperity of a wider region (African Economic Outlook, 2013). As Ferguson (2006) has warned, resource extraction that is concentrated in "exclusionary spatial enclaves" tends to benefit elite groups, has little impact on wider society, and reproduces the inequalities that often trigger conflict.

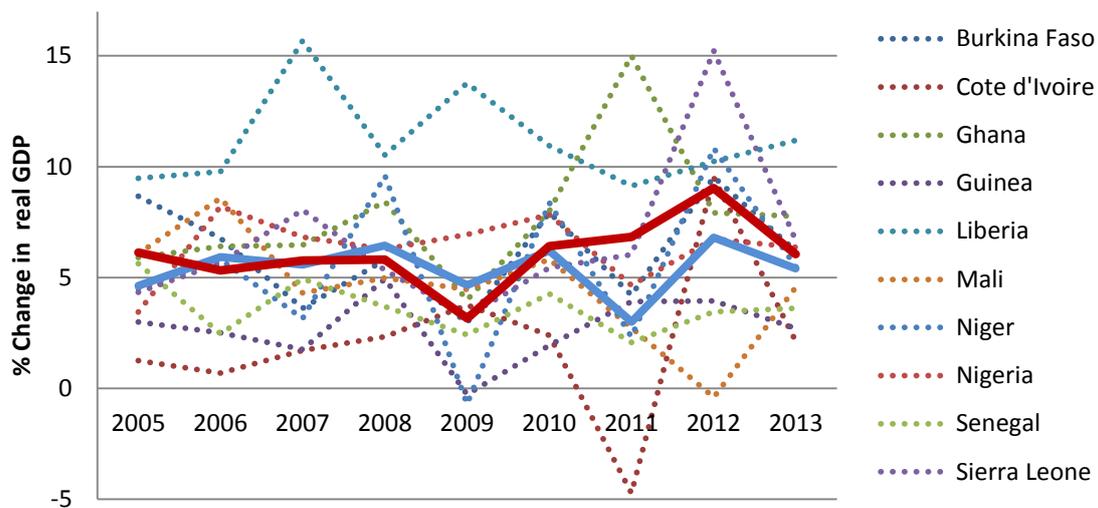
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<sup>3</sup> In the context of this chapter, conflict can be defined as a process that takes place on a continuum, ranging from low-level tension to scenarios where there is violence and a total breakdown of order. However, while conflict is often driven by asymmetries and inequality, it should be pointed out that it is not always an indicator of "development gone wrong" and may instead be a necessary force for positive social change (UN, 2012a). As Bebbington et al. (2008b) note, social protest and low-intensity conflict can induce the emergence of more inclusive public institutions, some of which may lead to the greater defence of human and citizen rights.

<sup>4</sup> As noted in World Bank (2014a), this gap in rigorous research is being addressed through systematic empirical investigation in a forthcoming study.

The task of achieving sustainable extractive-led development further remains challenging as resource dependency exposes West African economies to “boom-and-bust” commodity cycles.<sup>5</sup> Fluctuating global markets and a significant drop in commodity prices can place major strains on the public finances of resource dependent countries, further deepening and extending poverty, and potentially exacerbating horizontal divisions in populations (OECD, 2013). Figure 1 illustrates the significant fluctuations in GDP growth rates over the period from 2005–2012, with the highest variations being experienced in Côte d’Ivoire, Niger, and Sierra Leone. This volatility is particularly alarming in the context of West Africa, considering that no region in the world has a higher concentration of fragile states (Kaplan, 2013), and that the majority of countries in the region continue to be highly susceptible to instability.

**Figure 1. GDP growth rates, West African countries**



Source: World Development Indicators.

In short, while mining reform and its attendant international investment has, in many cases, increased government rents and helped some countries achieve phenomenal economic growth, international extractive industry expansion has had a range of social, political, and economic implications for different actors at all scales—from the global to the local. In particular, however, the livelihood impacts of intensified resource extraction at the community-level have been especially varied and profound. Diverging local interests and agendas, and different positions on economic opportunities, environmental compensation, or indigenous rights have generated complex and diverse social responses (Horowitz, 2011). As a “new scramble” for natural resources in West Africa has caused sweeping environmental and socioeconomic transformation, the conversion of resource rents into sustainable meaningful development outcomes that address the “heterogeneous subjectivities” within development outcomes at the community level has been an ongoing challenge for national governments (Bebbington et al., 2013).

<sup>5</sup> For example, as noted by Boakye et al. (2012): “Between 2000 and 2011, the standard deviation of international iron ore prices (in US\$ terms) was equal to 67 percent of its average—and prices. So countries will not only need to be prepared to absorb large shocks, but also manage the uncertainty related to it, with strong implications for macroeconomic policy and the management of citizens’ expectations” (p. 3).

In exploring the attendant challenges, obstacles, and constraints to effective governance of the natural resources sector, the objective of this chapter is to identify and deepen understanding of the factors that may exacerbate both interstate and intrastate conflict in resource-rich West Africa. In doing so, we suggest that governance initiatives that seek to address the root causes of extractive industry conflict must: (1) employ a broader perspective beyond the formal use of power by national executives to include corporate governance, rich country regulatory regimes, and subnational state and quasi-state authorities; and (2) be more deeply focused on creating equitable engagement frameworks for each resource extraction site.

Following this introduction, Section 2 provides an overview of interstate tensions in West Africa in order to improve understanding of the drivers of fragility that trigger conflict between countries around extractive industry investment. Here, the discussion is grounded in examples in which interstate tensions have been apparent, including the case of the Mano River Union—Côte d’Ivoire, Guinea, Liberia, and Sierra Leone—a region with a history of conflict, and where the exploitation of commercial deposits of high-value resources may continue to have a potentially destabilizing effect. Section 3 focuses on the decentralization of natural resource revenues, a process that proponents believe can help manage grievances and defuse intrastate tension in areas directly affected by resource extraction, but one that is also not without challenges. Drawing upon the case of Ghana’s Mineral Development Fund, the section explores the potential for conflict (and conflict triggers) to arise when the redistribution of extractive industry revenues to subnational regions takes place. In doing so, it becomes apparent that the capture and misuse of revenues from the fund is as much a political issue as it is a policy or technical one. This sets the stage for Section 4, which focuses in greater detail on extractive industry-related conflict within catchment communities, and how contestation is most often a result of unequal power relationships. Section 5, the conclusion, summarizes and reflects upon some of the challenges and struggles over resource management associated with West Africa’s recent resource boom, and draws out some of the cross-cutting themes. Here, suitable entry points for future lines of inquiry and engagement are identified.

## 2. Interstate tensions and extractive industry expansion

Over the past two decades, West Africa has become one of the most unstable subregions on the continent, with Liberia, Sierra Leone, Côte d’Ivoire, Nigeria, Guinea-Bissau, Guinea, and more recently Mali and Niger all experiencing conflict or some degree of political instability. The roots of West African conflicts, as Obi (2012) remarks, are complex and multifaceted, and embedded in the “interplay of historical factors, socio-economic crisis, legacies of authoritarianism and the politics of exclusion, international forces, and local struggles.” Not only are many West African countries archetypical “fragile” states, but of particular concern is the strong possibility that localized conflicts might spill over borders and draw in the populations of neighboring states where similar conditions of sociopolitical instability exist. Indeed, in many countries, a toxic mixture of chronic poverty, ethnic marginalization, and the widespread availability of small arms and weapons can serve as drivers of subregional conflict that permit “contagion” effects to occur across porous borders.

In situations where the unequal distribution of resource rents happens to intersect with ethnic or religious cleavages, the risk of ethnic rebellion or succession can escalate and spread (Østby, 2008; Stewart, 2002). In the West African Sahel, for example, the recent Tuareg rebellions in Mali and Niger between 2007–2009 were catalyzed by shared socioeconomic grievances and perceptions of

marginalization (Emerson, 2011).<sup>6</sup> In the case of Niger, the main ongoing grievance of the Tuareg rebel group, Mouvement des Nigériens pour la Justice (MNJ), has concerned the recent expansion of uranium mining in the Aïr-Talak-Tamesna region of the country, and demands for a more equitable share of mining revenues (Keenan, 2008). As the Tuareg insurgency in Mali continues to destabilize the north of the country, the possible spillover of conflict into Niger could have a debilitating impact on uranium mining companies and communities, particularly the two largest mine sites at Arlit and Akokan, which are controlled by the French corporation AREVA (Elischer, 2013). For some analysts, the threat of a pan-Tuareg rebellion continues to generate concern for wider regional instability (Keenan, 2008).

Indeed, porous and contested borders between West African states remain zones of unmonitored, illegal activities, and in a number of cases have served as conduits by which intrastate conflicts spill over into neighboring countries. The Mano River Union countries—Liberia, Sierra Leone, Guinea, and Côte d'Ivoire—provide a lucid example of how smuggling and the illicit trade of “lootable” resources can exacerbate regional conflicts. Sierra Leone’s protracted civil war of the 1990s is a case in point, where a cross-border exchange of diamonds-for-weapons took place with Liberian President Charles Taylor, an arrangement that both fuelled and prolonged the decade-long war. Likewise, in Côte d’Ivoire, evidence suggests that rebel groups illegally exploited and exported diamonds, gold, and cocoa to finance the conflict that broke out in September 2002 (UN, 2012b). As Silberfein and Conteh (2006) note, illicit resource flows across borders are very difficult to regulate or contain, and they usually continue to occur even when sanctions and embargoes are in place because they are often controlled by powerful private interests.

Associated with the ongoing issue of cross-border smuggling between the Mano River Union countries is the tension placed on intergovernmental relationships due to tax avoidance and loss of potential government revenue. The illicit transborder flow of lootable resources such as diamonds, gold, or even timber represents a major obstacle for governments to regulate, and marks a significant loss of revenue that could be used to promote development in the countries of extraction. Although most artisanally mined diamonds and gold are sold through unregulated informal channels, the harmonization of the 3 percent tax on diamond exports in Sierra Leone, Guinea, and Liberia has been an attempt to minimize the extent to which rough diamonds disappear across borders into clandestine trade networks. Evidence suggests that when there is a small difference in diamond export taxes between neighboring states, smuggling will occur into the country where tax rates are lowest (D4D, 2006).

While all four Mano River Union countries have in the past demonstrated clear links between natural resources and instability, they continue to be vulnerable to tensions that are strongly influenced by the recent discoveries of some of the richest mineral lodes in sub-Saharan Africa. A series of significant mineral belts run through the subregion, and geological exploration has revealed a multiplicity of economically exploitable low-value, high-bulk “mineral clusters” (for example, iron ore and bauxite), which has attracted the attention of foreign investors (World Bank, 2010). Many of

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<sup>6</sup> The Tuareg are a nomadic Berber group who are dispersed across northwest Africa. Emerson (2011) estimates the Tuareg population to be 1.5–1.7 million, with more than two-thirds living in Mali and Niger. However, due to postcolonial fragmentation, the Tuareg make up no more than 10 percent of the population in every country where they are found, and because of their minority status they have often been the subject of discrimination and economic marginalization (Emerson 2011).

these deposits are located near national borders<sup>7</sup> and if extraction progresses as planned, there will undoubtedly be transborder social and environmental impacts to address. In particular, the Upper Guinea Forest system and several major river basins stretch across all four Mano River countries, and an integrated transboundary approach will be required to contain the spread of detrimental impacts.

If the social and environmental impacts of transborder extractive industry investments can be managed and monitored in a subregional context, and the appropriate institutional and regulatory mechanisms are put in place, the chance of interstate conflict will be reduced. However, a further regional issue of importance concerns possible tensions over the development of shared infrastructure for the exportation of bulk minerals. The most economically viable route for mineral exportation may often require regional integration, involving transborder rail transit or the use of ports in a neighboring country. Harvey (2014), for example, suggests that iron ore production plans at Guinea's Simandou project are being severely impeded by infrastructure constraints. Most notably, it remains unclear whether the most feasible option would be to upgrade the old Lamco railway line through Liberia and ship ore out of the deep water port near Buchanan, or to construct a new line from the mine site to Conakry. In such situations, governments must balance the political and economic challenges of infrastructural development with concerns over security and the desire to maintain control of the benefits of resource extraction and any positive economic spillover effects that accrue. Owing to the extreme instability that has characterized the Mano River Union subregion in the recent past, integrated regional political and economic cooperation is a necessity if tension and potential conflict are to be avoided. At the same time, however, coordinated infrastructure development also presents an opportunity to stimulate zones of new economic activity along "resource corridors" that span national borders, as has been encouraged in other parts of sub-Saharan Africa (for example, the Maputo Development Corridor between South Africa and Mozambique) (World Bank, 2010).

In summary, recent extractive industry investments in the newly discovered "mineral clusters" of the Mano River Union present a host of new interstate challenges for investors and governments alike. However, these same contests may also have increasing salience in other porous boundary zones in West Africa. Most notably, international attention has increasingly been focused on a series of new hydrocarbon discoveries in the Gulf of Guinea. More specifically, the stretch of coastline spanning from Gabon to Sierra Leone—an oil-rich area of strategic economic importance—has been identified as a site of potential conflict. While the oil-rich Bakassi Peninsula between Nigeria and Cameroon has already proven to be an area of extreme tension between the two countries in the past, new offshore hydrocarbon discoveries in other areas of the Gulf of Guinea will likely create further tension between other regional countries. Indeed, 70 percent of Africa's oil production comes from the Gulf of Guinea, and with increasing U.S. geostrategic interest in the region, production will undoubtedly continue to rise. At the same time, the region has been described as one of the most dangerous maritime areas in the world, with weak transborder policies and a lack of cooperation between states, which has allowed criminal networks to diversify and flourish (International Crisis Group, 2012).

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<sup>7</sup> For example, a recent Mineral Sector Strategic Assessment of the Mano River Union carried out by the World Bank (2010) identified the Nimba region of Sierra Leone, Guinea, and Côte d'Ivoire, and the Mano River watershed spanning the Liberia-Sierra Leone border, as two transborder mining areas of regional sensitivity.

In this light, there is an increasingly important role for regional governance bodies to play in addressing the many interstate concerns associated with West Africa's extractives boom. Most notably, the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU) have both assumed a more active role in mining policy and governance. Thus far, these bodies have predominantly been concerned with supporting efforts to harmonize regional mining policy and legal frameworks. For example, the ECOWAS directive aims to unify mining legislation and support a regional common code, addressing key issues that include lessening tax competition, promoting infrastructure at regional levels, and protecting the environment (Mayer Brown, 2010). In a similar vein, the WAEMU Common Mining Code "regulates the ownership and grant of mineral titles, adopts a program for the protection of the environment, defines a tax system applicable to minerals, [and] governs the recruitment and procurement rules" (Mayer Brown, 2010, p. 5). While both of these initiatives are currently in an embryonic stage, the development and implementation of a unified mining code for West Africa is arguably a positive step toward reducing instability and enhancing the benefits of mineral sector development across the region.

### 3. Intrastate conflict around revenue distribution

In addressing the potential for grievance-driven resource conflict at the local level and pursuing more sustainable community-led trajectories, the decentralization of natural resource revenues and decision making has attracted considerable international attention in recent years (for example, see Ribot, 2004; Larsen, 2004). However, wider readings of the literature on decentralization and resource governance indicate that opinions on the effectiveness of revenue sharing remain varied and diverse. For example, skeptics argue that decentralized revenue sharing is problematic in contexts where resource endowments are unevenly geographically distributed, or where societies are divided on ethnic, religious, or linguistic fronts.<sup>8</sup> In such situations, the unequal control of natural resource benefits can exacerbate tension and motivate ethnic or identity-based conflicts (Haysom and Kane, 2009). However, a second position that has gained increasing momentum maintains that if carried out in a "transparent" and "participatory" fashion,<sup>9</sup> decentralized natural resource management can be an effective means of channelling benefits to local communities, allowing citizens to voice their concerns, as well as minimizing horizontal inequalities between groups (Ross et al., 2012; Brosio and Singh, 2013; Brosio, 2003).<sup>10</sup> This has given rise to what some have referred

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<sup>8</sup> This may be apparent, for example, in the case of Nigeria, where 95 percent of export earnings and 65 percent of government revenues are derived from the oil and gas sector, but only 9 of a total of 36 states are oil producing (Aguilar et al., 2011).

<sup>9</sup> It should be noted that despite the importance of the concepts of "participation" and "transparency" in debates concerning natural resource governance, a number of scholars have become increasingly skeptical of their uncritical use in development policy and practice. For example, Hickey and Mohan (2005) have argued that such concepts are now so ubiquitous and enshrined in mainstream development policy and practice that they can essentially be "co-opted within disempowering agendas" to take on any meaning whatsoever (also see Rahman, 1995). While it remains difficult to criticize the well-intentioned rhetoric of participation or transparency, and we make reference to these terms throughout this chapter, we are aware of their uncritical use and employ these concepts cautiously.

<sup>10</sup> In addition to decentralization, Ross et al. (2012) note a variety of other tactics that are often employed by governments to reduce horizontal inequalities in resource-rich areas, including "creating incentives to hire local workers, restricting the migration of workers to extractive regions, investing in local development, using

to as a new “localist policy paradigm” in natural resource management (Arellano-Yanguas, 2011, p. 618), an approach that is premised on three main components: (1) the redistribution of resource revenues to subnational and local governments; (2) the provision for local citizens to participate in decision making on how devolved revenues are spent; and (3) the encouragement of institutional actors (including extractive companies and civil society groups) to be actively involved in decision making.

While different countries in West Africa employ a variety of approaches in implementing natural resource revenue decentralization, broadly, subnational governments receive decentralized mineral/oil revenues in three different ways: (1) local taxes levied directly on the resource industry; (2) direct transfers from central government (such as the derivation principle employed in Nigeria); and (3) indirect transfers from the central government targeted at producing regions (for example, trust funds for (re)distributing resource revenues). Each of these approaches varies in the way in which decentralization is operationalized, and central and subnational governments frequently have differing views on how wealth-sharing schemes should be executed. One iteration in favor of greater centralization argues that because subnational bodies often suffer from weak institutions and low capacity, the best approach is for the central government—most typically the Ministry of Finance or the appropriate sector ministry—to collect all revenues and make allocation decisions (Ross et al., 2012). Another position supporting this case suggests that in situations where there is an uneven spatial distribution of natural resources within a country, heavily decentralized approaches to revenue sharing can create wide income gaps between provinces and increase inequality (Wennmann, 2012).

Given West Africa’s historical tendency for resource revenues to be captured by ruling elites and fuel patronage politics,<sup>11</sup> contests over resource revenue distribution between national and subnational governments continue to be common. Corruption remains a longstanding issue in many countries, and central governments may be resistant to devolving revenues to the local level or supporting tax schemes that benefit catchment communities, because this redirects resources that could be captured centrally. In Sierra Leone, for example, a recent task force revealed that tax concessions and duty waivers—which are typically negotiated between the central government and extractive companies in the absence of effective parliamentary or media scrutiny—tend to benefit the central elite over mining-affected rural populations (Prichard, 2013). In addition, the central government is also currently in the process of establishing new Community Development Committees (CDCs) in each mining site to manage mining companies’ mandatory contributions to community development, as set out under the Mines and Mineral Act of 2009, rather than allowing local councils to solely manage them (World Bank, 2014b). This reluctance for central government to devolve resources and decision-making abilities to local government structures in essence undermines their ability to effectively function. At the same time, however, it strengthens the position of Paramount Chiefs, reinforcing their relationships with central government elites who are

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nongovernmental organizations to mediate between local communities and extractive companies, promoting transparency, and distributing revenues directly to the population” (p. 254).

<sup>11</sup> According to Thompson (2004), patronage or “clientelism” is a form of political contract where a mutually beneficial exchange takes place between an actor who has authority based on power or access to resources (the patron), and a weaker actor (the client) who offers support to legitimize and preserve the patron’s elevated position.

“intimately involved in centre-local networks anchored by chiefdoms and don’t have the same connection to local councils” (Fanthorpe et al., 2011, p. 19).<sup>12</sup>

While the reluctance of national bodies to decentralize revenues to subnational entities has a longstanding history and continues to be a source of ongoing tension, many of the most serious conflict triggers emerge between subnational recipients, after revenues have been devolved. Here, the experience of Ghana and its Mineral Development Fund (MDF) is instructive in highlighting some of the potential flashpoints, as well as development benefits, associated with local-level benefit sharing. While Ghana is often held up by observers as a model of best practice based on its policy of returning a small percentage of resource revenues to producing regions, there are a number of factors that have undermined the country’s success in redistributing resource wealth and pursuing more sustainable pathways to development at the local level. As noted by Standing and Hilson (2013), in Ghana “mining tends to display complex and at times contradictory social and economic outcomes at the local level; it may raise average per capita income, but also it can introduce new forms of inequality and insecurity” (p. 5).

At the local level, Ghana is governed by both formal government administration bodies and the more informal “traditional authorities,” or chieftaincies. Formally, the district assemblies oversee the administration of town, area, and zone councils. In addition, however, working alongside the district assemblies are the traditional authorities, who govern the “Stool Lands,” which occupy 80 percent of Ghana’s total land territory.<sup>13</sup> Of the country’s 95 Paramount Chiefs, Standing and Hilson (2013) add that “the majority [reside] in the rural areas where mining in Ghana takes place—33 in the Ashanti region alone, which contains some of the most productive gold mines” (p. 4).

Mining companies currently pay the Ghanaian central government a flat mineral royalty rate of 5 percent on a quarterly basis, which is collected by the Ghana Revenue Authority (GRA) and deposited into the general state account (the “Consolidated Fund”).<sup>14</sup> Of this revenue, 80 percent is retained by the central government for general budget support. The other 20 percent is set aside by the GRA and transferred into the MDF, which is initially managed by the Ministry of Finance and Economic Planning. The funds in the MDF are then divided into two portions: 50 percent is dispensed to local governance structures (that is, the traditional authorities and the district assembly) through the Office of the Administrator of Stool Lands,<sup>15</sup> and the other 50 percent

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<sup>12</sup> See also Baldwin (2011), who explores the relationship between politicians and traditional leaders in the wider African context. She argues that politicians often cede power to the local level to secure social contracts with chiefs, who possess the ability to mobilize electoral support from “politically unaligned ethnic groups.”

<sup>13</sup> In Ghana, the “stool” symbolizes an ethnic social unit. The Paramount Chief represents the stool and executes judicial, governance, and land management functions on its behalf. Stool lands controlled by the chief are predominantly located in regions where there is a strong centralized political system, as is the case in the Akan areas in southern Ghana. In these areas, as Mahama and Baffour (2009) note, the chief, or traditional authority, “is inexplicitly linked to land ownership and holds the allodial title in land” (p. 28).

<sup>14</sup> In 2012, Ghana changed its mine royalty rate from a variable 3–6 percent to a flat 5 percent of profits. While reports vary, and accurate economic data is difficult to obtain, evidence suggests that in 2011, US\$131.3 million was paid by mining companies into the government’s Consolidated Fund, which accounted for 14 percent of Ghana’s total internal revenue collection (Standing and Hilson, 2013, p. 4).

<sup>15</sup> The Administrator of the Stool Lands is responsible for dispensing funds to grassroots beneficiaries, as outlined in Section 267(6) of the 2006 Minerals and Mining Act. These disbursements include a 25 percent payment to the traditional authority for the “maintenance of the stool,” a 20 percent payment to the

remains in the MDF to finance projects that promote development in mining communities and to compensate affected residents for the detrimental impacts of extraction. In theory, under the new Minerals Development Fund Bill, funds that are used to support community development projects will be managed by Local Management Committees, which will include representation from a wide range of stakeholders including the local government, mining companies, and the community.<sup>16</sup> In addition to these disbursements, traditional authorities may also receive surface rents and other direct payments from mining companies, in some cases for their participation on the boards of companies.

Under the MDF, an unprecedented amount of mining revenue has been returned to producing communities, and evidence suggests that some receiving areas have used the fund wisely, financing local infrastructure projects and service provisioning.<sup>17</sup> But in other cases, the devolution of revenues to affected communities has also caused factionalism and distrust, with concerns being raised on three main fronts: (1) a lack of effective use of funds; (2) poor transparency and accountability; and (3) ineffective citizen participation in decision making. Each of these three concerns are often underscored by a high degree of elite capture, patronage, and clientelism, which can negatively affect community cohesion and increase the potential to exacerbate tension and conflict.

A further significant problem critics have noted of the MDF is that it lacks an effective legislative mechanism to govern the management of funds.<sup>18</sup> Standing and Hilson (2013) point out that 45 percent of all mineral revenues disbursed to the grassroots level in Ghana pass through the hands of traditional authorities. Although there is an unspoken assumption that funds will be used for community development projects, there are no transparency or accountability mechanisms to regulate spending. This ambiguity, of course, may serve an important “political bargaining” function, as central government actors are able to secure the support of traditional authorities at the grassroots level.<sup>19</sup> Nevertheless, considerable evidence suggests that payments to traditional authorities often tend to finance expenditures that do not benefit local communities (ICMM, 2007),

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traditional authority himself, and a 55 percent transfer to the District Assembly located within the jurisdiction of the Stool Lands (GoG, 2013).

<sup>16</sup> However, as Maconachie (2010) has demonstrated in the case of Sierra Leone’s Diamond Area Community Development Fund (DACDF), the creation of CDCs—which are composed of a wide cross-section of community stakeholders—does not automatically ensure fair and equal community participation in decision making. In the case of the DACDF, many CDC stakeholders have been marginalized, with chiefs and elites dominating decision making in the group.

<sup>17</sup> For example, in Asutifi District in central Ghana, where Newmont Mining Corp. is engaged in large-scale gold mining, revenues from the MDF have funded new schools, teachers’ quarters, police posts, and a local government building (Boampong, 2012).

<sup>18</sup> As Hilson notes, it is presently unclear how decisions are made concerning the use of funds; the government has consequently discussed plans to implement a Minerals Development Fund Bill. This piece of legislation would provide the legal framework that the management of the fund presently lacks, helping to enhance accountability (personal communication with Gavin Hilson, April 22, 2014).

<sup>19</sup> In Ghana, traditional authorities are in a relatively strong position compared to politicians because they are not and never have been part of the state apparatus. Under the Fifth Republican Constitution, chieftaincy affairs are completely separated from oversight by the politicians. At election time, however, politicians at the central government level look for tacit endorsement by the chiefs, although the latter are formally banned from politics and are expected by their constituents to remain nonpartisan. In this respect, chiefs are often used by politicians as “vote banks” and are an important instrument for gaining grassroots support (personal communication with Paul Nugent, May 21, 2014).

which further creates acrimony and mistrust between communities, district assemblies, civil society, and the mining companies. In addition, reports indicate that there are serious concerns about collusion between traditional authorities and mining companies, which can marginalize community interests and damage cohesion, in some cases becoming a focus of conflict and factionalism in communities (Standing and Hilson, 2013).

Supporters of the Extractive Industries Transparency Initiative (EITI)—a policy mechanism often touted by donors and Western governments as the key to facilitating economic improvement in resource-rich economies—argue that its implementation at the subnational level could go a long way in reducing the mismanagement and diversion of revenues from sustainable development projects (Aguilar et al., 2011). However, others have noted that the capture and misuse of resource revenues are as much political issues as they are policy or technical ones (Bracking, 2009). Consequently, better transparency does not necessarily translate into enhanced accountability or meaningful development outcomes (Desai and Jarvis, 2012). Policy “fixes” such as the EITI will not, on their own, be able to effectively address the misuse of MDF revenues by elite actors such as the traditional authorities or district assemblies (Hilson and Maconachie, 2009). In Ghana, as in other West African countries, captured resources serve an important function in securing political contracts, where revenues are used to strengthen relations with clients under systems of patronage.<sup>20</sup>

In summary, the equitable redistribution of resource wealth to subnational levels remains a challenging task, given the intensity of contests over natural resource wealth in West Africa. A recurrent theme in the recent history of Ghana and other resource-rich countries in West Africa has been tension between opposing groups seeking to capture the benefits of resources. Networks of power structuring those contests are shaped by the nature and form of national and subnational governments, and also in the struggles over different forms and symbols of authority at the local level. Traditional authorities, district councils, and elites have all sought greater control over mineral wealth, while indigenous communities have endeavored to minimize adverse impacts, assert claims to identity and land, and, where possible, maximize their returns from mining. While the interests and relationships between these groups remain fluid, and contests may shift over time and be replaced by new coalitions, situated somewhere in the middle are the extractive companies, which often seek the path of least resistance by siding with elite groups, seeking to reduce transaction costs and enter into complex and nontransparent deals over access to resources. These exchanges have produced institutional arrangements that have often prioritized corporate demands over local development, resulting in what Bebbington et al. (2008b) refer to as “an extroverted state with more legitimacy vis-à-vis international interests than national citizens” (p. 892).<sup>21</sup>

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<sup>20</sup> As a consequence, it has been suggested by a number of scholars and policy makers (for example, see Moss, 2011; Standing, 2014) that cash transfer schemes—monthly revenue transfers paid in the form of direct cash benefits to all citizens in a country—could be an innovative policy solution to help reduce the corruption and elite capture associated with resource wealth. However, others have noted that politically there are probably only a narrow set of conditions under which cash transfer schemes are likely to be sustainable policy options (McGuirk et al., 2014).

<sup>21</sup> At the same time, it should be noted that the “path of least resistance” pursued by extractive companies can also be highly fluid over the life cycle of a mine, which may involve displacing certain elites in favor of other more cooptable actors. In this sense, companies may pit local actors against each other through a process of “divide and rule,” using conflict as a form of control (also see Ferguson, 2006). We are grateful to Deval Desai for sharing this point.

## 4. Extractive industry conflict within communities

While catchment populations in resource-rich areas are often the hardest hit by the negative externalities of mining and hydrocarbon projects, an important point of departure for any assessment of the local impacts of extraction rests on the recognition that “communities” are not bounded, homogenous entities. Rather, they are defined by social differentiation and micropolitics. As argued by Leach, Mearns, and Scoones (1997), in trying to come to grips with how community-level actors respond to development outcomes, an alternative perspective “starts from the politics of resource access and control among diverse social actors, and sees patterns of environmental change as the outcomes of negotiation, or contestation, between social actors who may have very different priorities” (p. 4). In some cases, images of consensual, harmonious communities have been strategically constructed by local actors themselves to present a contextually unified counter-position to powerful external actors, such as mining companies (Ahluwalia, 1997).

Recent scholarship on the extractive industries and development has explored the twin processes of “accumulation by exploitation” and “accumulation by dispossession” (after Harvey, 2003), to deepen understanding of the uneven nature of global investments in mining and hydrocarbon projects, and the impacts this may have at the community level (for example, see Maconachie, 2014; Holden et al., 2011; Horowitz, 2011; Bebbington et al., 2008b). While the first form of accumulation has historically been concerned with labor exploitation and unequal relations of production, the second has addressed the appropriation of key livelihood resources, such as land, territory, minerals, and water. Both forms of accumulation are presented by Harvey (2003) as phenomena with a real existence based on how value is transferred to owners of capital. However, the way in which different individuals in catchment communities perceive and respond to the accumulation associated with extractive industry expansion often varies considerably, and is influenced by historical and contemporary experience, expectations of the future (Ferguson, 1999), and how different actors experience and make sense of extraction. Depending on the context, extractive industry investments have been variously met with resistance and rejection, by acquiescence combined with demands for better labor conditions, and in some cases, outright acceptance in anticipation of gainful employment and other development benefits. One of the major challenges in managing the extractive sector boom and trying to mitigate conflict, therefore, is to ensure that public expectations of the benefits of extractive-led development trajectories are effectively managed and address the needs of a diverse range of stakeholders.

A related point worth noting is that in many West African countries, the “rolling back” of the state and privatization of social service provisioning under neoliberal reform has brought about intensified pressure on industrial mining and oil and gas companies to become “development providers,” particularly in their immediate regions of operation. As pointed out by Bridge (2008), the extractive industries are no longer merely regarded as commercial activities but rather “a means for territorial modernization” (p. 390). Large-scale mining and oil and gas projects are often legitimized and justified by host governments with reference to theories of “big push” modernization or regional “growth-poles,” as instruments to support the agglomeration of economic activity. According to this position, extractive sector investments will stimulate infrastructure development and “multiplier

effects” that will drive economic growth and provide opportunities for resource-rich regions to “plug into” the global economy (Bridge, 2008, p. 391).<sup>22</sup>

Both governments and a diverse range of actors within catchment communities, therefore, may have high development expectations of multinational extractive companies, which are not always able to meet these demands and deliver the anticipated downstream benefits.<sup>23</sup> This is understandable to a certain degree, as the primary objective of a company is not to “develop” communities but rather to maximize profits and protect their investments for shareholders. It should, however, also be noted that much of the current mineral exploration in West Africa is carried out by much smaller “junior” operators—companies that are often barely capitalized and need to find mineral deposits quickly to recover their costs. As such, junior companies may lack competent community relations strategies or the means to implement corporate social responsibility (CSR) programs in communities, and they are therefore more likely to “mishandle community relations” (Bebbington et al., 2008b). A major obstacle for larger companies that acquire the successful juniors is that they can also inherit acrimonious relationships with communities, and sometimes ongoing conflicts.

While the impacts that multinational extractive companies are having at both national and subnational levels are varied, complex, and far-reaching, it goes without saying that natural resource extraction can, and frequently does, generate serious social, political, and economic problems at the community level. In the remainder of this section, a range of case examples are drawn upon to explore some of the most common grievances reported by those living in catchment communities. Many of these triggers have been well covered by the literature; for example, the dislocation of livelihoods when land and water sources are appropriated or destroyed through the creation of pollution; or the tension that results through an influx of migrant laborers into resource communities. However, it is also apparent that there are often deep-seated structural dimensions common to many West African states that can exacerbate these flashpoints, and can potentially transform resource extraction sites into zones of grievance-driven conflict.

#### **4.1 Labor conditions and employment**

Mining—whether large-scale or small-scale, regulated or informal, capital-intensive or artisanal—can be an important source of income generation in poor, employment-constrained economies, either directly or indirectly through upstream and downstream multiplier effects. Across West Africa, artisanal and small-scale mining (ASM)—low-tech, labor-intensive mineral extraction and processing—has long served as a magnet for young, single, unemployed, unskilled laborers in search

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<sup>22</sup> Other commentators have pointed out that the growth pole approach can potentially provide host governments with an opportunity to meet some of the growing expectations of those living in catchment communities, through the utilization of extractive revenues to promote diversified development projects that enhance sustainable local economic growth (see Fanthorpe and Gabelle, 2013)—though whether growth poles exacerbate or ameliorate the enclave tendencies of mining projects remains a matter for debate.

<sup>23</sup> This raises a deeper issue for extractive companies or development practitioners who wish to ensure that a diverse range of expectations is more fully met in corporate controlled community development programs. A richer appreciation of expectations will not necessarily be gained through superficial community relations exercises, but must involve a deeper understanding of the intersubjective construction of what a mine is, and how this might shape people’s imaginations of the future (personal communication with Deval Desai, May 24, 2014).

of job opportunities. One study undertaken in Sierra Leone's alluvial diamond mining areas, for example, confirms the livelihood importance of temporary migration in these regions, suggesting that some 10,000 seasonally mobile ASM workers support between 70,000 and 140,000 poor people in sending districts (Amco-Robertson Mineral Services Ltd, 2002). Likewise, a number of more recent studies have made the link between large-scale mining, increased levels of employment, and higher aggregate incomes in catchment regions (for example, see Bloch and Owusu, 2012). This positive relationship is also often used by host governments to justify the "flexibilization" of labor codes and other regulations, as a means to attract foreign investment in the extractives sector, which in theory will drive economic growth, reduce poverty, and create local employment. Although the expectations placed upon large companies as employment generators are often very high, many assume the form of resource "enclaves" disconnected from wider society (Ferguson, 2006; Ackah-Baidoo, 2012). As a consequence, the expected multiplier effects in local economies often tend to be weak, an issue that has clear relevance to the proliferation of offshore oil exploration and development that is currently taking place in the Gulf of Guinea.

Any employment gains that do accrue from investments in extraction projects can often lead to intensified competition and conflict between local actors, as they vie to capture available job opportunities. Those who are able to secure jobs may do so by way of their connections to patrons, and less powerful members of communities may be unable to capitalize on employment. However, evidence suggests that because large-scale operations are predominantly capital rather than labor-intensive, the actual number of jobs created is usually miniscule in comparison to the revenue generated. For example, in Mali, estimates suggest that the Sadiola gold mine creates one mining job for every US\$700,000 invested, while the Randgold mine directly creates 127 jobs, or one job for every US\$1.23 million invested (cited in Pegg, 2006, p. 380). As such, some of the strongest community resistance to recent extractive industry expansion in West Africa has been in response to the poor track records of extractive companies in providing jobs (Pegg, 2006), which is often accompanied by perceptions of poor working conditions and labor exploitation.<sup>24</sup>

Closely related to these observations on employment is evidence to suggest that labor migration into catchment communities can, in itself, also be a considerable source of tension and conflict. One of the most significant impacts of large-scale extraction on local communities is the rapid change in the economic and social fabric of society that takes place when migrant "strangers" arrive in search of opportunities. Communities' social balance can be disrupted, which impacts resource availability or places further competition on economic activities such as farming and hunting (Hilson, 2002). The economic shifts caused by in-migration can also lead to increased prices for local goods, which can widen disparities among local populations (Hilson, 2002). Compounding this problem, migrants often lack strong social ties, live in disrupted contexts and on borrowed land, and work in harsh conditions for limited incomes. As Weber-Fahr et al. (2001) suggest: "New types of poverty are therefore created, with a mixture of 'original residents' who have been unable to share in employment opportunities, and 'newcomers' who have migrated in with the hope of finding employment, but have been unsuccessful in doing so" (p. 15). Dale (2008) further warns: "The intersection of uneven

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<sup>24</sup> In the southern African context, as Bebbington et al. (2008b) report, entire regional economies organized around "political and territorializing instruments" were designed to maintain and control pools of cheap mining labor (p. 887–888). In the case of South Africa, this labor reserve economy played an instrumental role in subsidizing the accumulation that controlled and permitted the apartheid economy.

income distributions, poor working conditions, large migrant or transient populations, access to drugs and alcohol, and illicit industries can create the potential for both small and large-scale conflict” (p. 17).

## **4.2 Loss of land and livelihood resources**

Although extractive industry investments can potentially provide important economic benefits for catchment communities, the significant amount of land and other livelihood resources they appropriate can also cause severe community dislocation and hinder local development. In many rural stretches of West Africa, communities are often guided by a strong sense of indigenous rights over natural resources, which may be deeply connected to identity and characterized by a firm sense of local entitlement, all of which can lead to a resentment of outsiders who exploit local resources for profit (Fanthorpe and Maconachie, 2010).

Further shaping questions around local access to resources within communities, unequal power relationships are a pervasive feature of social dynamics, and diverse and conflicting resource priorities between local actors can transform into contests of struggle or negotiation (Leach, Mearns, and Scoones, 1997). Unequal access to resources and competing visions of rural capitalism can therefore exacerbate tensions within communities, as well as between communities, governments, and extractive companies. Conflict at the community level may ensue over “the control of space, the governance of territory, access to land and water resources, the defence of human and citizenship rights, and dissatisfaction over the distribution of mineral rents” (Bebbington et al., 2008b, p. 893). The loss of livelihood resources associated with large-scale open-pit mines are particularly damaging to communities because they demand significant quantities of energy to operate. As Bebbington et al. (2008b) further note, mine development is often integrated with the construction of dams, hydroelectric plants, or other sources of energy, which can intensify existing competition over land, water, and energy. In response to perceptions of accumulation by dispossession, local communities may therefore mobilize around demands for distributive justice, “a more equitable distribution of the benefits deriving from the exploitation of natural resources” (Perreault, 2006, p. 154).

Land use conflicts can become particularly intense when the issue of tenure becomes unclear. In some cases, different systems of tenure may overlap (for example, customary tenure vs. state ownership), disputes may arise over disagreements concerning surface vs. subsoil ownership, and conflict may be ignited when different claims on valuable minerals or hydrocarbons are at stake. Indeed, land acquisition associated with extractive industry investments can further obscure tenure rights, particularly when they are insecure or contested (Cotula, 2014). In the case of Liberia, for example, one recent report for the Government Land Commission suggests that the government has issued concessions to commercial entrepreneurs, communities, and for conservation programs, which exceed 50 percent of the country’s land area. Much of this land, the report adds, has long been utilized by rural populations, opening up the inevitable likelihood for land disputes and conflict to erupt (see Land Commission of Liberia, 2012; EWER, 2012).

In short, land confrontation may result between different stakeholders (for example, communities, governments, and companies) simply because each places fundamentally different socioeconomic values on land (Hilson, 2002). Even when mining or oil and gas companies agree to compensate local communities for land appropriated, or relocate them to different areas, it often cannot adequately

make up for losses, particularly when territory is so closely associated with social identity and there is a strong cultural or spiritual connection to the land (Cotula, 2014). In the case of the longstanding insurgency that has prevailed in Nigeria's Niger Delta for over two decades, the entrenched nature of conflict may be at least partially explained precisely because oil extraction occurs on indigenous lands where different values between company and community are most extreme.

Coupled with the loss of land is the tendency for resource extraction to undermine income generation associated with traditional livelihoods. Not only has this marginalized peasant agriculture and led to the de-agrarianization of rural economies (Jønsson and Bryceson, 2009; Fisher, 2007), but it has often territorially supplanted ASM activities—a major informal employer because of its low barriers to entry. As Hilson and Yakovleva (2007) point out in the case of Ghana, central ministries have been known to grant concessions to companies in areas already occupied by ASM operators. In such situations, this has further “strained relations” between small and large-scale operators, usually resulting in the (often violent) eviction of small-scale miners from the concession, but occasionally resulting in some land being set aside for ASM activities to coexist with large-scale operations. In the case of Liberia, for example, Hummingbird Resources, an exploratory gold mining company that operates in the southeast region of country, has dealt with overlapping mineral concessions by allowing ASM operators to mine in selected concession areas, and to sell their gold independently. The company has also diffused tensions with the local population by employing former ASM operators on six-month renewable contracts within its license area (Small, 2012).

### **4.3 Environmental degradation**

As noted by Hilson (2012), “[f]ew industrial activities leave as great an environmental footprint or are as capable of having as much influence on the wellbeing of a society as a large-scale mine or oil and gas project” (p. 133). Since rural economies in West Africa are inextricably linked to the health of natural resources such as forests, soil, rivers, wildlife, and fish, a threat to the ecosystem is simultaneously a threat to the subsistence and income of local populations (Horowitz, 2011), placing concerns on “the security and integrity of livelihoods” (Bebbington et al., 2008a, p. 2890). Indeed, the environmental degradation caused by extractive industry projects can increase the vulnerability of the poor, exacerbate tensions, and trigger conflict. Such sentiments are confirmed in a recent study by Franks et al. (forthcoming), who examined publicly available information concerning 50 different cases of prolonged company-community conflict around mining operations and report that environmental issues were identified as the most common triggers of conflict.

Large-scale natural resource investments can have significant environmental costs, including water pollution, deforestation, loss of biodiversity, and soil degradation. In West Africa, there is perhaps no clearer example of the devastation that the environmental impacts of extractive industry activity can have on local-level livelihoods than the situation that has unfolded in Nigeria's oil-rich Niger Delta. Watts (2004) notes: “The consequences of flaring, spillage and waste for Ogoni fisheries and farming have been devastating. Two independent studies completed in 1997 reveal total petroleum hydrocarbons in Ogoni streams at 360 and 680 times the European Community permissible levels” (p. 288). Such ecological damage on farming and fishing-related traditional livelihood structures has, according to Pegg and Zabbey (2013), largely been accepted by the government as a legitimate cost of doing business in the Niger Delta. It has also been a major factor in perpetuating oil-related conflict for over two decades, first in the form of community protest against oil industry operations,

and then as the main driver of the petro-violence associated with insurgency and counter-insurgency responses by state security forces (Watts and Ibaba, 2011).

While some West African governments have been criticized for perpetuating a “race to the bottom,” in effect turning a blind eye to environmental standards in order to attract extractive industry investments, there is now a growing recognition that the environmental risks associated with the natural resource extraction industries must be mitigated if they are to translate into more sustainable development outcomes. Even so, there remains significant variation in the companies’ environmental behavior. (O’Faircheallaigh, 2008; Bebbington et al., 2013). However, in situations where companies, elites, and politicians reap the benefits of extraction and producing communities are not adequately compensated for bearing the social and environmental costs of extraction, the potential grounds for grievance and conflict increases. As a consequence, many extractive companies now take a more proactive role in making environmental considerations a central part of their business strategy, not least because they cannot afford to have their operations paralyzed by grievance-driven conflict. Indeed, the economic costs of lost productivity due to delay are significant,<sup>25</sup> and many extractive companies have embraced the opportunity to defuse potential conflict through CSR programs, also seeing it as an occasion to enhance their reputations abroad and strengthen their “social license to operate.”

While environmental and social impact assessments (ESIAs) are now enshrined in the legislation governing mining and petroleum investment in most West African countries,<sup>26</sup> they do not always facilitate environmentally sound forms of development. Significant challenges exist in the effective implementation of ESIs, including insufficient company expertise, a lack of institutional government capacity in the scrutiny of ESIs, the failure to monitor compliance with rigorous management plans, and weak negotiating powers of environmental agencies (Cotula, 2014). These regulatory instruments may also be misused by politicians and elites to sway political decision making by systematically overstating the benefits of investment and understating the adverse impacts. In many cases, impact studies are financed by the investor, which creates potential conflicts of interest. More needs to be done to insure that ESIs do not merely become another mechanism for diverting the benefits of extractive industry investment to elite actors. The involvement of multilateral lenders in financing impact assessments, and further scrutiny from civil society actors, can help increase the legitimacy and effectiveness of assessments (Cotula, 2014).

#### **4.4 Insufficient community consultation and compensation**

Finally, it is frequently the case that conflict within catchment communities can result from grievances that stem from insufficient compensation for loss of resources, or inadequate consultation with companies and governments. Although many countries have now adopted community development agreements (CDAs) or similar arrangements in their mining laws, companies still often deal directly with central government agencies, bypassing local stakeholders

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<sup>25</sup> For example, Franks et al. (forthcoming) report a case of major world-class mining project with capital expenditure of between US\$3 and 5 billion, that suffered roughly US\$20 million per week of delayed production in net present value terms as a result of community conflict.

<sup>26</sup> Examples of such legislation include Ghana’s Environmental Protection Act of 1994, Cameroon’s Framework Law on Environmental Protection of 1996, Senegal’s Environment code of 2001, Sierra Leone’s Mines and Minerals Act 2009, and Mali’s Mining Code of 1999.

altogether. In some cases where limited community consultation does take place, mining companies may privilege relations with elites or traditional leaders, whose interests can diverge considerably from those of the community. In such situations, elites may capture supplier contracts, employment opportunities, and other benefits.

Community stakeholders often lack the power and capacity necessary to participate equitably in consultation and decision-making processes, and as a consequence, remain marginalized and poor. Even in situations when consultation does take place, it may not be meaningful and can be coopted by the interests of more powerful actors (Maconachie, 2010). For example, in the context of the major iron ore investments that have recently taken place in Sierra Leone, Fanthorpe and Gabelle (2013) point out that “[c]ompanies are not required to secure local landowners’ consent in order to obtain large-scale mining licences; they merely have to supply licensing authorities with evidence that they have consulted with ‘interested and affected parties’” (p. 73). Responsibility to consult, they go on, “does not grant communities a right of input into either the terms of mining license agreements or the monitoring of environmental and social management programmes” (p. 73). In the case of the Niger Delta in Nigeria, whether engagement with communities or community development projects has led to meaningful pro-poor change is a matter of debate. Pegg and Zabbey (2013) argue that there is a “fundamental incompatibility” in the relationships between oil companies, governments, and catchment communities. Despite all the well-meaning rhetoric about CSR, with vast sums of money being spent on community development projects, those living within the oil-producing regions are among the most impoverished and marginalized in the country.

## 5. Conclusion

In the context of West Africa’s current extractive industry boom, it remains an ongoing challenge to convert resource rents into sustainable development trajectories that provide space for meaningful citizen engagement and accommodate the needs of all segments of society. While vast new discoveries of valuable and increasingly accessible resources such as oil and iron ore have propelled West African states to positions of unprecedented economic growth, history has shown that if such resources are badly managed, mounting tension and conflict are inevitable.

It is also clear, however, that the conflict triggers associated with resource-related grievances are most often connected to, and reinforced by, deeper structural drivers of change. In this respect, operational interventions to mitigate conflict and yield more sustainable and equitable development outcomes must be informed by a richer and more textured understanding of complex country contexts. Indeed, it is not possible to engage with the broader issues of governance and development without a more nuanced understanding of the political economy of extraction (Barma et al., 2012), or an appreciation to how this is connected to wider patterns of accumulation and distribution. Any attempt to reduce levels of conflict will therefore not only require attention to “better” resource management, but also to local contextual political struggles and how they are embedded within broader causal factors.

In exploring the attendant challenges, obstacles, and constraints to effective management of the natural resources sector in West Africa, this chapter set out to deepen understanding of the factors that can exacerbate both intra- and interstate conflict. An initial reading of the evidence suggests that government dependency on extractive industry revenue can have a corrosive impact on both

politics and governance, a process that increases horizontal inequality and opens the possibility for conflict. This includes the historical trends of ineffective governance from which many countries suffer, and also the problem of elite capture of resources and a lack of consideration for communities' economic and social rights. In addressing these problems, standard "blueprint" approaches to governance reform—including those supported by the World Bank—have emphasized solutions such as enhanced efficiency in public administration, stronger rule of law, increased transparency, and better accountability.

However, given the importance of context and nuance in understanding how conflict triggers are embedded within the wider political economy of extractive industry investment, we would also argue that there is a pressing need for a more refined and situated understanding of the governance agenda. In the context of this chapter, there are two important and interrelated governance "entry points" for understanding and addressing the roots of fragility and conflict associated with extractive industry investment. Each of these areas for engagement is elaborated upon below.

## **5.1 Broadening the view of governance**

Following Desai and Jarvis (2012), we suggest that it remains vital to broaden the view of governance beyond attempts at merely making improvements in the formal use of power by national executives. Different scales of analysis remain important in understanding governance relationships, as does a more complete understanding of the asymmetrical power dynamics between the different actors involved. In broadening mainstream views of governance, we first suggest that there is a pressing need to better understand political dynamics at the subnational level. An enhanced analysis should incorporate both state and quasi-state actors, and must be sensitive to the historical tendency for resource revenues to be captured by ruling elites and fuel patronage politics. Without an appreciation of subnational power relationships, or how natural resource revenues are implicated in political bargaining, donor-driven governance interventions are likely to yield disappointing results.

Second, a broader view of extractives governance must also encompass a more nuanced appreciation of regional governance relationships between national states. As has already been noted, at the interstate level weak governance zones such as the Mano River Union have historically proven to be fertile grounds for "contagion" effects to occur, with the spillover of conflict being facilitated by porous and unregulated borders. Consequently, there are a series of connections to explore concerning the structural factors that weaken regional governance initiatives, including those designed to contain contagion effects, address transboundary resource management issues (such as shared infrastructural development and the mitigation of socioenvironmental impacts), or confront factors that incentivize governments to "race to the bottom" in attracting extractive industry investment.

Third, we argue for a more rigorous analysis of the strengths and limitations of governance regulations that are being driven by developed countries, with a better understanding of how these initiatives are shaped by a diversity of interests and agendas. While some well-intentioned regulations may address specific concerns for large-scale companies or their shareholders, they may neither recognize the needs of in-country actors nor have relevance, or be well suited, to local contexts.

Finally, and on a related note, a broader and more complete picture of corporate governance is also necessary, with particular attention paid to exploring how companies interact with communities at the local level. Desai and Jarvis (2012) remark that World Bank support for multistakeholder initiatives, the enforcement of industry standards, and coalition building to enhance social accountability are all positive steps. However, considerable concerns have been raised by other scholars about the way that some extractive companies implement CSR schemes or community development programs with little knowledge or understanding of the sociocultural contexts of the people who reside in the areas where they operate (Hilson and Banchirigah, 2009; Tschakert, 2009). In extreme cases (for example, see Gilberthorpe and Banks, 2012), an over-emphasis on meeting global sustainability performance standards can lead to inappropriate and ill-conceived development outcomes at the local level, which may result in further fragmentation and inequality. This also raises the question of how sincere extractive companies actually are about their development initiatives, and whether the pursuit of “blueprint” CSR schemes might instead play a role in decontextualizing local development needs.

## **5.2 Deepening governance focus**

Second, it also remains vital to deepen the governance focus, particularly at the subnational level where many of the social, environmental, and political flashpoints associated with extractive industry investment are located. This focus, it is argued, should be framed around two central processes: transparency and participation.

Typically, transparency has been understood as the process of creating and disseminating information to citizens (Desai and Jarvis, 2012). In the context of extractive industry development, numerous initiatives have been instigated to facilitate this process, most notably the EITI. Yet it should also be stressed that the drive for transparency must be extended beyond revenue reporting to include the many other challenges that have been highlighted in this chapter. For example, the social, environmental, and livelihood costs of extractive industry investment should be disclosed to stakeholders through structured citizen engagement frameworks before a contract is signed, with further opportunities for public consultation at different stages of the project life cycle. Increased transparency around the benefits of extraction, including information on employment opportunities, compensation processes, and monetary streams should also be a focus of community consultation.

But while transparency undoubtedly remains an important element in strengthening good governance around oil, gas, and mining, it can also provide an arena for confrontation and conflict between opposing groups of actors, and even retrenchment of existing power hierarchies. For example, government, communities, and civil society, all of which have different agendas, will also have a variety of positions on transparency. While governments may refuse to disclose information to protect their hidden agendas, communities and civil society organizations are likely to be much stronger advocates for transparency (Cotula, 2014). But the bigger question at stake concerns what stakeholders can actually achieve with information once they have obtained it. While contract disclosure, for example, may lead to better accountability, this only becomes useful to impacted communities if the information obtained can be used in a meaningful way. The ability for different actors to effectively use information is above all a function of political space, and as Cotula (2014) notes, depending on context, this may require significant investments in capacity building at the community level. Put simply, an integral part of ensuring that information translates into meaningful

and inclusive development involves a better understanding of the politics of participation, and a more nuanced understanding of how power shapes relationships between different stakeholder groups.

While “participation” has become enshrined as a central tenet of development discourse and is now widely accepted as “standard practice” in development policy and practice, more recent explorations of participatory processes have been increasingly critical (Hickey and Mohan, 2005; Mansuri and Rao, 2013). Even in situations where citizens are “invited” to participate in intentionally designed institutional spaces (for example, within legal CDAs or voluntary CSR programs), the inclusion of local actors in decision-making processes cannot be taken as a given (Maconachie, 2010). While the World Bank’s Extractive Industries Review (EIR) has concluded that the participation of affected communities in processes of free, prior, and informed consent (FPIC) is a necessary condition for extractive projects to contribute to poverty alleviation and sustainable development, there has been significant debate and critique over the ways in which consultation actually plays out. Indeed, oppressive histories, unequal power relationships, and a lack of capacity can all inhibit citizen participation in extractive industry development.

In sum, a deeper focus on the politics of participation—whether through FPIC processes, ESIA consultations, or CDAs—is an important first step in understanding how the spaces of public participation can either thrive or become shut down. It is clear that unequal relationships within communities, or between the national and subnational level, can limit or even derail the participation process. While participation is often treated as a romanticized notion of democratic space that remains unaffected by the real world, the reality in West Africa is quite different. Ultimately, bringing questions of power and politics to the center of analysis is an important step in ensuring that the extractive industries become a source of more inclusive and sustainable development, rather than an arena of contestation and conflict.

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