

# From Fragility to Resilience

## Managing Natural Resources in Fragile Situations in Africa



AFRICAN DEVELOPMENT BANK GROUP

Transition Support Department

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*Managing Natural Resources in Fragile Situations in Africa*

February 2016



AFRICAN DEVELOPMENT BANK GROUP

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**On behalf of the Transition Support Department of the African Development Bank (AfDB) under the supervision of:** Sibry Tapsoba, Director.

This report was prepared by the Environmental Law Institute for the Transition Support Department of the African Development Bank. The findings and terminologies including the use of the expression 'fragile states' are the opinions of the authors and not necessarily those of the African Development Bank or its Board of Directors. Every effort has been made to include inputs by Bank staff, staff of state governments in fragile situations, development partners, and other stakeholders.

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## Acronyms

A4P	<i>Agenda for Prosperity</i>
ACSP	African Carbon Support Programme
ADF	African Development Fund
AfDB	African Development Bank
AFLEG	Africa Forest Law Enforcement Governance and Trade
AGOA	U.S. African Growth and Opportunity Act
ALSF	African Legal Support Facility
ASM	artisanal and small-scale mining
AWF	African Water Facility
AU	African Union
BOT	build, operate, transfer
CAR	Central African Republic
CBFF	Congo Basin Forest Fund
COMESA	Common Market for Eastern and Southern Africa
COMIFAC	Central African Forest Commission
COREP	Regional Fisheries Committee for the Gulf of Guinea
CPIA	Country Policy and Institutional Assessment
CSO	civil society organization
CSP	Country Strategy Paper
DDR	disarmament, demobilization, and reintegration
DFID	United Kingdom Department for International Development
DRC	Democratic Republic of the Congo
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
EU	European Union
FIP	Forest Investment Programme
FLEG	Forest Law Enforcement Governance and Trade
FSF	Fragile States Facility
GDP	gross domestic product
GEMAP	Governance and Economic Management Assistance Programme
GHA	Greater Horn of Africa
ICBT	informal cross-border trade
ICGLR RINR	The International Conference on the Great Lakes Region's Regional Initiative against the Illegal Exploitation of Natural Resources
IGAD	Intergovernmental Authority on Development
IPCC	Intergovernmental Panel on Climate Change
IRM	Independent Review Mechanism
IWRM	integrated water resource management
LCBC	Lake Chad Basin Commission
LSLA	large-scale land acquisition
LTS	Long Term Strategy (of the Bank)
MFI	microfinance institutions
MRU	Mano River Union
NAPA	National Adaptation Programme of Action
NERICA	New Rice for Africa
NGO	nongovernmental organization
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OFCA	Observatory for the Forests of Central Africa
OPIC	U.S. Overseas Private Investment Corporation
PACEBCo	Congo Basin Ecosystems Conservation Support Programme
PCNA	Post Conflict Needs Assessment
PIDA	Program for Infrastructure Development in Africa

PPP	public-private partnership
PRODAP	Lake Tanganyika Integrated Regional Development Programme
PRSP	Poverty Reduction Strategy Paper
RAFT	Responsible Asia Forestry and Trade program
REC	regional economic community
REDD+	Reducing Emissions from Deforestation and Degradation Plus Sustainable Forest Management
RMC	Regional Member Country
RRA	Rwanda Revenue Authority
SADC	Southern African Development Community
SAPC	Smallholder Agricultural Productivity Enhancement and Commercialization Project
SDF	Social Development Fund (Liberia)
SEA	Strategic Environmental Assessment
SEC	U.S. Securities and Exchange Commission
SHG	self-help group
SME	small and medium enterprises
TSF	Transition Support Facility
TSP	transboundary strategic plan
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
USGS	United States Geological Survey
VSLA	village saving and loan association

## Foreword

Sustainable natural resource management has the potential to transform economies of resource-rich countries in Africa. Envisioning the future of economic growth in Africa, the African Development Bank is focusing on equity, inclusiveness, the preservation of natural capital, and the creation of decent jobs, especially for youth and women. Almost all states in extreme fragile situations have abundant natural resources that can serve as a foundation for employment and macroeconomic development; however, these states often lack the capacity to effectively transform those resources into sustained economic growth, good jobs, and the achievement of the Millennium Development Goals. Moreover, natural resources are often strongly linked to conflict and fragility, from diamonds financing conflict in Sierra Leone to the control of oil fields as a key tension between South Sudan and Sudan.

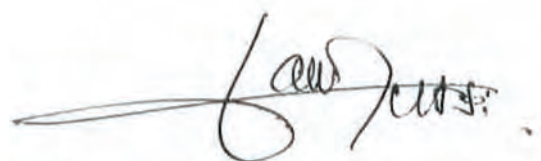
The Bank mobilizes significant resources for development projects in fragile situations in Africa. Between 2008 and 2011, the Bank disbursed over US\$1 billion through the Fragile States Facility (FSF) alone. This is a small portion of Bank lending to states in fragile situations, which also includes support through the African Development Fund and other mechanisms, such as the Congo Basin Forest Fund, the African Water Facility, and the African Legal Support Facility, which are administered by the Bank. On average between 2011 and 2012, the Bank was among the 10 largest donors of official development assistance in 13 of the 19 states eligible for funding under the Bank's FSF.<sup>1</sup> Among five of these 13 states in Africa, the Bank was among the top five donors. This funding has been distributed to a wide array of development initiatives, including natural resource management initiatives. For example, the funds help the states manage natural resource revenues transparently, increase agricultural production, and expand access to water.

The Bank has developed the Flagship Report for government officials, members of civil society, private sector actors, Bank staff, and other development partners working in fragile situations in Africa. The Report posits that fragility is a continuum, and many states that are not fragile experience tensions, localized conflict, and other pockets of fragility. African states experiencing these localized challenges can use these techniques and approaches to build resilience. Accordingly, the African experiences in this report are also relevant to fragile situations globally.

The Flagship Report seeks to build resilience in fragile situations in Africa by charting a course toward a more effective and conflict-sensitive natural resource management. It builds on many innovative Bank projects and experiences by Regional Member Countries (RMCs) and other development partners. The Flagship Report is part of a series of comprehensive efforts to improve Bank programming in fragile situations by considering fragility, supporting national peacebuilding and statebuilding, and increasing conflict sensitivity in Bank programming.

The report is the product of extensive consultations with Bank staff, officials from countries experiencing fragile situations in Africa, representatives from development partners, and stakeholders from civil society and the private sector. It focuses on how the states, the Bank, and other development partners can more effectively harness natural resources to address the causes and drivers of state fragility. It identifies key challenges and approaches to natural resource management that states in fragile situations in Africa and development partners have tailored to address these challenges. The Flagship Report emphasizes core principles that are particularly important where weak governance, lack of capacity, and other challenges require more focused attention beyond what is needed in other developing country contexts.

The Bank is proud to build on its collaboration with RMCs as they leverage their natural capital to support inclusive economic growth as part of the national peacebuilding and statebuilding process.



Janvier K. Litse  
Acting Vice-President, Country and Regional Programme  
African Development Bank

## Endnotes

<sup>1</sup> No comparable data was available for South Sudan for 2011–2012. OECD 2013a.





## Preface

In Africa, natural resource sectors generate approximately one-third of growth in gross domestic product, serving as a foundation for employment, food security, and development. For example, when oil was discovered off the coast of São Tomé, the government received a signing bonus of approximately USD \$100 million, more than twice its annual budget. Unfortunately, natural resources have also financed or been a contributing cause of at least 14 conflicts in Africa countries in fragile situations. Natural resources are therefore both a driver of conflict, if mismanaged, and a source of resilience, if managed well.

Several major global declarations and reports over the past fifteen years recognize the potential of natural resource management to strengthen resilience in fragile situations. These include reports on peacebuilding by the United Nations Secretary-General in 2009, 2010, 2012, and 2014; the 2015 report by the United Nations Secretary-General's High Level Independent Panel on UN Peace Operations; and the 2015 report of the Advisory Group of Experts on the Review of the UN Peacebuilding Architecture. The 2011 Busan New Deal, which was endorsed by the Bank, articulates a vision focusing on countries transitioning out of fragility to resilience, and many of the New Deal's objectives rely on effective natural resource management.

With this Flagship Report, the Bank is helping to develop a detailed understanding of the dynamics of natural resource management in fragile situations in Africa. Building on that understanding, the Report identifies and analyzes region-specific opportunities for action. In providing this vision, the Report helps to operationalize the principles outlined in the global documents, reflecting the priorities, capacities, and perspectives of African countries and institutions.

Fragility spans a broad spectrum that is varied in geographic scope and frequency of conflict, ranging from declared hostilities between warring parties to established states that experience sporadic violence. It can also be triggered by a failed or a flawed election, an attempt to modify the constitution for selfish political gains, a natural disaster and/or a health epidemic. These explain the Bank's decision to move from the concept of *fragile states* to countries in *fragile situations* or countries in *transition*. Accordingly, the approaches to natural resource management described in the Report are broadly relevant to all states seeking to transition from fragility towards resilience.

Prepared jointly with the Environmental Law Institute (ELI), this Flagship Report aims to improve the conceptualization, development, and implementation of conflict-sensitive projects and programs in Africa. It seeks to inform representatives from regional member countries, Bank staff, and other partners. The Report represents an important step in mainstreaming both fragility and natural resource management into Africa's development process.

I would like to thank the ELI, Bank staff as well as everyone else who has contributed in one way or the other to the success of this Flagship Report.

I encourage you to read both the summary and the full report.



Sibry J.M. Tapsoba,  
Director, Transition Support Department,  
African Development Bank Group





## Acknowledgements

This report was made possible through the effort and dedication of a multitude of individuals within the African Development Bank (the Bank), the Environmental Law Institute, and several state governments in fragile situations, development partners, civil society organizations, and private sector institutions.

The findings of this report were based on desk research that was enriched through interviews of more than 130 people representing Bank staff from a broad range of departments and units, as well as external development partners, implementing partners, state governments in fragile situations, and other institutions. A list of interviewees is included as Appendix A of the full report.

Preliminary findings were vetted by Bank staff whose comments and inputs enrich the analysis on the key issues of fragility, conflict, and violence. In this regard, the contributions of Franck Perrault, Senait Assefa and Bitsat Kassahun are specially acknowledged. Similarly recognised are the efforts of El Iza Mohamedou, Frederik Teufel, Bruno Boedts, Albert Mafusire, Ola Adigun and Habiba Ben Barka. The consultations and follow-up exchanges with staff of the African Legal Support Facility (ALSF) and African Natural Resource Center (ANRC) provided deeper technical insights, and are appreciated. Also recalled are staff who generously contributed their time and views in a consultative meeting in January 2013. The meeting participants are listed in Appendix B of the full report.

Peer reviewers provided invaluable feedback from a broad range of perspectives both internal and external to the Bank. The peer reviewers are listed in Appendix C of the full report.

Research and publication assistance was provided by visiting attorneys, visiting researchers, and interns at the Environmental Law Institute, including Helaine Alon, Simonne Brousseau, Francesca Buzzi, Alyssa Casey, Elizabeth Euler, Emmanuel Feld, Farah Hegazi, Elizabeth Hessami, Amber Kim, Brett Lingle, Delphine Robert, Carina Roselli, Mike Stephens, Janna Wandzilak, Nikita West, Patrick Woolsey, Joel Young, and Madaline Young. Special thanks to Adam Harris and Alex Hoover for their support on Chapters 11 and 9, respectively.

The publication process also relied on the invaluable work of several contracted professionals. Graham Campbell designed the cover, prepared the style guide for the interior of the report, and performed the layout; Joelle Stallone proofread the manuscript.

Photos contributed by Carl Bruch, several photographers from the Enough Project, Damien Mbonicuye, Bocar Thiam, and numerous Bank staff members have been used in the layout of the report.





## Overview

*At the dawn of independence in the 1960s, Africa's founding fathers set as their goal the elimination of poverty, ignorance, disease, colonial rule, and apartheid from the continent in their lifetime. Fifty years on, there is significant progress, but also major setbacks.*

*The continent could have moved faster if greater attention had been given to issues of economic integration, investing in people, and natural resources management.*

Donald Kaberuka  
President, African Development Bank<sup>1</sup>

## Introduction

Natural resources have the potential to catalyze transformative change in fragile states in Africa.<sup>2</sup> In *At the Center of Africa's Transformation: Strategy for 2013–2022 (Ten Year Strategy for 2013–2022)*, the African Development Bank (the Bank) envisions the next decade as an opportunity for Africa to become the world's next emerging market, with growing internal and external demand for African products. It asserts that this is a possibility “if Africa can seize its potential in water, agriculture, renewable energy, and other sectors, especially oil, gas, and minerals.”<sup>3</sup>

Natural resources include both extractive resources (oil, gas, and minerals) and renewable resources (arable land, forests, fisheries, livestock, and water). They provide employment, food security, export revenues, and the foundation for private-sector development. Natural resources are the essential inputs to basic services, such as water supply and energy, and they have cultural and social values. Revenues from these natural resources can be the foundation for transformative change if the revenues are managed inclusively and equitably. For example, when oil was discovered in São Tomé and Príncipe, the signature bonuses for nine offshore blocs constituted more than twice the country's annual budget.<sup>4</sup>



Despite these great opportunities, many African countries facing fragility have struggled to leverage their resource wealth to realize practical development gains for their populations. These states are often hampered by widespread poverty, frequent conflict, poor governance, weak administrative capacity, high perceptions of corruption, and challenging climates for doing business—much of which relates to natural resource management.<sup>5</sup>

This Flagship Report examines how fragile states in Africa can better manage their natural resources to address the causes and drivers of fragility. It highlights key challenges, themes, opportunities, and approaches for managing natural resources in fragile states. The target audiences for this Report are policy makers in the fragile states, Bank staff, and development partners. By delving into key sectors and programming approaches, this Report provides ideas and recommendations on how to design and implement natural resource-related initiatives to advance development objectives, reduce the risk of conflict, and ultimately make those states less fragile and more resilient.<sup>6</sup> While this Report provides a broad vision, drawing upon experiences to date, further efforts (such as the development of checklists and resource-specific guidance) are necessary to translate this vision into operational reality.

This overview chapter introduces foundational concepts in state fragility, conflict, resilience, and natural resource management, and it surveys ways in which natural resources influence conflict dynamics, peacebuilding, and statebuilding. After introducing key concepts, the chapter reviews major Bank strategies and initiatives that relate to state fragility and natural resource management and examines the Bank's efforts in the broader global context of natural resource management in fragile states. The chapter concludes by outlining the structure of the report and describing the methodology used to prepare the report.

## 1.1 Fragility, Resilience, and Natural Resources

In FY 2013, the Bank classified 19 African States as fragile (see box on Fragile States Classification).<sup>7</sup> These states experience development challenges more acutely than other developing countries, and they have the farthest to go to meet the Millennium Development Goals. Globally, 65 percent of people who lack access to safe water and 60 percent of people without adequate nourishment live in fragile states.<sup>8</sup>

Fragile states are disproportionately likely to be affected by conflict. Almost 80 percent (15 out of 19) of fragile states in Africa have experienced armed conflict in the last 20 years,<sup>9</sup> with 11 countries

experiencing armed conflicts in the last 10 years.<sup>10</sup> Conflict, in turn, increases state and regional fragility. To break the conflict cycle and build resilience, fragile states must address the causes and drivers of conflict when designing and implementing strategies for statebuilding. For these reasons, the focus areas for development in fragile states are building resilience, peace, and statebuilding.

Natural resources can take a central role in implementing statebuilding strategies because they often provide a foundation for socioeconomic development of a country. In Africa, approximately one-third of real gross domestic product growth comes from natural resource extraction. Natural resources are a primary source of employment: at least 70 percent of the labor force in Burundi, the Central African Republic (CAR), Côte d'Ivoire, and the Democratic Republic of the Congo (DRC) work in agriculture, fishing, or pastoralism.<sup>11</sup>

In terms of trade, commodities (generally unprocessed) make up over 80 percent of the continent's export earnings.<sup>12</sup> Table 1.1 at the end of this section lists the top five exports for each of the fragile states in Africa. Oil, gas, and minerals are key exports for CAR, Chad, Congo, Côte d'Ivoire, DRC, Guinea, Sierra Leone, South Sudan, Sudan, and Zimbabwe.<sup>13</sup> Six of the 19 fragile states in Africa are currently exploiting their oil or gas deposits, and companies are exploring for new reserves in six more fragile states in Africa.<sup>14</sup> At least 14 fragile states in Africa have deposits of gold or diamonds, and two others are being explored for gold deposits.<sup>15</sup>

All these resources could present significant opportunities for economic growth, yet in many instances these resources are not managed effectively. In fact, they have at times posed significant challenges. In any given year during the last 60 years, between 40 and 60 percent of ongoing internal armed conflicts globally have been linked to natural resources.<sup>16</sup> According to the United Nations Interagency Framework Team for Preventative Action, "slow-developing low income economies largely dependent on natural resources are 10 times more likely than others to experience civil war."<sup>17</sup> On the other hand, developing countries lacking major natural resources grew between two and three times faster during the last 40 years than resource-rich countries.<sup>18</sup> On the African Continent, natural resources contributed to the cause or financing of at least 14 conflicts in fragile states in Africa.<sup>19</sup>

Competition over scarce resources such as land, grazing areas, and water sources has given rise to localized conflicts in many African states,<sup>20</sup> while struggles for control of oil and other valuable resources have fueled national and international conflicts.<sup>21</sup> Because decisions related to natural

## Fragile States Classification

For operational and resource allocation purposes, the Bank uses a classification approach agreed to by multilateral development banks in 2008. The approach defines fragile states based on harmonized Country Policy and Institutional Assessment (CPIA) ratings calculated by the Bank and the World Bank. The CPIA measures economic management, structural policies, policies for social inclusion and equity, and governance. Fragile states are defined as those countries that have either “a) a harmonized average CPIA country rating of 3.2 or below, and/or b) the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years.”

Nineteen African states were listed in the FY 2013 Harmonized List of Fragile Situations: Angola, Burundi, Central African Republic, Chad, Comoros, Congo, Côte d’Ivoire, Democratic Republic of the Congo, Eritrea, Guinea, Guinea-Bissau, Liberia, Libya, Sierra Leone, Somalia, South Sudan, Sudan, Togo, and Zimbabwe. These states—with the exception of Angola and Libya—were eligible for funding through the Bank’s Fragile States Facility (FSF)—now, the Transition Support Facility (TSF)—in FY 2013. Djibouti and São Tomé and Príncipe were also eligible for FSF funding based on their classification as fragile states in previous years. The figures in this Flagship Report focus on those countries that were eligible for FSF funding in FY 2013.

Fragility is fluid, and the list of fragile states changes each year. The list of fragile states changed again in FY 2014 and again in FY 2015.

For the purpose of this Report, statistics that use the terms “fragile states in Africa” and “fragile states in Africa” refer to FY 2013 FSF-eligible countries. When used more broadly, these terms refer to countries currently eligible for TSF funding. It is worth noting that—due to the limitation of the CPIA approach and the recognition that fragility is a critical development challenge that neither respects borders nor is limited to a category of countries—the Bank approved a new strategy, *Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014–2019*, which offers a broader perspective by focusing on “fragile situations”.

resource management are made at every level of government, conflicts related to natural resources are diverse in scale, varying from one context to another. Community-level allocation of natural resources can

give rise to local clashes. National-level decisions, such as policies on landownership or large-scale concessions, can lead to more widespread tensions and conflict. The box on Similar Challenges but

## Similar Challenges but Diverse Contexts

The range of dynamics, strategies, and approaches discussed in this Flagship Report are designed to give fragile states the information they need to choose strategies that are most responsive to their national objectives and then tailor initiatives to their local context. This process will vary from one fragile state to another because of the diversity of drivers of fragility and the particular context of each fragile state. For example, while most fragile states have experienced armed conflict in the last 20 years, three fragile states are not classified as post-conflict countries. Still other fragile states face ongoing conflict. Even among the states that have experienced conflict, each situation is different. The causes, drivers, and duration of the conflict; the length of time since the end of the conflict; and the events that have occurred in the interim are all necessary to consider when charting a course forward. The capacity of state institutions differs from state to state, from situations where the state is extremely weak and exerts little influence outside the capital to situations where the state is on its way to recovery, has renewed legitimacy and authority, and is working to build capacity and institutions at the national and subnational levels. Likewise, each country’s natural resource base is different. Some countries are rich in extractive resources, while others have a wealth of renewable resources such as fisheries or agriculture. And others have to cope with water scarcity or limited infrastructure.



Harvesters in DRC. Photo: AfDB.

Diverse Contexts discusses the broad range of fragile states and the need to tailor development initiatives to conditions on the ground.

Natural resources that support the financing of conflict include both familiar conflict resources, such as diamonds and timber in Sierra Leone and Liberia, and less familiar conflict resources, such as charcoal, bananas, and fish in Somalia.<sup>22</sup> Additionally, countries recovering from resource-related conflicts are more likely to relapse into conflict, and relapse twice as quickly as countries recovering from other types of conflict.<sup>23</sup>

These trends demonstrate that fragile states must be sensitive to the causes and drivers of conflict, and must manage natural resources effectively to seize opportunities for transformative growth. Each fragile state must ultimately choose its own path out of fragility. With this in mind, the next section summarizes some of the key paradigms that relate to conflict, peacebuilding, statebuilding, and natural resource management in order to help fragile states design national strategies.

## 1.2 Natural Resources, Conflict Dynamics, Peacebuilding, and Statebuilding

Conflict sensitivity and the use of natural resources to support national peacebuilding and statebuilding strategies are important in fragile states due to the close connections between fragility, conflict, natural resources, and resilience. These themes build on the findings of a 2012 evaluation of Bank activities in fragile states, which found that *further analysis is needed of “the all-important political context and the drivers of conflict and fragility.”*<sup>24</sup> The report explained that explicit links are needed between Bank programming and national peacebuilding and statebuilding objectives to reduce the risk that Bank interventions in fragile states could fail or even do harm.<sup>25</sup> In June 2014, the Bank approved a new strategy for engaging in fragile situations, entitled *Addressing Fragility and Building Resilience in Africa: The African Development Bank Group*

*Strategy 2014–2019 (Fragile States Strategy).*<sup>26</sup> The 2014 *Fragile States Strategy* recognizes that while the Bank’s operational interlocutors will remain mostly state-centered, the Bank will focus on fragile situations rather than fragile states because fragility does not respect state boundaries. It also recognizes the need to mainstream a fragility perspective into Bank operations in fragile states (Chapter 10). As such, *all Bank activities in fragile states, including natural resource management activities, should be conflict sensitive and support peacebuilding and statebuilding.*

Stakeholders, including the Bank, need to apply conflict sensitivity “to (a) understand the context in which it is operating, (b) understand the interaction between the intervention and that context, and (c) act upon that understanding in order to avoid negative impacts and maximise positive impacts on the conflict.”<sup>27</sup> To develop conflict-sensitive programs and projects, government officials in fragile situations and development partners use a variety of tools and analytical frameworks to identify potential risks and opportunities associated with different courses of action. This involves a systematic examination of the (1) context of the conflict or tensions that are causing fragility and (2) the proposed intervention in ways that identify the needs and interests of all actors involved. Conflict-sensitive approaches are important to government officials in fragile states because they can both identify how development initiatives might increase tensions, and be used to develop alternative strategies to improve relations, or at least to avoid adding further stress to fragile situations.

When dealing with natural resources, stakeholders need to understand the many ways that natural resources affect state fragility through competition over access, grievances, conflict financing, peacemaking, and peacebuilding. Conversely, state fragility affects the allocation, extraction, management, and governance of natural resources. Generally, natural resources can play one or more of three roles in state fragility. *Natural resources can be an asset for peacebuilding and statebuilding; natural resource management practices can be a contributing cause of conflict; and natural resources can be a source of financing for conflict.* A single natural resource can play any number of these roles within fragile states (see Figure 1.1).

Where natural resources play a stronger or more pervasive role in state fragility, natural resource management initiatives must become more holistic. Initiatives may need to simultaneously address multiple overlapping challenges that relate to the governance, economic, and social dimensions of natural resource management, in addition to more technical or scientific challenges such as boosting agricultural productivity or increasing energy efficiency.

Table 1.1: Top five exports for fragile states in Africa, 2010

Country	Percentage of Total Exports		Export
Burundi	50.35%	●	Coffee, not roasted
	14.99%	●	Gold
	4.34%	●	Tea
	3.89%	●	Tungsten ores
	3.76%	●	Hides and skins <sup>+</sup>
Central African Republic	44.78%	●	Wood products <sup>+</sup>
	31.50%	●	Diamonds
	9.99%	●	Cotton, raw
	3.79%	●	Coffee, not roasted
	2.90%	●	Ferrous waste and scrap
Chad	88.10%	●	Petroleum <sup>+</sup>
	2.74%	●	Chlorine, bromine, and iodine compounds
	2.65%	●	Artificial filament tow
	2.51%	●	Unglazed ceramics
	2.02%	●	Iron structures
Comoros	30.83%	●	Cloves
	22.74%	●	Cruise ships and floating structures <sup>+</sup>
	13.96%	●	Essential oils
	12.18%	●	Fish <sup>+</sup>
	5.33%	●	Vanilla beans
Congo (Republic of)	86.53%	●	Petroleum <sup>+</sup>
	3.63%	●	Copper <sup>+</sup>
	3.55%	●	Wood products <sup>+</sup>
	2.16%	●	Cars
	0.99%	●	Tin ores
Côte d'Ivoire	38.41%	●	Cocoa products <sup>+</sup>
	21.27%	●	Petroleum <sup>+</sup>
	6.84%	●	Natural rubber
	6.23%	●	Drilling platforms
	4.10%	●	Coconuts, brazil nuts, cashews
Democratic Republic of the Congo	34.45%	●	Copper <sup>+</sup>
	32.53%	●	Cobalt <sup>+</sup>
	11.92%	●	Petroleum <sup>+</sup>
	11.85%	●	Gold content
	3.30%	●	Diamonds
Djibouti	69.05%	●	Livestock <sup>+</sup>
	12.97%	●	Coffee, not roasted
	3.05%	●	Hides and skins <sup>+</sup>
	2.25%	●	Transmission apparatus
	1.94%	●	Rice
Eritrea	11.32%	●	Sheep
	10.45%	●	Clothing, not knit <sup>+</sup>
	9.33%	●	Nutmeg
	7.79%	●	Cotton yarn
	6.60%	●	Automatic data processing machines

Continues on next page.

Country	Percentage of Total Exports		Export
Guinea	36.68%	●	Petroleum <sup>+</sup>
	35.23%	●	Aluminum ores
	10.03%	●	Artificial corundum
	3.14%	●	Wood products <sup>+</sup>
	3.00%	●	Gold
Guinea-Bissau	63.12%	●	Coconuts, brazil nuts, cashews
	20.19%	●	Frozen fish
	6.68%	●	Natural rubber
	3.90%	●	Wood products <sup>+</sup>
	1.72%	●	Ferrous waste and scrap
Liberia	34.18%	●	Ships and boats <sup>+</sup>
	30.02%	●	Natural rubber
	25.50%	●	Petroleum <sup>+</sup>
	1.85%	●	Diamonds
	1.71%	●	Cocoa beans, whole
São Tomé and Príncipe	36.45%	●	Cocoa products <sup>+</sup>
	17.00%	●	Watches, wrist and pocket
	12.02%	●	Jewelry, precious metal
	3.40%	●	Electronic integrated circuits
	2.22%	●	Radio, telephone, and television parts
Sierra Leone	29.06%	●	Diamonds
	13.62%	●	Aluminum ores
	11.90%	●	Cocoa beans, whole
	8.06%	●	Titanium ores
	6.10%	●	Cruise ships and floating structures <sup>+</sup>
Somalia	83.46%	●	Livestock <sup>+</sup>
	6.63%	●	Wood charcoal
	3.71%	●	Hides and skins <sup>+</sup>
	3.52%	●	Other oily seeds
	0.74%	●	Lac
Sudan*	90.85%	●	Petroleum <sup>+</sup>
	2.24%	●	Sheep
	1.96%	●	Other oil seeds
	1.02%	●	Gold
	0.99%	●	Lac
Togo	20.41%	●	Cocoa beans, whole
	12.28%	●	Cement
	11.45%	●	Gold
	7.54%	●	Petroleum
	6.94%	●	Cotton, raw
Zimbabwe	17.01%	●	Unused stamps
	16.38%	●	Nickel <sup>+</sup>
	11.27%	●	Tobacco, raw
	10.52%	●	Diamonds
	8.74%	●	Gold

Source: Simoes *n.d.*

Notes: Resource Key: ● = renewable resource; ● = nonrenewable (extractive) resource; ● = other (non-resource related)

\*Category includes multiple related products within the top 20 overall exports.

\*The data is based on 2010 figures, prior to South Sudan's independence in July 2011. The data treats South Sudan and Sudan as a single country.



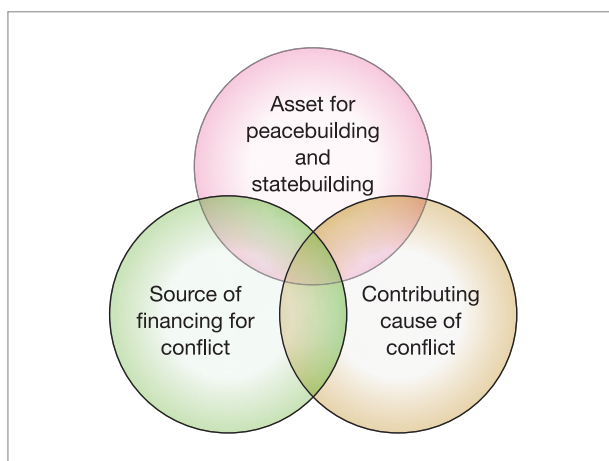


Figure 1.1: Roles of natural resources in conflict dynamics and state fragility

The Bank's work with the Intergovernmental Authority on Development to manage water, pastureland, and livestock resources in the Greater Horn of Africa is one example of a multifaceted approach to managing natural resources that are linked to conflict.<sup>28</sup> Livestock rustling and violent conflicts over scarce water and pastureland resources have emerged as a result of competition among nomadic pastoral communities in the Greater Horn of Africa. The livestock itself is an asset that pastoral communities in conflict sell to purchase arms, thereby financing conflict. These armed conflicts among pastoral groups and between pastoral and agricultural communities generally do not escalate to the national level; however, they frequently cross national borders, affecting populations throughout the Greater Horn of Africa.<sup>29</sup> The Bank has launched a multinational initiative—engaging regional, national, and local institutions from several countries—to develop more water points and to reseed grazing land. The initiative also strengthens governance strategies for shared resources. This type of initiative has the potential to support multiple peacebuilding and statebuilding objectives, by improving livelihoods and economic development, strengthening governance, and providing access to basic services like potable water. Simultaneously, the project works to address the causes of conflict by reducing scarcity and improving resource governance. Eventually, systems of livestock traceability may be developed to address the sale of livestock as a source of financing for conflict, although it was not included in the first phase of implementation. See [Chapter 3](#) for additional information about the Drought Resilience and Sustainable Livelihoods Programme in the Horn of Africa.

Traditionally, the literature on natural resources and conflict divides natural resource-related conflicts into two categories: greed and grievance.<sup>30</sup> The “greed” school of thought is based on economics and makes the case that natural resources provide financing for rebellion.<sup>31</sup> It does not speak to the motives of the



Rice harvest in Côte d'Ivoire. Photo: AfDB.

conflicting parties, which may be focused on profit or ideology.<sup>32</sup> The significance of financing within the “greed” approach is based on the theory that grievances are common in many countries, and a better predictor of civil conflict is whether there are factors that can overcome constraints to armed conflict, constraints such as a lack of weapons or equipment.<sup>33</sup> Natural resource rents can eliminate key constraints by funding the purchase of weapons, the payment of troops, and the acquisition of other key assets needed to wage war.<sup>34</sup> By contrast, the “grievance” school of thought is based on the idea that conflicts stem from horizontal inequalities (that is, inequalities between groups).<sup>35</sup> Poor management of natural resources can increase economic inequalities between groups, particularly when natural resource-producing regions are of a different ethnic or religious group than other parts of the country that do not produce natural resources.<sup>36</sup>

Regardless of whether greed or grievances are more likely to contribute to armed conflict, the Bank's role is to examine how fragile states can use tools and approaches to (1) utilize natural resources as assets for peacebuilding and statebuilding, (2) prevent the trade in natural resources from financing armed conflict, and (3) address natural resource management as a contributing cause of armed conflict.

### 1.2.1 Utilizing Natural Resources to Promote Peacebuilding and Statebuilding

Peacebuilding and statebuilding are “reinforcing processes that support the building of effective, legitimate, accountable and responsive states.”<sup>37</sup> *Peacebuilding and statebuilding include those activities that support the following:*<sup>38</sup>

- (1) **Livelihoods and economic development.**
- (2) **Governance.**
- (3) **Basic services.**
- (4) **Security.**

Table 1.2: Key connections between natural resources and peacebuilding and statebuilding objectives

Economic development and livelihoods		Peacebuilding and statebuilding objectives		Security
		Governance	Basic services	
Natural waterResources	Extractive resources (oil, gas, and minerals)	<p>Whether the benefits of extractive resources are shared equitably and managed effectively can shape public perceptions of state legitimacy and corruption.</p> <p>Effective institutions are needed to ensure that the terms of concessions are enforced and to hold local and national governments accountable for how revenues from extractive resources are spent.</p>	<p>Some large-scale extractive resource concessions can include provisions requiring companies to improve infrastructure either to facilitate operations (e.g. transportation infrastructure and electricity) or as compensation to communities (e.g., health centers or schools).</p>	<p>Revenues from extractive resources can finance armed conflict; and armed groups and security forces may become involved in the illegal extraction and trade of extractive resources.</p>
	Renewable resources (arable land, forests, fish, and livestock)	<p>Inclusive governance of community-owned renewable resources such as forests, fisheries, and collective fields can build the legitimacy of local government.</p> <p>Local and national institutions need to be able to justly resolve disputes over access to land and other renewable resources and to protect property rights to prevent such disputes from escalating into armed conflict.</p>	<p>The ecosystem services from forests and wetlands can be integral to the government's ability to provide access to potable water.</p>	<p>Revenues from renewable resources have been used to finance armed conflict.</p> <p>Competition between renewable resource users, such as farmers and herders or community forest users and commercial forest users, can lead to conflict at the local level.</p> <p>Agriculture, aquaculture, and livestock farming are commonly selected livelihoods for reintegrating excombatants, but there must be enough appropriate land and other resources.</p>
	Water*	<p>A fundamental function of local and national governments is to allocate water to different uses and users in a way that is inclusive, fair, and predictable.</p> <p>Local and national institutions need to be able to justly resolve disputes over access to water to prevent such disputes from escalating to armed conflict.</p>	<p>The provision of access to improved water to the general public is a key basic service, and providing affordable access is essential to improving public health and government legitimacy.</p>	<p>Competition between users of and uses for water resources can be a source of localized armed conflict.</p> <p>Programs to restore water supply, sanitation, and watershed ecosystems can create cash-for-work opportunities to reintegrate excombatants.</p>
	Land*	<p>A fundamental function of local and national governments is to protect property rights and allocate land to different uses and users in ways that are inclusive, equitable, and predictable.</p> <p>Local and national institutions need to be able to justly resolve disputes over access to land and to protect property rights to prevent such disputes from escalating into armed conflict.</p>	<p>Land is sometimes taken by the state for infrastructure or development initiatives; processes for compensation and resettlement must be consultative, fair, and transparent to avoid creating new grievances.</p>	<p>Disputes over land can be a source of armed conflict, can be a barrier to concluding a peace agreement, and—if not addressed effectively—can lead to a relapse into conflict.</p>

\* Water and land are addressed in [Chapter 3](#) on renewable resources

This approach builds on the Bank's policies and activities, including its participation in efforts led by the Organisation for Economic Co-operation and Development (OECD) as well as the International Dialogue for Peacebuilding and Statebuilding, and the commitment of the Bank and 11 fragile states to the New Deal for Engagement in Fragile States (also known as the Busan New Deal).<sup>39</sup>

Natural resources are key assets that fragile states can leverage to achieve various peacebuilding and statebuilding objectives. For example, fragile states can improve security by reintegrating excombatants into natural resource-related jobs such as park rangers (Chapter 3) or maintenance and repair specialists for water pumps (Chapter 10). Efforts to improve concessions and revenue management (Chapter 7) are essential to strengthening governance. Table 1.2 provides an overview of the connections between natural resources and peacebuilding and statebuilding objectives.

Examples of conflict-sensitive natural resource management initiatives that support peacebuilding and statebuilding can be found throughout this Report, and conflict-sensitive strategies for program design, program implementation, and the various stages of the programming cycle are the focus of Chapter 10.

### 1.2.2 Preventing the Trade in Natural Resources from Financing Armed Conflict

Trade in both extractive and renewable natural resources is often exploited to finance armed conflict in fragile states in Africa. These resources range from legal products (such as coltan that is sourced from DRC and used to produce consumer electronics [Chapter 2]) to illegal products (such as ivory from Chad and CAR [Chapter 3]). Where a natural resource is used to finance armed conflict, fragile states and development partners may need to focus on initiatives that support the following:

- (1) **Community-level incentives for generating livelihoods legally.** Whether through incentives to formalize artisanal mining (Chapter 2) or efforts to create incentives for wildlife conservation through ecotourism (Chapter 3), communities must have incentives to participate in legal alternatives that use natural resources without fueling conflict.
- (2) **Systems for tracking the legal trade of natural resources.** Certification schemes, such as the Kimberley Process for diamonds (Chapter 2), are used to create a chain of custody with documents that verify each step that certain commodities (such as minerals or timber) take—from the point of extraction through processing activities to the

retail sale of the finished products. Certification schemes can be either voluntary or mandatory processes. Tracking and certification systems gain their authority through international consensus, through national legislation in either the country that produces the natural resource or the country that imports it, or through some combination of the two. They are implemented by fragile state governments, frequently in partnership with regional institutions, the private sector, other governments, and international nongovernmental organizations.

- (3) **Government capacity to regulate natural resources.** To develop and maintain a functional system for controlling the illicit trade of a natural resource, fragile state leaders must prioritize governance politically and find ways for the country to invest significant financial resources in natural resource governance. This is true whether fragile state governments seek to administer certification schemes, stop illegal poaching in game parks, or keep contraband from being smuggled across borders.
- (4) **Harmonization of taxes, fees, and regulations across neighboring countries in a region.** Where taxes and fees create incentives for smuggling across borders, regional efforts are needed to ensure that taxes and fees are comparable in size and enforcement. For example, the International Conference on the Great Lakes Region has been working with its Member States to harmonize regulations related to conflict minerals in Central Africa (Chapter 2).<sup>40</sup>
- (5) **Sanctions.** As a tool of last resort, where the trade in a natural resource is sufficiently tied to conflict, international institutions and foreign governments may choose to impose sanctions to prevent the export of the illegally traded resource. For example, in 2003, the United Nations Security Council imposed sanctions on timber from Liberia to keep it from financing the civil war and associated human rights violations; after systems were in place to effectively regulate the timber industry, the United Nations Security Council lifted the sanctions in 2006.<sup>41</sup>

Chapter 2 and Chapter 3 discuss specific situations where natural resources have been used to finance conflict and present strategies to eliminate the illegal trade in natural resources.

### 1.2.3 Addressing Natural Resource Management as a Contributing Cause of Armed Conflict

*Disputes over natural resources are rarely, if ever, the only cause of armed conflict.*<sup>42</sup> Most natural resource-related disputes never escalate into armed

conflict. Whether a dispute escalates to violence depends largely on the ability of local, subnational, and national governments and regional institutions to effectively respond to and resolve increased tensions. *Where grievances related to natural resource management are a root cause of armed conflict, the grievances usually include other stressors*, such as perceptions of government corruption, injustice, or discrimination; inequalities across ethnic, religious, or other group-based divisions; or price shocks.<sup>43</sup> *The drivers that lead to natural resource-related conflicts can be categorized into three major groups: (1) competition over scarce resources, (2) poor natural resource governance, and (3) transboundary dynamics* (see Figure 1.2 and box on Three Ways that Natural Resources Can Drive Conflict).<sup>44</sup>

This Flagship Report highlights numerous initiatives where fragile states in Africa are working with the Bank to address the drivers of natural resource-related conflict. To address scarcity, some projects have

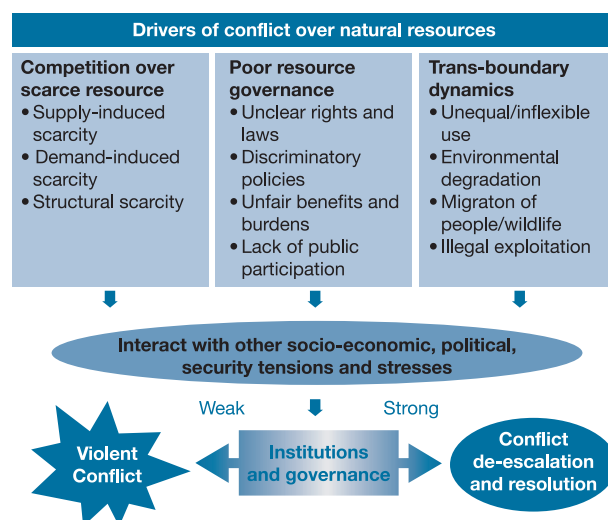


Figure 1.2: Natural resource-related pressures that can contribute to violent conflict

Source: United Nations Interagency Framework Team for Preventative Action 2012c, 27

### Three Ways That Natural Resources Can Drive Conflict

According to the United Nations Interagency Framework for Preventative Action, the three primary ways that natural resources can contribute to armed conflict include (1) scarcity, (2) poor governance, and (3) transboundary dynamics.

Tensions that arise from the scarcity of natural resources can be driven by several factors. Scarcity can be caused by a reduction in the amount of the resource that is available, which is supply-induced scarcity. Supply-induced scarcity can be caused by natural fluctuations in resources; damage to resources from overuse, pollution, armed conflict, or other sources; or inadequate infrastructure to access natural resources (such as limited water pumps or roads). Demand-induced scarcity occurs when more of a natural resource is needed because there are more users or because existing users need more resources. The number of users of a natural resource can increase, for example, with population growth, migration as a result of conflict or natural disasters, or the introduction of a new industry. And existing users may need more resources to increase production; for example, farmers intensify water demand when irrigating their fields to improve agricultural output. Structural scarcity describes a type of horizontal inequality where different groups have unequal access to natural resources. Examples of structural scarcity include government decisions that favor one group over another in natural resource allocation and cultural factors such as gender roles that prevent women from accessing particular resources.

Poor resource governance is the second source of tensions that can contribute to armed conflict over natural resources. Within this category, four types of conflict commonly arise: (1) conflicts over rights to natural resources; (2) conflicts caused by discrimination against specific groups in accessing or otherwise benefiting from natural resources; (3) conflicts that are the result of natural resource-related policies and projects, where the negative impacts and development benefits are not shared equally among the population; and (4) conflicts due to inadequate public engagement and transparency around decisions regarding natural resources.

Transboundary dynamics are the third category of tensions that can contribute to armed conflict. The four most notable types of transboundary dynamics are disputes over: (1) consumption or use of a shared resource, (2) pollution or degradation that crosses borders, (3) migration of people or wildlife across borders, and (4) international smuggling or crime.



been designed to reduce shortages, with the goal of reducing the role scarcity plays as a contributing cause of conflict. Other projects have been designed to address scarcity in a broader sense by supporting livelihoods for communities in fragile states. Some of the Bank's initiatives to increase the supply of natural resources include reseeded grasslands in the Greater Horn of Africa (Chapter 3), reforestation areas within the Congo Basin (Chapter 5), install and repair water supply infrastructure in Sudan (Chapter 4), and improving fish production by reducing the runoff of pollutants into Lake Tanganyika (Chapter 3). Demand-side interventions can also be designed to address scarcity by maximizing the economic benefits of natural resources or by reducing the amount of a natural resource needed by each user. For example, an initiative in Burundi to encourage value-added transformation of agricultural goods was designed to improve livelihoods by increasing the amount of produce preserved—produce that might otherwise spoil (Chapter 8). Likewise, as part of a larger effort to restore the Lake Chad Basin, fuel-efficient woodstoves are being distributed to reduce the per capita consumption of fuelwood (Chapter 5).

Generally, initiatives to reduce scarcity are seen most often in efforts to manage renewable resources.<sup>45</sup> This is because the total supply of extractive resources, such as oil and minerals, is fixed and decreases with extraction. However, even in the extractive industries, some initiatives can reduce competition over scarce resources. For example, artisanal miners need access to training so that they maximize total production over the life of the mines, reducing the need to compete for mine sites.<sup>46</sup> An artisanal mining initiative in DRC is addressing one facet of structural scarcity by supporting women's participation in the sector, which is traditionally dominated by men.<sup>47</sup>

Poor resource governance and strategies to improve the governance of natural resources are the focus of Chapter 6; however, principles of good governance are also reflected in strategies and approaches examined throughout this Report. Ownership, use, and access rights influence how natural resources are used and who gets to use them, which can in turn affect conflict dynamics. This plays out in competition between groups over the use of renewable resources like water or arable land (Chapter 3) and in the need for formalized rights to artisanal mine sites (Chapter 2). Likewise, discrimination against specific groups is a challenge for many fragile states, and the need to eliminate discriminatory practices in natural resource management cuts across sectors. For example, one of the contributing causes of the political crises and conflicts in Côte d'Ivoire between 2002 and 2011 was the enactment of a 1998 law related to landownership that effectively denied farmers the right to legally own property if they were not native to the community where the farmland was located.<sup>48</sup>

Resource extraction and use often have negative potential environmental and social impacts. Policies and projects related to extractive resources (Chapter 2), renewable resources (Chapter 3), and infrastructure (Chapter 4), need to anticipate and address these impacts. While negative environmental and social impacts occur in other developing countries, the systems of governance in fragile states are frequently less able to prevent or mitigate them. When negative impacts do arise, fragile states may not have the capacity to resolve them before they escalate into armed conflict. For example, in the Ogoniland region of formerly fragile Nigeria, environmental contamination that occurred during oil production and transportation has impacted livelihoods, causing conflict among communities.<sup>49</sup>

Where transparency and public participation are lacking, fragile state governments can inadvertently create grievances that can contribute to conflict. There are, however, numerous opportunities, approaches, and examples where public participation and transparency has been improved in fragile states across Africa. These include, for example, Bank-supported initiatives by the governments of Liberia and Guinea to improve their implementation of the Extractive Industries Transparency Initiative (Chapter 7).

Transboundary dynamics are the third category of tensions that can be contributing causes for armed conflict. The Bank has worked on initiatives to address transboundary pressures that lead to conflict, such as those leading to localized cross-border conflict in the Greater Horn of Africa (Chapter 3). Moreover, just as transboundary pressures can contribute to conflict, transboundary cooperation can also strengthen institutions and relationships among neighboring countries, helping to resolve tensions peacefully. The Bank's emphasis on supporting regional integration and development across Africa has led it to work with fragile states and their neighbors on many transboundary initiatives. For example, with the support of a Bank initiative, the states neighboring Lake Tanganyika have been harmonizing fishing regulations, restoring the watersheds to increase fish production, improving communication, and reducing competition over fisheries (Chapter 3). The Bank is building the capacity of the Central African Forest Commission to protect and reforest the Congo Basin while building sustainable economic opportunities for communities rely on forests for their livelihoods (Chapter 5). Additionally, the Bank is currently working with the Intergovernmental Authority on Development to prevent conflicts associated with the migration of pastoral communities from country to country (Chapter 3). The Bank is also exploring options for supporting the International Conference on the Great Lakes Region in its efforts to curb the illegal trade of conflict minerals and thereby prevent such trade from fueling conflicts within the region (Chapter 2).

Climate change and variability is a threat multiplier, intensifying the stressors that fragile states already face.<sup>50</sup> Extreme weather events and increased climate variability can further reduce the supply of scarce water, pasturage, and other natural resources; expose weaknesses in fragile state governments' capacities to respond to changing weather patterns; and exacerbate transboundary challenges by increasing migration of refugees and changing transboundary natural resources (Chapter 5).

### 1.3 Natural Resources, Fragility, and Bank Strategies and Activities

As Africa's premier development institution, the Bank's depth of experience in fragile states and natural resource management is significant. In 2008, the Bank created the Fragile States Facility and the Fragile States Unit to offer targeted assistance and technical support for initiatives in fragile states. The Bank upgraded the Fragile States Unit into a department in 2013 with a larger mandate and greater human and capital resources to further strengthen the Bank's commitment to fragile states. In June 2014, the Boards of Directors approved a new strategy "Addressing Fragility and Building Resilience in Africa: the African Development Bank Group Strategy 2014–2019" (the *Fragile States Strategy*). With the approval of the new strategy, the names of the Department and the Facility were changed to Transition Support Department and Transition Support Facility, respectively.

The Fragile States Facility—now, the Transition Support Facility—provides the following three pillars of support to fragile states:<sup>51</sup>

- Pillar I—the supplemental financing pillar—provides additional support for governance, capacity building, and rebuilding infrastructure.
- Pillar II—the arrears clearance pillar—improves access to debt relief.
- Pillar III—the targeted support pillar—provides technical assistance, knowledge management, and institutional development.

These pillars supplement traditional Bank assistance in areas such as water and sanitation, agriculture, transportation, and governance. *The Bank provided a total of US\$2.5 billion in aid to fragile states between 2008 and 2012.*<sup>52</sup>

The Bank is also a leader in natural resource management in Africa, supporting a wide array of natural resource management initiatives across the continent. In addition, the Bank has developed—and supported the development of—key policy and strategic documents on natural resources and

development. The Bank has partnered with the African Union (AU) and the United Nations Economic Commission for Africa (UNECA) to develop the *African Mining Vision*, the *Framework and Guidelines on Land Policy in Africa*, and *Africa Water Vision 2025*.<sup>53</sup> The Bank, the Development Centre of the Organisation for Economic Co-operation and Development, the United Nations Development Programme, and UNECA also issued the *2013 African Economic Outlook: Structural Transformation and Natural Resources*, which examines policies and approaches that could spur transformative economic growth across the continent by building on its current comparative advantage in various natural resource sectors.<sup>54</sup>

This Flagship Report draws on these policy documents and on the Bank's broad range of natural resource-related initiatives in fragile states. *Between 2009 and 2011, Bank-supported initiatives replanted, reforested, or otherwise improved over 26,000 hectares of land; supported the construction of 1,100 market and agricultural storage facilities; and built 3,000 boreholes for water supply.*<sup>55</sup> The Bank also financed the creation of new electricity connections benefiting 570,000 people and supported the construction or rehabilitation of more than 850 kilometers of roads.<sup>56</sup>

The Bank's *Ten Year Strategy for 2013–2022* designated fragile states, agriculture and food security, and gender as areas of special emphasis.<sup>57</sup> These areas of emphasis are addressed within the two key themes of the Bank's *Ten Year Strategy for 2013–2022*: the promotion of inclusive growth and green growth.

Anchored in the *Ten Year Strategy for 2013–2022*, the Bank approved *Fragile States Strategy*, in June 2014. The strategy is guiding the implementation of the ten-year strategy through the use of a "fragility perspective" in fragile situations (Chapter 10).<sup>58</sup> The new *Fragile States Strategy* recognizes that managing natural resources responsibly is a key aspect of building resilience in fragile states. Thus, one of the three areas of focus in the Bank's *Fragile States Strategy* is the promotion of "resilient societies through inclusive and equitable access to employment, basic services and shared benefits from natural resource endowments...."<sup>59</sup> In January 2015, the Bank also adopted *Operational Guidelines for the Implementation of the Strategy for Addressing Fragility and Building Resilience in Africa and for the Transition Support Facility*, which further emphasized the role of natural resources in supporting resilience in fragile states.<sup>60</sup>

The themes of inclusive growth and green growth run throughout this Flagship Report, particularly in the recommendations and approaches for building resilience and supporting peacebuilding



and statebuilding. *Inclusive growth is designed to support social protection by financing initiatives that provide social safety nets, reduce economic inequality and poverty, and include disadvantaged and marginalized groups, such as women and youth.*<sup>61</sup> Broader issues of social protection are also addressed in individual examples throughout this Flagship Report (see box on Social Protection, Natural Resource Management, and Fragile States).

Inclusive growth also encompasses efforts to promote economic development for fragile states. Inclusive growth is particularly important in addressing natural resources in fragile states because horizontal inequalities can increase the probability of armed conflict, as noted in the discussion of greed and grievance theories above.<sup>62</sup> Horizontal inequalities can affect economic development, access to social services, and, most of all, participation and opportunities in the political system.<sup>63</sup> In natural resource-dependent economies, horizontal inequalities can play out in unequal access to natural resources and the economic opportunities that natural resources represent.

Efforts to address horizontal inequalities—in the context of natural resources, or more broadly—can be direct, indirect, or integrative.<sup>64</sup> Direct policies specifically target support to disadvantaged populations, which can effectively reduce inequality but may also strengthen group identity and polarization.<sup>65</sup> Indirect policies are policies of broad applicability, the effects of which are designed to reduce horizontal inequalities.<sup>66</sup> An example of an indirect approach would be for a fragile state to decentralize the management of some of its natural resource revenues to subnational entities in order to address subnational inequalities (Chapter 7). Integrative approaches are initiatives that decrease polarization between groups through joint activities or programs that emphasize national identity.<sup>67</sup> An example of an integrative approach would be a natural resource management initiative that required people from different groups to collaborate on forest or coastal management.<sup>68</sup>

To promote inclusive growth, there is a strong need to engage stakeholders in consultations, decision making, and consensus building in a variety of

### Social Protection, Natural Resource Management, and Fragile States

As fragile states prioritize natural resource management initiatives as a means of peacebuilding, statebuilding, and improving conflict dynamics, they can also support the broader development objective of social protection.

The Bank's Human Capital Development Strategy (2012–2016) emphasizes that social protection is a key element of operationalizing efforts to achieve inclusive growth. Social protection includes initiatives that create social insurance, provide social assistance, and institute labor-oriented standards.

Social insurance is most effective when it is implemented using universal approaches. Where universal social insurance requirements are not yet in place, governments have some opportunities to leverage natural resources to support social insurance during concession negotiations by requiring companies to create training opportunities or offer health benefits to local employees (Chapter 7).

Social assistance is a fundamental component of peacebuilding. Government support for short-term labor programs, training initiatives, and income-generating activities are key examples of efforts to rebuild livelihoods in fragile states. When governments of fragile states focus on helping vulnerable populations by supporting income generation for internally displaced persons, refugees, and excombatants, these efforts can also address inequality, rebuild social cohesion, and reduce insecurity (see, for example, Chapter 4 and Chapter 10).

Labor standards are essential, particularly in dangerous sectors like the extractive industries (Chapter 2), where the health and safety of workers may be at risk. Efforts to eliminate child labor and improve gender equity are also important components of natural resource management in fragile states (Chapter 6.2).

These are but a few examples of how social protection plays a key role in leveraging natural resources for peacebuilding and statebuilding, as well as how effective management of natural resources in fragile states can improve social protection.

sectors and contexts. For example, inclusive approaches are important when fragile states set national peacebuilding and statebuilding priorities, evaluate policies and development initiatives, and issue concessions.

Green growth—the other key theme in the Bank's *Ten Year Strategy for 2013–2022*—also plays a crucial role in natural resource management in fragile states because of those states' reliance on natural resources. The Bank defines green growth as “the selection of economic activities that, at best, promote environmental and social development and, at a minimum, do not harm the environment or human welfare.”<sup>69</sup> *To unlock the potential for development through green growth, fragile states need to focus on building their resilience to shocks, developing sustainable infrastructure, and managing natural resources sustainably and efficiently.*<sup>70</sup> Efforts to build resilience can focus on a wide range of economic, social, and environmental shocks, from drought resilience (Chapter 3) to climate change adaptation (Chapter 5). Fragile states often lag behind other developing states in infrastructure; efforts to

reconstruct or expand infrastructure are opportunities to choose green infrastructure alternatives (Chapter 4). Improving the efficiency and sustainability of natural resource management are strategies that can reduce scarcity. For example, by remediating certain exhausted mine sites, CAR worked with development partners to increase the supply of arable land available for food production (Chapter 2).

As green economies are increasingly recognized as the future for growth and prosperity, *fragile states can integrate green growth into their national planning processes, as well as in individual projects.* As noted in the *Ten Year Strategy for 2013–2022*, green growth is an opportunity to build on livelihoods and industries that “protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources and spur innovation, job creation and economic development.”<sup>71</sup> The Bank worked with the Government of Sierra Leone to identify challenges and opportunities for green growth initiatives as part of the development of Sierra Leone's national strategy for human development and growth between 2013 and 2017 (see box on Green Growth in Sierra Leone).

### Green Growth in Sierra Leone

After a decade of civil war that ended in 2002, Sierra Leone has made impressive progress to reduce fragility. It has since experienced an annual growth of 5 to 6 percent in its gross domestic product, and its overall score on the Country Policy and Institutional Assessment index rose from 3.1 in 2007 to 3.3 in 2013, exceeding the average for sub-Saharan Africa. This is, in part, due to progress on the objectives set forth in its Poverty Reduction Strategy Paper (PRSP) for 2008 to 2012.

In 2012, Sierra Leone approached the Bank for technical assistance to mainstream green growth into its PRSP for 2013–2017, the *Agenda for Prosperity* (A4P). Sierra Leone views green growth as a key element of its plan to become a middle-income country by 2035, and it has incorporated plans for green initiatives throughout the A4P, from offering trainings for green industries such as renewable energy and ecotourism to improved management of extractive resource revenues. The A4P dedicates one of its eight pillars to natural resource management. The other seven pillars focus on diversifying the economy, supporting human development, becoming more competitive internationally, improving labor conditions and employment opportunities, strengthening social protection, enhancing governance, and promoting women's empowerment—all of which are linked to natural resources.

To support Sierra Leone's development of the A4P, the Bank worked with Sierra Leonean authorities to draft a report highlighting opportunities for green growth. Special attention is paid to activities that utilize community consultation, support local livelihoods, and produce short-term benefits while laying the foundation for long-term growth.

The report provides strategies for building resilience to climate change, food insecurity, and social stressors; approaches for promoting green infrastructure; and opportunities to manage natural resources more sustainably. To build resilience, the report emphasizes several strategies, one of which includes improved disaster management and weather data collection to monitor and respond to climate change. To promote green infrastructure, one of the report's recommendations is to focus further on hydropower and biofuels for energy. The report also delves into natural resource governance, identifying a need for more integrated decision making in the management and development of land and water resources. The

report takes a systematic approach, folding these and other recommendations into a sector-by-sector analysis.

In the A4P pillar dedicated to natural resources, the green growth report encourages the use of the Extractive Industries Transparency Initiative Plus Plus (EITI++) to improve the management of government revenues from extractive industries. It also suggests multipurpose approaches to managing forests that focus on balancing agricultural productivity, energy, watershed management, conservation, ecotourism, and timber production in the same landscapes.

The report also speaks to how green growth approaches can support the other pillars of Sierra Leone's plan for the future. For example, the A4P identifies four key sectors with strong potential to support the economic growth pillar: agriculture, fisheries, tourism, and manufacturing. In the agriculture sector, the green growth report examines how improving the quality of soil could complement efforts to increase productivity. In the fisheries sector, the report emphasizes value-added activities and sustainable fish-processing practices as pathways to growth instead of increasing catches where fish populations are fully exploited. The green growth report points out the ecotourism potential of Sierra Leone's natural heritage, including its coastlines and biodiversity. Similarly, within the A4P pillar for human development, the green growth report emphasizes water and sanitation initiatives, efforts to address indoor air pollution from the use of unimproved cook stoves, and the need to focus on decentralization and gender equity. These are just a handful of synergies that the Bank's report finds between green growth and the eight pillars of the A4P.

\*Sierra Leone's green economy plans, and development progress to date, have suffered a setback with the 2014–2015 Ebola epidemic

## 1.4 The Global Context of Natural Resource Management in Fragile States

The Bank's work on natural resource management in fragile states and this Flagship Report contribute to and build upon a growing international consensus that natural resource management is important to peacebuilding and statebuilding. In 2009, the United Nations Secretary-General's report on peacebuilding in the immediate aftermath of conflict affirmed that natural resource management is important to post-conflict reconstruction:<sup>72</sup>

Ensuring a rapid and effective response in countries devastated by conflict requires augmenting the existing capacity on the ground and deploying additional international civilian capacity in areas such as the rapid restoration of agricultural production or effective management of natural resources.

In 2010, the OECD's International Dialogue on Peacebuilding and Statebuilding made similar findings in the Dili Declaration.<sup>73</sup> The *2011 World Development Report* also analyzes natural resources as part of its thematic examination of conflict.<sup>74</sup> In 2013, the United Nations adopted a system-wide guidance on addressing natural resource management in post-conflict transitional settings.<sup>75</sup> Numerous sector-specific studies have also been published that recognize the connections between natural resources

and conflict, including the *Framework and Guidelines on Land Policy in Africa*, developed by the Bank, the AU, and UNECA.<sup>76</sup> *This Flagship Report stands out among these international efforts because it is the first report that focuses on the 19 fragile states in Africa, articulates an African vision for managing natural resources in fragile states, and highlights specific strategies that can be used to manage natural resources to build resilience.*

The Bank plays an important role as a voice for fragile states in Africa in international dialogues by taking part in several advocacy and coordination platforms, such as the OECD's International Network on Conflict and Fragility. The many multi-donor assistance initiatives profiled in this Report reflect the Bank's work to leverage broad-based support for development initiatives. The Bank's efforts to harmonize its initiatives with those of other donor agencies at the country office level, in accordance with the Paris Declaration on Aid Effectiveness, is discussed further in [Chapter 10](#).

## 1.5 Objectives, Scope, and Methodology

This Flagship Report is a high-level examination of the linkages among fragility, resilience, and natural resources in fragile states in Africa. The scope and findings are the result of extensive consultations with Bank staff, development partners, and fragile state governments (see box on Methodology).

## Methodology

This Flagship Report has been developed through a comprehensive consultative process. It is the product of extensive desk research and interviews with over 130 Bank staff, officials from fragile states in Africa, development partners, and other stakeholders. Two full field visits were conducted in Burundi and the Central African Republic, and meetings for the Report were held in South Sudan and Côte d'Ivoire. Personnel from all 10 of the Bank's field offices in fragile states were interviewed. Preliminary findings were presented and vetted at a consultative meeting in Tunis, Tunisia, in January 2013, and went through preliminary internal and expert external peer review in March and April 2013. In 2013 and 2014, Bank staff from the Transitional Support Department (previously the Fragile States Unit) and the African Natural Resources Center reviewed and commented on the full report. Other Bank departments were similarly given the opportunity to review and comment on the full report.

The consultations identified two previously unmet needs. First, there was a need to review and consolidate lessons on natural resources and fragility from the perspectives of fragile states and development partners more broadly. Second, stakeholders identified the need for focused recommendations targeting a small number of areas where the Bank can make adjustments and investments to support future natural resource-related programming in fragile states.

*Chapters 2 through 11 of the Flagship Report respond to the first unmet need by synthesizing key issues faced by fragile states undertaking natural resource management.* These chapters are designed to foster dialogue between the Bank, fragile state governments, and development partners. Each chapter addresses a key natural resource, crosscutting issue, or aspect of programming in fragile states. These chapters identify common challenges and suggest a variety of approaches that fragile states and development partners can consider when developing and implementing post-conflict needs assessments, country strategy plans, and projects. These analyses set forth broad visions for each theme, and each chapter also describes studies, tools, and strategies to translate this broad vision into operational reality. Each chapter concludes with bulleted recommendations that identify key priorities and considerations for fragile state governments and development partners.

Using this format, Chapters 2 through 11 examine *individual natural resource sectors (Chapters 2 through 5), crosscutting themes (Chapters 6 through 9), and programming (Chapters 10 and 11).* Chapters 2 through 5—on natural resource sectors—contains four chapters that examine resource specific challenges on a sector-by-sector basis. [Chapter 2](#), on extractive resources, discusses approaches to ensure that fragile states are able to optimize opportunities associated with the artisanal, small-scale, and large-scale production of minerals, oil, and gas. [Chapter 3](#), on renewable resources, looks at land, water,

agriculture, fisheries, pasturage, and forests. This broad range of resources is examined together because they can all be managed sustainably in perpetuity as opposed to extractive resources, which are depleted over time and cannot be renewed or regenerated in a non-geologic time period. [Chapter 4](#) examines infrastructure, including electricity, roads, water supply, and sanitation. Infrastructure is relevant to natural resource management in fragile states because infrastructure uses natural resources (as in the case of hydropower facilities); is necessary to access resources (such as water pumps to draw water) and transport resources to market (for example, via roads); and can have impacts on natural resources in fragile states (such as opening up natural resources to development). [Chapter 5](#) discusses climate change adaptation and mitigation in fragile states. Climate change also bridges the gap between sector-specific chapters and crosscutting issues because climate change will have an effect on other natural resource sectors by increasing the frequency of droughts and floods, impacting the productivity of arable land, and changing the range of weather events that infrastructure must be designed to withstand.

Chapters 6 through 9 of the Flagship Report examine crosscutting themes, analyzing issues that are relevant to multiple natural resource sectors. [Chapter 6](#), on governance, describes key strategies for improving natural resource governance in fragile states, devoting special attention to data collection and management, engaging vulnerable populations, and combatting corruption. [Chapter 7](#), on concessions and revenue management, considers how fragile states can maximize resource revenues and how they can transparently administer revenues to support inclusive social and economic development. [Chapter 8](#) examines the role of the private sector in natural resource management, including strategies both supporting and regulating micro, small, medium, and large businesses. [Chapter 9](#), on regional dynamics and institutions, examines the transboundary effects of fragility and natural resource management as well



as opportunities for regional initiatives and institutions to build resilience in fragile states.

Chapters 10 and 11 of the Flagship Report examine the programming cycle and identify points of entry for cooperation between fragile states and development partners. They set forth options for mainstreaming considerations of conflict sensitivity, peacebuilding and statebuilding, and natural resource management into development strategies and initiatives in fragile states. [Chapter 10](#), on the programming cycle, offers approaches and entry points for tailoring natural resource-related initiatives to the needs of fragile states in Africa, from the development of country strategies to the implementation and monitoring of individual projects. [Chapter 11](#) examines program sustainability and discusses how coordination, participatory programming, and capacity building can help to ensure that projects achieve lasting gains in fragile states.

While the body of the Flagship Report (Chapters 2 through 11) focuses on identifying and framing a broad range of challenges related to natural resource management in fragile states, the final chapter of the Flagship Report identifies targeted recommendations for the Bank. Chapter 12 speaks to the second key priority identified during consultations: the need for focused recommendations on a small number of areas where the Bank can make targeted adjustments or investments to support future natural resource-related programming in fragile states. *Chapter 12 highlights key opportunities to build on the Bank's core strengths and comparative advantage to build resilience in fragile states in Africa.* [Chapter 12](#)

suggests options for mainstreaming conflict sensitivity and peacebuilding and statebuilding objectives into Bank initiatives in fragile states. It also provides focused recommendations in three areas: data collection and management, concessions, and revenue management.

### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

Fragile States Classification. World Bank 2012e.

Similar Challenges but Diverse Contexts: Burundi, CAR, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, DRC, Eritrea, Guinea-Bissau, Liberia, Sierra Leone, Somalia, South Sudan, and Sudan have all experienced armed conflict in the last 20 years. Uppsala University 2011. São Tomé and Príncipe, Togo, and Zimbabwe have not experienced armed conflict in the last 20 years.

Three Ways that Natural Resources Can Drive Conflict. United Nations Interagency Framework Team for Preventative Action 2012c.

Social Protection, Natural Resource Management, and Fragile States. AfDB 2011g\*; UNRISD 2010.

Green Growth in Sierra Leone. AfDB 2013c; GOSL 2013; World Bank 2013d.

### Endnotes

- 1 Onyango-Obbo 2012.
- 2 The Bank's *Ten Year Strategy for 2013–2022* explains that “transformation means diversifying the sources of economic growth and opportunity in a way that promotes higher productivity, resulting in sustained and inclusive growth.” AfDB 2013d, 5.
- 3 AfDB 2013d, 5.
- 4 IRIN 2003.
- 5 Kaufmann, Kraay, and Mastruzzi 2012; Transparency International 2012; World Bank and IFC 2013.
- 6 The OECD describes “more resilient states” as: capable of absorbing shocks and transforming and channelling radical change or challenges while maintaining political stability and preventing violence. Resilient states exhibit the capacity and legitimacy of governing a population and its territory. They can manage and adapt to changing social needs and expectations, shifts in elite and other political agreements, and growing institutional complexity. Resilience increases when expectations,



Port of Conakry, Guinea. Photo: AfDB.

- institutions, and the political settlement interact in ways that are mutually reinforcing. OECD 2011c, 21.
- 7 AfDB 2011a; World Bank 2012e.
  - 8 OECD 2011a.
  - 9 Uppsala University 2011. (Burundi, CAR, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, DRC, Eritrea, Guinea-Bissau, Liberia, Sierra Leone, Somalia, South Sudan, and Sudan).
  - 10 Uppsala University 2011. (Burundi, CAR, Chad, Congo, Côte d'Ivoire, Djibouti, DRC, Liberia, Somalia, South Sudan, and Sudan. The four additional African countries affected by conflict in the last twenty years are Comoros, Eritrea, Guinea-Bissau, and Sierra Leone.)
  - 11 Ninety-five percent of Burundi's labor force is engaged in agriculture. Eighty-five percent of the Ivoirian labor force works in food production. Almost 80 percent of DRC's population works in agriculture, fishing, and livestock farming. Seventy-four percent of the population of CAR works in agriculture and animal husbandry sectors. Seventy percent of Liberia's labor force works in agriculture. GOB 2006 (Burundi); GOCAR 2007 (CAR); GOCI 2009 (Côte d'Ivoire); IDA and IMF 2007 (DRC); IFDC n.d. (Liberia).
  - 12 Africa Progress Panel 2011.
  - 13 Oil and gas are a substantial percentage of the total exports for a number of fragile states in Africa, including Chad (90.8 percent), Sudan (88.5 percent), Congo (81.3 percent), and Côte d'Ivoire (32.6 percent). Similarly, minerals are a substantial percentage of total exports for DRC (78.3 percent), Guinea (65.2 percent), Sierra Leone (54.3 percent), CAR (35.8 percent), and Zimbabwe (26.8 percent). Oil and gas is also an important export to South Sudan; however, the 2011 OECD report was based on 2010 figures that were compiled before South Sudan's independence in July 2011. OECD 2011a.
  - 14 Based on the United States Geological Survey (USGS) 2010 and 2011 *Minerals Yearbooks*, Chad, Congo, Côte d'Ivoire, DRC, South Sudan, and Sudan are currently producing oil or gas. Data on South Sudan was not available through the USGS; however, the presence of oil on the border of Sudan and South Sudan is common knowledge. Oil exploration is underway in Guinea, Liberia, São Tomé and Príncipe, Sierra Leone, Somalia, and Togo. Bermúdez-Lugo 2012a (Liberia), 2012b (Sierra Leone), 2013 (Togo); Mobbs 2012a (Chad), 2013 (Congo); Soto-Viruet 2011b (Guinea), 2012a (Côte d'Ivoire), 2012c (São Tomé and Príncipe); Yager 2012b (DRC), 2012c (Somalia), 2012d (Sudan).
  - 15 The USGS *Minerals Yearbooks* for 2010 and 2011 list Burundi, CAR, Chad, Congo, Côte d'Ivoire, DRC, Eritrea, Guinea, Guinea-Bissau, Liberia, Sierra Leone, Sudan, Togo, and Zimbabwe as having gold, diamonds or both. Mali also produces gold and was designated a fragile state in FY 2014. Exploration for gold is currently underway in Somalia, and there is the potential for the discovery of gold in Djibouti. South Sudan was not treated separately from Sudan in the 2010 yearbook, so the presence of mineral resources is unclear. UN sanctions against diamond exports from Sierra Leone were lifted in 2010, but the USGS has not yet released information on diamond exports since the sanctions were lifted. Bermúdez-Lugo 2012a (Liberia), 2012b (Sierra Leone), 2013 (CAR and Togo); Mobbs 2012a (Chad), 2012b (Zimbabwe), 2013 (Congo); Newman and Yager 2011 (Eritrea); Soto-Viruet 2011b (Guinea), 2011c (Mali), 2012a (Côte d'Ivoire), 2012b (Guinea-Bissau); UNSC 2010; Yager 2012a (Burundi), 2012b (DRC), 2012c (Somalia), 2012d (Sudan).
  - 16 Rustad and Binningsbø 2010.
  - 17 United Nations Interagency Framework Team for Preventative Action 2012c, 14.
  - 18 United Nations Interagency Framework Team for Preventative Action 2012c.
  - 19 Examples where disputes over land have contributed to the onset of conflict in fragile states in Africa include Burundi, Chad, Comoros, Côte d'Ivoire, DRC, Liberia, Mali (designated a fragile state in FY 2014), Sierra Leone, South Sudan, and Sudan. AU, AfDB, and UNECA 2010a (DRC, Liberia, Sierra Leone, and Southern Sudan); Brachet and Wolpe 2005 (Burundi); USAID 2010b (Chad); Larrabure and Ouledi 2012 (Comoros); USAID 2011 (Côte d'Ivoire); Hartman 2010 (Liberia); ARD 2010 (Mali); USAID 2010c (Sierra Leone); Forojalla and Galla 2010 (South Sudan); El-Tayeb, Nimir, and El Hassan 2006 (Sudan). On water, see Pacific Institute (n.d.) (DRC, Eritrea, and Sudan) and UNEP (2007, 2010, 2011b) (Sudan, Sierra Leone, DRC). On herder-herder and farmer-herder conflicts, see BBC (2011) (South Sudan); Bevan (2007) (CAR, Chad, Sudan); Jones-Casey and Knox (2011) (Mali); LOG Associates (2010) (Djibouti); Manzubaze (2012) (DRC); WANEP (2011) (Côte d'Ivoire); and World Bank (2005b) (Somalia). Natural resources have financed conflict in countries such as Congo, Côte d'Ivoire, DRC, Sierra Leone, Somalia, and Sudan (UNEP 2009a).
  - 20 Examples where disputes over land have contributed to the onset of conflict in fragile states in Africa include Burundi, Chad, Comoros, Côte d'Ivoire, DRC, Liberia, Mali, Sierra Leone, South Sudan, and Sudan. AU, AfDB, and UNECA 2010a (DRC, Liberia, Sierra Leone, and Southern Sudan); Brachet and



- Wolpe 2005 (Burundi); USAID 2010b (Chad); Larrabure and Ouledi 2012 (Comoros); USAID 2011 (Côte d'Ivoire); Hartman 2010 (Liberia); ARD 2010 (Mali); USAID 2010c (Sierra Leone); Forojalla and Galla 2010 (South Sudan); El-Tayeb, Nimir, and El Hassan 2006 (Sudan). On water, see Pacific Institute (n.d.) (DRC, Eritrea, and Sudan) and UNEP (2007, 2010, 2011b) (Sudan, Sierra Leone, DRC). On herder-herder and farmer-herder conflicts, see BBC (2011) (South Sudan); Bevan (2007) (CAR, Chad, Sudan); Jones-Casey and Knox (2011) (Mali); Manzubaze (2012) (DRC); WANEP (2011) (Côte d'Ivoire); and World Bank (2005b) (Somalia).
- 21 UNEP 2009a; Webersik and Crawford 2015\*.  
 22 UNEP 2009a; Webersik and Crawford 2015\*.  
 23 Rustad and Binningsbø 2010.  
 24 AfDB 2012b, viii.  
 25 AfDB 2012b.  
 26 AfDB 2014c.  
 27 OECD 2012a, 35.  
 28 See AfDB (2012j, 2012l); Bikwemu (2012); and LOG Associates (2010).  
 29 LOG Associates 2010.  
 30 See, generally, Keen (2012).  
 31 Collier and Hoeffler 2002.  
 32 Collier and Hoeffler 2002.  
 33 Collier and Hoeffler 2002.  
 34 Collier and Hoeffler 2002.  
 35 Stewart 2010b. A more general discussion of horizontal inequalities is included in [Chapter 1.4](#).  
 36 Stewart 2010b.  
 37 IDPS 2010a, 2.  
 38 These activities reflect and are consistent with key priorities identified by the Bank, as well as the United Nations, the Organisation for Economic Co-Operation and Development, and other development partners. See, for example, AfDB (2012b, 2013d); IDPS (2011a); JICA (2011); UNSG (2009, 2012); and USIP and U.S. Army PKSOI (2009).  
 39 IDPS 2011a; New Deal 2012.  
 40 ICGLR n.d.b.  
 41 Altman, Nichols, and Woods 2012; Nichols and Goldman 2011.  
 42 United Nations Interagency Framework Team for Preventative Action 2012c.  
 43 For a more complete discussion of various drivers of conflict, see United Nations Interagency Framework Team for Preventative Action (2012c).  
 44 This framework is based on work from the United Nations Interagency Framework Team for Preventative Action (2012c) and the United Nations Development Group (2013). The UN analysis applies the three categories to renewable resources only; however, this Flagship Report applies the three categories to both renewable and extractive resources with the understanding that not all categories are applicable to all resources.
- 45 United Nations Interagency Framework Team for Preventative Action 2012c.  
 46 UNECA and AU 2011.  
 47 Hayes and Perks 2012.  
 48 Billion 2010; Chauveau 2006; and IRIN 2011a. Notably, amendments to the nationality and property laws are currently under consideration by the Government of Côte d'Ivoire. RFI 2013.  
 49 United Nations Interagency Framework Team for Preventative Action 2012c.  
 50 United Nations Interagency Framework Team for Preventative Action 2012c.  
 51 AfDB 2008b; AfDB 2012m.  
 52 AfDB 2012m.  
 53 AU 2009; AU, AfDB, and UNECA 2010a; UNECA, AU, and AfDB 2000.  
 54 AfDB et al. 2013.  
 55 AfDB 2012m, 2013n.  
 56 AfDB 2012m.  
 57 AfDB 2013d, 20.  
 58 AfDB 2014c.  
 59 AfDB 2014c, 9.  
 60 AfDB 2015.  
 61 AfDB 2013d.  
 62 Stewart 2010a, 2010b. Vertical inequalities, as opposed to horizontal inequalities, are inequalities between people or households within a country. Perhaps the most well-known measure of vertical inequality is the GINI Index (World Bank 2013e). Examinations of vertical inequalities do not consider how inequality is distributed across groups.  
 63 Stewart 2010a.  
 64 Stewart 2010a.  
 65 Stewart 2010a.  
 66 Stewart 2010a.  
 67 Stewart 2010a.  
 68 See, for example, Brady et al. (2011).  
 69 AfDB 2012n.  
 70 AfDB 2013d.  
 71 AfDB 2013d, 1–2.  
 72 UNSG 2010. The United Nations and other development partners have also issued sector-specific guidance on natural resource management in post-conflict and transitional settings. See, for example, United Nations Interagency Framework Team for Preventative Action (2011, 2012a, 2012b, 2012c, 2012d) and USAID (2005b, 2005d, 2005e).  
 73 The 2010 Dili Declaration on peacebuilding and statebuilding, a precursor to the 2011 Busan New Deal for Engagement in Fragile States, identifies effective natural resource management as one of the foundations for inclusive economic development. IDPS 2010b.  
 74 World Bank 2011c.  
 75 UNDG 2013.  
 76 AU, AfDB, and UNECA 2010a.





## Extractive Industries: Oil, Gas, and Minerals

Many fragile states in Africa are rich in extractive resources. These countries need robust institutions to encourage miners to sell their minerals in formal markets, to prevent and mitigate environmental and social impacts of extraction, and, once revenues are collected, to effectively channel them for national economic and social development. Extractive industries offer great promise when fragile states have the capacity to manage them effectively; however, oil, gas, and minerals can also contribute to the cause and financing of armed conflicts, as they have in Côte d'Ivoire, the Democratic Republic of the Congo (DRC), Liberia, the Republic of Congo (Congo), Sierra Leone, South Sudan, and Sudan.<sup>1</sup> Competition over extractive industries can also generate localized conflicts: in June 2013, an estimated 40 people were killed in skirmishes over control of an artisanal gold mine in the Darfur region of Sudan, adding to a 2013 death toll already estimated at 500 people.<sup>2</sup>

All 19 fragile states in Africa have oil, gas, or mineral resources. Six of the 19 fragile states in Africa have oil and gas deposits that they are currently exploiting, and companies are currently exploring for new reserves in six more fragile states in Africa.<sup>3</sup> At least 14 fragile states in Africa have deposits of gold or diamonds, and two other fragile states are currently being explored for gold deposits.<sup>4</sup> Oil, gas, or mineral endowments are cornerstones of the economies of the Central African Republic (CAR), Chad, Congo, Côte d'Ivoire, DRC, Guinea, Sierra Leone, South Sudan, Sudan, and Zimbabwe, constituting from 26 percent to more than 90 percent of the total value of exports.<sup>5</sup> Table 2.1 summarizes oil, gas, and mineral reserves in fragile states in Africa.

These mineral and hydrocarbon reserves are potential engines for economic growth; however, they are also, by their nature, finite and exhaustible. Therefore, as fragile states decide how to manage extractive resources, strategic consideration of intergenerational equity and planning for the end of resource extraction is integral to ensure that extractive resources and revenues provide long-term

Table 2.1: Oil, gas, and minerals in fragile states in Africa\*

Country	Oil and/or gas	Gold, diamonds	Other minerals in production	Undeveloped mineral resources**
Burundi	No	Gold	Cobalt, copper, gravel, limestone, nickel, niobium, peat, sand, tantalum, tin, tungsten	
Central African Republic	No	Gold, diamonds	Clay, gravel, limestone, sand	Cobalt, copper, graphite, ilmenite, iron ore, kyanite, lignite, manganese, monazite, quartz, rutile, salt, tin, uranium
Chad	Yes	Gold	Cement, clay, lime, limestone, salt, sand, soda ash, stone	
Comoros	No	No	Clay, crushed stone, gravel, sand	
Democratic Republic of the Congo	Yes	Gold, diamonds	Cement, coal, cobalt, copper, crushed stone, germanium, lime, niobium, silver, steel, sulfuric acid, tantalum, tin, tungsten, zinc	Aluminum
Republic of Congo	Yes	Gold, diamonds	Cement, lime	Iron ore, potash
Côte d'Ivoire	Yes	Gold, diamonds	Cement, clay, columbium, crushed stone, gravel, manganese, sand, sulfuric acid	Bauxite, cobalt, copper, iron ore, nickel, silica sand
Djibouti	No	Gold (exploration***)	Basalt, salt	Cement
Eritrea	No	Gold	Basalt, cement, clay, coral, granite, gravel, gypsum, kaolin, laterite, lime, limestone, marble, pumice, quartz, salt, sand, silica sand	Asbestos, barite, copper, feldspar, iron ore, lead, magnesium, nickel, potash, silver, talc, zinc
Guinea	Exploration	Gold, diamonds	Alumina, bauxite, cement, salt	Graphite, iron ore, limestone, manganese, nickel, uranium
Guinea-Bissau	Potential	Gold (potential), diamonds	Clay, gravel, granite, limestone, sand	
Liberia	Exploration	Gold, diamonds	Cement, crushed stone, iron ore, sand	Cobalt, dolerite, granite, ilmenite, kyanite, lead, manganese, nickel, phosphate rock, rutile, sulfur, tin
São Tomé and Príncipe	Exploration	No	Clay, volcanic rock	
Sierra Leone	Exploration	Gold, diamonds	Bauxite, cement, iron ore, titanium, zirconium	
Somalia	Exploration	Gold (exploration)	Gemstones, granite, marble, niobium, salt, sandstone, tantalum	Feldspar, iron ore, kaolin, limestone, quartz, silica sand, tin, uranium
Sudan	Yes	Gold	Cement, chromite, gypsum, kaolin, manganese, marble, mica, salt, silver, steel, talc	Limestone

Continues on next page.



Togo	Exploration	Gold, diamonds	Cement, limestone, phosphate rock	Bauxite, gypsum, iron ore, manganese, marble, rutile, zinc
Zimbabwe	No	Gold, diamonds	Ammonia, asbestos, cement, chromite, clay, coal, cobalt, coke, copper, ferrochromium, granite, graphite, limestone, lithium, magnesite, mica, nickel, nitrogen, platinum group metals, perlite, phosphate rock, silver, steel, sulfur, talc, vermiculite	

\* No data was available for South Sudan, although it is rich in mineral resources, including oil. This table does not include Mali, which was designated a fragile state in FY 2014.

\*\* Undeveloped mineral resources are those under exploration, or are confirmed as present but are not yet in production.

\*\*\* "Exploration" means that exploration for these resources is ongoing.

Sources: USGS 2010, 2011.

benefits for current and future generations without a toxic legacy of exhausted mine sites and oil spills.

This chapter examines how fragile states can build resilience through resource extraction, and especially by improving the contributions that extractive resources make to economic growth and sustainable development and by reducing the likelihood that extractive resources become a cause or driver of armed conflict. It addresses large-scale extractive industries as well as artisanal and small-scale mining (ASM). First, the chapter outlines the value chain and supply chain approaches for the management of extractive industries in fragile states, identifying how fragile states can use these two key approaches for governing extractive resources. The chapter then focuses on four key areas that are specific to extractive industries: tracking minerals within the supply chain; formalizing ASM; managing the environmental and social impacts of resource extraction; and planning for the end of resource extraction. The section on planning for the end of resource extraction touches on intergenerational equity as well. Other key subjects related to large-scale natural resource extraction—such as the negotiation and enforcement of natural resource concessions and the management of natural resource revenues—are discussed in Chapter 7. [Chapter 7](#) also examines strategies that fragile states can use to earn long-term benefits from natural resource revenues.

## 2.1 Value Chain and Supply Chain Approaches to Extractive Industries Governance

Fragile states can utilize two key approaches to identify and analyze ways to strengthen government and private-sector performance in the extractives

sector. The first is the value chain approach, which focuses on the role of government in managing extractive industries. The second is the supply chain approach, which focuses on the role of the private sector throughout the life cycle of the extractive resource.

Fragile states can use the *value chain* approach to identify where they can undertake targeted capacity building to improve governance of extractive industries. This approach identifies five major entry points for government action in the life cycle of resource extraction:

- (1) Issuing concessions.
- (2) Regulating and monitoring resource extraction.
- (3) Collecting revenues.
- (4) Managing revenues.
- (5) Implementing sustainable development policies and projects.<sup>6</sup>

This chapter focuses on the second and fifth topics: regulating and monitoring resource extraction and implementing sustainable development policies and projects. Accordingly, sections of this chapter address tracking minerals, managing the environmental and social impacts of resource extraction, supporting and regulating ASM, and planning for the end of resource extraction.

Other topics are addressed in other chapters of this Report. For example, issuing concessions, collecting revenues, and managing revenues are important to many sectors in addition to extractive industries. Commercial forestry, fishing, agriculture, and even certain infrastructure initiatives can all be governed by concessions and can be sources of significant



## Terminology

*Supply chain approaches* support private-sector development and growth in many natural resource-related industries, such as agriculture and forestry as well as extractive industries. In agriculture and similar sectors, there is a greater focus on building linkages between different components of the supply chain to help producers more effectively tap into markets for their products. In the extractives sectors, fragile states focus on strengthening linkages in the supply chain to address smuggling while also increasing the use of domestic inputs and processing. Supply chain approaches, regardless of sector, analyze the path that products take from resource extraction or production through transport, processing, wholesale distribution, and, ultimately, to retail distribution. The objectives and methods used for supply chain interventions often differ across sectors and countries.

There is also a difference in terminology between supply chain analysis in the extractive industries and other sectors. In non-extractive natural resource sectors, the process of analyzing, supporting, and leveraging the linkages between producers, transporters, processors, wholesalers, and retailers is usually referred to as a *value chain approach*. Chapter 8, which addresses private-sector development, examines value chain approaches in greater depth. Notably, this is not the same as the value chain approach for extractive industries, discussed above, which examines entry points for government regulation of extractive industries.

government revenues. Chapter 7 discusses concessions and collecting and managing natural resource revenues as crosscutting themes.

By examining *supply chains*, fragile states can stem the flow of conflict minerals and identify strategies for improving natural resource management and private-sector performance by following the path that natural resources take from the production of raw materials to the sale of a finished product to a retail purchaser.<sup>7</sup> In the case of extractive industries, this encompasses a broad range of activities, including extraction from mines or oil wells, transport, processing or refining, the manufacturing of parts, and the manufacturing and retail sale of products such as consumer electronics or jewelry.<sup>8</sup> This approach is essential to efforts to track minerals through the supply chain, which are discussed in the next section. Supply chain approaches are also useful for analyzing ways to promote economic growth in fragile states by encouraging companies to process minerals in fragile states or to use local production inputs.

Two key documents—the *African Mining Vision* and the *Natural Resources Charter*—underpin approaches to improving governance of extractive industries. The *African Mining Vision* and its implementation plan represent the consensus among African states on the importance of using extractive resources for economic development and the achievement of the Millennium Development Goals.<sup>9</sup> It was adopted in 2008 at the First African Union Conference of Ministers Responsible for Mineral Resources Development and has since been expanded upon through an action plan that was issued in 2011.<sup>10</sup> The plan sets forth

nine clusters of issues, such as artisanal and small-scale mining, rents management, and capacity building.<sup>11</sup> The *Natural Resources Charter* is a set of economic principles on how to use extractive natural resources for sustained economic development.<sup>12</sup> It was developed by a technical advisory group, made up of academics, lawyers, practitioners, and other experts from around the world; and it has been widely recognized as a core set of internationally agreed-upon principles for improving governance of extractive resources.<sup>13</sup>

## 2.2 Tracking Minerals to Prevent Abuses within the Supply Chain

The risk of high-value extractive resources financing conflict is well documented in African civil wars, and the threat continues today. In the mid-1990s, rebel forces in formerly fragile Angola were making an estimated US\$700 million each year by selling rough diamonds.<sup>14</sup> In the same period, the primary rebel group in Sierra Leone's civil war was estimated to have collected up to US\$125 million annually in rough diamond sales.<sup>15</sup> This led to the development of the Kimberley Process, which is an international system for certifying and tracking diamonds to ensure that they are not sold to finance armed conflict against the government in their country of origin.<sup>16</sup> As of 2013, nine fragile states in Africa participate in the Kimberley Process to certify conflict-free diamonds.<sup>17</sup>

Nevertheless, there is still substantial informal trade in unregistered diamonds and other minerals. For example, estimates indicate that, even before the 2012 and 2013 violence in CAR, between one-fourth

and one-half of all diamonds produced in CAR were probably being sold illegally. The illegal diamond sales in CAR were likely to be the same as or higher than legal exports in terms of value.<sup>18</sup> In eastern DRC, armed groups profited from the country's mineral deposits and other natural resources.<sup>19</sup> In 2008, gold production in DRC was estimated near 5.5 tons; however, export records only accounted for 270 pounds.<sup>20</sup> In many instances, extraction and trade in gold, tantalum (which is extracted from coltan), tin, and tungsten have helped fund conflict and human rights abuses in DRC. Some improvements have been noted at certain tantalum, tin, and tungsten mine sites as a result of new efforts to conduct supply chain due diligence.<sup>21</sup>

*Participating in mineral tracking initiatives can build capacity of fragile states to regulate and tax extractive industries while promoting peace and stability.*<sup>22</sup> Such initiatives rely on regional and international cooperation to create certified supplies of natural resources and eliminate markets for minerals that do not adhere to internationally agreed-upon standards. By identifying the supply chain and preventing minerals from being traded illicitly across borders, the minerals are brought into the formal market and fragile state governments can collect export taxes on them.<sup>23</sup> Fragile states, regional bodies, development partners, and private-sector investors have cooperated to create initiatives to track

a range of mineral resources, including diamonds, gold, tantalum, tin, and tungsten. This section briefly discusses the efforts of the International Conference on the Great Lakes Region (ICGLR), the Organisation for Economic Co-operation and Development (OECD), an external national government (the United States), and the Kimberley Process.

The ICGLR launched the Regional Initiative against the Illegal Exploitation of Natural Resources (RINR), in 2010, with the adoption of the Lusaka Declaration of the ICGLR Special Summit to Fight Illegal Exploitation of Natural Resources in the Great Lakes Region.<sup>24</sup> The ICGLR works to address illicit trade in cassiterite, coltan, wolframite, and gold produced in the Great Lakes Region.<sup>25</sup> The ICGLR is developing a publicly accessible online database that will publish information that tracks minerals at each point in the supply chain—from producers to traders and reprocessing centers—to ensure that the minerals are traveling through formal markets and supply chains.<sup>26</sup> The system will be verified through third-party audits commissioned by ICGLR, using funds from an escrow account financed through fees levied on industry sector participants in the program.<sup>27</sup> The ICGLR is also working to harmonize national laws within the region, promote the formalization of ASM, and administer an anonymous whistle-blowing mechanism.<sup>28</sup> The box below on ICGLR and AfDB profiles an initiative that the ICGLR and the Bank are developing to support the implementation of the RINR plan.



Artisanal miners in Liberia. Photo: Bocar Thiam.

In 2010, the OECD issued *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, with supplements on gold, tantalum, tin, and tungsten. This supply chain system is voluntary and focuses on the implementation of a five-step process to identify risks in the supply chain and develop risk prevention and management plans to avoid contributing to conflict, child labor, forced labor, and other human rights abuses.<sup>29</sup> The process is designed to guide companies' efforts to realign management systems to identify, assess, and respond to risks and to develop systems to track, audit, and report how risks are managed.<sup>30</sup> To effectively respond to risks, fragile states can develop chain-of-custody systems, open lines of communication with suppliers, grievance mechanisms to identify risks, plans for engaging with suppliers that need to be brought into compliance, and policies for when temporary or permanent suspension of business with a supplier may be necessary.<sup>31</sup> Already, some major companies—including Dell, Hewlett-Packard Company, Intel, Microsoft, Motorola, and Nokia—have taken steps to address the problem of conflict minerals in their supply chains.<sup>32</sup> In 2012, DRC introduced legislation to require companies operating within its borders to comply with the OECD system.<sup>33</sup> *Fragile states may*

### ICGLR and AfDB: Exploring Ways to Stem the Flow of Conflict Minerals in Central Africa

The International Conference on the Great Lakes Region (ICGLR) and the Bank are exploring the possibility of an initiative to support six tools of the ICGLR's Regional Initiative against the Illegal Exploitation of Natural Resources (RINR). The RINR contains six elements: (1) a certification mechanism; (2) a review of relevant laws in Member States with an eye toward harmonizing fiscal and legal regimes related to mining; (3) a regional database on mineral flows; (4) a whistle-blowing mechanism; (5) a mechanism for Great Lakes countries to share and exchange information about implementation of the Extractive Industries Transparency Initiative; and (6) a plan to encourage the formalization of resource extraction in the Great Lakes region.

With the Bank's support, the ICGLR will advance the implementation of the RINR by building the capacity of the Conference Secretariat and five African states that are members of the ICGLR, including the fragile states of Burundi, CAR, Congo, and DRC and the nonfragile state of Rwanda.

Within the Conference Secretariat, the project will support the development of a system of monitoring and evaluation for the RINR, increased institutional capacity to undertake mineral certification audits, and greater expertise in mining within the commission. The project also seeks to improve coordination between the ICGLR, other regional institutions, and donor organizations.

To support the implementation of the RINR among the ICGLR Member States, the project supports both legislative reform and capacity building. Technical experts will be hired to assess national-level legislative frameworks and support fragile states in the development of consultative processes to support legal harmonization and the implementation of the RINR certification process. The experts will also train government officials at regional and national-level workshops on the certification system and about the results of national-level audits.

The ICGLR will also use project funds to finance third-party audits of the fragile Member States' chain-of-custody systems, as well as workshops to disseminate and discuss audit findings. To support the implementation of the certification system along mineral trading corridors, the project will also develop a training manual and cross-border training workshops for border guards working in Burundi, DRC, and Rwanda. A separate, regional workshop will be organized to disseminate strategies and best practices among government officials that are working to harmonize Member States' policies on formalizing the artisanal mining sector.

The project also includes support for the artisanal mining sector. A regional workshop will be organized on strategies to encourage the formalization of artisanal mining. To improve gender equity in artisanal mining, the project also creates forums for women's participation in the ICGLR steering committee and in consultations related to ICGLR Member State legislation. One strategy that will be considered is encouraging Member States to adopt legislation to support the creation of women's cooperatives for artisanal mining.

*consider adopting similar legislation that requires companies to comply with OECD supply chain due diligence standards.*

The U.S. government enacted legislation in 2010 that relies on disclosure to reduce the use of conflict minerals in DRC and adjoining countries. It is based on the theory that if companies must disclose that they are using conflict minerals, investors and customers will be deterred from doing business with the companies. And indeed, the United Nations Security Council called upon Member States to take steps to encourage companies to implement supply chain

approaches to combat the use of conflict minerals in eastern DRC.<sup>34</sup> Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act applies to all U.S. and foreign companies registered with the United States Securities and Exchange Commission that manufacture products that use conflict minerals as defined by the statute.<sup>35</sup> Currently, cassiterite, columbite-tantalite (coltan), wolframite (used to produce tungsten), gold, and their derivatives are included within the definition of conflict minerals under the statute; additional minerals can be added through administrative procedures.<sup>36</sup> Regulated companies must disclose whether they manufacture products



that rely on the listed conflict minerals, whether or not they are from Central Africa.<sup>37</sup> If the conflict minerals are from DRC or any adjoining country, the company must commission an independent audit to determine whether the minerals used by the corporation are “DRC conflict free” and disclose the findings.<sup>38</sup> The statute defines “DRC conflict free” minerals as those that do not directly or indirectly fund armed groups in DRC or the adjoining countries.<sup>39</sup> The implementing regulations for the statute are designed to harmonize national requirements with the OECD system in many respects.<sup>40</sup>

The Dodd-Frank provisions on conflict minerals triggered controversy internationally and litigation in the United States. Even with the controversy, the OECD and other organizations have found that the U.S. requirements of supply chain disclosure have changed attitudes and created a slow shift toward positive engagement on issues of due diligence.<sup>41</sup> Between September 2010 and March 2011, a presidential decree issued by the Government of DRC suspended all mining in North Kivu and South Kivu provinces and redeployed the military to secure mine sites, which did not improve security and harmed local livelihoods.<sup>42</sup> Even after the Congolese ban was lifted, many companies are still refusing to source minerals from North Kivu and South Kivu provinces because they are unable to meet supply chain due diligence requirements.<sup>43</sup> Since 2011, supply chain initiatives to strengthen accountability have slowly emerged through industry groups, the Government of Rwanda, and the Government of DRC.<sup>44</sup> Industry trade associations are currently challenging the validity of the statute through the U.S. courts.<sup>45</sup> The U.S. legislation is also noteworthy because Canada and the European Union are now considering similar legislation.<sup>46</sup>

The Kimberley Process is the most widely recognized mineral certification system. Endorsed by a 2000 UN resolution, it requires all participating governments to (1) issue certificates of origin for all diamonds extracted within their territory, and (2) confiscate any shipments of diamonds entering their territory without a valid certificate of origin.<sup>47</sup> The Kimberley Process moved an enormous number of diamonds from the informal market to the formal market in many countries. For example, in Sierra Leone, during the ten years before the civil war, up to 90 percent of diamonds left the country through illicit channels.<sup>48</sup> Since implementing the Kimberley Process after the conclusion of the civil war, the government has collected between US\$5 million and US\$7 million annually in taxes, export duties, and fees from the diamond industry.<sup>49</sup> While the Kimberley Process helped to dramatically reduce trade in conflict diamonds, the Kimberley Process has been criticized for its narrow approach. The Kimberley Process defines conflict diamonds as those used by rebel groups to finance conflicts to

overthrow governments; it is not designed to address situations involving human rights abuses or situations where a government’s military takes over mine sites.<sup>50</sup>

Many mineral certification schemes are still developing and are in the early stages of implementation. The political will and capacity of fragile states are key factors that determine the effectiveness of many supply chain initiatives and certification schemes. Many certification schemes give fragile states significant latitude to tailor implementing legislation and institutions to national needs and capacity. The degree to which fragile states sponsor robust implementing legislation and administer it rigorously shapes the efficacy of the mineral tracking system.<sup>51</sup> To reduce the negative economic impacts on livelihoods from increased supply chain scrutiny, fragile states can work with development partners to quickly and comprehensively implement effective supply chain management.

Creating incentives for formalizing ASM networks is key to the establishment of a successful mineral certification scheme.<sup>52</sup> The ASM sector is particularly porous because large informal mineral trading networks continue to exist and often bypass mineral tracking systems.<sup>53</sup>

## 2.3 Formalizing Safe and Profitable Artisanal and Small-Scale Mining

ASM can offer significant employment opportunities and is an important source of livelihoods in nine fragile states in Africa.<sup>54</sup> For example, between one-half and two-thirds of the population of CAR is directly or indirectly supported by artisanal and small-scale diamond mining.<sup>55</sup> In DRC, an estimated 20 million people rely on the mining sector, and in Sudan at least half a million people work in artisanal gold mining.<sup>56</sup> People engage in ASM because the incomes that they earn are often higher than the average incomes in their countries. For example, in CAR, the gross national income per capita is US\$490,<sup>57</sup> while artisanal diamond miners in CAR earn an average of US\$723 annually—although income varies widely among individual miners.<sup>58</sup>

With appropriate capacity building and regulatory efforts, countries recovering from conflict can leverage ASM to create employment opportunities for displaced or unemployed populations. ASM is often appealing to at-risk and vulnerable populations because it is migratory, seasonal, and often informal, making it easier to find employment in ASM than in sectors such as farming that are tied to landownership or sectors that require significant formal education or capital to pursue.<sup>59</sup>

Simultaneously, unregulated ASM can exacerbate fragility. ASM poses a challenge for many fragile

states if trade escapes the formal markets, because it can provide financing for conflict and constitutes a significant loss of revenue for fragile state governments. Conflicts over exploitation rights can arise between artisanal miners and large-scale miners.<sup>60</sup> The transient nature of many ASM operations can also lead to the exploitation of vulnerable populations such as women and children.<sup>61</sup> In post-conflict and conflict-affected situations, artisanal mining can be associated with sexual and gender-based violence.<sup>62</sup>

ASM is frequently associated with low pay and dangerous working conditions, particularly in countries that lack the capacity to effectively regulate the industry.<sup>63</sup> In June 2013, an artisanal mine collapsed in CAR, killing at least 40 people.<sup>64</sup> This incident is symptomatic of a broader lack of regulation and capacity, among ASM operations in fragile states in Africa, to avoid and reduce injuries that could be prevented with basic safety equipment.<sup>65</sup>

To build an ASM sector that is profitable and environmentally and socially sustainable, *ASM activities need to be formalized*. To formalize ASM, fragile states must balance the social benefits of taxes, fees, and administrative requirements against the likelihood that such obligations will drive already poor artisanal miners further into the informal sector.<sup>66</sup> To prevent mineral smuggling across borders, fragile states may need to engage with neighboring countries and coordinate taxes on artisanal mining at the regional level. Registration fees for miners—including artisanal and small-scale miners—also need to reflect the ability of miners to pay.<sup>67</sup> Commodity tracking initiatives, discussed above, can encourage the formalization of artisanal mining operations. The collection by government officials of improper fees and taxes can push miners to participate in informal markets.<sup>68</sup> Fragile states must adequately train and pay government employees responsible for regulating the mining sector in order to remove incentives for corruption. In Zimbabwe, for example, the government has placed a priority on addressing leakages of diamonds from the formal market. To support the government's efforts, the Bank approved an initiative to train government officials in minerals identification and grading as part of a larger public financial management initiative.<sup>69</sup> Some fragile states may also need to revise their regulatory frameworks related to mining to create standards and rules that are appropriate for and specific to ASM operations. One example of this would be to adjust permit application fees and processes to be accessible for low-income, sometimes illiterate miners.

Social pressures can encourage miners to refrain from reporting some of the mined gems so as to prevent family members from hearing about their finds and requesting financial support.<sup>70</sup> Voluntary savings-and-loan groups (discussed further in [Chapter 8](#) on the



Reforested area in Burundi damaged by artisanal gold mining. Photo: Damien Mbonicuye.

private sector) have been used to help miners obtain access to small amounts of credit.<sup>71</sup> Such groups can also shelter miners from the social pressure to use windfall earnings to support members of their extended families, because participating miners commit to turning funds over to the group for safekeeping and reinvestment in microloans for other group members.

To maximize the profits that miners receive, *capacity-building opportunities are needed for artisanal and small-scale miners* (1) to acquire knowledge about the productive potential of different mine sites and the minerals markets, (2) to develop and implement business plans, (3) to extract minerals more efficiently and safely, and (4) to manage revenues effectively.<sup>72</sup> By collecting and broadly disseminating information about the productive potential of mine sites and current prices in mineral markets, governments of fragile states can help miners focus exploitation efforts on the most promising mine sites and maximize the prices that they receive for minerals. Many miners experience significant losses because they are not able to effectively estimate the value of the deposits at the mine sites they explore.<sup>73</sup> Barren mine sites are abandoned, leaving behind scarred land that may have formerly been arable but is damaged by unsuccessful searches for mineral deposits. This phenomenon is particularly harmful in countries like Burundi, where there is significant demand for arable land. Artisanal miners also need information about mineral markets and the supply chain. Miners frequently buy equipment and inputs from intermediaries at inflated prices and sell their minerals to the same intermediaries at below-market rates, partly because they lack knowledge about market prices and the supply chains.<sup>74</sup> Systems to keep miners informed about market prices for minerals, equipment, and inputs could give them greater leverage when negotiating with intermediaries.<sup>75</sup> Increasingly, development assistance efforts are turning to mobile phone technology to help people in rural areas get





Artisanal gold miner in Burundi. Photo: Damien Mbonicuye.

better information about market prices. Governments of fragile states can significantly improve the quality of life for miners by collecting and disseminating detailed data on which mine sites and areas have no further productive potential, what the current market prices are for minerals, and what the current market value is for mining inputs and equipment. Another option for disseminating market information could be to study the feasibility of a private-sector approach by supporting mining sector equivalents of companies like Esoko, which disseminates pricing information about agricultural commodities by SMS in several African countries, including Côte d'Ivoire.<sup>76</sup>

*Training is needed to help miners develop and implement business plans, and additional sources of financing are needed so miners have more options when purchasing inputs and selling minerals.* Miners frequently lack the business skills needed to evaluate whether their ASM activities will be a profitable investment, and, without a business plan, they have trouble accessing credit to support mining.<sup>77</sup> This lack of access to alternative sources of finance for artisanal miners is a contributing factor that causes miners to become indebted to the intermediaries from whom they purchase equipment and inputs and who purchase the mined minerals. Efforts to create funds to improve miners' access to credit have had mixed results, in part due to elevated rates of default.<sup>78</sup> Small, community-based savings-and-loan groups have had some success in helping miners launch income-generating activities to supplement their proceeds from mining.<sup>79</sup> Further pilot projects and a study of financing mechanisms are needed to find ways to adapt and successfully scale up financing mechanisms for artisanal and small-scale miners.

*Capacity building is needed to improve the efficiency and safety of mineral exploitation.* Such

training should cover a broad range of areas, such as occupational health and safety, improved mining practices that are protective of the environment, new ASM technologies available, and how to plan resource extraction efficiently to avoid rendering potential mine sites unusable due to the use of improper techniques during the initial phase of extraction.<sup>80</sup> Other key areas where training is needed relate to gender sensitivity, the prevention of sexual and gender-based violence, and the elimination of child labor.<sup>81</sup> Capacity building for miners may be an area where mining regulators could play a key role, particularly with respect to workplace safety, gender considerations, and prohibitions on child labor. An innovative strategy for tackling capacity building related to technologies and best practices for mining may be to draft large-scale mining concessions to require large-scale mines to mentor a designated number of ASM operations.<sup>82</sup> Such mentoring initiatives may not, however, be realistic in fragile states such as CAR, where most mining is ASM. In such situations, fragile state governments may need to develop alternative strategies for disseminating key information related to health and safety, technology, and other best practices.

## 2.4 Managing the Environmental and Social Impacts of Resource Extraction

Fragile states are frequently ill-equipped to manage the environmental and social impacts of resource extraction, in part due to weakened institutions, the political sensitivity of resource extraction, and, in some cases, the macroeconomic effects of conflict on extractive industries. These factors make it especially important for fragile states to evaluate the effectiveness of their oil, gas, and mineral governance frameworks. For example, in Sudan, commercial and artisanal gold mining are gaining increased importance because oil revenues have declined as a result of South Sudan's independence in 2011.<sup>83</sup> Mining is also politically sensitive, and armed conflict can erupt as a result of competing claims over mines, as happened in the Darfur region of Sudan in mid-2013.<sup>84</sup>

In such dynamic contexts, the environmental impacts of resource extraction may be overlooked; however, they too can contribute to tensions.<sup>85</sup> Government regulation can be indispensable in minimizing the impacts of both large and small-scale mining; however, laws and regulations must be developed holistically with institution-building efforts and in consultation with the affected industries and communities.

When unregulated or where regulations are unenforced, both industrial and artisanal resource extraction can pose risks to the health and livelihoods of nearby communities due to environmental damage associated with, for example, the use of dangerous

chemicals, acid drainage, and water use and pollution. Oil production can have harmful effects on riverine, land, and coastal ecosystems, impacting access to potable water and public health.<sup>86</sup> Gas flares used to burn waste gas in countries like Congo and DRC are also responsible for the release of toxic chemicals into the air, including some carcinogens and high levels of particulates.<sup>87</sup> ASM can also damage public health and the natural resources like drinking water and fuelwood on which communities depend.<sup>88</sup> Gold mining frequently uses mercury and cyanide, both of which are harmful to human health.<sup>89</sup> For example, exposure to mercury from artisanal gold mining has been associated with unintentional tremors among miners and even deaths (particularly for children processing gold ore).<sup>90</sup> Downstream from mines, in communities that rely on fish for protein, mercury has also been linked to elevated rates of mild mental retardation among infants.<sup>91</sup> Moreover, many mining processes consume large volumes of water and can discharge large amounts of wastewater, which can cause fish kills and interfere with irrigation for agriculture.<sup>92</sup> These are just a handful of the many environmental impacts associated with oil and gas production and mining. Frequently, however, companies are accused of foregoing the use of state-of-the-art technologies that prevent and reduce pollution in order to cut costs at oil, gas, and mineral production facilities across Africa.<sup>93</sup>

Oil, gas, and mining can also have social and labor impacts. Through damage to forests, land, and waterbodies, extractive industries can impact hunting, farming, fishing, and other livelihood sectors.<sup>94</sup> Industrial mining and petroleum production is frequently criticized for failing to provide sufficient employment opportunities in producing countries.<sup>95</sup> Where mining is labor intensive, it can prompt large-scale migration of workers to mine sites in areas without the infrastructure to support them.<sup>96</sup> Improper payments to local government officials or groups to obtain land or provide security can create climates of social unrest, corruption, and criminality.<sup>97</sup> The use of security forces to protect company assets can also lead to tensions with the local communities or even human rights violations.<sup>98</sup> Reining in improper payments to government officials is discussed further in Chapter 6 on governance and [Chapter 7](#) on concessions and revenue management.

*Responding to complex and interlocking environmental and social challenges of extractive industries requires an in-depth understanding of the local situation and circumstances.* Frequently there is little data on the environmental and social impacts of extractive industries in any particular fragile state, and what little data there is may be perceived as politicized.<sup>99</sup> This means that governments of fragile states may need to begin the process of

examining and revising the laws related to extractive industries by creating an open and inclusive dialogue that includes all stakeholders, assesses which challenges are most pressing, and identifies potential gaps in laws, regulations, implementation, and enforcement.<sup>100</sup> Where environmental challenges are particularly politicized, fragile states may seek expert assistance from organizations that are viewed as independent by the public. For example, fragile states can use the Africa Peer Review Mechanism to provide expert support and analysis on extractive resource governance.<sup>101</sup> The Bank has also financed studies of natural resource management sectors in fragile states.<sup>102</sup> Fragile states can also seek technical support from development partners for assessments of the environmental and social impacts of resource extraction.<sup>103</sup>

Addressing the environmental and social impacts of resource extraction often requires strengthening the national legal framework and capacities within fragile states for conducting environmental and social impact assessments (ESIAs). Even in the fragile states where ESIA legislation is already in place, implementation frequently continues to be a challenge. Improved performance of ESIA processes requires technical capacity building within fragile state institutions to ensure that government officials have the information and resources needed to prepare or review ESIA in a way that effectively identifies weaknesses and potential gaps.<sup>104</sup> Governments of fragile states also need to provide officials with the resources to monitor the implementation of requirements and plans developed during the ESIA process.

*ESIA processes should be supplemented with sector-specific standards that require the use of pollution control technologies and good labor practices.* ESIA processes can miss sector-specific technical issues like acid drainage from mining operations or spills from failure to regularly maintain and upgrade oil pipelines and facilities.<sup>105</sup> Models for sector-specific industry regulations can include neighboring African countries, such as South Africa's rules on water use for the mining industry, or the industry-specific standards of international financial institutions.<sup>106</sup> Studies and guidance are needed to lay out comparative benefits and risks of different approaches to the regulation of the environmental and social impacts of oil, gas, and mineral extraction and processing that fragile states may wish to consider adopting.<sup>107</sup> For example, where possible, regulation of cobalt-nickel production could call for the use of processes that also produce chemical fertilizers for agriculture as a by-product; however, countries that adopt such policies will also need to gauge the risk that such fertilizers may contain elevated levels of heavy metals, which can bioaccumulate and potentially cause adverse health effects.

Sector-specific legislation can also increase the economic and social benefits associated with extractive industries (Chapter 7). Local-content policies can establish backward linkages between the mining industry and fragile state economies by requiring that a minimum percentage of the inputs used by industrial mining operations be procured locally.<sup>108</sup> Fragile states can also create forward linkages between the mining industry and national economies by enacting laws, policies, or tax incentives to encourage companies to undertake more of the production or refinement of raw minerals in-country, before exporting a more processed product abroad.<sup>109</sup> Fragile states can also work to develop side-stream linkages, where extractive industries supply infrastructure (such as roads, electricity, or communications) and human resources development (such as training programs).<sup>110</sup> Side-stream linkages can translate into diversified economic growth; strategic government investment is nevertheless often needed to build on and complement the infrastructure and educational programs from the extractives sector so that infrastructure and education can also meet the needs of and spur growth in new industries. Another concern is that the machinery, chemicals, and other inputs used for mining and petroleum extraction are often imported, rather than being purchased locally. This may be because the necessary inputs are not produced locally or local alternatives may not meet industry needs or specifications. Support from the government or development partners may be needed to improve the quality of domestic inputs to make domestic alternatives more attractive to concessionaires. Creating policies, enacting laws, or drafting concessions to include local employment requirements are another way to increase the number of locally employed staff in industrial mining operations.

Consultation and implementation are also key for sector-specific legislation. Legally binding environmental and social standards should also carry over directly and automatically into contracts, licenses, and concessions—a topic that is discussed further in Chapter 7 on concessions and revenue management.

## 2.5 Planning for the End of Resource Extraction

Extractive resources are inherently finite and exhaustible, and fragile states need to plan for the eventual end of resource extraction. The end of resource extraction can be challenging for miners, who must find alternate employment or relocate when mines are exhausted; for the environment, due to the potential impacts of abandoned mine sites; and for the economies of fragile states, which must cope with the sudden loss of revenue from mining and with mine sites that are often no longer suitable



Artisanal miners in Liberia. Photo: Bocar Thiam.

for agriculture or other productive purposes. These are all challenges for which fragile states can prepare in advance.

*Alternative and supplemental livelihoods initiatives are important to ensure that miners, particularly in the labor-intensive field of ASM, have opportunities for employment after mine sites are exhausted.* Business skills training and savings-and-loan groups are two options that provide short-term benefits through income-generating activities to supplement mining income, while simultaneously laying the groundwork for alternative livelihoods in the long-term.<sup>111</sup>

*Laws and regulations are needed to ensure that exhausted mine sites are not abandoned, leaving a legacy of environmental damage for governments and communities to clean up or, more often, live with.* One strategy for long-term cleanup and reuse of abandoned mine sites is to require companies that receive concessions to post a bond to ensure that there are the necessary funds to pay for the cost of cleanup after extraction is complete.<sup>112</sup> While such bonds are an important step, experience in many countries is that such bonds are insufficient: often the cost of remediation far exceeds the funds in the bond. Another option is to require major extractive industries to remediate as mining operations proceed; this option can be used in combination with the requirement to post a remediation bond. For example, in Papua New Guinea, remediation planning for the closure of the Misima gold mine began three years before its actual closure.<sup>113</sup> In other places, fill from ongoing operations is placed in old mining areas; topsoil is replaced; and the site is remediated in phases as mining operations continue.

Remediation of artisanal mine sites is also an ongoing challenge. In Sierra Leone and Ghana (which is not a fragile state), instead of asking artisanal miners





Phosphate mining in Togo. Photo: AfDB.

to purchase a bond to restore the mine sites, the government sets aside part of its mining revenues for mine reclamation.<sup>114</sup>

Fragile states can encourage the reuse of mined land for agriculture or other purposes after extraction and reclamation is complete; however, land tenure rights need to be clear.<sup>115</sup> This gives subsequent users the certainty needed to invest in improvements to reclaimed land. A project in CAR has reclaimed mine sites so they can be used for fish farming, vegetable gardening, and agroforestry.<sup>116</sup> This approach should also consider whether toxic chemicals were used in the mining processes, a challenge that was not a factor in CAR.<sup>117</sup>

Governments of fragile states frequently rely heavily on the revenues from extractive industries, making it prudent to *plan for how to address the fiscal impacts of the eventual exhaustion of the resource*. One way for fragile states to address the long-term declines in resource revenues is to place a portion of resource revenues into trust funds that produce dividends over the long term. [Chapter 7](#) on concessions and revenue management discusses trust funds and strategies for allocating natural resource revenues to support long-term development, economic diversification, benefit sharing, and smoothing the shocks of commodity price fluctuations. Another strategy for keeping fragile state governments from becoming dependent on revenues from depleting extractive resources is to invest revenues in long-term development projects, such as infrastructure, which require large upfront investments and smaller investments over time. For example, in DRC, the state-owned mining company GÉCAMINES and a Chinese mining consortium have launched public-private partnerships to build infrastructure such as roads, railroads, and hospitals as part of a joint mining agreement.<sup>118</sup> Focusing resource revenues on efforts to strengthen other sectors of the economy can also create alternate sources of government revenue in the long-term while diversifying and strengthening the national economy.

## 2.6 Recommendations

Extractive resources have immense potential to contribute to transformative economic development and resilience in fragile states in Africa. There are also perils associated with extractive resources if governments of fragile states are unable to effectively regulate them. Trade in extractive resources can be used to finance conflict, and resource extraction can damage livelihoods, public health, and the environment.

Fragile states must demonstrate the political commitment to effectively manage resource extraction; at the same time, the international community also has a role to play. The Bank has supported projects to strengthen the governance of extractive resources; assisted governments in negotiating contracts, licenses, and concessions; developed infrastructure for resource extraction; and supported private-sector investment in resource extraction. The Bank has also committed to its engagement in this sector in *AfDB's Strategy for 2013–2022*.<sup>119</sup>

The recommendations that follow represent areas where fragile states, the Bank, and the international community could further support improved management of extractive industries:

- ***Fragile states should support mineral tracking and certification systems to increase government revenue and prevent armed groups from using minerals to finance conflict.*** Fragile states can, for example, endorse mineral tracking or certification systems, require companies to adhere to use mineral tracking systems, and periodically review implementing legislation and the performance of government institutions to determine whether there are gaps that can allow for smuggling or fraud.
- ***Steps are needed to support safe and profitable ASM that is part of the formal economic markets of fragile states.*** For fragile states, this means working to balance the need for state revenues against the burden on artisanal and small-scale miners of developing regulations that encourage miners to participate in formal mineral markets. Trained and adequately compensated government staff are needed to implement and enforce standards related to child labor, gender equity, safety, and public health. Artisanal and small-scale miners need greater access to capacity building, appropriate technologies, financial services, and up-to-date information on prices for mining equipment, inputs, and minerals. In the short-term, this can be undertaken through development projects; however, institutions in fragile states need to be developed so that such support to miners is sustained over the long term.

- Legal and institutional frameworks frequently must be developed or revised in the aftermath of political crises or conflicts that often accompany fragility. *General environmental and social impact assessment (ESIA) processes and sector-specific laws and regulations are both essential and often need to be upgraded to effectively regulate the environmental and social impacts of extractive industries.* The process of improving ESIA or sector-specific regulations must include broad stakeholder consultation to avoid exacerbating existing tensions. Fragile states can seek technical support from development partners to assist in the review of governance structures.
- *Fragile states must prepare for the eventual depletion of extractive resources by developing policies and projects that provide alternate sources of employment for extractive industry workers, require the remediation of abandoned mines and oil and gas production sites, and diversify sources of government revenue.* Assistance from development partners may be needed to address the legacy of existing abandoned mines that are already present in fragile states.

### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

ICGLR and AfDB: Exploring ways to stem the flow of conflict minerals in Central Africa. ICGLR 2012b\*.

### Endnotes

- 1 UNEP 2009a.
- 2 Laessing 2013.
- 3 Based on the United States Geological Survey (USGS) 2010 and 2011 *Minerals Yearbooks*, Chad, Congo, Côte d'Ivoire, DRC, and Sudan are currently producing oil or gas. Data on South Sudan was not available through the USGS; however, the presence of oil on the border of Sudan and South Sudan is common knowledge. Oil exploration is underway in Guinea, Liberia, São Tomé and Príncipe, Sierra Leone, Somalia, and Togo. South Sudan was not treated separately from Sudan in the 2010 yearbook. Bermúdez-Lugo 2012a (Liberia), 2012b (Sierra Leone), 2013 (Togo); Mobbs 2012a (Chad), 2013 (Congo); Soto-Viruet 2011b (Guinea), 2012a (Côte d'Ivoire); 2012c (São Tomé and Príncipe); Yager 2012b (DRC), 2012c (Somalia), 2012d (Sudan).

- 4 The USGS *Minerals Yearbooks* for 2010 and 2011 list Burundi, CAR, Chad, Congo, Côte d'Ivoire, DRC, Eritrea, Guinea, Guinea-Bissau, Liberia, Sierra Leone, Sudan, Togo, and Zimbabwe as having gold, diamonds, or both. Mali also produces gold and was designated a fragile state in 2014. Exploration for gold is currently underway in Somalia, and there is the potential for the discovery of gold in Djibouti. South Sudan was not treated separately from Sudan in the 2010 yearbook, so the presence of mineral resources is unclear. UN sanctions against diamond exports from Sierra Leone were lifted in 2010, but the USGS has not yet released information on diamond exports since the sanctions were lifted. Bermúdez-Lugo 2012a (Liberia), 2012b (Sierra Leone); 2013 (CAR and Togo); Mobbs 2012a (Chad), 2012b (Zimbabwe), 2013 (Congo); Newman and Yager 2011 (Eritrea); Soto-Viruet 2011b (Guinea), 2011c (Mali), 2012a (Côte d'Ivoire), 2012b (Guinea-Bissau); UNSC 2010; Yager 2012a (Burundi), 2012b (DRC), 2012c (Somalia), 2012d (Sudan).
- 5 Oil and gas are a substantial percentage of the total value of exports for a number of fragile states in Africa, including Chad (90.8 percent), Sudan (88.5 percent), Congo (81.3 percent), and Côte d'Ivoire (32.6 percent). Similarly, minerals are a substantial percentage of total exports for DRC (78.3 percent), Guinea (65.2 percent), Sierra Leone (54.3 percent), CAR (35.8 percent), and Zimbabwe (26.8 percent). Oil and gas is also an important export to South Sudan; however, the 2011 OECD report was based on 2010 figures that were compiled before South Sudan's independence. OECD 2011a.
- 6 See AfDB (2013b)\*; Mayorga Alba 2009.
- 7 Parker 2008.
- 8 For a more complete discussion of the private sector-based supply chain approach, see OECD (2012c) (on extractive industries) and Parker (2008) (on value chain approaches to private-sector development).
- 9 AU 2009; AU, AfDB, and UNECA 2011.
- 10 AU 2009; AU, AfDB, and UNECA 2011.
- 11 AU, AfDB, and UNECA 2011.
- 12 Natural Resources Charter 2010.
- 13 Natural Resources Charter 2010.
- 14 Grant 2012.
- 15 Grant 2012.
- 16 Kimberley Process Secretariat n.d.
- 17 CAR, Congo, Côte d'Ivoire, DRC, Guinea, Liberia, Sierra Leone, Togo, and Zimbabwe participate in the Kimberley Process, although CAR's participation has been temporarily suspended as of May 2013. Kimberley Process Secretariat n.d.; Nhlapo 2013.
- 18 World Bank 2011a.



- 19 UNSG 2013.
- 20 Blore and Smillie 2011.
- 21 OECD 2012c, 2012d; Global Witness 2013a.
- 22 For more about the capacity of certification schemes to boost revenues for post-conflict governments, see Mitchell (2012).
- 23 Mitchell 2012.
- 24 ICGLR 2012a, 2010. The ICGLR comprises 11 states in central and southern Africa, including five fragile states. The 11 Member States include the following fragile states: Burundi, CAR, Congo, DRC, and Sudan. The other Member States are Angola, Kenya, Uganda, Rwanda, Tanzania, and Zambia. ICGLR n.d.a.
- 25 Blore and Smillie 2011; ICGLR n.d.b.
- 26 Blore and Smillie 2011.
- 27 Blore and Smillie 2011.
- 28 For a more complete discussion of ICGLR efforts on natural resources, see ICGLR (n.d.b).
- 29 OECD 2012c.
- 30 OECD 2012c.
- 31 OECD 2012c.
- 32 Meyer 2011.
- 33 Global Witness 2013a.
- 34 UNSC 2010b.
- 35 15 U.S.C. §78m(p) (2011). [www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf](http://www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf).
- 36 15 U.S.C. §78m(p) (2011). [www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf](http://www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf).
- 37 15 U.S.C. §78m(p) (2011). [www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf](http://www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf).
- 38 15 U.S.C. §78m(p) (2011). [www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf](http://www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf). Under the statute, adjoining countries are those that “share an internationally recognized border” with DRC. 15 U.S.C. §78m (2011).
- 39 15 U.S.C. §78m(p) (2011). [www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf](http://www.gpo.gov/fdsys/pkg/USCODE-2010-title15/pdf/USCODE-2010-title15-chap2B-sec78m.pdf).
- 40 U.S. Securities and Exchange Commission 2012. Final rule: 17 CFR PARTS 240 and 249b. Release No. 34-67716; File No. S7-40-10. RIN 3235-AK84. November 13. [www.sec.gov/rules/final/2012/34-67716.pdf](http://www.sec.gov/rules/final/2012/34-67716.pdf).
- 41 OECD 2013b; Bafilemba, Lezhnev, Zingg Wimmer 2012.
- 42 OECD 2013b.
- 43 OECD 2013b. For a critique of effects of the Dodd-Frank conflict minerals provision, see Seay (2012).
- 44 OECD 2013b.
- 45 Littenberg, Damania, and Wang 2013.
- 46 Responsible Sourcing Network 2013.
- 47 Kimberley Process Secretariat n.d.b.; Grant 2012.
- 48 Grant 2012.
- 49 Grant 2012.
- 50 See Blore and Smillie 2011; Bone 2012.
- 51 See, for example, Blore and Smillie (2011) and Bone (2012).
- 52 Mitchell 2012.
- 53 See, for example, Miklian (2013) and Mitchell (2012).
- 54 More than 100,000 people work in the ASM sector in each of the following countries: CAR, Chad, Côte d'Ivoire, DRC, Eritrea, Guinea, Liberia, Sierra Leone, and Zimbabwe. UNECA and AU 2011. Mali also has a sizeable ASM sector. IRIN 2013; UNECA 2002; UNECA and AU 2011. By contrast, oil and gas production and industrial mining tend to use few highly skilled workers, and inputs needed for resource extraction are imported. AfDB and AU 2009.
- 55 World Bank 2010a, 2011a.
- 56 Laessing 2013; OECD 2012d. An alternate estimate suggests that between 16 and 20 percent of the population works in the ASM sector in DRC. Hayes and Perks 2012.
- 57 World Bank 2013c.
- 58 Chupezi, Ingram, and Schure 2009. Another estimate indicates that artisanal diamond miners in CAR may earn as much as US\$3.08 per day. DeJong 2012.
- 59 Hayes and Perks 2012; UNECA and AU 2011.
- 60 UNECA and AU 2011.
- 61 Hayes and Perks 2012.
- 62 Hayes and Perks 2012; UNECA and AU 2011.
- 63 IRIN 2013; UNECA 2002.
- 64 Dembassa-Ketta 2013.
- 65 World Bank 2010a, 2011a (CAR). UNECA and AU (2011) discusses challenges in ASM in Africa more broadly.
- 66 For example, a study of the diamond sector in CAR in 2009 found that the government used artificially high estimates of the market value of the diamonds for the purposes of taxation and taxed diamonds at a much higher rate than neighboring countries. This created incentives for miners to sell gems in the informal market. World Bank 2011a. Differences in taxation rates also influence smuggling in the Great Lakes Region. Blore and Smillie 2011; Global Witness 2013a.
- 67 World Bank 2011a.
- 68 See, for example, Global Witness (2013a) and World Bank (2011a).
- 69 AfDB 2012i.
- 70 World Bank 2011a.
- 71 See, for example, Hayes and Perks (2012).
- 72 UNECA and AU 2011.
- 73 Chupezi, Ingram, and Schure 2009; UNECA and AU 2011.
- 74 Chupezi, Ingram, and Schure 2009; UNECA and AU 2011.
- 75 Chupezi, Ingram, and Schure 2009; UNECA and AU 2011.

- 76 David-West 2010.
- 77 UNECA and AU 2011.
- 78 UNECA and AU 2011.
- 79 See Hayes and Perks (2012).
- 80 UNECA and AU 2011.
- 81 Hayes and Perks 2012; UNECA and AU 2011.
- 82 UNECA and AU 2011.
- 83 UNEP 2013a.
- 84 Laessing 2013.
- 85 United Nations Interagency Framework Team for Preventative Action 2012a.
- 86 See Baumüller et al. 2011.
- 87 See Baumüller et al. 2011.
- 88 UNECA and AU 2011.
- 89 See, for example, Mtetwa and Shava (2003) on cyanide and mercury at artisanal mine sites in Zimbabwe, and UNEP (2013) on mercury use in gold mining in Sudan. For a more general examination of mercury in artisanal mining, see UNEP (2011c).
- 90 UNEP 2011c.
- 91 UNEP 2011c.
- 92 Miranda and Sauer 2010.
- 93 Baumüller et al. 2011.
- 94 Baumüller et al. 2011.
- 95 UNECA and AU 2011.
- 96 United Nations Interagency Framework Team for Preventative Action 2012a.
- 97 Baumüller, Donnelly, Vines, and Weimer 2011.
- 98 United Nations Interagency Framework Team for Preventative Action 2012a.
- 99 Baumüller et al. 2011.
- 100 Baumüller et al. 2011.
- 101 UNECA 2012.
- 102 For example, the Bank conducted a study of revenue management from oil and gas in São Tomé and Príncipe, which is discussed further in Chapter 7. AfDB 2012f.
- 103 United Nations Interagency Framework Team for Preventative Action 2012a.
- 104 Africa Progress Panel 2013b.
- 105 Baumüller et al. 2011; Miranda and Sauer 2010.
- 106 For more on South Africa's rules on the use of water in mining, see Miranda and Sauer (2010). For example, the International Finance Corporation has issued industry-specific standards for mining, oil, and gas-related industries. IFC n.d.
- 107 Such analyses and guidance could build upon previous analysis by Baumüller, Donnelly, Vines, and Weimer (2011); Miranda and Sauer (2010); and others, tailoring it to the fragile state context.
- 108 UNECA and AU 2011.
- 109 UNECA and AU 2011.
- 110 UNECA and AU 2011.
- 111 DeJong 2012; Hayes and Perks 2012.
- 112 Lujala and Rustad 2012.
- 113 Australian Government 2006.
- 114 DeJong 2012.
- 115 See DeJong (2012).
- 116 DeJong 2012.
- 117 DeJong 2012.
- 118 Kabemba 2012.
- 119 AfDB 2013d.







## Renewable Resources: Water, Land, and the Livelihoods They Support

While land, water, and the varied ecosystems and economic activities they support are integral to all countries, they are particularly important to fragile states because of the close connections between natural resources, food security, and economic development.

Renewable natural resources such as arable land and water are the core of fragile states' ability to feed their population. Fragile states tend to rely more heavily on imported foods than other developing countries, which makes them more vulnerable to price shocks in international commodities markets.<sup>1</sup> Moreover, armed conflict, which so often affects fragile states, can also drive up food prices by undermining food production and distribution.<sup>2</sup>

Fragile states are more likely to rely substantially on natural resources for livelihoods and economic development. At least 70 percent of the labor force in many fragile states in Africa—including Burundi, Central African Republic (CAR), Côte d'Ivoire, and Democratic Republic of the Congo (DRC)—work in agriculture, fishing, or pastoralism.<sup>3</sup> Moreover, agricultural and animal products are key exports for many fragile states. In 2010, livestock made up more than two-thirds (69 percent) of Djibouti's exports, and an additional 13 percent of the country's exports were from unroasted coffee.<sup>4</sup> Unroasted coffee also accounted for one-half of Burundi's exports in 2010, and cloves represented more than 30 percent of exports from Comoros in the same year.<sup>5</sup> Whole cocoa beans made up approximately one-third (36 percent) of exports for São Tomé and Príncipe.<sup>6</sup>

Renewable resources (arable land, forests, fisheries, livestock, and water) are widely dispersed, and every community relies on them for habitation, and most communities also rely on them for food security, livelihoods, and basic services. These resources can be accessed easily and do not necessarily require significant investment to exploit locally. They can also provide benefits indefinitely,

as long as they are managed sustainably. Sustainable management focuses on allocating renewable resources for use by different stakeholders without exceeding the resources' natural ability to recover, recharge, or replenish themselves and provide for future use.

*Renewable resources are both important and challenging, because a single landscape or renewable resource may be used for multiple purposes by many users and groups.* For example, in Liberia, forests have religious and cultural significance; they provide communities with timber and nontimber forest products like resins, fruits, animals, and medicine; timber is harvested commercially for export; timber concession revenues are an important income stream for the government; and forests provide important ecosystem services like carbon sequestration.<sup>7</sup> Like many renewable resources that are shared, fragile states must consider and balance the competing needs of different water users and keep them from undermining one another's interests. In DRC, Sierra Leone, Sudan, and elsewhere, activities such as mining, logging, oil and sugar production, and disposal of human and animal waste have affected water quality and fisheries.<sup>8</sup>

*Because so many different users rely on water, land, and other renewable resources, disputes resulting from poor governance, scarcity, or transboundary dynamics have the potential to become contributing causes of armed conflict.*<sup>9</sup> Challenges related to land were a contributing cause of all but three of over 30 intrastate conflicts that took place globally between 1990 and 2009.<sup>10</sup> Forty-eight percent of the African civil conflicts between 2000 and 2010 were located in areas where access to rural land supports the survival of the majority of the population.<sup>11</sup> Disputes over land have been a contributing factor to conflicts in at least nine fragile states in Africa, and reducing the risk of relapse is an ongoing challenge in many fragile states.<sup>12</sup> Even where land disputes have not contributed to armed conflict, they can still be a source of tension.<sup>13</sup> Similarly, access to scarce water resources have led to localized conflicts in CAR, Somalia, Sudan, and elsewhere in Africa.<sup>14</sup> Conflicts among herders and between farmers and herders—called “pastoral” and “agro-pastoral” conflicts, respectively—have arisen in at least eight fragile states in Africa.<sup>15</sup> Conflicts over forest tenure have arisen in Guinea, and indigenous land rights are also frequently entwined with conflicts in Africa.<sup>16</sup> Moreover, the high value of certain export commodities can make natural resources attractive to rebel groups seeking sources of financing (see box on Controlling Illegal Trade in Renewable Resources).

Fragile states emerging from armed conflict frequently face additional pressures on natural resources.

Establishing land tenure becomes more complex in the wake of armed conflict due to the resettlement and return of refugees in countries such as Burundi, CAR, Côte d'Ivoire, Republic of Congo (Congo), and Somalia.<sup>17</sup> Renewable resources are also frequently damaged during conflict. At least seven fragile states in Africa have been affected by landmines.<sup>18</sup> Armed conflict also resulted in the damage or destruction of water infrastructure in a number of fragile states in Africa.<sup>19</sup> During armed conflicts and their immediate aftermath, populations often use renewable resources unsustainably so that they can meet their basic short-term needs for fuelwood, water, and livelihoods. And if livelihoods do not recover and sustainable alternatives are not available, harmful practices can continue for years after the cessation of hostilities.<sup>20</sup> *Cumulatively, the damage to natural resources caused by armed conflict leave fragile states facing a degraded renewable resource base and less productive capacity at a time when they need to rapidly restore livelihoods and jump-start economic growth.*

Fortunately, *renewable resources can be a key tool for peacebuilding and statebuilding.* Renewable resources can provide a relatively quick peace dividend. Agriculture and aquaculture can produce additional food and help livelihoods after one growing cycle, although lasting growth may require supporting infrastructure such as roads and irrigation systems (Chapter 4). Projects that support agriculture, fisheries, and pastoralism also have the potential to help a broader segment of the population of fragile states because so many people rely on these occupations for their livelihoods. Initiatives related to renewable resources can also be used to build government capacity and legitimacy at national and subnational levels. The management, allocation, and resolution of disputes related to natural resources can reflect a fragile state government's commitment to transparency, inclusiveness, and administrative capacity.

This chapter examines how governments of fragile states can manage land, water, and other renewable resources to build resilience, improve livelihoods, and support economic development. It provides strategies to address the scarcity of renewable resources and to build governance capacity in fragile states.<sup>21</sup> To address scarcity, the chapter focuses on ways to maximize the productive capacity of renewable resources and ways to reduce the demands on renewable resources.<sup>22</sup> It also addresses several key aspects of effective natural resource governance in fragile situations, including strategies for identifying and including stakeholders in renewable resource decision making; allocating renewable resources; and administering, resolving disputes over, and enforcing rights to renewable resources.



## Controlling Illegal Trade in Renewable Resources

When one thinks of natural resources being used to finance conflict, extractive resources such as diamonds are often the first resource that comes to mind. However, trade in renewable resources has also been used to finance conflict. For example, timber revenues have fueled armed conflicts in DRC, Liberia, Sierra Leone, South Sudan, and Sudan. Trade in agricultural products such as cocoa, coffee, cotton, palm oil, and rubber have financed conflict in Côte d'Ivoire, Liberia, and Sierra Leone. Fish, bananas, and charcoal were used to finance the conflict in Somalia.

As companies transport commercial agricultural products and foodstuffs through conflict-affected environments, rebel groups can demand payments at checkpoints to collect the funds needed to purchase weapons and prolong armed conflicts. For example, checkpoints have proliferated in eastern DRC, funding M23 and other rebel groups.

Fragile states recovering from conflict and their development partners should examine the actual and possible roles that renewable resources play in financing conflict and in triggering conflict, especially where parties disagree about the rightful ownership of the natural resource. One way to do this is through a conflict assessment (see discussion in [Chapter 10](#) on conflict sensitivity).

Where renewable resources are used to finance conflict, fragile states can employ many of the same tools to formalize and exert control over the markets as are used to control illicit trade in extractive resources (see [Chapter 2](#) on extractive resources). Commodity tracking systems can reduce the use of renewable natural resources to finance conflict. The European Union (EU) has worked with individual fragile states in Africa to develop voluntary partnership agreements (VPAs) to license timber products through the Forest Law Enforcement Governance and Trade (FLEGT) system. Timber licensing certifies that the logs were harvested legally under the requirements of the country of origin. VPAs are currently in place and implementation systems are being developed in the Central African Republic, Liberia, and the Republic of Congo; the EU is currently negotiating agreements with Democratic Republic of the Congo and Côte d'Ivoire. The EU's FLEGT program builds on and further implements the Forest Law Enforcement Governance initiative, launched in 1996 by the UN Intergovernmental Panel on Forests. In 2003, 32 African countries—including nine fragile states—and development partners made political commitments to improve forest governance through the Africa Forest Law Enforcement and Governance (AFLEG) Ministerial Declaration. AFLEG laid the groundwork for EU's FLEGT initiatives in African states.

Another approach for reducing illicit flows of timber is to target points of entry throughout the value chain. For example, the Responsible Asia Forestry and Trade program (RAFT) is a partnership between nongovernmental organizations and private-sector organizations to support forest management and the certification of wood from timber-producing countries, while simultaneously encouraging countries that process timber to purchase only from sources certified by the Forest Stewardship Council. An evaluation is needed to determine whether RAFT's approach could be adapted to help fragile states in Africa.

Frequently associated with extractive resources, the Extractive Industries Transparency Initiative (EITI) can also be applied to renewable resources. Fragile states like Liberia and Togo have extended EITI to sectors like forestry, agriculture, fisheries, and commercial groundwater use. EITI requires the publication of information about payments from the private sector to governments as a way to more effectively monitor the collection of revenues, build public confidence through transparency, and reduce corruption. EITI is discussed in greater detail in [Chapter 7](#) on concessions and revenue management.

Legal mandates prohibiting the sale of endangered species also play a key role in combatting illegal trades in wildlife and plants. Examples include the UN Convention on International Trade in Endangered Species of Wild Fauna and Flora and the U.S. Lacey Act, the latter of which was amended in 2008 to prohibit the taking, possession, transport, or sale of certain illegally logged tree species.

### 3.1 Maximizing the Productive Potential and Access to Renewable Resources

Fragility is often associated with resource scarcity that is caused by conflict, natural disasters, seasonal and climate variability, increased demand from growing populations, and rising demands on resources from new or growing sectors of the economy. One way to address this scarcity is to examine how to restore, improve, and optimize the productive capacity of key renewable natural resources.

In situations where the resource base has been degraded, rehabilitating the resource base may be an essential first step to economic recovery and the restoration of livelihoods.<sup>23</sup> For example, in the Darfur region of Sudan, the underlying issues of land degradation, desertification, and the associated challenges to livelihoods must be resolved to achieve long-term peace in the region.<sup>24</sup> The Bank is currently financing a regional initiative in the Greater Horn of Africa that seeks to reduce pastoral and agro-pastoral conflicts by restoring grasslands (see box on Drought Resilience in the Greater Horn of Africa). Another Bank initiative is working with the countries around Lake Tanganyika to improve the productivity of its fisheries (see box on Ecosystem-Based Approaches to Managing Lake Tanganyika). In addition to resource rehabilitation, the Bank has worked with countries to ensure food security and economic recovery by addressing the harm caused



Man with fruit in Comoros. Photo: AfDB.

## Drought Resilience in the Greater Horn of Africa

Increasingly frequent droughts and floods in the Greater Horn of Africa (GHA) have taken a devastating toll on the populations of the fragile states of Djibouti, Eritrea, Somalia, South Sudan, and Sudan, as well as other African countries, including Ethiopia, Kenya, and Uganda. Droughts between 1996 and 1997 caused deaths of up to 35 percent of sheep in some communities. Flooding between 1997 and 1998 caused high rates of loss of goats and sheep—up to 77 percent in some communities. Droughts in GHA are common and devastating, causing significant life and livestock losses in Kenya in 2008 and in Ethiopia and Somalia in 2009. These droughts and floods have led to chronic malnutrition among 30 percent of people in the GHA, with children and women being particularly affected. Competition over limited water and pasturage is also one of the contributing causes of the localized and transboundary conflicts among clans and communities throughout the GHA.

The Bank is working with the Intergovernmental Authority on Development (IGAD) to improve access to water and pasturage and to build national and regional capacity to manage conflicts in GHA countries. The Bank financed a 2010 study of livestock production in the GHA, and the December 2012 approval of Phase I of the Drought Resilience and Sustainable Livelihoods Programme in the Horn of Africa represents a cooperative effort between IGAD and the Bank to implement the recommendations of the study. Phase I of the project will focus on the fragile state of Djibouti, as well as Kenya and Ethiopia. Future phases will support the remaining countries in the GHA. The project is designed to build water management infrastructure, rangeland management, infrastructure for market access, and human and institutional capacity for peacebuilding and conflict resolution.

The project is designed to improve the health, productivity, and marketability of livestock, while building the capacity of IGAD and national and local governments in the beneficiary countries. Additional watering points will be established by harvesting rainwater and accessing groundwater, rangelands will be reseeded, and veterinary clinics with trained personnel will be provided. The project will rebuild animal enclosures at markets and improve rural roads to provide access to markets. To build the capacity of communities and of government agencies, the project will establish water and market information systems, and perform trainings on a wide range of public health challenges such as nutrition and waterborne diseases.

The project also considers issues of sustainability. For example, under the Strategic Environmental and Social Assessment, all activities related to water use are required to take a watershed-based approach to ensure that the resources can still fulfill all water needs, including the needs of the ecosystem.

The project undertakes efforts to actively address conflict in the GHA at the regional and national levels. To ensure a holistic approach to conflict management in the GHA, IGAD will perform a study and develop recommendations for a management strategy to address transboundary conflicts among pastoral communities and between pastoral and agricultural communities. The project also includes capacity building on peacebuilding and conflict resolution for IGAD employees and representatives of beneficiary communities. According to the Bank's 2010 study on livestock production, communities in Kenya expressed their concerns that the addition of new water points had caused interclan conflicts in the past. Conflict management is essential to ensuring that developing new water sources does not trigger an escalation of tensions or conflicts.

### Ecosystem-Based Approaches to Managing Lake Tanganyika

Approximately 108 million people in Burundi, the Democratic Republic of the Congo (DRC), Tanzania, and Zambia rely largely on Lake Tanganyika's natural resources for their survival, and the lake supports the second-highest fish catches in Africa. Fishing and related sectors employ 1.6 million people, and the fisheries generate US\$732 million of revenue per year. Burundi and DRC are fragile states, and all four countries are some of the world's poorest countries, with growing populations and an inflow of over 1 million refugees from the region's conflicts, which puts pressure on the lake's resources.

The project to support the Lake Tanganyika Integrated Regional Development Programme (PRODAP) is a joint initiative by the four governments adjoining the lake. The Bank leads the support for the project and leverages assistance from several other donors. PRODAP has taken ecosystem-based approaches to improve the management of Lake Tanganyika. The project is supporting economic development and food security around the lake through project components designed to restore ecosystems in the Lake Tanganyika Basin; rebuild fish populations; improve regional cooperation and fisheries governance; and create new facilities, infrastructure, and trainings on processing, storing, and transporting fish.

PRODAP is addressing ecosystem health by reforesting and replanting the shoreline areas, totaling 120,000 hectares of the watershed. The project is also improving 200,000 hectares of catchment areas by terracing farmlands, constructing absorption wells, and rehabilitating wells. This is done in conjunction with trainings to promote the use of farming techniques that reduce pollution. These activities reduce the entry of pollutants into the lake and reduce erosion, thereby improving the habitat for fish and the productivity of the lake's fisheries.

To complement the improvement of the habitat for wild fish, PRODAP is also working to improve livelihoods and reduce demand for wild fish by promoting aquaculture and reducing post-catch loss. At the time the project was designed, up to 15 percent of the fish catch from the lake was lost due to problems with preservation and transportation on the way to market. Another component of PRODAP will improve livelihoods and increase the efficiency with which fish catches are used by constructing facilities and conducting trainings for processing (often freezing, drying, or smoking), storing, preserving, and transporting fish. This includes landing areas for fishing vessels and new feeder roads.

These efforts to support the productivity of the lake and the livelihoods that depend on it are complemented by efforts to improve the basic services available to lakeside communities. By its completion, PRODAP will have also supported the construction of schools, health centers, drinking water points, and latrines in the four participating countries.

To build long-term capacity for the management of Lake Tanganyika, PRODAP focuses on improving the governance of the fisheries at the local, national, and regional levels. The project is establishing fisheries management committees in approximately 200 villages surrounding the lake to develop local management plans and enforce rules on permissible fishing equipment as well as prohibitions on destructive fishing practices. At the national level, the project provides technical, administrative, and financial capacity building for government officials and 100 grassroots supervisors. To monitor fish catches, track fish populations, and reduce illegal fishing, PRODAP is financing the installation of 13 surveillance and communication stations with boats around the lake. PRODAP expands on earlier regional strategic-planning initiatives and legal harmonization efforts by supporting the establishment of the Lake Tanganyika Authority and a Regional Fisheries Development Fund that will be replenished by taxes and fees for the use of the new infrastructure financed through PRODAP.

by locusts and waterborne disease vectors, thus helping communities remain healthy and able to provide for themselves.<sup>25</sup>

Fragile states can also use projects to restore natural resources to engage subnational governments and build their capacity to govern renewable resources. In projects such as these, special attention needs to be devoted to building community awareness of the importance of ecosystem restoration initiatives to water quality and community health. Where possible, projects should create incentives for the maintenance and preservation of ecosystems after the initial reforestation or restoration takes place. For example, game parks trying to promote ecotourism have achieved increased and longer-term support from communities where community members can harvest plants from game parks and collect a portion

of the fees from tourism.<sup>26</sup> Another strategy is to ensure that communities have clear rights to use and profit from the sustainable exploitation of reforested, demined, and other restored areas.<sup>27</sup>

Projects to restore the productive capacity of renewable resources can also be used to provide jobs for excombatants, returning displaced persons, and other vulnerable populations.<sup>28</sup> In eastern Sudan, refugees from Eritrea received international support to generate income and integrate permanently into their host communities by undertaking agroforestry activities to restore the productive capacity of degraded refugee-impacted areas.<sup>29</sup> In formerly fragile Mozambique, excombatants were hired to work with park rangers and community members to restore a major game park (see box on Managing Biodiversity in Fragile States).

### Managing Biodiversity in Fragile States

Many of the fragile states in Africa are rich in biodiversity, and fragile states can leverage biodiversity to support both community and national development. For example, the Democratic Republic of the Congo (DRC) is ranked 8th, 10th, and 15th in the world for its number of species of mammals, birds, and amphibians, respectively. This natural diversity is in danger of being lost to the growing pressures placed on many of these species. Natural habitats are lost to agriculture, logging, and development. Hunting and trapping bushmeat supports livelihoods and food security but threatens wildlife. The growing illegal trade in endangered species undermines peace and stability as well as biodiversity.

Addressing poaching is becoming an imperative for public security because it is increasingly connected to conflict in Central Africa. For example, in 2012 and 2013, the Lord's Resistance Army was believed to be sustaining itself through poaching and trading in elephant ivory from Chad and the Central African Republic, as well as the nonfragile states of Gabon and Cameroon. The Janjaweed and al Shabaab have also been linked to the ivory trade, as have some military units. Fragile states can also serve as conduits for smuggling and can play a key role in stopping it. In December 2012 and July 2013, two



ships originating from Togo were seized, each containing over 1,000 ivory tusks; and in August 2013, the Government of Togo arrested a major ivory trafficker.

Wildlife conservation can also support efforts to reestablish public security. During the civil war that engulfed formerly fragile Mozambique from 1977 to 1992, Gorongosa National Park was scattered with landmines, its wildlife were hunted for bushmeat and game trophies, and its land cleared for agriculture. After the civil war, the Government of Mozambique's Directorate of Forestry and Wildlife built teams to restore the park that included park rangers from before the conflict, excombatants, and community members. The teams established control over the park, tracked animals, and guarded game from poachers. The directorate gave excombatants and community members a stake in the success of the park through paid employment and by allowing communities to sustainably harvest certain plants, honey, and other products.

Ecotourism can support economic growth. The post-conflict governments of formerly fragile Rwanda and Uganda have built booming mountain gorilla ecotourism sectors in Volcanoes National Park and Mgahinga Gorilla National Park, respectively. They launched marketing and publicity campaigns using displays at trade shows for the travel industry, documentaries, and media features. The two governments raised mountain gorilla tracking fees to increase revenues per tourist and decrease the total number of tourists. This limits the impacts of tourism on gorilla habitats while improving revenues. Laws in Rwanda and Uganda were revised to encourage foreign investment by making it easier to register and operate businesses and by creating tax incentives for tourism-related businesses.

The Rwandan and Ugandan ecotourism sectors also ensure that communities surrounding the parks benefit from ecotourism. The ecotourism sector provides employment and training opportunities for community members, both within the parks and in the hospitality industry. Both governments share with communities a portion of the revenues from tourists, such as park entrance fees or gorilla tracking fees, although more transparency is needed in revenue management. Public-private partnerships allow communities to jointly own ecotourism lodges with the national government, nonprofit organizations, and private-sector companies. Communities receive a percentage of lodge sales revenues, a nightly occupancy fee for rooms rented by tourists, or both. Efforts are also made to reach out to associations of former poachers and help them find alternative livelihoods.

Challenges do, however, remain. Efforts to train and equip rangers to stop poachers have sometimes backfired because rebel and military groups have recruited rangers. Ongoing threats to security and lack of capacity limits ecotourism in the Virunga National Park in DRC. In 2012, the M23 rebel group was reported to be profiting from gorilla-watching tours in DRC. Communities near the park in DRC believe that the park has a detrimental effect on them, whereas communities in Rwanda and Uganda support nearby national parks.

Where park rangers and conservation nongovernmental organizations (NGOs) are working in post-conflict situations, they must be aware that conservation efforts can cause tensions, especially if they are perceived as a threat to livelihoods. Park rangers and conservation NGOs working on conservation need access to training on conflict sensitivity and dispute resolution as well as conservation.

To accelerate efforts to combat illegal wildlife poaching, the Bank and the World Wildlife Fund issued the Marrakech Declaration in 2013, including a 10-point plan that focused on increasing intergovernmental cooperation, improving the enforcement of laws prohibiting poaching, building capacity for the prosecution and sentencing of poachers under wildlife trafficking laws, and decreasing the international demand for products made with illicit wildlife. The Marrakech Declaration laid the foundation for the development of the 2014 London Conference on the Illegal Wildlife Trade, which was attended by representatives from 40 countries—including four fragile states in Africa—and culminated in the issuance of the London Declaration, which delved into greater depth on the issues of wildlife trafficking. A meeting is planned for 2015 in which participants will meet in Botswana to examine progress in implementing the London Declaration.

Transboundary parks and conservation are discussed in [Chapter 9](#) on regional dynamics.



Fragile states may also find that access to natural resources that are not depleted may be inhibited by other aspects of fragility, such as lack of delivery infrastructure, which must be addressed to ensure that renewable resource restoration initiatives are successful. For example, DRC and Sierra Leone have comparatively large quantities of water; however, they face significant challenges in providing access to water for drinking and irrigation due to a lack of infrastructure.<sup>30</sup> Likewise, efforts to restore feeder roads also increase access to natural resources by facilitating the movement of natural resources to market.

Insecurity can also inhibit access to renewable natural resources. Initiatives to improve security for women who collect water and firewood are essential to ensuring that households have access to safe water and firewood.<sup>31</sup> Similarly, in parts of the Karimojong Cluster that experience pastoral conflicts, fear of cattle raiders prevents pastoral communities from accessing more remote grasslands.<sup>32</sup> Improved security could improve access to grasslands and water for livestock by making it feasible for pastoral communities to use such remote areas instead of concentrating livestock in areas that are currently considered to be safer.<sup>33</sup> Livestock tracking can also increase security by reducing the profitability of livestock raiding.<sup>34</sup>

Ecosystem management approaches can empower fragile states to identify strategies that build the resilience and natural capacity of ecosystems to provide arable land, water for household consumption, agriculture, fisheries, forests, industry, and other key ecosystem services such as water purification services and flood prevention and mitigation (see box on “Ecosystem Services” Defined). To maximize the effectiveness of ecosystem-based approaches, planning often needs to be conducted based on natural boundaries, such as watersheds, as opposed to political boundaries.<sup>35</sup> This frequently necessitates cooperation among subnational, national, and sometimes international bodies to ensure that activities in one jurisdiction do not degrade resources in another. The Bank’s initiatives in the Greater Horn of Africa and Lake Tanganyika are examples of initiatives designed to holistically address the needs, constraints, and uses of an ecosystem (see boxes on Drought Resilience in the Greater Horn of Africa and Ecosystem-Based Approaches to Managing Lake Tanganyika). Additional information on international cooperation is discussed in the [Chapter 9](#) on regional dynamics.

Because stakeholders in fragile states rely on the same renewable resources for many different uses, fragile states may wish to develop agriculture and forestry through projects that promote the use of landscapes available for multiple uses. Multifunctional

### “Ecosystem Services” Defined

“Ecosystem services represent the benefits that humans obtain from ecosystems” (UNEP 2009b, 9). These have been categorized in different ways. The Millennium Ecosystem Assessment framework for analyzing ecosystem services considers an ecosystem’s potential for:

- (1) *Provisioning services*, such as food production and providing drinking water.
- (2) *Cultural services*, referring to an ecosystem’s ability to meet the religious, cultural, and recreational needs of communities.
- (3) *Regulating services*, such as controlling climate or filtering air and water.
- (4) *Support services* for the ecosystem itself, through activities like sustaining the water cycle.

Fragile states can design their laws and policies to ensure that renewable resources are allocated in ways that support the range of ecosystem services. For example, in South Africa, water is allocated into what is needed to achieve three objectives: to sustain life, to support economic development, and to sustain the environment.

landscapes are one strategy for ensuring that targeted areas provide the widest possible range of both environmental and social benefits.<sup>36</sup> One example of a multifunctional landscape is where farmers combine agriculture and agroforestry techniques by using fruit and other functional trees to provide shade in cocoa and coffee plantations.<sup>37</sup> The shade trees reduce the incidence of disease, enrich the soil, and reduce environmental stressors on the cash crops; in addition, the shade trees provide fruit and timber for lumber or charcoal.<sup>38</sup> Likewise, in post-conflict Nepal, communities have been using multifunctional forestry techniques to produce wintergreen oil, charcoal, and handmade paper certified as sustainable by the Forest Stewardship Council.<sup>39</sup>

### 3.2 Reducing Demands on Renewable Resources

Fragile states can also work with communities to use renewable resources more efficiently and to seek alternatives to such resources as a way to reduce demands on the natural resource base and maximize the amount of activity that the resources can sustain. Overexploitation of natural resources can be particularly challenging for fragile states

because conflicts and political crises can cause individuals and communities to develop harmful short-term coping mechanisms. The civil war in Sierra Leone established unsustainable patterns of timber extraction from forests, conversion of forests to agricultural purposes, and overfishing; these patterns continued after the war for lack of alternatives.<sup>40</sup> One example of this was the conversion of hardwood trees into fuelwood to clear the land for farming in the Kenema District.<sup>41</sup> As part of its new emphasis on transitioning to a green economy, Sierra Leone's current Poverty Reduction Strategy Paper seeks to address such past conversion by promoting more sustainable approaches to economic growth and livelihoods (Chapter 1).

Technologies can help increase the efficiency with which renewable resources are used, reducing the amount of the resource needed to sustain the same number of people while causing less harm to the resource. For example, fragile states can promote initiatives that provide basic equipment and training to help communities reduce post-harvest losses caused by spoilage of agricultural products or fish. Examples of such initiatives include the fish drying and smoking techniques discussed in the Lake Tanganyika case study (see box on Ecosystem-Based Approaches to Managing Lake Tanganyika) and projects to help cooperatives produce fruit preserves. Many of these techniques also have the benefit of adding value to the products (Chapter 8). Examples of technologies that can reduce deforestation are fuel-efficient cook stoves, which provide more heat in relation to the amount of wood used, and stoves that use wood alternatives (Chapter 5 on climate change). Value-added production can also create new livelihoods for people in processing, rather than in harvesting, renewable resources.

Market-based approaches can also increase efficient use of renewable resources. Approaches that incorporate payments for ecosystem services may be appropriate in fragile states, but must be



Woman watering onion field in Côte d'Ivoire. Photo: AfDB.

designed to be conflict sensitive.<sup>42</sup> One example of payments for ecosystem services is forest carbon payments.<sup>43</sup> The Bank is financing an initiative in DRC to use payments for ecosystem services to provide sustained incentives for communities to comply with local land use plans for carbon sequestration and afforestation.<sup>44</sup> The project is being piloted in communities in a degraded savannah area and in a dense forest setting.<sup>45</sup> Another example of a market-based approach to promote conservation is full-cost accounting in water pricing.<sup>46</sup> Such initiatives must, however, be designed in consultation with local communities, be implemented gradually, and ensure that they do not make water prohibitively expensive for poor households.<sup>47</sup>

Frequently, fragile states can design natural resource management initiatives to increase simultaneously the supply and productivity of renewable resources, and the efficiency of resource use. For example, with Bank support, Burundi is diversifying livelihoods and reducing poverty in the Bugesera region through the development of irrigation for agriculture and animal husbandry. The project also supports watershed protection for two lakes and the associated marshlands that supply the irrigation systems.<sup>48</sup> The project will also build infrastructure to support local rice hulling and milk collection and preservation. Likewise, the earlier case studies on the Greater Horn of Africa and Lake Tanganyika illustrate a multipronged approach to the management of renewable resources.



Fish-smoking facility in Sierra Leone. Photo: AfDB.

### 3.3 Identifying and Including All Stakeholders in Renewable Resource Decision Making

A wide range of users can be affected by decisions related to renewable resources, and it is important to provide them with opportunities to be heard when making decisions. Engaging all stakeholders tends to result in more equitable outcomes. Moreover, if

stakeholders are not included in decision-making processes, the issuance of concessions, changes to land use, and development initiatives can result in users with incompatible needs competing for the same resources, which can increase tensions or even lead to conflict in fragile states.<sup>49</sup> Even where fragile state government officials wish to include all relevant stakeholders, identifying stakeholders can be challenging because rights to renewable resources vary in terms of the scope of the right and the source of the rights. There is often a paucity of information as to who holds which rights (particularly regarding resources used under customary tenure), and rights may overlap.

A single piece of land or portion of a water body may be subject to a complex and interwoven network of rights that are held by many different people. ***Decision makers in fragile states must ensure that they identify, consult with, and consider the needs and rights of all potentially affected parties when deciding how to develop, regulate, or allocate renewable resources.*** Decision makers in fragile states should also consider the range of different types of rights related to the affected resource and all of the different ways in which property rights can be acquired (see box on Identifying the Scope and Sources of Rights Affecting Renewable Resources). This type of inquiry requires consultation with and engagement of statutory, traditional, and religious authorities, as relevant within the national context.<sup>50</sup>

Identifying and engaging a wide range of stakeholders takes time and resources, both of which are in scarce supply in fragile states; but the failure to take the time and effort to engage stakeholders appropriately frequently leads to delays and cost overruns—and even to project failure. In numerous instances, secessionist tendencies in fragile states have escalated into conflict, in part by the failure to identify and engage stakeholders or the failure to take stakeholder views into consideration.

***The recognition and inclusion of traditional institutions brings greater legitimacy to initiatives where traditional authorities have historically been responsible for the management of renewable resources on a local level.***<sup>51</sup> This requires “acknowledging the legitimacy of indigenous land rights.”<sup>52</sup> Bringing together all of the relevant stakeholders also reduces the likelihood that different stakeholders will pursue the same rights using different systems.<sup>53</sup> This avoids situations where, for example, an enterprise pursues statutory title for a property in an attempt to bypass competing claims by farmers based on customary title for the same land.

Stakeholder identification can be especially challenging in post-conflict states or situations where

there has been a breakdown in public institutions. A working understanding of the causes and drivers of fragility is needed to identify potential impacts of development projects on weakened systems of land tenure. These factors may include whether land ownership has been a contributing cause of conflict or the extent to which the capacity or legitimacy of institutions governing land tenure have been eroded by fragility. Development projects can significantly increase the values of adjacent properties, adding further pressures to land tenure systems.<sup>54</sup> In the aftermath of violent conflict, it is important to protect surviving property records.<sup>55</sup> Statutory systems of property rights can be harmed when governments stop keeping records of property and resource rights, as occurred with respect to timber concessions in Liberia.<sup>56</sup> Land records can be intentionally targeted or altered during armed conflict.<sup>57</sup> Both statutory and customary systems may functionally break down if government administrators or village elders responsible for determining property rights are killed or displaced during the conflict.<sup>58</sup> To address these challenges, ***fragile states may need to make significant investments in capacity building, reconstruction of records, and locating and rehiring relevant staff or traditional authorities if possible.***<sup>59</sup>

When rebuilding damaged systems of renewable resource rights, undertaking reforms of resource rights, or seeking to improve coordination across agencies, fragile states may wish to take the opportunity to invest in the development of national databases to record resource rights. Such databases, if well designed and maintained, can facilitate stakeholder identification and consultation, reduce the potential for disputes over shared resources, and prevent government agencies from issuing incompatible or overlapping use permits. For example, systems for consultation and cross-referencing geo-referenced claims can ensure that commercial leases are not issued in areas already claimed by community or other uses. Databases related to renewable resources are discussed further in [Chapter 6.2](#).

There may be a temptation to exclude parties perceived to be detractors from development initiatives and natural resource decision making, because of fears that they might be disruptive or that inviting them would give their organizations legitimacy. It is, however, important to understand that there are many types of detractors, and their motivations and positions can change over time.<sup>60</sup> ***Engaging detractors in peace processes and development initiatives can build trust and improve chances for long-term peace.***<sup>61</sup> For example, local governance projects have successfully engaged rebel groups and excombatants in community planning and administration of forestry and coastal management plans.<sup>62</sup>



## Identifying the Scope and Sources of Rights Affecting Renewable Resources

To ensure that they are identifying, engaging, and considering the needs of all stakeholders that use a renewable resource, fragile state government officials at the national and subnational levels may find it useful to consider the different types of rights that stakeholders may possess and the sources of property rights.

Five major types of property rights are (1) *access rights*, which include entering or crossing a property; (2) *withdrawal rights*, which cover harvesting or extracting resources; (3) *management rights*, which allow the holder of the rights to choose how the property is used and to change the property; (4) *exclusion rights*, including the authority to decide who may access or use the property; and (5) *alienation rights*, which allow the holder of the rights to sell the rights that the person holds. Access rights are important for activities like crossing a property to access other areas such as watering points or fishing sites. Access rights can also be used to perform religious ceremonies. Common examples of withdrawal rights can be fishing rights, mineral extraction rights, or rights to harvest timber or nontimber products from forests. Management rights are broader and include, for example, the right to improve or change the property through activities like adding buildings or converting forested areas to farmland. An example of exclusion rights is the right to eject a trespasser. Alienation rights are important because many people with use rights cannot sell those rights. For example, in some customary traditions, a female or younger member of a family may be managing farmland with the permission of a family patriarch; however, the management authority may not extend to selling the land because he or she is required by custom to pass it on to future generations. The concept of private property is usually based on the right to sell or lease the rights to manage or exclude others from a property. Renewable resources like land and water can be held individually or communally by a group, or they can be open for access by the public.

There are four main sources of property rights: statutory law, customary law, religious law, and informal tenure. Statutory laws are enacted and codified through the country's political process; sometimes, these laws are inherited from previous governments, including colonial governments. Customary laws reflect and are usually executed through the traditional systems of governance, although some African countries have enacted statutes that recognize customary land rights. Statutory and some customary systems provide varying degrees of use rights, discussed in the paragraph above. A few examples of property rights that can be obtained through statute include registered titles giving complete ownership of a plot of land, concessions for mineral or timber extraction, and leases. In some African countries, religious forms of tenure are also common, including those based on Islam. Customary and religious tenure are often enmeshed. Informal tenure can also be a basis for property rights which can include unofficial arrangements that are outside the customary traditions or statutory system but sometimes reflect a mix of the two, such as an informal rental agreement on customary land. Informal tenure can also be based on occupancy, including squatting, and in some countries such occupancy can give rise to statutory ownership through adverse or acquisitive possession. Adverse or acquisitive possession laws enacted in some jurisdictions allow property users to gain legal title to property by fulfilling certain requirements that vary by jurisdiction, such as the continuous use of a property for a number of years. Most African countries rely on a combination of the four types of land tenure.

Systems of property rights in some fragile states disfavor certain groups, such as women, youth, or certain indigenous people ([Chapter 6.3](#)). It is essential that fragile state governments remedy such discrimination to respect human rights recognized by all African states, to avoid causing grievances, and to support the important contributions that vulnerable populations make to natural resource-related economic growth.

Conflict may warp these forms of tenure from their original forms, by creating or changing rules through coercion by warring groups. In post-conflict situations, fragile state government officials should identify the property rights of refugees and internally displaced persons and consider their interests, even if they have not yet returned to their communities, a topic discussed further below (in Section 3.4) in the context of project administration.





Fishing vessels with workers in DRC. Photo: AfDB.

### 3.4 Allocating Rights and Making Decisions Related to Renewable Resources

After stakeholders who use a renewable resource have been identified, allocating rights and making decisions related to renewable resources can be politically sensitive in any state, and are particularly sensitive in fragile states. Even well-intentioned initiatives that neither build consensus among users nor share the benefits and burdens of development equitably can exacerbate tensions in the long term.<sup>63</sup> Disputes over property rights can prolong armed conflicts and can prevent the achievement of lasting peace and risk relapse into conflict until they are resolved.<sup>64</sup> At the same time, fragile states undergoing political transitions sometimes have a unique window of opportunity to adopt new processes for consensus building, equitable decision making, and harmonization among institutions. This window of opportunity can be a function of the need to reconstruct systems of renewable resource rights, making changes to the system more cost-effective. There may also be a greater willingness on the part of the political factions within a country to compromise as part of larger movements to promote peace. The process of embarking on land reform is complex but may be necessary where land tenure is one of the central grievances underpinning a conflict and change is required to achieve lasting peace.<sup>65</sup> The Bank has supported targeted efforts to improve land

tenure security as part of larger projects to boost irrigation and agricultural production.<sup>66</sup> The Bank also has experience supporting land tenure interventions in several African states, and similar projects can be undertaken in fragile states in a tailored, context-specific, and conflict-sensitive manner. This section focuses on institutional and project-specific approaches to making decisions related to renewable resources, including allocation.

To ensure that renewable resources are available to meet a broad range of uses, greater coordination is needed, as is a continued consideration of equity across users and uses. How to best allocate renewable resources like water or timber will vary from country to country based on a range of factors such as climate and natural availability, infrastructure for access to water, population, and the economic sectors that rely on those resources. For example, in 2005, 95 percent of Eritrea's water withdrawals were allocated to agriculture, 4 percent of water withdrawals were used for domestic consumption, and 1 percent was taken for industry.<sup>67</sup> By contrast, in Congo, water withdrawals were more frequently allocated to domestic uses (59 percent), followed by industry (30 percent), and agriculture (10 percent).<sup>68</sup>

Considerations of equity and coordination across sectors are needed to ensure that major decisions related to renewable resources, such as the approval

of a large-scale land acquisition, consider and respect existing rights and reduce or at least avoid exacerbating inequalities among groups, which can be a contributing cause of conflict in fragile states.<sup>69</sup> This is particularly relevant to large-scale land acquisitions but is also important with respect to water and other natural resource rights (see box on Large-Scale Land Acquisitions in Fragile States).

Within renewable resource sectors, such as forestry or fisheries, some fragile states are making efforts to more coherently regulate commercial interests, livelihoods, conservation, and other competing uses that could impact one another. In the forestry sector, Liberia's 2006 National Forestry Reform Law adopted a legal framework that sought to balance commercial, community, and conservation uses of forests, although progress in implementing the commercial uses of forests has surpassed implementation of the community and conservation components of the law.<sup>70</sup>

In the water sector, many fragile states have adopted laws and policies to manage water in a more integrated way, often relying on integrated water

resource management (IWRM).<sup>71</sup> The Bank has had a policy of supporting IWRM since 2000, and IWRM is an integral part of the *African Water Vision 2025*.<sup>72</sup> Fragile states can use IWRM to consider and balance the competing needs of different water users.<sup>73</sup>

Fragile states are beginning to recognize and work toward coordination across sectors. This has proven challenging at the national level, and more efforts and support are needed. The Bank's Report on Green Growth in Sierra Leone noted that there are many competing uses that affect water, including hydroelectric generation, irrigation for agriculture, mining for sand and gravel, and household use, and the report concluded that there is a need to develop a more comprehensive approach that takes into account how water resources are affected by land-based activities.<sup>74</sup> On a project level, integration across sectors is more common, and should be implemented as a standard practice in fragile states. The drought resilience initiative in the Greater Horn of Africa, profiled above, integrated water and land use within the pastoral sector by providing for the complementary construction of watering points for livestock and the restoration of grasslands (see box

### Large-Scale Land Acquisitions in Fragile States

Large-scale land acquisitions (LSLAs) have increased dramatically across Africa since 2009 and are a particular challenge for fragile states due to their weak institutions and the strong need for currency to support government functions. For example, almost 50 percent of the agricultural land in the Democratic Republic of the Congo is under contract or negotiation for large-scale leases. Before its independence in 2011, up to 10 percent of arable land in South Sudan was also committed to LSLAs. These land sales and long-term leases have the potential to provide important revenues to fragile states, and responsible public and private investments can support food security and increase agricultural production. Large-scale purchases and leases of rights to land and natural resources also have the potential to increase tensions or contribute to conflict between the government, the private sector, and local communities.

Fragile states need transparent policies and guidelines setting forth the standards, processes, and terms for LSLAs. Examples of key provisions include requirements that communities and individual renewable resource users are informed of their rights and engaged extensively in consultations as part of LSLAs. Fragile states should not compromise existing rights without compensation aimed at improving the living standards of the affected renewable resource users.

Environmental and social impact assessments and safeguard measures are needed to identify negative impacts of LSLAs, search for less harmful alternatives to the acquisitions, and compensate stakeholders whose renewable resource rights are impacted by LSLAs. Fragile states should compensate statutory, customary, religious, and informal property users in cases where LSLAs will interfere with other stakeholders' renewable resource rights. In post-conflict situations, consideration must also be given to the property rights of refugees and internally displaced persons. The Bank's resettlement policy for projects requires borrowers to extend compensation, including land, to people who owned land under the country's statutory or customary laws. Others who hold use rights or informal rights based on occupancy are entitled to compensation without land. One approach to compensation is to have the private-sector investor lease a property and pay rent to the individuals and communities who own it. Easily accessible dispute resolution mechanisms are needed for communities to enforce the provisions of the agreement in the event of a disagreement over property rights or the terms of the LSLA.





Agricultural initiative in Zimbabwe. Photo: AfDB.

on Drought Resilience in the Greater Horn of Africa). Another example of coordination across renewable resource sectors is when efforts to promote improved land tenure and agricultural production are coupled with irrigation initiatives and improved access to water.<sup>75</sup>

Connections between land and water are central to designing livelihood initiatives in fragile states. For example, initiatives that focus on improving agricultural production must consider the extent to which farmers need and have access to water for irrigation.<sup>76</sup> In post-partition India, development projects to support the resettlement of refugees were effective, in part, because they were designed to provide access to land and irrigation together.<sup>77</sup> In areas where irrigation is central to agriculture, the distribution of agricultural inputs may not be successful unless the project has verified that prospective beneficiaries have sufficient access to water for agriculture.<sup>78</sup> Consideration of irrigation systems must be based on up-to-date information in conflict-affected fragile states because pre-conflict data may be obsolete, as irrigation systems are frequently damaged or destroyed during armed conflict.<sup>79</sup> Irrigation must also be balanced with household water needs and the water needs of other sectors that support livelihoods.

Fragile states can benefit immensely from using consensus-building and conflict-sensitive approaches

when allocating rights and making decisions related to renewable resources. Opportunities to train public officials in peacebuilding and conflict resolution can be effectively incorporated into initiatives to develop and improve shared resources, particularly where there are tensions within local communities with respect to existing management or ownership approaches. The Bank's drought resilience case study, discussed above, is integrating conflict resolution components for officials at the community and regional levels (see box on Drought Resilience in the Greater Horn of Africa). The Bank also partnered with the World Bank to implement a development initiative in the Fadama floodplains of formerly fragile Nigeria.<sup>80</sup> The area had experienced conflict between farmers, pastoralists, fishers, hunters, and gatherers over renewable resources that were shared among the different sectors.<sup>81</sup> The Second National Fadama Development Project supported all users through local user groups and governance mechanisms to encourage intergroup dialogue, consensus building, and local planning for the development of floodplain resources.<sup>82</sup> The second project "totally eliminated" the conflicts among resource users in project areas.<sup>83</sup>

In countries where land has been a contributing cause of conflict, country strategies and portfolios can be designed to support a mix of projects that benefit landed and landless populations. For example, projects to support increased agricultural production

for landed populations can be coupled with value-added initiatives to transform agricultural products, creating employment for youth, women, migrant workers, and other landless populations.

Fragile states and development partners should also consider the potential impacts of projects on the ability of refugees and displaced persons to exercise their right of return.<sup>84</sup> In areas affected by conflict-related displacements, projects involving involuntary resettlement may need to be delayed until enough of the population returns to be able to actively participate in community consultations. Resettlement plans may also need to identify and provide benefits to displaced persons and refugees as well as squatters who may be using the land in the absence of the original owners. Projects that support the improvement of private property may also need to consider whether the project may be used to support the claims of squatters to adverse or acquisitive possession.<sup>85</sup> An example of an improvement to private property would be the development of irrigation infrastructure or terracing to increase agricultural production.

### 3.5 Administering, Resolving Disputes, and Enforcing Rights to Renewable Resources

Administering renewable resources, resolving disputes related to renewable resources, and enforcing rights to renewable resources can be challenging for fragile states with weakened institutions, and capacity building is often needed for government officials and traditional authorities at both the national and subnational levels. Fragile states can work with development partners to build the governance skills of local or traditional government officials as a component of projects on renewable resources. Training local government officials, especially those who administer common areas, to use community-based techniques—such as community-level participatory planning—can promote social cohesion and cooperation.<sup>86</sup> It also promotes community ownership of decisions related to renewable resources. In a conflict-affected context, however, this requires a conflict-sensitive approach to address the volatility of the situation and the potential for increased tensions.<sup>87</sup> One example of where fragile states can use community-level participatory planning is during the process of allocating and improving newly demined land.<sup>88</sup> Other opportunities for community-based planning of renewable resources include the ecological rehabilitation of community lands, coastal zone management, forest management, and the development of local infrastructure.<sup>89</sup>

Government officials also need opportunities to build their capacity to resolve renewable resource-related disputes. Such disputes vary in size and scope, from grievances related to the implementation of large-scale land acquisitions to disagreements between



Woman selling fruits and vegetables at market in Comoros.  
Photo: AfDB.

squatters and returning refugees over land rights.<sup>90</sup> Institutional support is needed for both statutory and customary institutions that resolve renewable resource-related disputes in fragile states because, if unresolved, such disputes can contribute to further tensions or even lead to armed conflict. Simultaneously, with training, traditional and local authorities can build on these dispute resolution skills and play a key role in restoring governance after conflicts or political crises. In Nepal, community forest user groups have been integral in mediating reconciliations and supporting the reintegration of internally displaced persons.<sup>91</sup> Fragile states in Africa have great potential in this regard because of their strong histories of community forestry and widespread experience with decentralization and local resolution of disputes related to renewable resources.

Governments sometimes lack the capacity to enforce the laws, regulations, and decisions allocating renewable resources. For example, in West Africa, fish catches are estimated to be 40 percent larger than what is reported to national governments.<sup>92</sup> Even prior to the 2012–2013 conflict in CAR, the government faced ongoing challenges related to encroachment of illegal logging onto timber concessions. Enforcement is likewise a challenge with respect to the poaching of



wild animals. To implement laws and decisions related to renewable resource management, fragile states must invest in effectively training and compensating government officials tasked with enforcement. Fragile states can reintegrate some excombatants into enforcement positions as, for example, park guards in protected areas (see box on Managing Biodiversity in Fragile States).<sup>93</sup> Additional support is needed to build government capacity to track and prevent the illegal exploitation of natural resources through new technologies—for example, through communications technology to address illegal fishing and satellite imagery to identify illegal deforestation (see box on Ecosystem-Based Approaches to Managing Lake Tanganyika).

### 3.6 Recommendations

Sustained economic growth in Africa depends on sustainable management of renewable resources, such as arable land, forests, fisheries, livestock, and water.<sup>94</sup> Sustainable management poses unique challenges in fragile states because of the complexity of the decisions that fragile state governments must make while rebuilding their own weakened capacity. Fragile states must reduce resource scarcity, decide which large acquisitions and concessions to permit, address rights to renewable resources as a contributing cause of conflict, address potential impacts of development initiatives on land tenure, and balance the needs of squatters with the rights of returning displaced persons, all while building local capacity for the governance of common land and community land use planning. The recommendations that follow represent areas where fragile states, the Bank, and the international community could improve the management of renewable resources:

- *To reduce scarcity of renewable resources, fragile states should examine strategies such as restoring damaged or degraded resources, using ecosystem-based management and multiuse landscapes, and addressing security- and infrastructure-related constraints preventing access to renewable resources.*
- Scarcity can also be reduced through the application of technologies that increase the efficiency with which natural resources are used. *Fragile states can work with development partners to identify and develop conflict-sensitive strategies for deploying technology and market-based tools for reducing the demand on renewable resources.*
- *Decision makers in fragile states must identify, consult with, and consider the needs and rights of all potentially affected parties when deciding how to develop, regulate, or allocate renewable resources.*
- *Recognizing, empowering, and including traditional institutions in renewable resource decision making brings greater legitimacy to initiatives* where traditional authorities have historically been responsible for the local management of renewable resources.
- To reduce the issuance of overlapping resource rights and rebuild damaged systems of property rights, *fragile states may need to make significant investments in capacity building, the reconstruction of records, and the locating and rehiring of relevant staff or traditional authorities.*
- *Additional study is needed to identify strategies for coordination of renewable resource decision making as a standard practice within fragile states.* Improved coordination is needed within and between renewable resource sectors, between national and subnational government officials, and between statutory and traditional authorities. While there are projects that coordinate effectively at a project level, this needs to become standard among all development initiatives. Developing linkages between national and subnational levels of government and developing systematic intersectoral coordination outside the framework of specific projects has been more challenging for fragile states.
- *Decision making and resource allocation in fragile states requires additional capacity building for government officials on conflict sensitivity and consensus building to engage all stakeholders and avoid reigniting or increasing tensions.*
- *Additional capacity building opportunities are needed for local and traditional authorities to learn conflict-sensitive approaches to community-level participatory planning.* Introducing community-level participatory management in projects related to the administration of shared resources can support social cohesion and cooperation.
- *Fragile state government officials need opportunities to build their capacity to resolve renewable resource-related disputes.* Where traditional institutions are robust, such institutions can also support the reconstruction process by helping reintegrate returning displaced persons.
- *To improve enforcement of laws and regulations related to renewable resources, fragile states must support a well-trained and well-paid network of enforcement officials; however, additional support is also needed from development partners for capacity building and the acquisition of technologies and equipment.*

- *There is a need to develop guidelines and checklists for conflict-sensitive programming in land policy and administration, particularly for countries that are considering undertaking land tenure reform.* This involves building on the *Framework and Guidelines on Land Policy in Africa*, the FAO's voluntary guidelines, and resources from other institutions that focus more closely on land policy and administration activities in fragile states.<sup>95</sup> The guidelines and checklists would be used to review land policy and administration projects at an early stage in their conceptualization to ensure that they will reduce rather than increase tensions in fragile states.
- *Renewable resources can be leveraged to create many livelihood opportunities for reintegrating excombatants, refugees, and internally displaced persons,* from labor-based initiatives that restore degraded natural resources to positions in the enforcement of laws and regulations related to natural resources.

#### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

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#### Endnotes

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- 7 Altman, Nichols, and Woods 2012; Nichols and Goldman 2011.
- 8 UNEP 2007 (Sudan), 2010 (Sierra Leone), 2011b (DRC).
- 9 United Nations Interagency Framework Team for Preventative Action 2012c; see also Chapter 1.
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- 12 AU, AfDB, and UNECA 2010a (DRC, Liberia, Sierra Leone, and Southern Sudan); Brachet and Wolpe 2005 (Burundi); El-Tayeb, Nimir, and El Hassan 2006 (Sudan); Forojalla and Galla 2010 (South Sudan); Hartman 2010 (Liberia); Larrabure and Ouledi 2012 (Comoros); USAID 2010b (Chad), 2010c (Sierra Leone), 2011 (Côte d'Ivoire). See also ARD (2010) for Mali (Mali was designated a fragile state in 2014).
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- 20 See UNEP (2010) discussing lingering coping strategies in Sierra Leone.
- 21 Scarcity and poor governance are two of the main sources of grievances related to natural resource management (Chapter 1). United Nations Interagency Framework Team for Preventative Action 2012c. The third source of grievances related to natural resource management is transboundary dynamics, which are addressed in Chapter 9 on regional dynamics and institutions.
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- 23 Jensen and Lonergan 2012.
- 24 UNEP 2007.
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- 26 See also Maekawa et al. (2015)\*.
- 27 Shimoyachi-Yuzawa 2012; Unruh and Williams 2013.
- 28 Jensen, Halle, and Lehtonen 2009; UNEP 2007 (Sudan).
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- 30 UNEP 2010 (Sierra Leone), 2011b (DRC).
- 31 This is discussed further in the Chapter 6.3 on governance and vulnerable populations; see also Troell and Weinthal (2014).
- 32 Lind 2015\*. Notably, Uganda and Kenya are not considered to be fragile states.
- 33 Lind 2015\*.
- 34 LOG Associates 2010.
- 35 See, for example, Fischer and Levy (2011) on the need for a watershed-based approach to flood prevention and natural resource management more broadly in Haiti—a fragile state in the Caribbean—and the risks of not taking such an approach.
- 36 Macqueen 2013.
- 37 The use of shade trees for coffee cultivation is common in countries like Cameroon and Ghana. Tscharntke et al. (2011) does not discuss which shade trees are preferred there.
- 38 Tscharntke et al. 2011.
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- 61 Brady et al. 2011; UNDG 2013.
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- 65 For a deeper discussion of frameworks for land tenure reform, see AU, AfDB, and UNECA (2010a); FAO (2012); United Nations Interagency Framework Team for Preventative Action (2012d); and Unruh and Williams (2013).

- 66 AfDB 1999, 2005b.
- 67 AfDB (2007a) contains water consumption figures for all of the Bank's regional member countries.
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- 69 For further discussions of horizontal inequalities between groups, see Chapter 1 and Chapter 10.
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- 71 Hassing et al. 2009 (Côte d'Ivoire, Eritrea, Liberia, and Togo); UNEP-DHI 2009 (Guinea-Bissau, Sierra Leone).
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- 73 For a definition of IWRM, see Cap-Net (2008).
- 74 AfDB 2013c\*.
- 75 Barwari 2013; Troell and Weinthal 2014; Zawahri 2014. The Bank's Policy on the Environment also promotes an integrated approach to the management of land and water resources. AfDB 2004c.
- 76 Troell and Weinthal 2014.
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- 78 For example, excombatants enrolled in an agriculture-focused reintegration program in Afghanistan expressed dissatisfaction with the program, in part, because the program did not address the rehabilitation of irrigation systems. Sato 2011.
- 79 Troell and Weinthal 2014.
- 80 Ruckstuhl 2009; AfDB 2003a.
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- 84 ECOSOC 2005.
- 85 Adverse or acquisitive possession laws enacted in some jurisdictions allow property users to gain legal title to property by fulfilling certain requirements that vary by jurisdiction, such as the continuous use of a property for a number of years. Unruh and Williams 2013.
- 86 Shimoyachi-Yuzawa 2011.
- 87 Saferworld 2008; Brady et al. 2011.
- 88 Shimoyachi-Yuzawa 2011.
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- 90 Grievance mechanisms and dispute resolution with respect to concessions and are discussed briefly in Chapter 7 on concessions and revenue management and Chapter 8 on private-sector engagement.
- 91 Chapagain and Sanio 2012.
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## Infrastructure and Natural Resources: Electricity, Roads, Water Supply, and Sanitation

One of the highest priorities for fragile states is the construction or reconstruction of infrastructure. Natural resources and infrastructure are often closely linked because (1) infrastructure can facilitate improved access to natural resources and the benefits they provide, (2) infrastructure (including electricity and water) is often necessary to process natural resources, (3) roads and other transportation infrastructure provides the means to get resources and resource-based goods to national and international markets, and (4) infrastructure can consume and otherwise affect natural resources in ways that can impact competing users and uses. For example, the reconstruction of roads can support agricultural sector livelihoods and food security. In Masisi, in rural Democratic Republic of the Congo (DRC), the reconstruction of 12 kilometers of road reduced transportation costs and increased the farmers' share of the revenues from US\$3 to US\$11 per sack of potatoes.<sup>1</sup> Likewise, access to water frequently depends on the availability of boreholes, facilities for watering animals, irrigation systems, and other water-related infrastructure. Many electrical generating facilities rely on water or fossil fuels to produce energy. Even access to mineral resources is dependent on infrastructure. For example, the Government of Burundi is working with the Bank and the Governments of Rwanda and Tanzania to study whether it would be feasible to develop a railroad needed to extract and export Burundi's nickel reserves.<sup>2</sup>

If not planned for and managed, infrastructure can also have significant impacts on natural resources, affecting livelihoods and welfare in fragile states. For example, dams can alter the volume and depth of watercourses, which impacts all other users of the resource.<sup>3</sup> In Mali, a dam designed to support irrigation and electricity production became a source of tension between the government and communities because dam operators quickly released water without giving sufficient notice to those downstream, damaging communities and crops.<sup>4</sup> Likewise, where water supply infrastructure

is constructed without a clear understanding of the resource base, the infrastructure can facilitate overuse and subsequent water shortages (Chapter 6.2 on governance and data management).<sup>5</sup> This requires close coordination among government agencies making decisions that could impact shared natural resources (Chapter 3 on renewable resources).

Infrastructure is a top priority across Africa, and for the Bank. Infrastructure is particularly important in fragile states because these nations face the greatest needs in providing infrastructure—and the associated basic services and macroeconomic benefits. In 2008, among sub-Saharan African countries and Least Developed Countries globally, fragile states in Africa represented five of the six countries with the highest percentage of the population lacking access to electricity.<sup>6</sup> This translates into real impacts on health, livelihoods, and economic productivity. Lack of access to water and sanitation infrastructure is a public health hazard and can result in the spread of diseases like cholera, typhoid, and diarrhea.<sup>7</sup> Where water delivery infrastructure is far from the home, households can spend up to six hours daily collecting water.<sup>8</sup> Where water infrastructure is nearby, children can use the time saved to attend school and adults can pursue income-generating activities. Power outages and lack of access to electricity also have significant economic impacts. In Burundi and Eritrea, respectively, 80 and 38 percent of enterprises identify power outages as a constraint on doing business.<sup>9</sup> For every hour that the power is interrupted, firms in Eritrea estimate that they lose US\$32 per hour if they do not have generators and US\$10 per hour if they do have generators.<sup>10</sup>

Even where a fragile state had invested in infrastructure, infrastructure is often damaged by armed conflict or is neglected during prolonged political crises. In sub-Saharan Africa, approximately 27 percent of roads are paved; by contrast, in conflict-affected sub-Saharan African states, only 13 percent of roads are paved.<sup>11</sup> Globally, conflict-affected countries account for 65 percent of people without access to safe water and over 54 percent of the population without access to improved sanitation.<sup>12</sup> Conflict has resulted in damage or destruction of water infrastructure in a number of fragile states in Africa, and it has interfered with electric power generation and transmission in at least nine fragile states.<sup>13</sup> For example, in 1993, before Burundi's conflict, 70 percent of the population had access to drinking water; this rate declined to 45 percent by 2005 because water supply systems were targeted and fell into disrepair due to lack of maintenance during the conflict.<sup>14</sup> In Zimbabwe, the prolonged political crisis and the weakened economy have likewise harmed the country's electrical infrastructure.<sup>15</sup> Roads and market facilities may also be damaged, impeding the sale of agricultural goods at market and increasing transportation costs.<sup>16</sup>

Other factors can also impact the availability of access to electricity and water services. Droughts and water scarcity reduce the effectiveness of irrigation systems and municipal water services; they have also forced hydropower facilities in countries like Burundi to switch to more expensive diesel power.<sup>17</sup> Rising oil prices have led to electricity disruptions in Eritrea.<sup>18</sup> Notably, in sub-Saharan Africa, countries that export oil have fewer paved roads and slightly less access to water and sanitation infrastructure than countries that import oil; however, the rate of access to electricity tends to be slightly higher among oil-exporting countries.<sup>19</sup>

The reconstruction of infrastructure to support the delivery of basic services (such as water supply points, sanitation facilities, and electrical distribution networks), livelihoods recovery (including irrigation infrastructure), and economic recovery (such as dams and roads) is an important peace dividend.<sup>20</sup> Restoring infrastructure is often a key priority in stakeholder consultations and public opinion polls in fragile states.<sup>21</sup> When a fragile state government successfully and equitably restores and maintains infrastructure in a fragile or conflict-affected environment, legitimacy is built by demonstrating the willingness and ability of the government to meet the needs of the public.<sup>22</sup>

Within this context, fragile states face a range of challenges. There are also many options for developing infrastructure that can be tailored to the fragile state context, including both large-scale government initiatives and decentralized initiatives managed at the local level by local governments, traditional authorities, or community-based organizations. There is also significant room for private-sector engagement, ranging from small-scale private-sector infrastructure providers to large-scale public-private partnerships. This chapter examines experiences and approaches for infrastructure construction and reconstruction in fragile states, focusing on considerations of equity, infrastructure governance, public-private partnerships, and green infrastructure.

#### 4.1 Using Infrastructure to Address Horizontal Inequalities

Fragile state governments can use infrastructure initiatives to bridge divides across groups and reduce horizontal inequalities.<sup>23</sup> Supporting development projects that improve livelihoods, access to natural resources, and basic services to populations on all of the sides of a conflict sends a clear message that the government supports the public as a whole, without regard to past divisions. It can also help to redress grievances that contributed to past conflicts or political crises.<sup>24</sup> During project design, beneficiary populations can be identified by cross-referencing data on underserved communities with information





Canal construction in Zimbabwe. Photo: AfDB.

on group dynamics from conflict assessments or election data to ensure beneficiary diversity. In areas where large numbers of people lack access to infrastructure, such analysis is needed to ensure that the benefits of construction or reconstruction initiatives do not accrue disproportionately to any particular group. Potential inequities can be identified by cross-referencing information about election results or ethnic makeup with information identifying gaps in infrastructure. Fragile state governments may also need to ensure equitable distribution of infrastructure initiatives between urban and rural areas and between regions within a country. It is also important to ensure that infrastructure developments support the household and livelihood needs of poor communities as well as the large-scale enterprises that can hasten macroeconomic development.

When developing infrastructure, it is also important to consider equity between existing communities and settlements for internally displaced persons and refugees. Simultaneously considering the needs of both local and displaced communities is important to ensure that infrastructure is sufficient for both groups without depleting the natural resource base. This can be particularly challenging because communities for refugees and internally displaced persons and the associated infrastructure are often used for years before their populations are repatriated (see box on

Rebuilding Water Infrastructure in the Darfur Region of Sudan).<sup>25</sup> Because infrastructure initiatives are frequently labor-intensive, they can also provide a source of employment for returning populations in fragile states recovering from conflict (see box on

### Using Infrastructure for Transitional Employment

Infrastructure initiatives are frequently labor intensive and, in fragile states, they can be tailored to provide a key source of transitional employment opportunities for excombatants, refugees, internally displaced persons, and local communities with high rates of unemployment. A Bank initiative in the Central African Republic was designed to employ excombatants in the construction and repair of water and sanitation facilities ([Chapter 10](#)). Similarly, a road construction initiative in Liberia focused on providing transitional employment to women and youth (two groups who are traditionally disadvantaged) and excombatants.



### Rebuilding Water Infrastructure in the Darfur Region of Sudan

Declining rainfall and groundwater depletion are leading to increased water scarcity in the Darfur region of Sudan, an area where competition over water and grazing has been a contributing cause of 27 conflicts since 1975. Demands on water are also increasing due to urbanization and an influx of internally displaced persons.

The African Water Facility (AWF), a program led by the African Ministers' Council on Water and hosted by the Bank, is supporting a project to rebuild water supply infrastructure in 15 to 20 towns in the Darfur region. The project focuses on ensuring that access to water is equitable for all populations and livelihoods, including pastoral and migratory populations. It will supply water for household and health uses but also considers livelihoods, planning to supply livestock, smallholder agriculture, and income-generating activities that require water. The project will also support gender and social equity.

AWF is supplying a grant of €3.3 million to develop investment-ready plans for the rehabilitation of facilities in 15 to 20 towns. AWF will then rehabilitate the infrastructure of three to six model towns and then seek to leverage between €50 and 100 million in funding from other donors to meet the long-term needs of all of the towns with investment-ready rehabilitation plans. The plans will be developed through the collection and in-depth analysis of data related to water resources and community needs, followed by the development of alternative plans for water management. The project will then engage stakeholders to select preferred alternatives. Based on the stakeholders' preferred alternatives, the project will develop detailed plans for each of the 15 to 20 towns and convene a donor meeting to seek financing for the implementation of the plans.

To inform planning and investment decisions, the project has a robust data collection and management component. Data related to land and water rights is currently fragmented across a wide number of government agencies and international organizations. The project will synthesize all maps and data related to "water systems, groundwater and aquifers, natural resources and land use, conflict and early recovery areas, migration routes, population density, IDP camps" and more. Gaps in the data will be supplemented with the development of a groundwater monitoring plan and the installation of the associated equipment, the collection of data on topography and the current state of water delivery and storage infrastructure, and the development of detailed predictions of the communities' future needs and the appropriateness of measures designed to improve the efficiency of water use. This information will be collected into a database and shared with the relevant Sudanese government agencies, including the Darfur Land Commission.

The project will build institutional and community capacity in several areas related to water resource distribution and management. First, the State Water Corporation managerial and technical staff and local governments will be trained in the operation and maintenance of water supply and sanitation systems. Trainings will also focus on the development of user fees and revenue generation to finance operation and maintenance.

Community members will be trained to sustainably manage available water and encouraged to engage in drought preparedness plans and other knowledge management activities. Gender and social equity needs are also a high priority in trainings. Community-based organizations and private-sector entities will also be trained on how to improve the delivery of small-scale, local water and sanitation services.

The project is being designed and implemented through coordination with Sudanese officials at the municipal, regional, and national levels; traditional authorities; and a large range of development partners, such as the African Union–United Nations Hybrid Mission in Darfur and the Japan International Cooperation Agency.

Using Infrastructure for Transitional Employment). Government officials and development partners should examine the distribution of project benefits both within individual project areas and across the country as a whole.<sup>26</sup>

A particularly challenging—and sometimes controversial—aspect of infrastructure development is ensuring that such development is done equitably in places facing ongoing insecurity, a problem that arises in several fragile states in Africa. Regions within



Sewage treatment plant in DRC. Photo: AfDB.

a fragile state that are facing ongoing insecurity are frequently the same regions that are underserved and may be aggrieved by horizontal inequalities. While it is important to be equitable in building and rebuilding infrastructure, developing infrastructure in areas that are insecure requires a careful consideration of the potential risks and rewards of the specific conflict-affected situation, particularly where fragile state governments have not been able to fully secure control of a region.

The potential rewards and risks of developing infrastructure in insecure environments are great. By engaging local and national governments—and sometimes only by engaging local and national governments—infrastructure initiatives in insecure environments can facilitate access for humanitarian initiatives, support other development projects, demonstrate the commitment of fragile state governments to restoring basic services, create entry points for cooperation among groups, and support livelihoods and macroeconomic development.<sup>27</sup> Key risks that arise during infrastructure initiatives in insecure environments include:<sup>28</sup>

- (1) Armed groups may take over or exploit infrastructure to their advantage by, for example, using new roads to launch attacks.
- (2) Infrastructure initiatives may not build government legitimacy if international organizations or military forces lead the construction, and if fragile state governments lack the capacity to operate and maintain new or reconstructed infrastructure in insecure environments.
- (3) If community participation and consultations are curtailed due to insecurity, there may be a lack of community ownership of the infrastructure.
- (4) The risk of corruption increases if project monitoring and evaluation are limited by security considerations.
- (5) Maintaining security can lead to high project costs.
- (6) New or rebuilt infrastructure may be damaged by ongoing conflict.

Accordingly, decision makers will need to investigate and weigh these factors during the design and implementation of individual projects. Sometimes, these risks can be mitigated through alternative project designs. For example, fragile states with appropriate access to water may want to rehabilitate ports before roads because it is harder for rebel groups to use port facilities to their advantage or to target ports in attacks.<sup>29</sup> Other strategies for mitigating risk when programming in insecure environments are discussed in the [Chapter 10](#) on conflict sensitivity.



Ships at port in Abidjan, Côte d'Ivoire. Photo: AfDB.

Incorporating equity into the project design and implementation of infrastructure development—as discussed in [Chapter 10](#) on conflict sensitivity—can also help to ensure that fragile states and development partners do not inadvertently use infrastructure projects to reward political supporters or punish opponents, with the attendant risk of deepening social cleavages and undermining state legitimacy.<sup>30</sup> Inequity in the provision of infrastructure and basic services can increase tensions or possibly reignite armed conflict.<sup>31</sup> In Sri Lanka, a World Bank-funded hydroelectric and irrigation initiative had to be abandoned when armed conflict erupted because the Tamil ethnic minority viewed the project as a government attempt to resettle members of the Sinhalese ethnic majority on disputed lands.<sup>32</sup> Politicization of infrastructure development has also occurred in fragile states in Africa.<sup>33</sup>

## 4.2 Infrastructure Governance in Fragile States

Developing the administrative and institutional capacity to ensure the ongoing operation and maintenance of infrastructure and the expansion of infrastructure is essential to sustained gains in basic services and macroeconomic development in fragile states. However, the administrative and institutional aspects of the development and maintenance of infrastructure are often the most challenging. The private sector is often an important partner in initiatives to build, operate, and maintain infrastructure. Different modalities for private-sector involvement

are discussed in the next section. Regardless of whether the government of a fragile state chooses to engage the private sector, governance remains a vital challenge. To maximize the positive impacts of infrastructure reconstruction on government legitimacy, fragile states should design projects to (1) identify all potential environmental and social impacts of major infrastructure initiatives; (2) build government capacity for the operation, maintenance, and financing of infrastructure; (3) build relationships with local communities; and (4) decentralize the management of small-scale infrastructure for service delivery.

Because the environmental and social impacts of major infrastructure initiatives can increase tensions in fragile states, it is important for fragile states to conduct environmental and social impact assessments (ESIAs) of infrastructure initiatives.<sup>34</sup> It can be challenging for fragile states to develop the capacity to conduct and review ESIAs, undertake strategic environmental assessments (SEAs), and to implement the resulting environmental and social management plans (ESMPs).<sup>35</sup> The Bank and other development partners have environmental and social policies to identify and mitigate the negative impacts of development initiatives, and fragile states can work with development partners to improve their own capacity to conduct ESIAs and SEAs and implement ESMPs.<sup>36</sup> For example, the Bank supported the Government of Liberia in conducting an ESMP for a road project, thereby building internal capacity to



conduct such assessments in other similar situations. (Chapter 11.1, box on Capacity Building to Implement ESMPs in Liberia).

Infrastructure projects in fragile states require special attention because they have the potential to cause unintended consequences. While it is impossible to predict all of the indirect and cumulative impacts associated with the infrastructure initiatives in fragile states, experience from around Africa and elsewhere shows that many unintended consequences were foreseeable. Most often, the reason that they were not anticipated, planned for, or mitigated was that there was an inadequate analysis.<sup>37</sup> In these cases, impact assessments were rushed and there was insufficient public review and comment.

To reduce the likelihood of unintended environmental, social, economic, and fragility-related impacts of infrastructure projects, the causes, drivers, and symptoms of fragility must be given careful consideration, as must the lack of government capacity across sectors.<sup>38</sup> For example, roads are key to accessing resources and markets, improving livelihoods, and developing the economy. At the same time, road construction projects often increase land values and can lead to extensive land grabbing by elites who take advantage of the weak land tenure system, as experienced in Afghanistan.<sup>39</sup> Fragile states in Africa have faced similar challenges with new roads that provide access to forests or wildlife parks. Road projects remain critical, though, and potentially harmful impacts can be identified and mitigated. For example, government capacity can be built to manage increased pressure on land or forests to reduce negative impacts. Infrastructure initiatives may need to be sequenced so that government capacity is built by the time the infrastructure is complete. This may require additional resources, but the alternative has proven even costlier economically and politically. Coordination across sectors can also facilitate the identification of impacts across sectors (see Chapter 3). To more effectively tailor projects to the unique factors at play in fragile situations, the Bank's new strategy for fragile states requires the application of a fragility lens to all projects in fragile states, including infrastructure projects.<sup>40</sup>

Frequently, fragile states seek outside technical assistance and use influxes of funds to finance infrastructure construction or reconstruction. Sometimes such funds are from development initiatives or large payments from extractive resource concessions. Regardless of the source, such funding is usually temporary, lasting only until project funds or extractive resources are exhausted. To achieve sustained results, fragile state governments must focus on building their capacity and revenue base for the operation and maintenance of infrastructure and for further expansion of infrastructure in the

long term. For example, water systems, ports, hydroelectric facilities, and other infrastructure can go unused or become dilapidated relatively quickly if fragile state governments do not have skilled maintenance personnel or if they lack the funds to perform necessary maintenance. Some fragile state governments find that they have trouble identifying and recruiting local personnel with sufficient expertise in engineering and construction to maintain complex infrastructure, such as infrastructure needed for water distribution in urban areas or electrical generation.<sup>41</sup> This expertise may need to be built through long-term investments in education, training, or even seconding qualified professionals from other countries to support the development of local capacity over a period of years (Chapter 11.2). Where short-term capacity is lacking, international consulting firms or the private sector can be engaged to fill the gap, but too often they are financed in lieu of long-term institutional capacity building, leaving countries unable to maintain the infrastructure that was built. Where external parties are used to rebuild infrastructure, institutional capacity building should be undertaken in parallel to ensure that national institutions are ready when construction is complete. Ensuring high-quality performance in the construction, operation, and maintenance of infrastructure can also include significant revisions to laws and policies related to the technical aspects of infrastructure construction, operation, and maintenance. Sometimes these standards can be based on the standards of regional economic communities, such as the Economic Community of West African States standards for road use and axle-load controls.<sup>42</sup> Fragile states also need the financial and technical expertise to develop long-term projections for their infrastructure needs so that they can develop fee schedules and financing plans to meet them sustainably.

Technical losses, where water or electricity is produced but is lost during distribution without generating revenue, can also impede the sustained operation and maintenance of water and electricity operations. In Liberia, up to 60 percent of water generated by the major water treatment plant in Clara Town was lost as nonrevenue water, mostly due to illegal connections and also due to physical failures such as broken pipes.<sup>43</sup> Likewise, in Sierra Leone, 18.9 percent of electricity produced is lost due to breakdowns in the physical infrastructure, and an additional 21.9 percent of the electricity is stolen through illegal connections.<sup>44</sup> In Liberia, the government used a strategy of formalizing the groups operating the illegal water hookups; in Sierra Leone, the government has been working to address technical losses through electricity meters and upgrades to information technology.<sup>45</sup> Developing sustainable financing sources for infrastructure can be particularly challenging due to technical losses and the weak revenue base of poor communities who can



afford very little in taxes and fees and who historically have expected their government to provide water and other services free of charge.

In fragile states, the weakness of the revenue base for infrastructure maintenance and operation is often compounded by a lack of public trust in the government institutions that are responsible for collecting revenues and building, operating, and maintaining infrastructure. Fragile state governments can work toward rebuilding this trust by improving the transparency and accountability of service providers to their beneficiaries and to the funders that pay the taxes or fees to support the service, with the understanding that in many cases the beneficiaries and funders overlap.<sup>46</sup> Revenues from fees for basic services must be reinvested in the operation, maintenance, and improvement of the infrastructure that makes the service possible. Moreover, the quality and reliability of the services delivered should reflect those fees. Three mechanisms to promote accountability include (1) fee structures that allow the public to opt out of services where the benefits of the system are inadequate, (2) elections or other participatory processes that allow beneficiary communities to choose the leaders of public utilities or community-based organizations that provide services, and (3) grievance processes to ensure that service providers are responsive to problems and complaints. Government accountability must be present, whether the government itself is providing the service or whether the government is selecting and regulating the performance of one or more private-sector service providers.<sup>47</sup> Community engagement and decentralization are two important tools for increasing accountability. Dispute resolution and grievance mechanisms also help to address environmental impacts on natural resources and livelihoods caused by the construction, operation, and maintenance of infrastructure.

Fragile states seeking to construct or reconstruct infrastructure for local communities can design projects to rebuild linkages with local governments and rebuild trust between local communities and local and national authorities.<sup>48</sup> In many fragile states, particularly those that have experienced armed conflict or repression, the public views government institutions with suspicion. Public engagement and participatory approaches can be used to allay such suspicions and rebuild trust in government. Engaging traditional authorities is also important because they can often mobilize the community and help to ensure that all stakeholders are considered. By building consensus on infrastructure use, local authorities can also help to reduce competition over the natural resources that infrastructure accesses.<sup>49</sup> For example, the box on Infrastructure and Governance in the Central African Republic (CAR), below, examines a project that worked with communities to establish communal and rural development committees;



Cyclist on a road in Burundi. Photo: AfDB.

the project then worked with those committees to identify reconstruction needs, agree on priorities, and develop plans for reconstruction. Similarly, water infrastructure projects in Darfur also utilized a participatory approach for infrastructure planning (see box on Rebuilding Water Infrastructure in the Darfur Region of Sudan). The effectiveness of a participatory approach can be significantly enhanced by training program officers and local and national government officials on conflict-sensitive programming ([Chapter 10](#)).<sup>50</sup>

Decentralization can also build public confidence in public services and infrastructure, which in turn can lead to improved revenue generation for operation and maintenance of infrastructure. In Burundi, during the conflict, water services were damaged, and the issue of the government's provision of water services became politicized, leaving many members of the public suspicious of government efforts to reestablish and charge for water services. The Government of Burundi has been working with the Bank to extend water services to rural communities in Burundi and to improve the management capacity and accountability of 34 communal water authorities at the local level.<sup>51</sup> The communal water authorities will also be transformed into community-based organizations with more opportunities for community participation; for example, communities will be choosing their water officials.<sup>52</sup> The reforms to the communal water authorities were coupled with public outreach campaigns to improve public confidence and willingness to pay fees to support the ongoing operation and maintenance of infrastructure for water services.<sup>53</sup> Community-based organizations in DRC have, likewise, been organized to provide water services to seven networks of up to 20,000 people.<sup>54</sup> These organizations are made up of locally elected officials who manage the water systems and liaise with local government officials.<sup>55</sup> The Darfur water project profiled above was also designed to provide capacity building for community-based organizations that provide water supply and sanitation services.

### Infrastructure and Governance in the Central African Republic (CAR)

Since 2009, the Bank and the World Bank have been cofinancing an initiative to rebuild some of the infrastructure that was destroyed during the conflicts that have taken place over the past decade in CAR. The project is designed to use community-planning processes to build local governance capacity and trust between communities, local governments, and the national government. The project is also supporting basic services by building wells, rural markets, schools, health centers, drying yards, rural roads, and village pharmacies in conjunction with efforts to improve agricultural, fish, and livestock production.

The infrastructure component of the initiative relies on rebuilding trust and connections between beneficiary communities; local governments; the Ministry of Social Affairs, National Solidarity and Family; and the Directorate-General for Studies, Planning and Support Services. The project was initially met with suspicion by many community members. Project staff have worked to overcome these misgivings by actively engaging communities through informal discussions, workshops, radio broadcasts, posters, and pamphlets. With the support of project staff, communities elect communal and rural development committees and work with those committees to prepare medium- and long-term community development plans that identify the infrastructure most needed, whether that infrastructure involved wells and boreholes, rural markets, or health centers. Project officers took special care to ensure that women, indigenous people, and pastoralists were included in the community-planning process.

The project is designed to fund approximately 330 facilities, fulfilling some of the infrastructure needs of communities; however, because the project covers 10 of the country's 16 prefectures, the need for infrastructure far outstrips the availability of funding. The project has developed and communicated impartial criteria to identify communities eligible to receive infrastructure, and then 102 beneficiary communities were selected at random from the pool of eligible communities. Each beneficiary community consists of approximately 30 villages. While there has been some resentment among communities that were not selected, the community development plans were also designed to help communities identify projects that would not be funded by the Bank's infrastructure initiative but which communities themselves could work to develop or which communities could present to other funders for support.

To rebuild social cohesion while improving livelihoods, the project is also encouraging community members to form cooperatives for natural resource management. The project is training smallholder groups and plans to distribute approximately 240 kits for agriculture, aquaculture, and livestock production. The project is planning to use a spatial breakdown of vulnerable groups within the project area to ensure that kits were distributed equitably. To support women, the project also plans to distribute 150 multipurpose platforms for processing and preparing agricultural goods.

The project's design also focuses special attention on project implementation. Due to the government's weak capacity, the project funded the salaries of personnel—a combination of regional and national staff experienced in project coordination, procurement, and the necessary subject matter expertise—for a central implementation unit. To facilitate monitoring and evaluation and facilitate cooperation with the regional governments, the management of the project is decentralized to include four regional implementation units in addition to the central office in Bangui. The project also included special trainings to help project staff familiarize themselves with the Bank's procurement and disbursement procedures.

NOTE: As of the publication of this Flagship Report, all Bank activities in CAR are on hold pending resolution of the current political crisis.

Similar dues-based approaches are also useful for the maintenance and repair of irrigation infrastructure.

Rebuilding infrastructure can also support regional integration and build resilience through networks with neighboring countries. For example, the Inga hydropower project in DRC will be a low-carbon

source of energy for the people of DRC and it will supply renewable energy to neighboring countries in Southern Africa (see box on Low-Carbon Hydroelectric Power in the Democratic Republic of the Congo [DRC], below). The regional aspects of infrastructure development and natural resources are discussed briefly in [Chapter 9](#) on regional dynamics.



Electrical generation in DRC. Photo: AfDB.

### Low-Carbon Hydroelectric Power in the Democratic Republic of the Congo (DRC)

The development of the DRC'S overall hydropower potential (10,000 megawatts) would make it the world's third-largest supplier of potential hydroelectric power. The Inga region of the DRC contains 40 percent of this potential. Tapping into this potential would provide a low-carbon energy alternative to electricity generated by facilities that burn fossil fuels, and electricity that is routed to communities currently relying on fuelwood for energy could provide an important alternative to deforestation. If fully realized, the Inga hydropower project will be used to supply domestic electricity needs and provide electricity to neighboring countries in Southern Africa. It is part of a larger plan to promote regional integration by creating electricity interconnections across the continent using high-voltage transmission systems to facilitate the delivery of electricity across Africa, while minimizing the loss of energy in transit.

The Inga hydropower initiative includes a four-stage plan that will be executed in the Nkokolo Valley. The first three steps are centered around a series of three run-of-river dams called Inga 1, 2, and 3. Run-of-river dams involve the diversion of part of the flow of a river, in this case the Congo River, to generate electricity without creating a large reservoir. The fourth and final component of the Inga power project, called Grand Inga, would use the Bundi Valley as a reservoir. Inga 1 and 2 were built in 1972 and 1982, respectively. The Government of DRC recently invested significant funds to rehabilitate Inga 1 and 2 after their efficiency had been eroded to 40 percent of their total production capacity due to their age, lack of maintenance, and design flaws, but they will ultimately need to be completely refurbished. Inga 3 and Grand Inga have not yet been constructed. The Government of DRC is pursuing the development of Inga 3 in order to attract mining investment into DRC, promote economic growth, and address the



regional power deficit. It is also intended to supply power to the domestic market and could act as a substitute for Inga 1 and 2 while they are under refurbishment.

The Bank financed a series of feasibility studies to examine what would be required to complete the third and fourth components of the Inga hydropower project, including an electricity-demand study, a prefeasibility study, a feasibility study, and an environmental and social impact assessment. These studies were designed to examine the state of the Inga 1 and 2 dams, determine the technical feasibility of the Inga 3 and Grand Inga dams, and assess the institutional capacity of DRC's National Electricity Supply Company. In addition to the studies, the project is being supplemented with funding to secure technical support to help the Government of DRC select consultants, monitor progress on the studies and peer review the results of the studies. The project will also conduct trainings and publicity efforts to share the results of the studies with project stakeholders, including civil society organizations, the public, and others. A detailed environmental and social impact assessment for Inga 3 is currently being prepared.

To ensure that the Government of DRC is well represented as it negotiates the potential sale of electricity to other countries on the continent, the African Legal Support Facility (ALSF) is helping the government hire expert legal counsel, which the Bank is financing. In March 2013, South Africa signed an agreement with DRC to purchase 2500 megawatts of energy once the first phase of Inga 3 is completed. For more information on how ALSF supports fragile states in the negotiations of contracts and concessions, see [Chapter 7.1](#).

### 4.3 Engaging Small-Scale and Large-Scale Private-Sector Service Providers

As governments of fragile states work with development partners to design infrastructure initiatives, there are significant opportunities to engage both small- and large-scale private-sector service providers. Many fragile states have robust small-scale, often informal, networks for the delivery of electricity and, especially, water services, and engaging these small-scale providers can be a rapid way to expand access to infrastructure and basic services.

In some fragile states, up to 70 percent of services in urban areas are supplied by such small-scale networks.<sup>56</sup> In formerly fragile Angola, the informal sector market for water was an estimated US\$250 million in 2009.<sup>57</sup> Fragile states should examine options for building on existing networks of small-scale service providers to expand access to infrastructure and basic services.<sup>58</sup> Informal networks of small-scale service providers are frequently resilient and able to withstand shocks; however, they also have disadvantages.

Factors such as cost and quality of small-scale services, the speed at which basic services can be provided, and the size of the existing network of small-scale service providers are all important considerations when evaluating how to approach infrastructure initiatives in fragile states. For example, in the electricity sector, small-scale diesel generation operations can be put into place quickly to address shortages, but the electricity that small-scale diesel

generation units produce is more expensive per kilowatt-hour than large-scale facilities.<sup>59</sup> Water supply systems that rely on trucks or bicycles for water delivery are often more expensive per liter; however, other small-scale technologies like spring-boxes or rainwater harvesting structures can be cost-effective.<sup>60</sup>

Support to small-scale services through capacity building, technical support, and regulation can be used to target key challenges. In the water supply sector, for example, strategies to improve water quality have ranged from providing incentives for private-sector suppliers to use approved sources of water, supplying subsidized chlorine for water purification to private-sector water suppliers, offering technical support for small-scale suppliers looking to expand, and building the capacity of community groups monitoring the quality of water supplied by private-sector suppliers.<sup>61</sup> It is important to engage and encourage the registration of informal small-scale service providers; however, this can be challenging because informal service providers can sometimes be controlled by gangs or criminal organizations, as occurred in the aftermath of the civil conflict in Liberia.<sup>62</sup> It is important, however, for fragile state governments to ensure that regulations and registration requirements imposed on small-scale service providers are not so burdensome as to render their enterprises unprofitable or increase the price of basic services so that poor communities bear even greater costs than they currently pay.<sup>63</sup> It is also important for fragile states to manage and build consensus regarding natural resource allocation





Men with spigot. Photo: AfDB.

among different user groups of the same water or energy resources to diffuse tensions and resolve disputes.

Attracting private-sector investment in infrastructure can be challenging in fragile states, and especially those recovering from conflict. A study of 10 countries recovering from conflict found that private-sector investments in infrastructure tend to fluctuate, with investment in transportation first starting approximately one year after conflict, investment in energy starting at the three-year mark, and investment in the water sector starting at the seven-year mark.<sup>64</sup> In contrast, private-sector infrastructure investments in telecommunications resume quickly in the immediate aftermath of conflict.<sup>65</sup> Sectors such as water and energy take longer to attract investors due to a combination of higher perceptions of risk, the costliness of reconstruction, the lack of a client base who can and are willing to pay well for basic services, and lack of capacity within fragile state governments.<sup>66</sup> Working with development partners to negotiate public-private partnership (PPP) agreements with large-scale private-sector service providers is one way for fragile states to spur investment earlier on by rebalancing the risk calculus in favor of investment in fragile states. PPPs arrangements can also give fragile states much needed time to rebuild national capacity to operate and maintain infrastructure by having private-sector entities establish procedures for key operation and maintenance activities.

By merging resources and balancing investment risks between public and private actors, PPP agreements can support infrastructure construction, rehabilitation, and ongoing operation and maintenance in water supply and sanitation, energy production and transmission, and transportation.<sup>67</sup> PPPs combine private contract management with public financing.<sup>68</sup> For example, using a PPP agreement, the Government of Togo worked with the U.S. Overseas Private Investment Corporation (OPIC) to finance a private-sector company, Contour Global, in the construction and operation of a tri-fuel power generation plant that can alternate between burning oil, diesel, and natural gas.<sup>69</sup> Some private-sector infrastructure operators have even continued operations through civil unrest and crises, such as Compagnie Ivoirienne de Production de l'Electricité and Azito Energie SA in Côte d'Ivoire.<sup>70</sup>

Fragile states can also consider alternatives in which a private-sector entity rebuilds the public utility and operates it for a set term of years, after which the government takes over.<sup>71</sup> If negotiated skillfully, this type of build-operate-transfer agreement has the advantage of using experienced private-sector operators to rapidly undertake reconstruction, while simultaneously requiring the private-sector corporation to train public officials over a course of years so that they are ready to take over operation, maintenance, and expansion of the system after the agreed-upon term has passed.

While PPPs are an important option for rapidly restoring infrastructure, fragile state governments must continue to play an active role in setting regulations. Regulations and their enforcement ensure that utilities are able to provide sustained basic services, at affordable rates; maintain quality; and do so without adverse environmental and social impacts. Fragile state governments can also reduce tensions and support pro-poor development by negotiating with private-sector partners who receive concessions to extend water supply, sanitation, electricity, and transportation infrastructure to poor communities in addition to industrial and commercial areas where infrastructure will facilitate commercial investment to jump-start macroeconomic growth.<sup>72</sup>

Fragile states may also benefit from integrating private-sector infrastructure into their national planning processes and designing concessions to ensure that private-sector infrastructure also benefits the public interest. Private companies frequently create infrastructure such as roads or electrical generating facilities to facilitate their operations. For example, the Addax BioEnergy initiative in Sierra Leone, profiled in [Chapter 8](#), produces biofuels that will largely be exported. The biofuel production will be powered by a cogeneration facility that will produce excess electricity beyond what is needed to make

biofuels, and Addax has agreed to reroute the extra power into Sierra Leone's electrical grid. Likewise, governments of fragile states can negotiate with private-sector investors to issue concessions that include public access to roads, railway tracks, and other infrastructure developed for natural resource extraction or transport (Chapter 7). In contrast with the PPPs for the provision of electricity, water, and other basic services, these concessions are primarily designed to facilitate the extraction or production of natural resources and to generate revenues, providing infrastructure only as a secondary objective. As fragile states integrate private-sector infrastructure into national planning processes, it is important to maintain a focus on inclusive, conflict-sensitive approaches to infrastructure expansion to avoid creating additional grievances or critiques that the government is developing infrastructure in ways that subsidize natural resource concessionaires without substantially benefiting the general public.

#### 4.4 Green Infrastructure in Fragile States

As fragile states consider alternatives for the construction and reconstruction of infrastructure, leapfrogging to green or sustainable infrastructure alternatives offer significant advantages. *Green infrastructure* (sometimes called “sustainable infrastructure”) is a broad term encompassing infrastructure that uses natural resources efficiently, is resilient to climate change, or is associated with lower carbon emissions.<sup>73</sup> Sustainable alternatives can be used for a wide range of infrastructure, such as electrical generation based on renewable resources, more efficient water delivery technology for households and irrigation, or climate-resilient roads. As part of its commitment to green growth, the Bank recognizes the importance of using sustainable alternatives to meet Africa's infrastructure needs.<sup>74</sup> The Inga hydropower project in DRC seeks to harness the power of the Congo River and may someday provide a low-carbon renewable source of energy for the continent through a network of high-voltage transmission lines (see box on Low-Carbon Hydroelectric Power in the Democratic Republic of the Congo [DRC]). Other sources of renewable energy, such as solar and wind power, are also important.

Fragile states in Africa must often build or rebuild infrastructure from the ground up, which makes green infrastructure more cost-effective than in situations where existing traditional infrastructure would have to be retrofitted to be more sustainable, although on average green infrastructure is slightly more expensive than traditional infrastructure (the extra cost of green infrastructure is usually no more than 10 percent over the cost of traditional infrastructure).<sup>75</sup> Green infrastructure is also discussed in Chapter 5 on climate change.



Hydroelectric dam construction in Sierra Leone. Photo: AfDB.

#### 4.5 Recommendations

The construction and reconstruction of infrastructure provides a foundation for economic development and basic services in fragile states. The equitable and conflict-sensitive development of infrastructure can also demonstrate a fragile state government's willingness and capacity to meet the needs of its people. Many fragile states have unique opportunities to rebuild or build infrastructure in the aftermath of conflict or political crises; however, financial resources and the availability of development financing vary widely from one fragile state to another, and the absorptive capacity of fragile state governments is frequently limited.

The Bank has championed investment in infrastructure across Africa, and its commitment to fragile states has been growing since 2008. Development partner interest in infrastructure is also growing. In 2013, the Bank approved over US\$2 billion in infrastructure initiatives across Africa, including electrical generation, transportation, water, and sanitation.<sup>76</sup> Over 40 percent of the Bank's portfolio in fragile states in 2013 was allocated to infrastructure projects.<sup>77</sup> In fragile states alone, since 2009, the Bank has financed the construction or rehabilitation of more than 800 kilometers of electric transmission and distribution lines and 850 kilometers of roads.<sup>78</sup> The Bank has supported the construction of 1,100 market and agricultural storage facilities and 3,000 boreholes for water supply.<sup>79</sup> In 2013, the Bank also launched a new Africa50 Infrastructure Fund in partnership with the Made in Africa Foundation to leverage funds for infrastructure development into the future.<sup>80</sup>

The recommendations that follow are areas where fragile states, the Bank, and the international community could further support the finance, construction, reconstruction, operation, maintenance, and expansion of infrastructure in fragile states in ways that help states access and use natural resources,

while limiting the environmental and social impacts of such use:

- ***Fragile state governments can use infrastructure initiatives to bridge divides across groups and reduce horizontal inequalities.*** Inequitable access to water or electricity can be a source of tension in fragile states. Analysis of equity in infrastructure should examine equity within individual projects and equity across programming at the national level. Considerations can range from the equitable distribution of infrastructure across groups within a conflict or political crisis, equity across regions, equity between urban and rural areas, and equity toward vulnerable groups such as women and youth. In areas with ongoing insecurity, programming requires serious consideration of the potential rewards and risks of programming in high-risk environments.
- ***Public-private partnerships (PPPs) are a key opportunity for cooperation between fragile state governments and development partners to engage large-scale private-sector enterprises to build or rebuild infrastructure.*** Such partnerships can be particularly important in delivering results in the short- to medium-term while the government capacity is being restored.
- ***Further study is needed to examine how to leverage PPPs for infrastructure in ways that reach poor neighborhoods and communities.*** Such a study could look at the role of both the private sector and fragile state governments in negotiating, implementing, and overseeing alternate models for PPPs that supply services to the poor communities as well as more affluent, commercial, and industrial customers.
- ***Rebuilding government capacity for the planning, finance, operation, maintenance, oversight, and expansion of infrastructure ensures that the revitalization of infrastructure also strengthens government legitimacy.*** By providing and maintaining infrastructure, a fragile state government can deliver peace dividends and show that it is acting in the public interest. If, however, a fragile state is unable to build on and maintain early infrastructure gains from development assistance, it may face weakened legitimacy and seem ineffectual. Failure to identify, avoid (where possible), reduce, and mitigate environmental and social impacts of infrastructure initiatives can also detract from state legitimacy. Fragile states can work with development partners such as the Bank to build national capacity and develop and implement ESIs and, as needed, EMPs. This can reduce the risk that infrastructure initiatives inadvertently increase tensions by

causing unexpected environmental or social impacts, including impacts to livelihoods.

- Rebuilding government legitimacy also requires measures to increase the accountability in delivering water, sanitation, energy, and other services. By actively building relationships with local communities, fragile states can ***use community infrastructure initiatives to rebuild trust and repair the social fabric*** in fragile states. ***Decentralizing the management and funding for small-scale infrastructure for service delivery*** is also a key ingredient of increased legitimacy and accountability.
- ***Where small-scale private-sector service providers are present, fragile states should consider the feasibility of partnering with them to rebuild water and other infrastructure and extend the networks that supply basic services.*** This frequently requires a measured approach on the part of fragile states that balances regulation or registration with capacity building and other incentives to ensure the delivery of quality services to the public.
- Fragile states and development partners, including the Bank, can ***standardize the consideration of green infrastructure alternatives at the inception of all infrastructure proposals***, whether the initial conception of the project involves traditional infrastructure or green infrastructure alternatives. To conduct a fully informed, complete comparison, such analyses should include up-front costs, long-term operation and maintenance costs, job creation potential, and environmental and social benefits and costs of green and traditional infrastructure alternatives.<sup>81</sup>

Through equitable, resilient, and green networks of infrastructure, fragile states in Africa will be able to manage natural resources to seize opportunities for economic growth and extend essential services such as water, sanitation, and electricity throughout their populations.

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## Endnotes

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- 4 Goulden and Few 2011. (Mali was designated a fragile state in 2014.)
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- 6 The five fragile states in Africa among the six countries globally with the highest percentage of the population lacking access to electricity were Burundi, CAR, Chad, Liberia, and Sierra Leone; the other developing country was Rwanda. Legros, Havet, Bruce, and Bonjour 2009. Least Developed Countries are identified by the Economic and Social Council of the United Nations based on three criteria measuring (1) low gross national income per capita, (2) human resource weakness, and (3) economic UN vulnerability. OHRLLS n.d.
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- 11 Schwartz, Hahn, and Bannon 2004.
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- 19 Brixiova et al. 2011.
- 20 McCandless 2012.
- 21 See, for example, IDPS (2010a); Mosher et al. (2008).
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- 23 Additional background related to horizontal inequalities can be found in Chapter 1.
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- 25 UNEP (2000) discusses the impacts of the migration of refugees on natural resources and host communities in Guinea. Troell and Weinthal (2014) discusses tensions between Syrian refugees and local communities in Jordan.
- 26 See, for example, Sugiura (2011).
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- 36 For the African Development Bank, the relevant policies are contained in AfDB (2000b, 2001, 2003b, and 2004c).
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- 72 Compare with Pinera and Reid (2014) (where a fragile state government narrowed the scope of the private-sector plan for piped water to serve only wealthier communities based on concerns about the viability of the PPP approach).
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## Climate Change: Mainstreaming Adaptation and Mitigation into Natural Resource Sectors

The likely impacts of climate change in Africa will demand significant efforts to adapt to a less hospitable environment, posing a threat to many fragile states in Africa that are already hard pressed to meet the basic needs of their populations. The 2014 Fifth Assessment of the Intergovernmental Panel on Climate Change (IPCC) found that there is robust evidence demonstrating that climate change poses a high risk to human security by damaging natural resources on which livelihoods, culture, and identity are founded, by causing increased human migration, and by making it more difficult for governments to provide the conditions needed for human security.<sup>1</sup>

In the face of the threats that climate change poses to livelihoods and human security, fragile states need technical and financial support to adapt to the effects of climate change. Adaptation must include efforts to implement technological and institutional initiatives to respond to the predicted impacts of climate change.

Fragile states in Africa can also play a role in global efforts to mitigate climate change. Many fragile states in Africa are in the process of developing or redeveloping their infrastructure, creating opportunities for the development of carbon-neutral sources of energy and more energy-efficient infrastructure. Likewise, fragile states in Africa contain some of the world's largest forests, which hold an immense capacity for climate change mitigation.

The costs of both climate change adaptation and mitigation efforts far exceed the resources available to many fragile states. However, opportunities exist for fragile states to tap into international financing for development projects involving reforestation, clean energy, and other climate change-related



activities. fragile states in Africa have begun to receive support from international climate finance mechanisms to support the design and implementation of projects to adapt to and mitigate the effects of climate change.

This chapter examines the challenges facing fragile states in Africa and the states' efforts to (1) adapt to climate change, (2) mitigate climate change, and (3) access international funds for climate change mitigation and adaptation. The chapter concludes with a short list of key recommendations for fragile states, the Bank, and other development partners.

### 5.1 Adaptation to Climate Change

Climate change is expected to further stress and destabilize already fragile states. The Sahel region and its neighbors—with seven fragile states—is one of the places most at risk for climate change-related instability.<sup>2</sup> With the effects of climate change, existing demographic pressures and heavy reliance on sedentary agriculture, nomadic pastoralism, and other natural resource-based livelihoods are expected to increase food and water insecurity, as well as exacerbate challenges to public health.<sup>3</sup> In the Sahel, these impacts could lead to “competition for resources, local-level conflict, migration and ultimately broader political destabilization.”<sup>4</sup> Similarly, predictions suggest that in North Africa, soil salinization, soil erosion, and water scarcity may increase due to climate change, while the subtropical climate belt in Southern Africa is projected to experience a decline in precipitation and crop production.<sup>5</sup> Localized areas may experience increases in rainfall and extreme rainfall, and river deltas, cities, and other urban areas may be at risk of flooding.<sup>6</sup> Fragile states in Africa, such as the island state of Comoros and coastal states, may be affected by sea-level rise.<sup>7</sup> Ocean acidification is also expected to harm fisheries.<sup>8</sup> In addition to affecting livelihoods, changes in precipitation could affect the operation of hydropower dams.

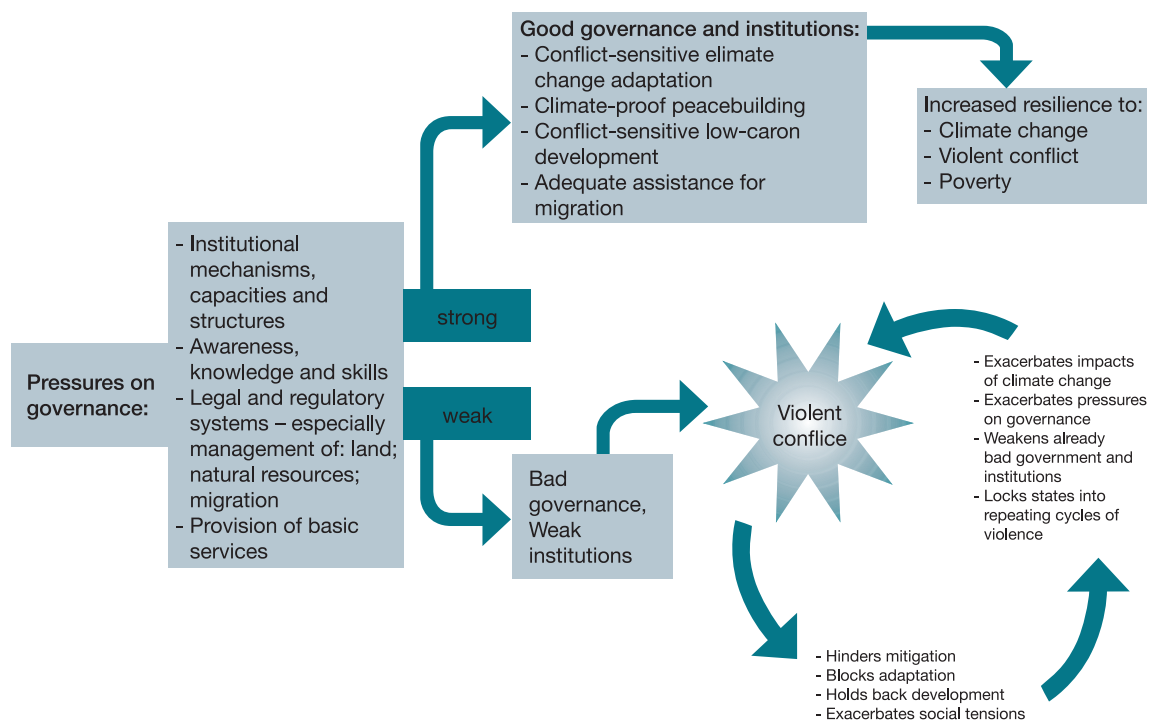
Research is beginning to find direct and indirect links between climate change and armed conflict, although the pathways and connections between climate change and conflict are dependent on many factors that are context-specific.<sup>9</sup> One 2013 study, reviewing 60 datasets from previous studies, found that “the frequency of intergroup violence rises 14 percent” for each standard deviation of increased temperature or rainfall that a place experiences.<sup>10</sup> The linkages between climate change and armed conflict depend on a confluence of different risk factors. The IPCC found that in countries where risk factors associated with conflict were low, the likelihood that climate change could trigger armed conflict is negligible.<sup>11</sup> Studies examining the likelihood of localized conflict as a result of rainfall variability in pastoral communities in Africa found that outbreaks of localized violence

depended largely on the availability of institutions to resolve tensions peacefully.<sup>12</sup> Therefore, although the linkages between climate change and armed conflict are uncertain, these studies suggest that climate change can be a stressor, and that fragile states in Africa are more at risk than their nonfragile counterparts because of the likelihood of weak institutions.

Effective adaptation to climate change in fragile states requires (1) building the capacity of governance institutions, including mediation and arbitration bodies that resolve disputes over natural resources under stress; (2) developing opportunities for fragile states to build their technical capacity to respond to climate change; and (3) consistently designing and implementing climate-proof peacebuilding and development initiatives, even for projects that are not focused on climate change.

Whether the stresses of climate change lead to conflict depends heavily on how governments address them.<sup>13</sup> By supporting good governance of natural resources and utilizing conflict-sensitive approaches, fragile states can adapt to climate change in ways that build state legitimacy. For example, governments of fragile states can strengthen dispute resolution mechanisms, analyze their responses to natural resource scarcity to ensure that their actions are perceived as fair and equitable, and develop greater government capacity to respond to natural disasters.<sup>14</sup> Institutions for the mediation or arbitration of natural resource-related disputes are most effective when (1) they are close to local communities and inexpensive to access; (2) they have the resources to rapidly identify and respond to disputes before they escalate; and (3) they are recognized as legitimate by all affected stakeholders. These institutions are more likely to succeed in resolving resource-related disputes when they engage customary institutions.<sup>15</sup> However, dispute resolution alone is insufficient. Disputes can also be prevented by integrating considerations of climate change and equity into land use planning and economic development initiatives, such as efforts to increase agricultural productivity. Tensions can arise where lack of consideration of climate variability results in outcomes that lock in unsustainable uses. In the Niger River Basin, the relationship between nomadic herding and sedentary farming communities is delicate due to the highly variable climate.<sup>16</sup> Where policies promote the expansion of crop production into marginal areas during years with greater precipitation, pastoral communities are pushed into still drier areas. This locks in agriculture in marginal areas, which results in increased tensions when precipitation diminishes and the drier areas to which pastoral groups migrated are no longer suitable for grazing. Figure 5.1 illustrates the relationship between governance and climate change.

Figure 5.1: The relationship between governance and climate change



Source: Smith and Vivekananda 2009, 10.

Increased technical capacity is also needed to monitor, identify, and communicate trends in precipitation and resource use and to develop early warning systems.<sup>17</sup> Existing capacities of fragile states vary. For example, the Government of Mali was working with the Bank to upgrade and improve existing weather stations and systems to strengthen the government's ability to collect and disseminate information about extreme hydrological and weather events.<sup>18</sup> For other countries, networks for the collection of hydrological or meteorological information may need to be built from the ground up. Since the predicted effects of climate change are different from country to country, data collection and early response should be tailored to those predictions. For example, some countries may require programs focused on exacerbated bush fires whereas others may face increased risks of wider-ranging disease vectors or locust populations.<sup>19</sup> Data is also needed to track other risk factors associated with the stress that climate change is putting on populations, including information on factors such as crop production, livelihoods, and socioeconomic indicators. Regional institutions are frequently well positioned to coordinate the collection and analysis of climate change-related data because river basins or other ecosystems affected by climate change often straddle the borders of neighboring countries (Chapter 9). Discussions of data collection

and management across natural resource sectors are included in Chapter 6.2 and in Chapter 12.2. Early response systems are also needed to mobilize government and development partner assistance quickly to respond to both slow-onset and sudden-onset natural disasters, which are likely to become more common as a result of climate change.

To build the resilience of fragile states in Africa to climate change, priority should be placed on building government capacity at all levels: regional, national, subnational, and local. At the national level, capacity building can focus on already-identified priorities. For example, 14 of the 19 fragile states have developed National Adaptation Programmes of Action (NAPAs), which identify areas where there is a high priority for funding based on "urgent or immediate needs—those for which further delay could increase vulnerability or lead to increased costs at a later stage."<sup>20</sup> Fragile states that have not yet prepared NAPAs may need financial and technical support to create them, and other fragile states may need assistance to update their NAPAs. Measures that engage local communities and build linkages between local communities, subnational governments, and national government institutions are particularly important for fragile states to develop and implement their NAPAs, given the already weak national capacity in some of these states. Such



linkages are especially important in states where there is significant distrust of the national government. One example of an activity to build linkages across different levels of government is the distribution of rain gauges to communities and having them report back to the government on rain levels; the information is then used to prepare local radio or cellular phones to transmit weather forecasts, planting information, and other information and weather-related warnings to farming communities.<sup>21</sup> Fragile states can also take advantage of opportunities to develop linkages between national and regional institutions by sharing climate-related information across countries in the different regions of Africa.<sup>22</sup>

Fragile states can work with development partners to design locally appropriate projects to adopt new technologies for managing the effects of climate change. For example, new strains of cereals are being developed that produce higher yields and are more drought and pest resistant. Such new crops have the potential to offset projected declines in production caused by climate change.<sup>23</sup> In Liberia and other fragile states, the Bank is supporting the distribution of NERICA (New Rice for Africa), an improved strain of rice.<sup>24</sup> Drip irrigation is another example of a water-efficient, low-cost technology that fragile states could utilize to ameliorate the effects of climate change.<sup>25</sup> Initiatives in fragile states must pay special attention to ensure that climate resilient technologies are reaching the poorest populations within marginal areas, not just those most likely to succeed, such as those already participating in farmers' cooperatives.<sup>26</sup> The box entitled Lake Chad Communities Adapting to a Changing Climate examines a Bank-supported initiative to support government planning for climate change adaptation and improved techniques for agriculture and pastoralism in areas deeply affected by climate variability and climate change. Adaptation initiatives are also needed to support improved governance and the use of new technologies to address the impact of climate change on major cities in fragile states in Africa.

Adapting development and peacebuilding initiatives to climate change is essential to ensuring that the initiatives have lasting positive effects.<sup>27</sup> Fragile states will also find that development partners welcome the integration of climate change adaptation into peacebuilding and development projects because these partners' policies frequently require projects that they support to consider the impacts of climate change.<sup>28</sup> For example, to "climate-proof" a project to reintegrate excombatants into the agriculture sector in the Sahel region or the Greater Horn of Africa, a fragile state can train excombatants in agricultural techniques that conserve water and promote crops that are less sensitive to drought; and the design of reintegration projects should consider whether agriculture-based livelihoods should be expanded

in marginal areas.<sup>29</sup> These efforts to adapt to climate change can also be integrated into larger efforts to support green growth, which focuses on building resilience to climatic and other shocks as a way to support economic development through initiatives like climate-proofing infrastructure.<sup>30</sup>

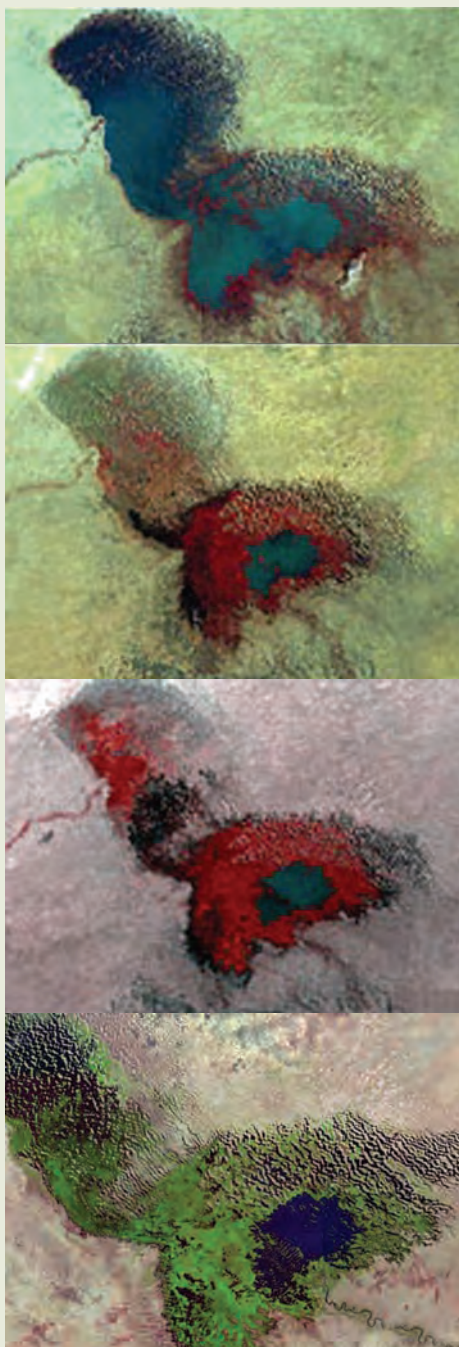
## 5.2 Climate Change Mitigation

Fragile states in Africa can play an essential role in climate change mitigation because they contain some of Africa's largest forests and because they are just now developing or rebuilding their infrastructure and economies. This creates opportunities for them to choose greener technologies, such as renewable energy technologies for power generation and energy-efficient alternatives in transportation, industrial, and even agricultural sectors.

Forests in fragile states trap enormous amounts of carbon that would otherwise contribute to climate change. For example, the Congo Basin—known as the green heart of the African continent—is so vast that it has, trapped within it, the carbon equivalent of approximately four years of the total global carbon emissions caused by humans. The Congo Basin comprises forested areas in 10 countries that are members of the regional forest governance body, the Central African Forest Commission, including the fragile states of Burundi, the Central African Republic, Chad, the Democratic Republic of the Congo (DRC), the Republic of Congo, and São Tomé and Príncipe.<sup>31</sup> If even an additional 1 percent of forests in Central Africa were to be protected, it would sequester the equivalent of approximately one-third of the United Kingdom's annual greenhouse gas emissions (approximately 230 million tons of carbon).<sup>32</sup> Other major forests in fragile states, such as the Upper Guinea Forest, also contain significant quantities of carbon.

Fragile states can use projects that focus on Reducing Emissions from Deforestation and Degradation Plus Sustainable Forest Management (REDD+) to increase livelihoods for communities and earn additional government tax revenues.<sup>33</sup> REDD+ initiatives allow developing countries' governments, communities, and others operating in developing countries to receive payments in exchange for projects that reduce forest carbon emissions below national baselines and improve forests so that they can capture more carbon through reforestation and other initiatives.<sup>34</sup> Where rights to land and forest resources are unclear or where community consultations are not undertaken effectively, REDD+ initiatives have the potential to exacerbate existing tensions in fragile states.<sup>35</sup> In various fragile and formerly fragile states in Africa, there have been allegations that people have been displaced by government authorities to provide licenses to foreign companies to develop

## Lake Chad Communities Adapting to a Changing Climate



Top to bottom, Lake Chad in 1973, 1987, 1997, and 2001. Photos: NASA Earth Observatory 2001.

The Bank is working with the Lake Chad Basin Commission (LCBC) and other donors to rehabilitate and conserve the Lake Chad Basin's ecosystems and adapt its production systems to climate change. The LCBC Member States include the fragile states of Chad and the Central African Republic.

Over the past 40 years, precipitation in the Lake Chad drainage basin has fluctuated dramatically, while water withdrawals for irrigation have increased. This combination has reduced the size of the lake by 90 percent: from 25,000 square kilometers in 1964, when the LCBC was established, to 1,000–2,500 square kilometers depending on the season. Even in its reduced state, Lake Chad is still Africa's fourth-largest freshwater lake. The depletion of water quantity has been accompanied by reduced water quality, erosion, siltation, and loss of biodiversity.

The various challenges require a holistic and integrated response. Accordingly, the Bank's project builds capacity at the regional, national, and local levels in many areas. It supports natural resource–restoration efforts to benefit both livelihoods and the basin's ecosystems. To reduce erosion and siltation and improve the flow and quality of water into Lake Chad, the project will promote soil conservation, grassland and dune restoration, reforestation, and the clearing a major channel that feeds the lake. The project will support pastoral livelihoods by restoring an endangered species of cow. To maximize livelihood opportunities, environmental restoration will be undertaken using labor-intensive techniques. To ensure long-term gains, the project includes training for 15,300 officials, technicians, and leaders of farming associations, 40 percent of whom are intended be women.

The project supports climate-adapted livelihoods by popularizing fuel-efficient cook stoves and stoves that use wood alternatives; financing microenterprise initiatives for activities, such as the production of gum arabic and spirulina; developing community infrastructure; and demarcating transhumance corridors.

To address the diminishing size of Lake Chad and reduce pressures from scarcity, at the basin level, research and studies will be undertaken on siltation, erosion control, and alternatives for the replenishment of Lake Chad. A regional plan will also be developed to control siltation and erosion.

The project was designed through broad consultations with LCBC Member States, donors, and nongovernmental organizations, and included one international workshop and approximately 50 meetings in LCBC Member States. Approximately 150,000 people participated in the planning process over two years, including partners and members of socio-professional groups.

By increasing the availability of natural resources and by using natural resources more efficiently, the project is designed to reduce the likelihood of conflict over scarce water resources, grazing land, and migration caused by climate change and the increasing variability of rainfall in the Lake Chad Basin.

forestry plantations that were supported, in part, by international funds for climate change mitigation.<sup>36</sup>

In fragile states, REDD+ programs need to engage communities, address the potential for conflicting rights over land and other resources, and resolve existing conflicts and new conflicts related to the forest resources governed by REDD+ initiatives. Globally, 97 percent of REDD+ readiness proposals from participating countries state that existing conflicts are a challenge for REDD+, and 91 percent recognize that REDD+ activities could cause conflicts.<sup>37</sup> However, far fewer readiness proposals delve into the specifics of how conflicts will be managed or resolved.<sup>38</sup> A study examining REDD+ readiness proposals found that only 22 to 47 percent of proposals addressed four key factors related to the design of conflict resolution mechanisms.<sup>39</sup> Slightly more than half of readiness proposals address the existing state of and challenges to land tenure.<sup>40</sup> Between 40 and 60 percent of readiness proposals discuss processes for stakeholder engagement in detail.<sup>41</sup>

Land tenure, stakeholder engagement, and conflict resolution are central to natural resource management in fragile states. Therefore, inclusive, consensus-based processes need to be incorporated into REDD+ programs in fragile states to address these fundamental challenges. In 2011, the Government of Uganda issued a readiness proposal with a detailed Conflict Resolution and Grievance Management System, which discusses stakeholder identification, consultation, complaint procedures, and grievance mechanisms at multiple levels.<sup>42</sup> If effectively implemented, approaches such as this one could prevent future instances where efforts to mitigate climate change result in displacements and exacerbate tensions over land tenure and access to forest resources.

Efforts are also needed to ensure that REDD+ designation is not extended to agroforestry initiatives to cultivate cash crops, such as oil palm.<sup>43</sup> If monocrop products such as oil palm are eligible for REDD+ funding, it will create financial incentives for the deforestation of carbon-rich old growth forests, because applicants will be able to seek funding for REDD+ projects to subsidize the creation of oil palm plantations, which will trap far less carbon than the ancient forests that they replace.

REDD+ initiatives do have the potential to provide significant environmental and livelihood benefits within fragile states. The box entitled *Mitigating Climate Change in the Congo Basin* examines a Bank-supported program in DRC that promotes livelihoods through REDD initiatives and production of nontimber forest products in addition to more traditional timber products for firewood, charcoal, and construction.

Developing clean energy and energy-efficient infrastructure is central to mitigation efforts, and developing sustainable infrastructure is a key component of green growth.<sup>44</sup> In Africa, because many states are developing infrastructure for the first time, there is a significant opportunity to adopt cleaner approaches from the start, which is generally more cost-effective than retrofitting existing systems.<sup>45</sup> This is particularly true of fragile states, which currently have more limited infrastructure than their nonfragile counterparts.<sup>46</sup> Despite the fact that green infrastructure often saves money in the long run and is cheaper than retrofitting technology later on, the up-front cost of green options is 7 to 8 percent more than traditional infrastructure.<sup>47</sup> These greater up-front costs can deter fragile states.

To help fragile states meet these additional costs and promote greener development, the Bank and other development partners have financed renewable energy initiatives. For example, the Bank recently completed a project that created infrastructure for the transmission of electricity between Djibouti and Ethiopia.<sup>48</sup> This allowed Djibouti to import low-cost hydropower and wind power from Ethiopia, thereby reducing Djibouti's consumption of energy from oil-powered thermal electrical generation and fuelwood—energy sources that are costlier and emit more greenhouse gases. The Bank has also funded a private-sector project to produce lower-emissions fuel from sugarcane in Sierra Leone. This project is profiled in [Chapter 8](#) on the private sector. The Government of Sierra Leone is encouraging projects such as these as part of a national strategy to support green growth.<sup>49</sup> The Bank and development partners can also support the development of more energy-efficient and greener alternatives in other sectors, including transportation, extractive industries, and agricultural production. Green infrastructure is also discussed in [Chapter 4](#).

When planning mitigation initiatives, fragile states must work with development partners to assess how the causes and drivers of fragility necessitate a tailored approach to project design and implementation. For example, in fragile states, projects may need to focus initially on collecting baseline data, building institutional capacity in technical subjects as well as project design and implementation, developing linkages between national and local communities, and creating economic incentives for communities to support mitigation initiatives. Development partners can help fragile states meet the extra initial costs of choosing green alternatives and of developing national capacity for the operation, maintenance, and expansion of technologies that mitigate climate change.

Finally, all climate-related initiatives in fragile states, whether for adaptation or mitigation, need to be



## Mitigating Climate Change in the Congo Basin

The Congo Basin forests cover a vast area, contributing to climate change mitigation by absorbing carbon from the atmosphere and trapping it within vegetation. The vast majority of people in the Congo Basin depend on natural resources for their livelihoods through hunting, fishing, and subsistence farming. The Congo Basin forests also provide opportunities for local communities to generate income through (1) carbon sequestration under programs such as Reducing Emissions from Deforestation and Degradation (REDD); (2) timber products such as firewood, charcoal, or wood for construction; and (3) nontimber forest products such as honey, resins, oils, and shea butter. Nevertheless, unsustainable logging is deforesting the Congo Basin at a rate of 2 percent per year, a faster rate than ever before due to armed conflict and weak governance. Deforestation and poaching for bushmeat is also endangering some animal species.

The Bank partners with several development institutions to contribute technical expertise and funding to protect the Congo Basin's forests through the Congo Basin Forest Fund (CBFF). One CBFF initiative that combats climate change is the Congo Basin Ecosystems Conservation Support Programme (PACEBCo). PACEBCo targets six of the 12 major landscapes across the 10 Member States belonging to the Central African Forest Commission (COMIFAC). These landscapes comprise 53 percent (more than 346,000 square kilometers) of the forest basin, with approximately 5.8 million inhabitants.

The project will build the institutional capacity of the COMIFAC Secretariat, the Observatory for the Forests of Central Africa (OFCA), national forestry officials, local government authorities, and community-based organizations to reduce illegal logging and create incentives for forest preservation. A diagnostic study of the COMIFAC Secretariat will be undertaken, and funds will be allocated to address needs identified by the study, such as climate change, forest governance and legislation, or monitoring and evaluation. COMIFAC will also develop a timber certification system and prepare a feasibility study for the promotion of nontimber forest products. The project will develop the capacity of OFCA to conduct monitoring and evaluation and publish a biennial report on the state of the Congo Basin. National forestry officials will acquire technical skills such as evaluating carbon stocks to facilitate the implementation of REDD projects. To develop the next generation of forest managers, the project is funding fellowships and diploma classes at the Regional Post-Graduate School on Integrated Management of Tropical Forests at the Garoua Wildlife School. PACEBCo is also funding the training and improvement of parliamentary networks. At the local level, the project will train 1,000 forest guards in ecological monitoring and the prevention of poaching. Three hundred thousand community members will also be trained in biodiversity protection and use, of whom at least 40 percent will be women and 50 percent will be indigenous peoples.

In addition to building institutional capacity, PACEBCo will finance data collection and the development of management plans for the Congo Basin and combat illegal logging. COMIFAC will increase the percentage of Congo Basin forests that are inventoried from 5 percent to 50 percent. Forty protected areas will be demarcated, and 120 guard posts will be built or rehabilitated. At least six development and management plans will be developed for protected areas. COMIFAC national coordinating units will also work with communities to develop at least 60 local development plans.

PACEBCo contributes to the economic development of local communities by creating economic incentives for legal forestry activities that reduce carbon emissions. Ten thousand hectares of community forestry plantations will be created. Local development funds will be launched to finance at least 200 micro-projects annually. At least half of the beneficiaries for the micro-projects will be women.



Forest in the Congo Basin. Photo: AfDB.





Woman carrying water in DRC. Photo: AfDB.

conflict sensitive. In fragile states, climate change considerations (such as reduced carbon emissions or increased carbon offsets) must also be balanced with considerations of conflict dynamics (including group dynamics and equity). For example, the allocation of project benefits, such as new electrical hookups to renewable energy sources or revenues from REDD+ projects, should reduce—not reinforce—inequalities between groups and should be designed to manage existing tensions between groups. Such tensions can even pose problems in projects designed to redress historical inequalities. In Nepal, a REDD+ initiative tried to address historical inequalities by targeting disadvantaged castes and ethnic groups.<sup>50</sup> However, a study found the project had the potential to exacerbate tensions within beneficiary communities because the implementing groups—community forest user groups—were not based on ethnicity and caste. Thus, targeting benefits based on these characteristics caused controversies within the groups. Likewise, projects seeking to target disadvantaged groups in fragile states in Africa will need to work with community groups to use existing systems of forest management and governance to the extent possible. Where existing systems are not equipped to address divisions across groups, REDD+ projects may need to build consensus among stakeholders, develop clear

explanations for beneficiary selection, and create alternative mechanisms for allocating project benefits within and across community groups.<sup>51</sup> There is a pressing need to develop guidance and toolkits for designing and implementing development initiatives in fragile states in Africa that are both climate sensitive and conflict sensitive. Conflict-sensitive programming is discussed further in [Chapter 10](#) and [Chapter 12.1](#).

### 5.3 Leveraging Climate Finance for Fragile States in Africa

Greater financial support is needed for fragile states in Africa to undertake climate change adaptation and mitigation. Many international funds support climate change-related activities, and the Bank has made significant efforts and substantial progress in leveraging funds for adaptation and mitigation through the Climate Investment Funds, the Global Environment Facility, the Adaptation Fund, the Green Climate Fund, and the African Carbon Support Programme (ACSP).<sup>52</sup> These funds provide essential opportunities to address climate change through projects that would otherwise go unfunded. Nevertheless, they represent only a fraction of the financial resources needed to face the challenges posed by climate change. The projected cost of climate change adaptation in Africa is estimated to be approximately US\$20 billion–US\$30 billion annually over the next 10 to 20 years; however, through 2011, only US\$350 million dollars of adaptation funding had been approved.<sup>53</sup>

Africa is generally underrepresented as a recipient of climate change funding, receiving only 3 to 4 percent of international financial flows related to global climate change, and fragile states in Africa tend to be underrepresented among African countries that receive international climate financing.<sup>54</sup> For example, the Adaptation Fund has not approved any fragile states in Africa to receive funds.<sup>55</sup> As of December 2011, none of the 11 projects that the Bank was working to finance through the ACSP were located in fragile states in Africa.<sup>56</sup> This is despite the fact that 35 percent of Regional Member Countries are fragile states. There are some exceptions to the lack of climate change funding for fragile states in Africa. For example, the Congo Basin Forest Fund regularly finances climate change-related initiatives in fragile states in Africa.<sup>57</sup> Likewise, the Forest Investment Program (FIP)—a program of the Climate Investment Funds—also supports REDD+ initiatives, and the Bank has supported the administration of a major FIP project in DRC.<sup>58</sup> Nevertheless, fragile states in Africa are often underrepresented in the mix of countries receiving funds for climate change-related initiatives.

Fragile states in Africa often require additional support to access funds for mitigation and for adaptation because they often lack the human resources and

institutional capacity for effective climate change planning and project design and implementation. In 2014, the Bank launched the African Climate Change Fund, which is designed to reduce the funding gap for fragile states by funding projects to promote resilience to climate shocks in fragile states.<sup>59</sup> The fund was launched as a bilateral trust fund with an initial, modest level of funding (US\$4.6 million) from Germany.<sup>60</sup> The Bank is now seeking additional donors for the fund, and has designed the fund to scale up and become a multilateral trust fund with a significant portfolio of projects. Additional technical support is needed to help fragile states prepare investment-ready projects for climate change adaptation and mitigation. The Bank can also provide a clear voice that advocates on behalf of fragile states, encouraging the broad range of institutions that fund climate change-related programs to tailor funding guidelines to the unique needs and capacities of fragile states.

## 5.4 Recommendations

Fragile states in Africa are likely to be among those most seriously affected by climate change because they lack robust institutions to manage its effects. They are also positioned to make significant contributions to climate change mitigation by developing green energy, buildings, and infrastructure, while protecting and reforesting Africa's treasured natural landscapes. Recommendations for effective climate change adaptation and mitigation in fragile states include the following:

- ***Fragile states can most effectively address the challenges of climate change adaptation by engaging local authorities and developing linkages between communities, regional bodies, and national authorities.*** These linkages are needed because, where governance is weak, disputes over natural resources caused by shifts in climate can increase tensions in fragile situations. The purpose of such linkages is to extend awareness of climate-related disputes to all levels of government and to create credible forums for communities to resolve such disputes.
- ***Additional focus is needed on the collection and management of data related to climate and conflict,*** including early warning and early response systems designed to identify and target support to situations where climate-induced stresses could push a fragile state into a humanitarian crisis or conflict.
- ***Fragile states should mainstream climate change considerations into all development initiatives*** during the early stages of project design, when developing environmental and social impact assessments, and when implementing projects and the associated environmental mitigation

plans. Analyses of climate considerations for projects should include the following: (1) potential impacts that climate change may have on the project; (2) potential impacts of the project on climate change mitigation and adaptation; and (3) potential impacts of the project on competing users of the same resources, using forecasts of long-term natural resource availability based on climate change predictions. Incorporating climate change considerations into national initiatives can also bring projects in line with the policies of the Bank and other development partners.<sup>61</sup> While the Bank already includes climate change considerations in many aspects of its programming in fragile states, a targeted review of the Bank's implementation efforts to mainstream climate change considerations into program design and implementation could help identify trends, strengths, and potential areas for improvement.

- ***Fragile states that are developing strategies for economic development through green growth can use the planning process for green growth as an opportunity to mainstream conflict-sensitive climate change adaptation and mitigation into their plans for economic development.***
- ***More climate change funding needs to be targeted to conflict-prone areas that are vulnerable to increased stress due to climate change.*** Fragile state governments need access to further technical support to build their capacity to develop and implement climate change-related initiatives and access international funds for climate change adaptation and mitigation. Technical support is needed to help fragile states develop their national capacity to design and implement investment-ready projects for climate change adaptation and mitigation.
- ***Fragile states are currently developing programs and procedures for climate change mitigation.*** To ensure that such programs are conflict sensitive, considerations of land tenure, stakeholder engagement, and conflict resolution must be included in mitigation efforts.
- ***Guidance, guidelines and toolkits are needed to help fragile states and development partners easily access and adapt best practices from around the world when developing conflict-sensitive climate change initiatives.***

### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

Lake Chad Communities Adapting to a Changing Climate. AfDB 2008a; LCBC 2008; NASA Earth Observatory 2001.

Mitigating Climate Change in the Congo Basin. AfDB 2009e.

## Endnotes

- 1 IPCC 2014.
- 2 UNEP 2011a. To encompass the Sahel region and neighboring countries likely to be affected by spillover effects from climate change, UNEP's study included the Member States from the neighboring Economic Community of West African States. Ultimately, the study included the following seven countries, which were eligible for funding from AfDB's fragile states facility in FY 2013: Chad, Côte d'Ivoire, Guinea, Guinea-Bissau, Liberia, Sierra Leone, and Togo. It also included Mali (which became a fragile state in 2014) and the nonfragile states of Benin, Burkina Faso, Cape Verde, Ghana, the Gambia, Mauritania, Niger, Nigeria, and Senegal.
- 3 AfDB 2011d; UNEP 2011a (on reduced water availability in Africa, including the Sahel).
- 4 UNEP 2011a, 13–14 (discussing possible future effects of increased climate variability). Compare with Buhaug (2010) and Kevane and Gray (2008) (finding insufficient evidence to support clear linkages between climate variability and civil war based on past climate data).
- 5 AfDB 2011d; WBGU 2007 (on reduced water availability in Africa, including Libya and reduced agricultural production Southern Africa).
- 6 IPCC 2014.
- 7 IPCC 2014; McSweeney, New, and Lizcano 2008.
- 8 IPCC 2014.
- 9 IPCC 2014.
- 10 Hsiang, Burke, and Miguel 2013, 1235367-1.
- 11 IPCC 2014.
- 12 IPCC 2014.
- 13 AU, AfDB, and UNECA 2010b; Kevane and Gray 2008; Smith and Vivekananda 2009.
- 14 Goulden and Few 2011.
- 15 Lind 2015\*.
- 16 Goulden and Few 2011.
- 17 AU, AfDB, and UNECA 2010b; Brown and Crawford 2009.
- 18 AfDB 2012g.
- 19 For examples of Bank-supported projects for locust control, please see AfDB (2008d, 2009e). The Global Fire Monitoring Center is an example of an institution that studies and tracks wildfires. GFMC 2011.
- 20 NAPAs are tools developed by the United Nations Framework Convention on Climate Change to help least developed countries identify and prioritize their adaptation needs (UNFCCC 2013a). Burundi, CAR, Chad, Comoros, DRC, Djibouti, Eritrea, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Sierra Leone, Sudan, and Togo have submitted NAPAs to the UNFCCC (UNFCCC 2013b). Mali, designated a fragile state in 2014, also has a NAPA (UNFCCC 2013b).
- 21 Goulden and Few 2011.
- 22 Brown and Crawford 2009.
- 23 Speranza 2010.
- 24 AfDB 2012v, 2012w. These projects have been a mixed success. For example, a NERICA dissemination project that concluded in 2010 found that the impacts of climate change were not sufficiently integrated into project risk assessments. AfDB 2012w. Lack of effective storage for NERICA seeds and a failure to adopt new cultivation processes led to the cultivation of larger areas instead of an intensification of production, and areas were cleared for NERICA production without complementary forestry projects to offset losses. AfDB 2012w.
- 25 Speranza 2010.
- 26 Speranza 2010.
- 27 Smith and Vivekananda 2009.
- 28 See, for example, AfDB (n.d.b.).
- 29 Smith and Vivekananda 2009. The publication discussed options for climate proofing reintegration of excombatants in Liberia; similar approaches could be used in fragile states where agriculture is significantly affected by climate change, including Sahelian countries and fragile states in the Greater Horn of Africa.
- 30 AfDB 2013d.
- 31 AfDB and WWF 2012; COMIFAC n.d.; World Bank 2011b; WWF n.d.
- 32 WWF n.d.
- 33 Dorr et al. 2013; Patel et al. 2013.
- 34 For more detailed discussions of how the REDD+ mechanism works, please see Dorr et al. (2013), Patel et al. (2013), and Williams (2013).
- 35 Dorr et al. 2013.
- 36 See, for example, Dorr et al. (2013) and Grainger and Geary (2011).
- 37 Williams 2013.
- 38 Williams 2013.
- 39 The four factors were the following:
  - Propose roles for local institutions in resolving conflicts (47 percent).
  - State that conflict resolution mechanisms should be locally accessible (34 percent).
  - State the importance of independent conflict resolution mechanisms (34 percent).

- Discuss linking local and national conflict resolution mechanisms (22 percent).
- Williams 2013, 9.
- 40 Williams 2013.
- 41 Williams 2013.
- 42 GOU 2011; Williams 2013.
- 43 The Government of Indonesia has considered the inclusion of oil palm in its definition of forests under REDD, which could allow oil palm concessions to expand into forested areas while still meeting the requirements of REDD. Dorr et al. 2013.
- 44 AfDB 2013d.
- 45 Lemma 2012.
- 46 See, for example, Schwartz, Hahn, and Bannon (2004) and UN-OHRLLS (n.d.).
- 47 Lemma 2012.
- 48 AfDB 2011i.
- 49 AfDB 2013c\*.
- 50 Patel et al. 2013.
- 51 In Nepal, watershed and district-level networks of community forest user groups were tasked with building consensus among stakeholders and resolving conflicts. Patel et al. 2013.
- 52 The ACSP provides access to funding from the Clean Development Mechanism. AfDB 2012g, n.d.h.; AfDB and Vivid Economics 2012.
- 53 AfDB 2011d (on the costs of adaptation).
- 54 AfDB and Vivid Economics 2012.
- 55 AfDB and Vivid Economics 2012.
- 56 AfDB 2012p.
- 57 AfDB 2012g.
- 58 AfDB 2013m.
- 59 AfDB 2014a. Providing funding to fragile states is one of three areas of special emphasis for the new fund; the other two areas focus on the impacts of climate change on food security and gender and youth, which may also ultimately benefit fragile states.
- 60 AfDB 2014a.
- 61 AfDB n.d.b.





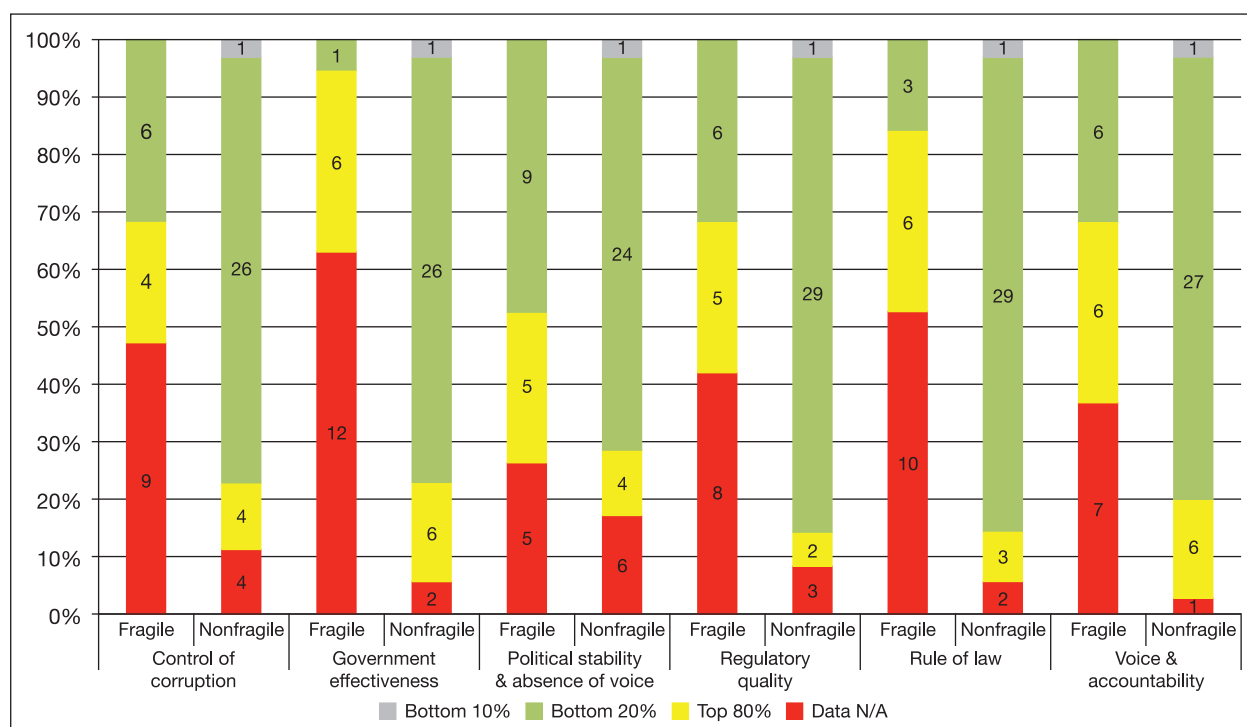


## Governance

Efforts to improve natural resource management for economic development, livelihoods, basic services, and—more broadly—resilience in fragile states ultimately depend on strengthening governance of natural resources.<sup>1</sup> The quality of governance in resource-rich states determines whether these states perform better or worse economically than comparable countries that are not resource rich.<sup>2</sup>

The presence of natural resources does not translate into economic growth without good governance. This can be seen in the case of fragile states in Africa, most of which are resource rich yet do not perform as well as other African states according to the World Bank's Worldwide Governance Indicators and the Ibrahim Index of African Governance.<sup>3</sup> For example, 18 of the 19 fragile states in Africa are in the bottom 20 percent of countries globally with respect to the World Bank's Government Effectiveness Indicator, as compared to only eight nonfragile African states.<sup>4</sup> Similarly, nonfragile states consistently perform better than fragile states on the Ibrahim Index of African Governance. Figures 6.1 and 6.2, respectively, depict how fragile states in Africa and other African countries perform globally on the World Bank's Worldwide Governance Indicators and how fragile states in Africa and other African countries compare with one another on the 2013 Ibrahim Index of African Governance.

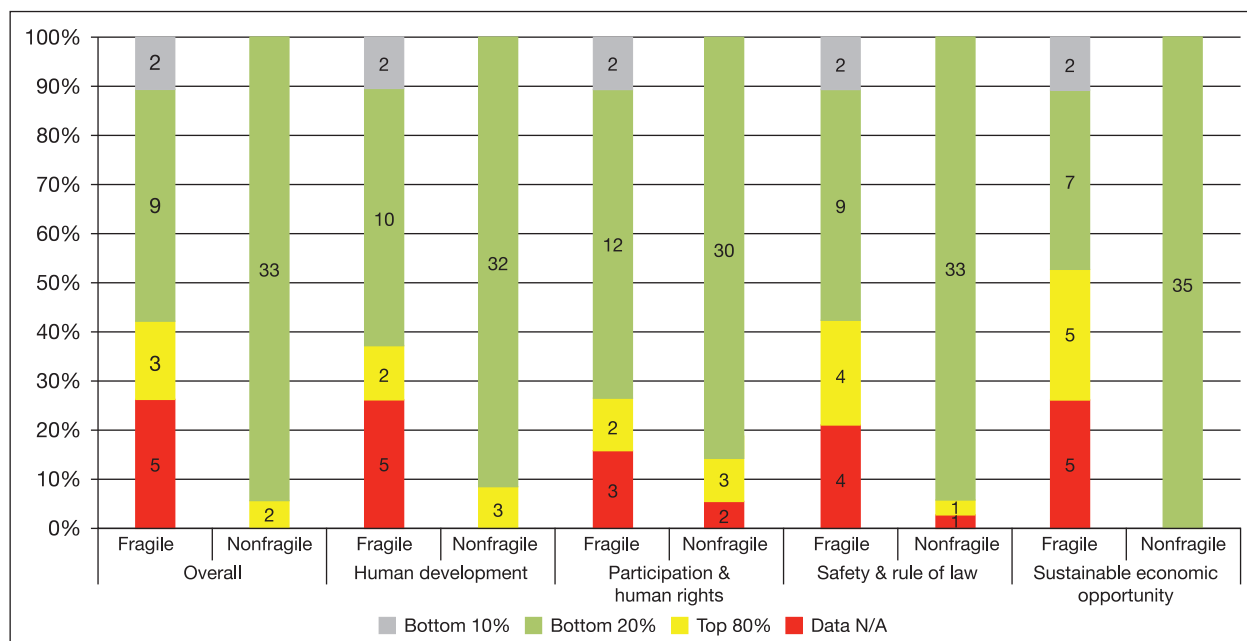
Governance of natural resources is also important because failures or lapses in the governance of natural resources harm communities and can become a contributing cause of conflict. Weak laws and institutions make it easier for rebels and others to exploit and trade natural resources as a source of financing for armed conflict ([Chapter 1](#)).<sup>5</sup> By contrast, effective systems of governance can adapt to natural resource-related challenges by controlling illicit trade in natural resources; by reducing or coping with the scarcity of natural resources; by ensuring equitable access to natural resources; by engaging communities; and by resolving disputes over natural resources.



**Figure 6.1: Global ranking and performance comparison of fragile and nonfragile states in Africa using the World Bank's 2012 Worldwide Governance Indicators**

Note: Percentages in legend show the percentage of African states (fragile and nonfragile) that rank in the bottom 10 percent, bottom 20 percent, and top 80 percent of countries evaluated by the World Governance Indicators, globally. The numbers on the bars indicate the total number of countries within each category on the global index. There are 19 fragile states and 35 nonfragile states in Africa.

Source: Based on data from Kaufmann, Kraay, and Mastruzzi 2012.



**Figure 6.2: Ranking and performance comparison of fragile and nonfragile states in Africa using the 2013 Ibrahim Index of African Governance**

Note: Percentages in legend show the percentage of African states (fragile and nonfragile) that rank in the bottom 10 percent, bottom 20 percent, and top 80 percent of countries evaluated by the Ibrahim Index of African Governance. The numbers on the bars indicate the total number of countries within each category. There are 19 fragile states and 35 nonfragile states in Africa.

Source: Based on data from Mo Ibrahim Foundation 2013.

Governance includes both formal and informal institutions that perform executive, legislative, and judicial functions. Focusing on the needs and challenges of fragility, this chapter first reviews some of the key principles of governance that have been themes throughout this Flagship Report, examining how transparency, participation, access to justice, and subsidiarity play out across each of these government functions. It then delves into three topics that demand particular attention: collecting and managing data relating to natural resources; engaging vulnerable populations in decision making; and controlling corruption.

## 6.1 Transparency, Participation, Access to Justice, and Legal Pluralism

When building or rebuilding institutions governing natural resources in fragile states, the principles of transparency, participation, and accountability (also referred to as “access to justice”) should be interwoven into all aspects of environmental governance. These principles—enshrined in the 1992 Rio Declaration on Environment and Development and the 2003 African Convention on the Conservation of Nature and Natural Resources—are central to effective environmental governance.<sup>6</sup> Indeed, transparency, participation, and accountability underpin many of the recommendations in this Report.

Transparency and participatory decision making are important to natural resource management in fragile states because livelihoods, food security, and identity can all depend heavily on access to natural resources. Moreover, there is frequently a significant breakdown of trust between communities and the government, and fragile state governments must rebuild those connections with their constituencies to rebuild their legitimacy. Access to fair justice and the ability to protect rights to natural resources, particularly property rights, can help to peacefully resolve disputes and prevent future conflict. Building or rebuilding confidence in the government and creating channels for the peaceful resolution of disputes often requires the strengthening of administrative and judicial institutions (including statutory and customary mechanisms) that enforce laws, determine rights, and resolve disputes over access to natural resources. Legal pluralism and decentralization are other key governance challenges for fragile states that frequently have to balance customary and statutory systems of governance.

Rights of access to information, direct participation in government or participation through representation, and the duty of the government to provide independent courts are all recognized by the African Charter on Human and Peoples’ Rights.<sup>7</sup> Seventeen African countries explicitly support freedom of

information in their constitutions, and many others incorporate such rights through reference to the African Charter on Human and Peoples’ Rights or the Universal Declaration of Human Rights.<sup>8</sup> In recent years, several fragile states in Africa have adopted freedom of information legislation, including Liberia (2010), Guinea (2010), and Sierra Leone (2013).<sup>9</sup> The Government of South Sudan is also considering adopting freedom of information legislation.<sup>10</sup> Laws providing access to information are an important first step in strengthening natural resource governance in fragile states in Africa, with the ultimate contribution of the freedom of information laws depending on how they are implemented.<sup>11</sup> Sector-specific laws, regulations, and policies in fragile states can also create access to specific information, establish public participation in specific aspects of natural resource decision making, and develop targeted systems of accountability with respect to individual natural resources.

The rights of the public to participate in environmental decision-making processes and to have access to justice are, likewise, appearing in a growing number of African constitutions. Constitutions of several fragile states in Africa—including Burundi, the Democratic Republic of the Congo (DRC), Eritrea, Liberia, and São Tomé and Príncipe—provide a range of rights for public participation, from specific rights to petition the government to broader opportunities to participate in development activities or public affairs.<sup>12</sup>

Fragile states such as the Republic of Congo (Congo), Djibouti, and Guinea expressly establish constitutional rights of access to justice for their people.<sup>13</sup> Still others provide implicit rights of access to justice by incorporating by reference into their constitutions the rights contained in the African Charter on Human and Peoples’ Rights.<sup>14</sup> This reflects a broader trend of constitutionally guaranteeing access to justice; as of 2007, more than 75 percent of African countries’ constitutions provided such guarantees.<sup>15</sup>

The three subsections that follow examine how fragile states and development partners can improve natural resource governance in the executive, legislative, judicial, and subnational bodies to support peacebuilding and statebuilding.

### 6.1.1 Executive Institutions

In fragile states, as elsewhere, ministries, environmental protection agencies, environmental management authorities, and other executive bodies are responsible for governing many aspects of natural resources, including strategic planning, issuing concessions for natural resource use or extraction, and enforcing environmental laws. Executive institutions in fragile states face greater challenges in undertaking



their tasks than their counterparts in nonfragile states. They lose qualified staff during political crises and conflicts, and are subject to frequent restructuring and breakdown of institutions during periods of instability. Moreover, fragile states frequently lack domestic sources of revenue for the management of government budgets, leaving agencies with anemic budgets that are (1) insufficient to fund the agencies' broad mandates and (2) volatile because the agencies are overly dependent on foreign assistance.

Transparency, participation, and accountability are the foundations of good natural resource governance in executive institutions. There are many ways that fragile states can improve environmental governance through a commitment to increasing public access to information. Key information relates to the state of natural resources, projects and other factors likely to affect natural resources, and the full records of government decisions related to natural resources. Perhaps the most common means of making resource-related information available is through the development and publication of environmental and social impact assessments for proposed development initiatives, concessions, and private-sector initiatives.

Transparency is also important to developing government legitimacy surrounding revenue management. The governments of Guinea and Liberia have supported transparency through the publication of information pursuant to the Extractive Industries Transparency Initiative and the publication of natural resource concessions (Chapter 7).

Outreach efforts and information campaigns must go beyond simply releasing technical information; they should also be designed to be understandable and clear to the public in fragile states. Additional efforts may be needed to ensure that the affected population is fully informed. This might require, for example, that outreach communications be delivered in local languages or that information be provided through presentations at meetings or radio broadcasts, if affected populations have low literacy rates.

Opportunities for public participation can strengthen decision making related to natural resource management. For example, public comment periods and consultative meetings can improve the accuracy and effectiveness of environmental and social impact assessments, because communities often have important knowledge about the natural resources that will be affected by a decision and how such resources are used by different stakeholders.<sup>16</sup> Opportunities for public participation also improve the likelihood that members of the affected communities will accept the project, because they were invited to review relevant information and express their concerns.<sup>17</sup> When determining how to allocate renewable resources or where to locate local infrastructure, fragile states

can enhance opportunities for public participation through stakeholder identification and consensus building. The Government of Liberia has, on occasion, included stakeholders in the concession negotiation process (Chapter 7). Many of the tools that fragile states can use to engage local communities, such as comanagement or inviting public participation in the preparation of community development plans, are also important opportunities for public participation (Chapter 3).

Systems of accountability are also needed to build legitimacy within executive institutions that implement natural resource management laws and development initiatives. There are many means for ensuring accountability of executive institutions. The legislatures in most fragile states, discussed in the next subsection, are responsible for oversight of the execution of laws related to natural resources, and citizens should also be able to seek judicial review of natural resource-related decisions by line ministries and other executive bodies. Executive bodies can also develop systems of administrative appeal and other internal mechanisms to allow members of the public to raise concerns. These systems supplement and are not a substitute for access to judicial review. In the area of concessions, periodic audits of concessions can help hold government officials accountable by exposing violations of the laws and policies governing concessions (Chapter 7). Tools supporting accountability are some of the key strategies to combat corruption, discussed later in this chapter.

### 6.1.2 Legislative Institutions

The performance of fragile state legislatures on issues of natural resource management can either support or undermine the legitimacy of the state in the eyes of constituents who rely on natural resources for their livelihoods and well-being. Legislatures are representative and ideally reflect the diversity of a country's population, including both historically powerful and disadvantaged regions or groups.<sup>18</sup> This makes legislatures well positioned to forge compromises and inclusive coalitions that represent diverse interests and to perform oversight of the executive branch.<sup>19</sup> As much as there is a deep demand for these basic functions of legislatures in fragile states, state fragility can also make it more challenging for legislatures to perform effective representation and oversight. The balance of power may be skewed toward the executive branch—particularly in parliamentary systems—limiting the ability of individual members of parliament to perform effective oversight.<sup>20</sup> Decision making may be controlled heavily by political parties, limiting the ability of individual members of parliament to disagree with their parties' positions if the parties' platforms diverge from the interests of the individual parliamentarians'

constituencies.<sup>21</sup> In some situations members of parliament may be under immense pressure to serve national interests or patronage networks, to the exclusion of their own constituencies.<sup>22</sup> In other situations, members of parliament may have difficulties reaching agreements across political lines because they find it difficult to justify compromises to their constituencies in hyperpoliticized environments.<sup>23</sup>

Legislatures in fragile states can implement a wide range of measures to improve their ability to carry out their mandates of representation and oversight with respect to natural resource management. Some of these measures are general, while others relate specifically to natural resources.

General measures are often needed to support transparency and public participation. Legislatures can budget for visits to constituents and share information with them and invite the public to participate in events such as town meetings and other events.<sup>24</sup> Constituent outreach opportunities can assess communities' needs on key natural resource management issues that impact people's daily lives, such as labor standards in extractive industries, disputes over water allocation, or the potential impacts of proposed development initiatives. Additional measures may also be needed to increase the accountability of legislators to their constituents. For example, one measure to help members of the public cast informed votes during elections is to provide access to parliamentarians' voting records, statements during legislative sessions, and reports prepared by legislative committees.<sup>25</sup> Access to such information is especially important, and civil society organizations can help process the information by publishing and distributing scorecards or pamphlets that evaluate parliamentarians' performance on key natural resource-related issues.<sup>26</sup>

Capacity building for parliamentarians and their staffs is also needed to ensure that they can effectively collect, evaluate, and act on technical information related to natural resource management programs and initiatives as part of their representative and oversight functions ([Chapter 11.1](#) on Capacity Building). To strengthen legislative bodies' capacity for oversight of executive bodies, efforts may be complemented by procedures that empower members of parliament to hold hearings and request information from the executive branch on the implementation of natural resource management and development laws, policies, and initiatives.<sup>27</sup>

*In situations where there is significant political polarization, measures that strengthen the autonomy and budgetary authority of the legislature can be coupled with efforts to build the ability of legislators to reach consensus.*<sup>28</sup> Efforts to facilitate consensus building can focus on creating subcommittees that

bring together small groups of legislators to focus on issues like agriculture or water and sanitation.<sup>29</sup> Another strategy could be to have small groups of legislators on both sides of a political divide participate in study tours, where they would visit each other's districts to learn about issues of mutual interest.<sup>30</sup> Natural resource management initiatives that could be a good fit for this kind of exercise include, for example, visits focusing on agriculture and seeking ways to improve access to credit for agricultural cooperatives or strategies for distributing technologies to reduce post-harvest losses.

### 6.1.3 Judicial Institutions

Disputes over natural resources are common in fragile states, as they are in countries throughout the world. Such disputes can range from local disputes over property rights or access to water to disputes over the impacts of large concessions or development initiatives. Fragile states differ from other developing countries in that fragile states frequently lack the effective and independent institutions and processes needed to resolve disputes in a way that is widely accessible and has public legitimacy. Without a legitimate, effective, and accessible means for peacefully resolving disputes, grievances can escalate. Measures to improve judicial proceedings include making decisions publicly available; providing indigent litigants with representation, so that they can effectively participate in adjudicatory processes; and creating accessible processes to appeal rulings, processes that are not prohibitive due to costs, delays, or distance to the appellate body.

*Reforms of land laws and other statutes governing natural resource management need to be supplemented with training for judges, attorneys, and customary institutions to ensure effective implementation.*<sup>31</sup> Inclusion of customary institutions for adjudication in natural resource management initiatives is particularly important for ensuring that the poor have access to justice. Using customary institutions frequently involves less travel; costs less; uses simpler and sometimes more familiar procedures; and may focus more on consensus building and maintaining relationships.<sup>32</sup> Moreover, proceedings often take place in the local language.<sup>33</sup> In the mid- to late-1990s, after a devastating civil war, the National Assembly of formerly fragile Mozambique passed several laws related to natural resource management that recognized a blend of customary and statutory law and incorporated customary institutions into the resolution of disputes over natural resources.<sup>34</sup> The laws also provided new enforcement requirements, penalties, and procedural requirements, such as the development of environmental impact assessments.<sup>35</sup> To help judges more effectively apply the laws related to natural resources, development partners worked with the Government of Mozambique to distribute

the text of the laws and explanatory materials, and to provide opportunities for judicial training and a study tour for judges to learn, for example, about the Brazilian judiciary's approach to adjudicating claims related to natural resource management.<sup>36</sup> Trainings also included customary and community-based institutions that could address issues of natural resource management.<sup>37</sup> In Côte d'Ivoire, after the conflict in 2010, the government expressed a need to broaden awareness among both decision makers and the public on formalizing property rights and resolving disputes under statutory and customary law. Judicial training initiatives have also improved the implementation of natural resource-related laws in formerly fragile Uganda.<sup>38</sup>

Where fragile states lack enough trained attorneys to reach beyond the capital and the largest cities, *fragile states may wish to work with development partners and civil society to train and supervise paralegals or staff from civil society organizations to provide legal services and undertake alternative dispute resolution activities*. Of the 100 practicing lawyers in Sierra Leone in 2006, 90 were based in Freetown.<sup>39</sup> Timap for Justice, a Sierra Leonean nongovernmental organization, uses a network of community-based paralegals to resolve disputes over a broad range of legal issues, including property rights.<sup>40</sup> Paralegals assist community members with mediation, claims before customary institutions, litigation in courts (in an advisory but not representative capacity), and negotiations both within and outside the legal systems of Sierra Leone; paralegals also perform community outreach activities and education about key legal issues.<sup>41</sup> Supervisors are present if attorneys are required; however, most disputes are resolved without formal litigation.<sup>42</sup>

As part of development initiatives and other projects, private-sector companies and development partners may also have to undertake dispute resolution activities related to the impacts of projects on natural resources and communities. These activities must also reflect the basic principles of transparency, public participation, and accountability.

Private companies frequently adopt grievance mechanisms to respond to concerns from community members about the environmental and social impacts of large-scale agricultural production, mining, forestry, or other natural resource-related industries.<sup>43</sup> Grievance mechanisms are particularly important in fragile states because they can help companies identify, assess, and respond to community grievances before they escalate.<sup>44</sup> In recent years, guidelines have emerged highlighting key considerations for the development, monitoring, and evaluation of grievance mechanisms, including guidelines from the International Council on Mining and Metals and from the UN Special Representative

of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, among others.<sup>45</sup> *Fragile states and development partners working with private-sector investors can use internationally accepted guidelines to develop or, as needed, revise grievance mechanisms for public-private partnerships*. Some aspects of grievance mechanisms may require particular attention in fragile states. For example, many grievance mechanisms are underutilized because the affected stakeholder population does not trust them; this is likely to be exacerbated in fragile states where the social cohesion is weak, distrust of groups is high, government institutions may have been undermined by political crises or conflict, and levels of corruption are frequently higher. Some techniques for building public trust in grievance mechanisms include developing local oversight bodies staffed by members of the community to review the treatment of grievances.<sup>46</sup> These bottom-up systems of oversight should exist in addition to top-down oversight from the company's headquarters.<sup>47</sup>

The need to build the legitimacy of grievance mechanisms also makes the development of transparent systems in conjunction with public engagement strategies particularly important. Common barriers preventing access to grievance mechanisms include "language, literacy, awareness, finance, distance, or fear of reprisal."<sup>48</sup> Carbones del Cerrejón Ltd., a coal mining venture in Colombia, has made significant efforts to reach out to affected stakeholders. It has met with affected stakeholders and invited those who bring complaints to participate in investigators' fact-finding missions.<sup>49</sup> Carbones del Cerrejón Ltd.'s grievance office employs five staff members who are trained to accept complaints through multiple access points and using multiple media, including by e-mail, phone, and in person. Grievance office staff members can record complaints in the indigenous stakeholders' local language. Efforts such as these can be implemented by the private companies in fragile states in Africa to demonstrate a commitment to good corporate governance.

Special attention may be needed to create systems that are accessible to community members in fragile states because rates of illiteracy may be higher, affected populations are more likely to speak only local dialects, and travel may be more difficult. For example, extension agents or local officials may be able to collect grievances, and radio advertisements or presentations in the local language during village gatherings might be more appropriate to raise awareness of the grievance mechanism than written advertisements or handouts.<sup>50</sup> Grievance mechanisms should always leave petitioners free to seek remedies through statutory or customary systems if they are unsatisfied with the outcome of the company's grievance process.<sup>51</sup>

To ensure that employees and communities use grievance mechanisms, corporations should regularly remind people that grievance mechanisms are available. Such reinforcement is needed because a study of pilot projects for grievance mechanisms indicated that people do not tend to recall information about grievance mechanisms if they do not yet have concerns or complaints about the project at the time that they are briefed on the mechanism.<sup>52</sup>

The Bank and other development partners also use grievance mechanisms that communities can adopt to raise concerns about the impacts of the development projects that they finance. If two or more people have been or will be harmed by a Bank initiative due to a failure by the Bank to follow Bank policies and procedures, the injured parties may file a request for assistance through the Bank's Independent Review Mechanism (IRM).<sup>53</sup> After a preliminary review of the request, requests for assistance that are eligible for further action are submitted for problem solving (a type of mediation), compliance review to determine whether a violation has occurred, or—as necessary—both.<sup>54</sup> To increase access to the IRM, the Bank has been holding regional, national, and community workshops on the IRM, and the Bank is starting to translate community information kits into local languages. For example, in 2011, the Bank held a national workshop on the IRM in Sierra Leone, which was attended by more than 40 stakeholders from the Sierra Leonean government, communities, and the Bank staff posted at the Sierra Leone country office.<sup>55</sup> This kind of outreach is particularly important in fragile states where civil society organizations and communities may be less able to access support—due to low literacy rates, low rates of formal education, and lack of access to the internet, which limits the pursuit of claims remotely—in the event that Bank projects encounter problems.

#### 6.1.4 Decentralization, Hybrid Political Orders, and Legal Pluralism

*Because natural resource management can have both national and local implications, many governance functions—executive, legislative, and judicial—require an approach that engages and develops cooperative relationships between statutory and customary institutions at the national, subnational, and local levels.*<sup>56</sup> Decentralization is a core governance approach for many natural resources because local institutions are frequently more aware of local needs, can more easily build local consensus, are better positioned to monitor implementation and enforce decisions, and are frequently more accountable to local populations.<sup>57</sup> Initiatives to restore access to water and other local infrastructure in Burundi, the Central African Republic (CAR), and other countries have focused on using local government and community-based

organizations to restore access to water and basic infrastructure (Chapter 4 on infrastructure).

*By engaging traditional institutions, fragile states can build both capacity for natural resource management and governmental legitimacy.* Many fragile states have systems in which traditional institutions and customary laws exist in parallel or are blended with formal institutions and statutory regimes.<sup>58</sup> Such parallel or overlapping institutions are often referred to as “hybrid political orders”, and overlapping or parallel legal systems are frequently referred to as “legal pluralism.” Legal pluralism and hybrid political orders exist most often in situations where governments are fragile and have difficulty exerting authority beyond major urban centers—as is the case in many fragile states in Africa. Traditional systems may not follow Western models of governance and have been criticized for their tendency to support and benefit from networks of patronage; nevertheless, traditional systems of governance frequently wield greater legitimacy and are often responsible for key natural resource management activities such as resolving disputes related to ownership of land and access to renewable resources.<sup>59</sup>

Engaging traditional and statutory systems of governance is particularly important in water resource management and the resolution of disputes related to land rights.<sup>60</sup> For example, an initiative in South Sudan to build new water points found that the project reduced tensions, improved transparency, and strengthened the public's understanding of water resource allocation by using a process of consensus building that engaged traditional authorities, local government, and civil society organizations.<sup>61</sup> When reforming or reestablishing systems of land tenure, fragile states should clearly define how statutory and traditional or customary systems will interact and create mechanisms for recognizing customary rights to land.<sup>62</sup> However, this can be technically challenging and may require sustained attention to foster cooperation between institutions. To achieve key development objectives, such as increased commercial investment or the reintegration of displaced persons and excombatants, the Government of Sierra Leone has recognized the need to improve linkages between statutory law at the national level and customary laws applied in individual chiefdoms.<sup>63</sup> After initially starting to address land reform in the immediate aftermath of the civil war in Sierra Leone, the government is now revisiting the issue and is developing amendments to further strengthen its new land law by more effectively aligning statutory tenure with customary tenure as the country adapts to the post-conflict situation.<sup>64</sup> When linking customary institutions with national institutions, customary institutions should not be pressured to emulate Western approaches to governance; however, national institutions must also work with customary institutions to prevent elite



capture to ensure that natural resource management is inclusive. Traditional systems must be responsive to all segments of the population without excluding vulnerable populations or reinforcing horizontal inequalities, or they may risk reinforcing rather than reducing tensions.<sup>65</sup>

Prior to deciding whether and how to pursue decentralization, fragile states and development partners should assess the capacity and legitimacy of local institutions. This assessment serves three purposes. First it determines whether local institutions provide transparent, participatory, and accountable governance mechanisms. Second, it examines whether such institutions are able to undertake programming in an inclusive, conflict-sensitive way. Third, it can help identify capacity building needs to support the decentralization process. Customary governance institutions and procedures should not have to be patterned after their statutory counterparts. The strength and resilience of customary institutions is rooted in the traditions and cultures of local communities. If additional measures are needed, fragile state governments and development partners should work with local institutions to design tailored approaches that improve transparency, public participation, accountability, or conflict sensitivity in ways that respect and build on local traditions.

Beyond the basic principles of transparency, public participation, and accountability in natural resource management, this chapter also examines three other key areas of natural resource governance: the collection and management of natural resource data, the inclusion of vulnerable populations in government decision making, and efforts to combat corruption.

## 6.2 Data Collection and Management

The collection, management, and communication of natural resource-related information is essential to resource-related governance in fragile states because these processes empower decision makers, stakeholders, and the public to make informed decisions on how best to leverage natural resources for resilience. This data can be used to build consensus around national plans and visions for natural resource management. However, in many fragile states, critical information is either nonexistent or significantly out of date. For example, in DRC, years of conflict eroded the capacity of the government to monitor water quality due to interruptions in operation and maintenance and looting of equipment.<sup>66</sup> In Sierra Leone, most climate data was destroyed during the civil war.<sup>67</sup> Figure 6.3 shows the performance of fragile and nonfragile states within the statistical capacity subcategory of the Ibrahim Index of African Governance.

Data collection and management is a foundational tool for peace and development in a variety of



**Figure 6.3: 2013 statistical capacity ranking and performance comparison of fragile and nonfragile African countries**

*Note:* Percentages in legend show the percentage of African states (fragile and nonfragile) that rank in the bottom 10 percent, bottom 20 percent, and top 80 percent of countries evaluated in the Mo Ibrahim Index's statistical capacity indicator. The numbers on the bars indicate the total number of countries within each category on the index. There are 19 fragile states and 35 nonfragile states in Africa.

*Source:* Based on data from Mo Ibrahim Foundation 2013.

natural resource sectors. When negotiating resource concessions, fragile states can secure more revenues and other benefits if they have sound data on the extent, condition, and value of the natural resource base, as well as the extraction process. This information is also critical to imposing appropriate conditions on extraction to minimize and mitigate the environmental and social impacts of extraction. Data on the extraction of minerals, hydrocarbons, timber, water, or other natural resources are important when government ministries overseeing concessions need to determine whether the resources are going through formal channels (with taxes and fees being collected) or to what extent the resources are being extracted and traded illegally or illicitly. Where control over extractive resources and their revenues is a source of conflict, impartial data on the resource base can serve as the foundation for negotiations. In Indonesia, negotiations for peace and wealth sharing in the Aceh region became easier when the results of a study made clear that disputed territories contained less oil and gas than initially believed.<sup>68</sup>

Where governments lack information on the value and accessibility of extractive resource deposits in their territories, they are at a negotiating disadvantage. An evaluation of mineral deposits in Afghanistan noted that conflict, lack of transparency, and difficulty of doing business discouraged investment in mineral extraction; however, the report also identified a need

for detailed assessments of mineral deposits, coupled with geological, financial, and legal support to develop commercial tenders for concessions that would attract major investors.<sup>69</sup> Mineral-rich fragile states in Africa can similarly benefit immensely from capacity-building initiatives to develop local technical expertise in geology, finance, and legal transactions. Such technical expertise will enable African governments to attract major investors and negotiate with them to develop mutually beneficial concession agreements.

Where credible records of land and water rights are current and easily accessed, governments are better positioned to resolve disputes and plan for the future. This information is vital when governments are considering issuing large-scale agricultural, forest, or mineral concessions and must evaluate impacts to existing users of land and water. Table 6.1 highlights a few examples of natural resource data and their uses.

A lack of data can have severe consequences. Where, for example, water supply points are developed without sufficient data about the resource base, community water supplies have dried up.<sup>70</sup> Concessions that overlap with other land rights can result in disputes and increased tensions—and even

liability for the state, if the state has granted competing concessions. They can also lead to significant financial losses for the concessionaires. One study of the costs associated with land tenure disputes involving large concessions found substantial impacts to business, including complete cessations of operations and cost increases of 29 times over a baseline scenario without disruptions.<sup>71</sup> For example, in 2011, contractors and community members rioted at a 220,000 hectare palm oil facility in Liberia, taking equipment and forcing a months-long cessation of operations.<sup>72</sup> By 2012, while operations had restarted, the facility was not yet operating at capacity.<sup>73</sup> The riot had been the culmination of tensions that had been mounting since 2009 and were related to landownership and compensation disputes.<sup>74</sup> The affected communities had eventually filed a complaint in October 2011 with the Roundtable on Sustainable Palm Oil.<sup>75</sup> The land tenure disputes and the subsequent riot resulted in losses of revenue for the palm oil company, tax revenue for the Government of Liberia, and jobs because the facility was intended to employ 35,000 people.<sup>76</sup>

It is relatively common for two or more parties to claim the same land, particularly in areas where there are large-scale leases, contracts, and other

**Table 6.1: Examples of natural resource data and uses**

Type of natural resource data	Data collected	Uses of data
Extractive resources	Amount, quality, and accessibility of extractive resources; cost to extract and process; potential environmental, social, and economic impacts of extraction; production and export data; data on payments to government.	Negotiate and manage concessions with a realistic understanding of their value and potential impacts; manage public expectations of the extractive resources; share benefits with producing communities; identify illicit resource flows.
Forests and protected areas	Timber quality and species; areas logged; biodiversity; impacts of extraction, including harvesting for fuelwood.	Plan for sustainable forest management; calculate the amount of government revenue from concessions; enforce forest management legislation and the terms of concessions; track and combat poaching.
Land	Land fertility; soil composition; erosion rates; ownership, tenure, concessions, and use rights, including statutory and customary rights.	Evaluate productivity and determine optimal crops for land; coordinate the issuance of titles, permits, and concessions across sectors to avoid conflicting rights or uses that undermine one another; resolution of land disputes; land use planning.
Water	Water flow, recharge rates, and quality; fisheries; existing uses and rights.	Monitor and implement integrated water resource management strategies; identify the water needs of large-scale and small-scale users of water and fisheries across sectors; identify and resolve disputes related to conflicting claims surrounding water quantity or quality; plan for drought.
Climate	Temperature; precipitation; other weather data.	Track variability in climate; obtain early warning for potential droughts and floods.

types of concessions. A 2013 study of large-scale natural resource concessions in 12 developing countries, including the fragile state of Liberia, found that, on average, over 30 percent of concessions overlapped with land that was already subject to local claims of ownership.<sup>77</sup> The study's estimates were conservative, since many of the countries with a higher percentage of competing claims for the same land were also countries that had undertaken more thorough national mapping efforts to identify local land tenure claims.<sup>78</sup> Thus, countries with lower rates of overlapping claims should be examined to see whether customary land rights have been thoroughly documented. In Liberia, approximately three-quarters of the country's total land mass may be subject to forestry, mining, agricultural, and other concessions.<sup>79</sup> Among the concessions reviewed in the study, approximately 97,000 hectares of land for which large-scale concessions had been issued was also subject to local claims of landownership.<sup>80</sup> In the timber sector, these overlapping claims affected approximately one-quarter of the concessions examined.<sup>81</sup> It was estimated that the documented overlaps in large-scale concessions would result in a loss of up to 5 percent of production due to disputes over landownership.<sup>82</sup> In Congo, an interactive forest atlas released in 2012 found that about 13 percent (approximately 4.5 million hectares) of areas subject to forest concessions and about 13 percent (approximately 490,000 hectares) of protected areas—a total area larger than the combined territories of Comoros, São Tomé and Príncipe, and Guinea-Bissau—may already be encumbered by overlapping claims.<sup>83</sup> Forest concessions and protected areas frequently overlapped with mining permits and, to a lesser extent, with petroleum permits and areas designated for incompatible forest uses. Overlapping claims are likely to be a relatively widespread challenge in other fragile states too, particularly where significant numbers of large-scale land acquisitions and natural resource concessions have been issued (Chapter 3). For example, estimates indicate more than 80 percent of Sierra Leone's land may be subject to mineral concessions, and 20 percent of the “available arable land” is or may soon become contracted for industrial agriculture.<sup>84</sup> Almost 50 percent of the agricultural land in DRC is under contract or negotiation for large-scale leases.<sup>85</sup>

*Fragile states need to work with development partners to create the institutional capacity and data management systems to collect and analyze information about natural resource rights and concessions across sectors.* The data can be used to build a comprehensive understanding of the state of natural resources, which can be used to ensure that consideration of the natural resource needs of different stakeholders is integrated into national planning and natural resource visioning processes in fragile states. Sector-specific and site-specific data can help fragile

states avoid issuing concessions or claims that overlap with community land rights, protected areas, or other concessions. Where overlapping rights have already been issued, fragile states can use databases to identify existing overlapping claims and resolve overlaps before conflicts arise or tensions escalate.

The challenges associated with a lack of data are daunting; however, initiatives for data collection, analysis, and management are revolutionizing decision making in many natural resource sectors in fragile states in Africa. For example, the Bank is supporting a pilot initiative to empower the Government of Togo to analyze the resource base, weather patterns, and the water needs of different users (see box on Collecting and Managing Hydraulic Data in Togo). This information can then be used to improve the coordination of water use across sectors in Togo. The Bank has also been supporting the Government of Mali's efforts to more effectively predict extreme weather events and address the impacts of climate change.<sup>86</sup> In the forestry sector, the European Union and development partners are working with the Government of DRC to identify illegal logging in areas affected by conflict using satellite imagery.<sup>87</sup>

Initiatives such as these represent technological and institutional advancements that could not have been achieved a decade ago, and the potential for improved management continues to grow, as discussed in the examples below. This section examines how fragile states can capitalize on these advancements to improve natural resource decision making, identifying six key factors for consideration during the design and implementation of data collection, analysis, and management initiatives. Data collection, analysis, and management needs to be (1) designed to support a broad view within a sector and across sectors; (2) collected at the smallest geographic area that can be maintained over the long term; (3) seamlessly shared across line ministries and local and regional governments; (4) transparent and available to the public in fragile states; (5) scalable to support future



Oil palm plant in Guinea. Photo: AfDB.

## Collecting and Managing Hydraulic Data in Togo

The Government of Togo is working with the African Water Facility to develop a new system for collecting, managing, and publishing data on water resources.

Since 2005, the Government of Togo has been working with development partners and civil society to review the current state of water resources in Togo; to develop a policy for integrated water resource management (IWRM); and to draft short-, medium-, and long-term IWRM strategies. Togo's action plan for IWRM calls for the development of an integrated system for collecting and analyzing data on water quantity and quality. The project also responds to a call by the Economic Community of West African States (ECOWAS) to create a West African regional water observatory.

The collection and management of information related to water resources is essential to ensure the coordination of water use for households, hydroelectric generation, irrigation, and other uses. Such information is also needed to predict floods and other water-related emergencies. With limited resources, the Government of Togo's systems for the collection and management of data related to water had been based on an unevenly distributed network of aging equipment that had fallen into disrepair, leaving significant gaps in hydraulic data. Information related to the quantity and quality of groundwater is particularly lacking, and the Government of Togo had to rely on information that was a decade old.

With the support of the African Water Facility, the Government of Togo will develop an integrated system to collect and manage hydraulic data. The project will begin with the development of a feasibility study setting forth the human resources, technical, and financial steps that will be needed to network the government agencies that collect, enter, manage, share, and publish information related to water resources. This is done with the ultimate objective of creating web-based platforms and service portals so that service providers can communicate key data to customers and other stakeholders interested in the state of water resources in Togo. The project will also promote coordination and the sharing of hydraulic data across the ministries governing health, agriculture, forestry, mines, energy, and the environment.

Once the feasibility study is complete, the project will build capacity to collect data related to water resources. Stations for collecting data related to weather, climate, rainfall, groundwater, and surface water will be established and rehabilitated. To build the technical capacity of Togolese government officials to use the new equipment, the project includes training programs and provides for study tours in countries with established systems for the integrated management of hydraulic data.

The data management component of the project will include the purchase of hardware and software for data entry, management, and publication, including the development of the website and web-hosting services for the database. The project specifically provides for training to ensure that Togolese government officials will be able to use the database effectively.

To ensure the sustained collection and management of hydrological data after the conclusion of the project, the Government of Togo has included the operational costs of the information management system as part of the financing strategy for the water sector within the government's budget. Partnership agreements are also being developed with other countries that have integrated information systems for water management, creating incentives for the continued collection and distribution of data. The distribution of findings of the new data management system will also encourage new water sector stakeholders to join and participate in the new data portals and encourage the continued operation of the system.

expansion; and (6) based on building fragile state capacity.

*The design of data collection and management initiatives should create opportunities to examine data across natural resource sectors and at various*

*levels of detail.* A cross-sectoral approach to the collection, analysis, and management of natural resource data has been emerging in the forestry and water sectors in a handful of fragile states. For example, the Government of Congo has been working with the Bank's Congo Basin Forest Fund



(CBFF), the United States Agency for International Development (USAID), and other development partners to support the creation of forest inventories and land use maps in Congo.<sup>88</sup> The USAID-supported initiative is a partnership between the Government of Congo and the World Resources Institute, which has produced an atlas of Congolese forests.<sup>89</sup> The atlas maps a wide range of data, such as state-owned forests, permanent forest estates, nonpermanent forestry estates, forest management units, protected areas, inhabited areas, political boundaries, water bodies, forestry infrastructure, roads, forest concessions, mining and petroleum concessions in forested areas, and overlaps in land rights, among others.<sup>90</sup> The forest atlas of Congo was used to identify areas where there were overlaps between protected areas, forestry concessions, mining concessions, and petroleum concessions. The CBFF-supported initiative is financing the government's development of a national database for the analysis of forest management, ecological and social criteria, and carbon stocks.<sup>91</sup> The project will also train national and local teams to collect, analyze, manage, and regularly update the data, and it includes the development of consultative committees to manage conflicts related to overlapping claims.<sup>92</sup> In the water sector, the Bank's water project in the Darfur region of Sudan is analyzing data fragmented across several government agencies and international organizations to develop conflict-sensitive, municipal-level plans for integrated water resource management that consider "water systems, groundwater and aquifers, natural resources and land use, conflict and early recovery areas, migration routes, population density, [internally displaced persons] camps" and more (Chapter 4).<sup>93</sup> This data is used to inform inclusive planning processes for the development of water infrastructure in an area where water allocation is a politically sensitive issue and has led to armed conflicts in the past.<sup>94</sup>

Fragile states can also combine social and demographic data with natural resource data to design development initiatives in ways that focus support on populations with the greatest needs. For example, the Government of formerly fragile Uganda has been working with the World Resources Institute to develop a data-driven approach to investing in water and sanitation by cross-referencing data on rates of access to water and sanitation with data detailing multiple indicators of poverty.<sup>95</sup> This information allows the Government of Uganda to identify where limited investments in the water sector can have the greatest development impact while reaching the poorest populations.<sup>96</sup> A related study in Uganda bridges the gap between data on poverty and data on the use and health of wetlands.<sup>97</sup> Such information could increase the pro-poor impact and the efficiency of wetlands management initiatives, which have the potential to significantly improve livelihoods in

Uganda, where nearly 10 percent of the population relies directly or indirectly on wetland ecosystems for employment.<sup>98</sup> The Bank has supported projects that collect census and demographic data, and there is significant potential for combining the census data already being produced with natural resource-related information to support improved government decision making. For example, the Bank and the Food and Agriculture Organization of the United Nations funded the Government of Sudan's development of a household survey for Northern Sudan, in 2009, which included demographic and economic information as well as some information on water supply, access to electricity, and sector of employment.<sup>99</sup> When integrated with natural resource management, these types of social and demographic datasets can be used to support pro-poor growth and address horizontal inequities between groups.

***Data collection and management initiatives should collect information at the smallest geographic scale that is financially feasible to maintain over the long term.*** The detailed analyses of poverty, water, and sanitation in formerly fragile Uganda, discussed above, were made possible because the Government of Uganda is collecting data at the subcounty and, in some cases, the parish levels.<sup>100</sup> The 958 subcounties in Uganda cover relatively small geographic areas with between 2,500 people in rural areas and 200,000 people in urban centers, which allows for more targeted analysis and investment in water supply and sanitation.<sup>101</sup> Because fragile states are faced with limited resources to invest in development initiatives, having localized information allows them to more effectively identify communities most in need and design projects to maximize the social and environmental return on investment.

***The collection, analysis, and management of data across multiple sectors has the greatest potential to improve natural resource governance when the data is shared across line ministries, subnational and local governments, and regional institutions.*** In many governments, including those of fragile states, multiple government agencies may make decisions affecting the same or related natural resources. For example, decisions related to hydropower production, industrial agriculture, water supply, and freshwater fisheries all have the potential to affect the same water resources, but the decision-making authority for these needs tends to be allocated to different ministries, agencies, and directorates. If the institutions making such decisions all have access to the same information, they can more easily identify areas where the decision of one institution could affect the work of another and areas where there is potential for improved development impacts through coordinated decision making and policy development. For example, the mapping initiative and study in Uganda, discussed above, found that



Forest mapping in DRC. Photo: AfDB.

water, sanitation, hygiene, and poverty reduction initiatives have the potential to have greater impacts if they are coordinated with one another.<sup>102</sup> The study identified seven ministries, two directorates, and one public corporation charged with different aspects of water resource management and public health, and the study also highlighted the important contributions of local governments, user groups, the private sector, development partners, and civil society organizations.<sup>103</sup> Broadly accessible databases using a consistent platform are useful for identifying overlapping claims and boundaries across sectors and for identifying compatible and incompatible uses of natural resources, preventing potentially competing claims to land and related resources. Sharing data across government ministries also reduces costs and duplication of efforts in individual ministries and takes advantage of efficiencies of scale.

Data collection and management can also be supported (or even coordinated) at a regional level. This is particularly important in the case of ecosystems and natural resources that are shared across borders, where changes to a natural resource in one country can have impacts on neighboring states. As part of a Bank-supported initiative, the Mano River Union is creating an ecological observatory and five ecological centers to collect and maintain data on the health of the Upper Guinea Forest. This information will

serve as the basis for assessing regional progress on conservation objectives (Chapter 9).

*Transparency of natural resource data is needed to put to rest lingering suspicions and tensions arising from past mismanagement.* Natural resource-related data should be posted online or, at least, should be available to the public and civil society organizations upon request. Where natural resource data is kept secret in fragile states, it reinforces lingering tensions and mistrust arising from conflict, past mismanagement, and weakened institutions. This is particularly true of concessions, revenue management, and natural resources that are important to livelihoods because these issues are frequently linked to conflict. To address the suspicions associated with the politicized environment in many fragile states, it is sometimes useful for fragile states to obtain independent analyses or verification—for example, by UN agencies or other apolitical third parties—when data relates to high-value or highly politicized resources.<sup>104</sup> This can help to settle disputes where opposition groups and detractors claim that government assessment processes and findings have been politicized.

Project designs for the creation and maintenance of data collection and management initiatives should be based on an incremental approach that takes into



account current fiscal and human resource limitations while planning for future expansion and development. *While databases may initially contain limited information, they should be designed for flexibility so that new types of data and additional users can be added over time. Likewise, new projects for data collection and management in fragile states should identify existing sources of data and invest in systems that are compatible with and can build on existing datasets.* For example, while the Darfur water project profiled in [Chapter 4](#) only provides for the ongoing monitoring and collection of water-related data, it integrates and analyzes existing data from a wide range of sources and sectors to develop initial municipal water plans.<sup>105</sup> The Congo forest atlas project is an example of a database that has been designed to add new types of information over time. Mining and petroleum concessions have only been added since the publication of the third edition of the atlas, and plans for future editions of the atlas include the integration of data related to commercial agriculture, village land claims, additional information on mining concessions and related infrastructure, and more.<sup>106</sup>

*Even in the early stages of building or rebuilding data management systems, fragile states should focus on building their own capacity for long-term data collection and management.* The initial development of baseline data may require support through either

international consultancies or partnerships with international nongovernmental organizations or regional institutions; however, any such partnerships should be designed with an eye toward developing national capacity for data collection, analysis, and management. When designing natural resource data collection and management systems, projects should include components that build the government's long-term human, technological, and financial capacity to independently maintain, update, and adapt data management systems, as necessary.

Development partners have a pivotal role to play in providing financial and technical support to fragile states as these states build national capacity to collect, analyze, and manage natural resource data. Each of these key considerations is discussed in [Chapter 12.2](#).

### 6.3 Vulnerable Populations

Since natural resources are integral to so many aspects of life in fragile states, they must be governed inclusively, and inclusive governance requires processes that promote the full participation of vulnerable populations in natural resource decision-making processes. Vulnerable populations include groups of women, youth, ethnic minorities, and others who are affected by fragility in ways that are different from the rest of the population—that is, in



Woman cooking in DRC. Photo: AfDB.

ways that are more severe, more long-lasting, and with unforeseen impacts—and who have fewer opportunities to protect their rights.<sup>107</sup> This approach to identifying vulnerable populations is deliberately broad to reflect the diversity across Africa and the fact that conflict dynamics change over time. The definition of who is vulnerable must be flexible so that it can be tailored to the current national context in specific fragile states. For example, in CAR, political favoritism based on ethnicity was considered a significant source of tensions during the 1980s and 1990s; political affiliations and cross-border movement of illegally armed groups drove tensions in the 2000s; and the 2012–2015 crisis is breaking down in divisions along religious and sectarian lines.<sup>108</sup> Thus, a population that was particularly vulnerable in the aftermath of one conflict might not have been as severely affected in another conflict. Depending on the context, vulnerability may be based on gender, ethnicity, religion, political affiliation, or any of a number of other classifications.

*In many fragile states, vulnerable populations are responsible for a wide range of natural resource management activities, and these populations rely heavily on natural resources.* For example, across Africa, women and girls perform many core natural resource-related activities, such as cultivating crops, finding and carrying water, and collecting firewood. In Sierra Leone, youth perform uncompensated agricultural labor as part of their duties to elders within their communities.<sup>109</sup> Indigenous people in CAR, Congo, DRC, and other countries make their living from hunting, gathering, fishing, and related resource-intensive activities in the forests or through nomadic lives as pastoralists.<sup>110</sup> In Burundi and other countries, indigenous people increasingly turn to small-scale farming when they can no longer sustain their traditional livelihoods.<sup>111</sup> Yet, despite their close ties to natural resources, vulnerable populations are often excluded from decision-making processes that govern the very resources on which they rely.

Fragile states can benefit significantly from engaging and including vulnerable populations in natural resource management and decision making because many members of such groups have unique knowledge about the resources and can contribute important information to resource-related initiatives. Conversely, excluding vulnerable populations from natural resource decision making can undermine state legitimacy. Excluding youth or ethnic minorities, for example, from decision making can contribute to grievances, exacerbate tensions, and risk a possible relapse into conflict. Particular care is required to ensure that laws, policies, and development initiatives reduce, or at least do not increase, inequalities between groups, which can be a contributing cause of armed conflict (Chapter 1).

Fragile states and development partners can mainstream the consideration of vulnerable populations into natural resource management by (1) identifying vulnerable populations and how natural resource decisions and initiatives affect them; (2) engaging and inviting vulnerable populations to participate in natural resource-related initiatives and decision-making processes; and (3) protecting vulnerable groups through targeted assistance and legal guarantees.

For fragile states and development partners, *considering vulnerable populations means affirmatively identifying the needs of and impacts to vulnerable populations.* In the context of natural resources, this means identifying the role of a vulnerable population in natural resource management; the importance of natural resources to the population's livelihoods, health, or other needs; how the population has been affected by state fragility; and any needs faced by the population that have been unaddressed. Fragility assessments should analyze the situation of each vulnerable population in individual fragile states. For illustrative purposes, the box on Women, Natural Resources, and State Fragility discusses some of the common challenges that women face as a result of conflict and state fragility, with the understanding that these challenges vary from one context to another. Another crosscutting example of a vulnerable population in many fragile states in Africa is youth. Youth represent 60 percent of the unemployed population in Africa.<sup>112</sup> A lack of opportunities for youth to participate politically can also have a destabilizing effect, motivating youth to participate in groups that use young people to intimidate rival groups.<sup>113</sup> Where youth lack access to natural resources, their options become even more limited. Youth were easy to recruit as combatants in Sierra Leone's civil war because they often lacked access to land and livelihoods.<sup>114</sup>

*Fragile states can use demographic data and their knowledge of the national context to identify vulnerable populations and consider their needs when managing natural resources, making decisions, and preparing laws and policies.* Vulnerable populations can be identified through fragility assessments; and that initial identification should serve as the basis for adjustments to natural resource-related projects, even when they were not originally conceived with vulnerable populations in mind. Entry points for engaging vulnerable populations include threshold evaluations to determine which projects to fund; the design and implementation of projects to actively include vulnerable populations; the monitoring and evaluation of projects to include disaggregated data and indicators to determine projects' impacts on vulnerable populations; and safeguards systems to screen for negative impacts to vulnerable populations associated with development



### Women, Natural Resources, and State Fragility

Women perform many of the most physically taxing and time-consuming aspects of household activities in fragile states, which can limit their other opportunities. In sub-Saharan Africa, 71 percent of water collection is performed by women and girls. This can be time-consuming where access to water is scarce; in Chadian refugee camps, water collection was reported to consume almost six hours a day. Access to water is particularly limited in situations of fragility; fragile states account for 65 percent of people without access to safe water globally. Women and girls are also the primary collectors of firewood. Girls' education and access to water and energy are linked: wood and water collecting duties are one of the key reasons they do not attend school. Women make up two-thirds of the world's illiterate population, and 41 million girls globally do not attend school.

In post-conflict situations, particular attention should be paid to the different ways in which women are affected by conflict. During and after many conflicts, women are sexually assaulted or raped by combatants. Collecting water or firewood can expose women and girls to assault, because fetching water and firewood may require women and girls to leave their homes and villages and walk long distances, sometimes alone.

Conflict can also affect women's access to land. The number of female heads of households often increases due to armed conflict, but local institutions may be unprepared to address these demographic changes. This is particularly problematic with respect to customary systems of land tenure, which frequently prohibit women from owning land. In such situations, women can lose their land rights if their male relatives are killed in the conflict.

As discussed in [Chapter 3](#) and [Chapter 10](#), reintegration initiatives frequently train excombatants in skills related to restoring natural resources, acting as park rangers, or undertaking income-generating activities such as agriculture, aquaculture, animal husbandry, or value-added transformation of agricultural products. Disarmament, demobilization, and reintegration (DDR) programs should be designed to support both male and female excombatants. Frequently, female excombatants hesitate to participate in DDR initiatives because they face a greater social stigma—than their male counterparts—of being identified as excombatants and fear for their safety.

projects.<sup>115</sup> These analyses should look for vulnerable populations across a wide range of groups, including populations that are vulnerable due to their ethnicity, religion, political affiliation, clan membership, status as a displaced person or as an excombatant, gender, age, or other characteristic.

*To achieve greater inclusion of vulnerable populations, fragile states and development partners can take steps to facilitate their participation and leadership in decision-making processes and development initiatives.* Inclusion mandates and quotas can have positive effects, such as encouraging new leadership and reducing stereotypes, particularly with respect to women.<sup>116</sup> In DRC, Tearfund UK designed a community-based water supply project that included women among the project participants and leaders through a quota system.<sup>117</sup> The effort to include women succeeded; by the end of the project, women had been chosen for nine out of 18 leadership positions, well over the three required under the quota.<sup>118</sup> A CBFF-supported forest inventory initiative in Congo is requiring indigenous

and local people to make up 70 percent of the people hired to conduct the inventory; the project is also requiring women to make up at least 20 percent of team leaders and 40 percent of input operators for geographic information systems.<sup>119</sup> A 2013 World Bank report examined several studies on the effects of inclusion mandates and quotas for village councils in India, which reserved both one-third of council seats for women and the village council presidency for women one-third of the time.<sup>120</sup> In years that the presidency of a village council rotated to a woman, village women were more likely to bring complaints before the council, and municipal spending increased for issues more closely associated with women, such as access to drinking water. In villages where women had served as council president, studies also found a reduction in male villagers' tendency to automatically associate leadership roles with men. The studies also found a significantly reduced gap between male and female parents' aspirations for their daughters, as expressed through surveys on their desire for their daughters to work outside the household and wait until they were 18 years of age to marry. Where there

are strong political dimensions and conflict dynamics at play, quotas must be reviewed for explicit and implicit messages to ensure they avoid doing harm or reinforcing divisions (Chapter 10). In the context of fragile states in Africa, special care is needed to ensure that nomadic and seminomadic populations are included in natural resource decision making that has the potential to impact traditional grazing routes or water sources.

*Tailored measures are needed to affirmatively protect and support vulnerable populations, including legal protections and development initiatives designed to meet the unique needs of vulnerable populations.*

Legal protections, if implemented, can institutionalize key rights and remedies. In 2011, the Government of Congo became Africa's first government to pass a law to protect indigenous populations in particular.<sup>121</sup> Act No. 5-2011 on the Promotion and Protection of Indigenous Populations provides for the consultation of indigenous populations before the adoption of government activities that would either directly or indirectly affect them; it protects their land rights; and it prohibits discrimination against them.<sup>122</sup> Likewise, fragile states could pass similar legislation to address traditional barriers to landownership for other vulnerable populations too; customary and traditional systems of land tenure frequently prohibit women from owning land and sometimes marginalize youth or people from other ethnic groups.<sup>123</sup> Where legal reforms are not feasible, development projects involving the use of land should include vulnerable populations, and, where possible, the projects should take measures to ensure that beneficiaries have predictable, long-term access to land.

Projects can also use natural resource management initiatives as an opportunity to address gender-based violence or the particular challenges faced by youth in the wake of conflict. In Liberia, another Tearfund UK project was designed to raise community awareness of sexual and gender-based violence and develop community-based opportunities to provide pumps in the village so that women would not have to leave the village to collect water.<sup>124</sup> Projects that reduce the number of times that women and girls need to collect water and firewood can also reduce their risk of being assaulted. Examples include projects to introduce energy-efficient cook stoves requiring less fuelwood and rolling water containers that carry four times the volume of a jerry can in a single trip.<sup>125</sup> Youth are frequently forced to leave school as a result of armed conflict, and where conflicts are prolonged over time, youth may not get the chance to build the core skills that are the foundation of livelihoods. Natural resource management initiatives can provide alternatives for youth; however, fragile states may need to provide for additional time for capacity-building initiatives to improve youth beneficiaries' literacy, numeracy, and basic business skills to the point that beneficiaries are



Youth transporting vegetation in Burundi. Photo: AfDB.

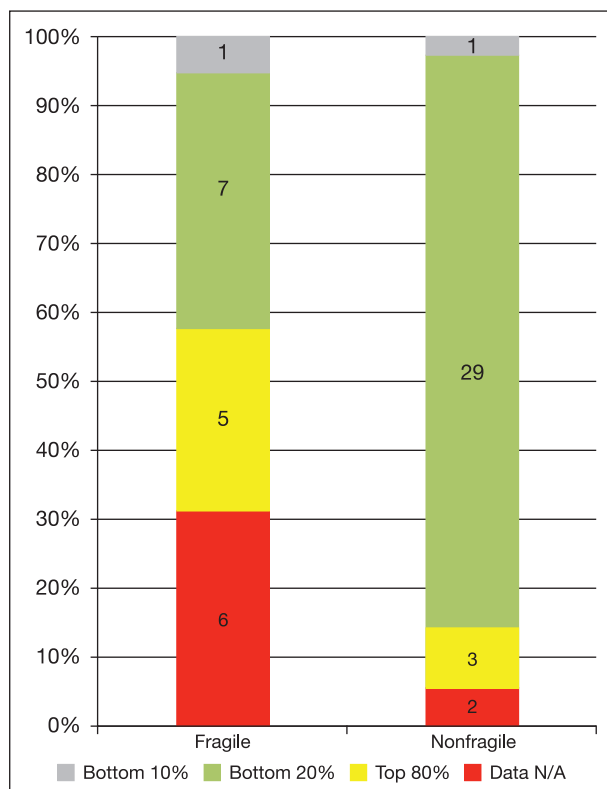
able to manage small agriculture, aquaculture, value-added production, or other natural resource-based income-generating activities.

## 6.4 Combatting Corruption

Quantitative analyses show that the presence of significant extractive resources in a country increases the likelihood of corruption in that country.<sup>126</sup> Fragile states are particularly susceptible to corruption due to their weakened institutions. Of the 15 lowest-ranked African states on the Corruption Perceptions Index, 11 are fragile states. Globally, these 11 fragile states in Africa are also within the bottom 20 percent of fragile states on the Corruption Perceptions Index.<sup>127</sup> Such corruption can be corrosive to local and national efforts to manage natural resources effectively.<sup>128</sup> Figure 6.4 depicts how fragile and nonfragile states in Africa rank globally on the Corruption Perceptions Index. *Anti-corruption initiatives are particularly important for natural resource governance because the high value of many natural resources can make corruption lucrative in the absence of adequate measures ensuring transparency and accountability of government operations.*

Fragile states in Africa have been taking steps to address corruption, both generally and with respect to natural resources. All but six fragile states in Africa are parties to the United Nations Convention against Corruption, and two of the remaining six have signed but not yet ratified it.<sup>129</sup> The Convention against Corruption requires states to pass corruption legislation, criminalizing the following activities within the realm of bribery of public officials:<sup>130</sup>

- (a) The promise, offering or giving, to a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties;
- (b) The solicitation or acceptance by a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person



**Figure 6.4: Global ranking and comparison of fragile and nonfragile African countries on the 2012 Corruption Perceptions Index**

Note: Percentages in legend show the percentage of African states (fragile and nonfragile) that rank in the bottom 10 percent, bottom 20 percent, and top 80 percent of countries evaluated in the Corruption Perceptions Index, globally. The numbers on the bars indicate the total number of African countries within each category on the global index. There are 19 fragile states and 35 nonfragile states in Africa.

Source: Based on data from Transparency International 2012.

or entity, in order that the official act or refrain from acting in the exercise of his or her official duties.<sup>131</sup>

Embezzlement from the government is criminalized under the convention. The convention also contains provisions to encourage legislation to keep parties from trading in influence, to increase transparency and public participation in government decision making, to improve oversight of domestic financial institutions to prevent money laundering, to require public officials to adhere to codes of conduct, to stop abuses of function, and to prevent illicit enrichment of public officials, among a host of other activities. In 2011, the Bank and the Organisation for Economic Co-operation and Development (OECD) launched the Joint AfDB/OECD Initiative to Support Business Integrity and Anti-Bribery Efforts in Africa.<sup>132</sup>

Implementation of many of the provisions from the Convention against Corruption would support integrity in natural resource management. To reduce

incentives for trading in influence, fragile states could prohibit public officials who deliberate on or grant a natural resource concession to a company from accepting posts with that company for a certain number of years after when the concession is issued. Likewise, legislators could be prohibited from voting on natural resource management laws that would affect their personal assets. The implementation of the Extractive Industries Transparency Initiative supports transparency by publishing and reconciling company payments to governments with payments received by governments from extractive industry companies, and some fragile states also make natural resource concession contracts available to the public (Chapter 7).<sup>133</sup> While product certification initiatives, such as the Forest Stewardship Council's certification process for timber, are not primarily anti-corruption initiatives, they can improve transparency and accountability by disseminating information about standards and rules, thereby reducing opportunities for public officials to demand bribes.<sup>134</sup> Certification systems could also increase their anti-corruption effects by developing national certification standards in fragile states with weak forest governance and by using more robust systems of monitoring and evaluation.<sup>135</sup>

National ownership and political will is needed for international initiatives—such as the Extractive Industries Transparency Initiative and the Forest Stewardship Council certification—to reduce corruption. None of these steps are a complete fix for corruption; however, *by reducing conflicts of interest and promoting transparency and accountability, anti-corruption measures can help reduce the potential rewards for corruption while increasing the risk of punishment.*

*It is important for fragile states to be able to prioritize and tailor anti-corruption efforts to reflect the national context.* For example, fragile states frequently rely more heavily on customary systems of governance in which patronage—if delivered in a manner that is viewed as benefiting a broad segment of the public—may be perceived as less harmful than patronage networks that benefit only a small number of people.<sup>136</sup> While the ultimate goal is to eliminate corruption, efforts should initially focus on building consensus between the general public and elites on what constitutes corruption, and then focus on developing focused anti-corruption approaches to address the priority issues identified in the consensus-building process.<sup>137</sup> Such consensus building can be used to build political will for anti-corruption initiatives.<sup>138</sup> Without consensus, there is a risk that anti-corruption efforts may seem to be externally driven or could result in the removal of key players that have public legitimacy and are needed for inclusive peacebuilding initiatives.<sup>139</sup> Examples of corruption

issues that might be raised in the context of natural resource management include the embezzlement of natural resource revenues, the channeling of natural resource development projects to narrow networks of patronage, nepotism in the allocation of government positions in natural resource-related government ministries, or bribery demands from officials in exchange for routine permits for natural resource extraction or the transport of agricultural products.

While restoring rule of law and fighting corruption remain priorities for fragile states and development partners, concerns have been raised that inconsistent application of anti-corruption efforts can be used to sideline political opponents or can appear politicized.

Where corruption is endemic and severe, fragile states can request tailored assistance to help increase transparency, improve procedural safeguards, and strengthen accountability of institutions responsible for public financial management. For example, in Liberia, where smuggled diamonds and illegal timber transactions had fueled the civil war, the Liberian government and international partners introduced the Governance and Economic Management Assistance Programme (GEMAP), which gave cosignature authority over certain government decisions to international experts and provided for review and technical assistance for government concessions.<sup>140</sup> GEMAP provisions such as the cosignature authority were controversial because of their implications for sovereignty, but the provisions provided a critical opportunity to reset administrative procedures that had previously suffered from widespread corruption. In fragile states where corruption is extreme, tailored approaches that draw on the GEMAP experience may help reduce corruption while effective systems of public financial management are being developed.

Fragile states can also promote systems of transparency, monitoring, and evaluation to control corruption at the local level. For example, in 2004, the Government of Sierra Leone learned that approximately 60 percent of the funds allocated to local governments through the Diamond Area Community Development Fund were missing.<sup>141</sup> In response, the government created a national-level oversight committee, conducted outreach and training, and introduced other measures to reduce the unaccounted-for disbursements to 10 percent of total revenues and to recover some of the funds that had been lost. Additional reforms were put in place to further address local-level corruption by improving transparency, monitoring, evaluation, and public accountability of the local government committees that administer the funds.<sup>142</sup> ***Mechanisms that create accountability to the public and to the central government are a key element of anti-corruption efforts at the local level.***

## 6.5 Recommendations

Improved natural resource governance is essential to building resilience of fragile states, because of its potential to build governmental legitimacy and reduce tensions between and across groups through improved transparency, opportunities for participation, and accountability. These key elements of governance are particularly important with respect to natural resources because, for many segments of the population in fragile states, natural resources are integral to livelihoods, to identity, and even to survival. Governance is also a foundational element of peacebuilding and statebuilding.<sup>143</sup> There is also a need for more focused attention on governance as it relates to natural resource management in data collection and management, the engagement of vulnerable populations, and anti-corruption initiatives.

- ***Transparency, public participation, accountability, and subsidiarity are the hallmarks of effective natural resource governance in fragile states*** and other countries. Opportunities are needed for notice and comment and public participation in natural resource decisions by executive bodies. Legislative bodies frequently require more opportunities for hearings and resources for outreach and consultation with their constituencies on natural resource-related issues. Adjudicatory bodies need training on natural resource-related laws to ensure that members of the public have access to effective and fair means for peacefully resolving disputes over land, water, and other natural resources. Finally, in fragile states where attorneys and legal representation for the poor is scarce, there may be a need to invest in paralegal networks and mediation initiatives to advise on and support the resolution of resource-related disputes.
- ***Governance initiatives need to target a wide range of institutions.*** These include institutions at the national and subnational levels; statutory and customary institutions; as well as formal and informal grievance mechanisms to address disputes over rights or access to natural resources, the impacts of development initiatives, and other resource-related grievances.
- ***Fragile states can use data collection, analysis, and management initiatives to improve the foundations of natural resource decision making and concession negotiation.*** Cross-sectoral collection, analysis, and management of natural resource data can promote interagency cooperation and reduce the issuance of overlapping concessions and permits for natural resource use. Indeed, transparency about the natural resource base, resource-related decisions,



and resource revenues is needed to reduce tensions and public mistrust of fragile state governments. Data collection and management is an emerging area where the Bank could play a significant role in fragile states. This is discussed in greater detail in the concluding chapter of this Report (Chapter 12.2).

- ***Vulnerable populations play important roles in natural resource management, and fragile states and development partners can benefit from taking affirmative steps to identify, engage, and protect them.*** Fragile states and development partners should include the identification of vulnerable populations (including but not limited to women, youth, ethnic or religious minorities, and indigenous people) and an analysis of the impacts of fragility on vulnerable populations as part of fragility assessments; these efforts can then inform the design and implementation of development strategies and initiatives. Fragile states and development partners can adopt measures such as quotas or targeted outreach campaigns to encourage the participation and leadership of vulnerable populations in natural resource management. Legal protections and targeted development initiatives can address impacts that are specific to vulnerable populations, such as customary prohibitions on ownership of land or trends of sexual violence against women and girls gathering water or firewood.
- Anti-corruption efforts are an essential element of natural resource governance because of the high potential for graft in the natural resource sector. ***When designing reforms for natural resource governance, fragile states can incorporate anti-corruption efforts by prohibiting conflicts of interest and promoting transparency and accountability.*** Such efforts can help reduce the potential rewards for corruption while increasing the risk of punishment. At the local level, anti-corruption efforts should include mechanisms that provide accountability to both the local population (e.g., reporting requirements and grievance mechanisms) and to the central government (e.g., regular audits of natural resource funds).

Through inclusive, transparent, and accountable natural resource governance at the national and subnational levels, fragile states can rebuild legitimacy while promoting economic development and livelihoods.

#### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

Collecting and Managing Hydraulic Data in Togo. AfDB 2008c.

Women, natural resources, and state fragility. UN 2012; UNDP 2009; OECD 2011a; AfDB 2013d; IRIN 2011; Burt and Keiru 2014; and Karuru and Yeung 2015\*; Troell and Weinthal 2014. Limitations on women's rights to hold land have been documented in many African states, including the fragile states of Burundi and Zimbabwe (Karuru and Yeung 2015\*). The loss of land rights due to a spouse's death during armed conflict was documented in the formerly fragile or nonfragile states of Rwanda, Uganda, and Kenya; similar loss of land is a potential problem in post-conflict situations in fragile states in Africa (Karuru and Yeung 2015\*).

#### Endnotes

- 1 IDPS 2011a.
- 2 Collier and Venables 2010.
- 3 Kaufmann, Kraay, and Mastruzzi 2012; World Bank 2012e.
- 4 Kaufmann, Kraay, and Mastruzzi 2012.
- 5 United Nations Interagency Framework Team for Preventative Action 2012c.
- 6 African Convention on the Conservation of Nature and Natural Resources (July 11, 2003), Maputo, Mozambique. [www.africa-union.org/root/au/Documents/Treaties/Text/nature%20and%20natural%20recesource.pdf](http://www.africa-union.org/root/au/Documents/Treaties/Text/nature%20and%20natural%20recesource.pdf). United Nations Conference on Environment and Development, Rio Declaration on Environment and Development, U.N. Doc. A/CONF.151/5/Rev.1, 31 I.L.M. 874 (1992). [www.un.org/documents/ga/conf151/aconf15126-1annex1.htm](http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm). As of October 23, 2013, the 2003 Revised African Convention on the Conservation of Nature and Natural Resources has been ratified by only 10 of the minimum number of 15 African states needed before it will enter into force. African Union 2013.
- 7 African (Banjul) Charter on Human and Peoples' Rights. Adopted 27 June 1981, OAU Doc. CAB/LEG/67/3 rev. 5, 21 I.L.M. 58 (1982), entered into force 21 October 1986. [www.africa-union.org/official\\_documents/treaties\\_%20conventions\\_%20protocols/banjul%20charter.pdf](http://www.africa-union.org/official_documents/treaties_%20conventions_%20protocols/banjul%20charter.pdf). Bruch, Coker, and VanArsdale (2007) highlights that many African countries incorporate by reference the African Charter on Human and Peoples' Rights into their national constitutions, thereby providing national-level guarantees for the rights contained therein, including the right of access to information, the right to participate, and the right of access to justice.
- 8 Bruch, Coker, and VanArsdale 2007; UNESCO n.d.

- 9 Liberia Freedom of Information Act 2010. [www.africafoicentre.org/index.php/en/foi-legislation](http://www.africafoicentre.org/index.php/en/foi-legislation). Republic of Guinea Organic Law L 2010/004/CNT/ of 24 November 2010 on the Right of Access to Public Information. [www.right2info.org/resources/publications/laws-1/guinea-ati-law-2010](http://www.right2info.org/resources/publications/laws-1/guinea-ati-law-2010). République de Guinée Loi Organique L 2010/004/CNT/ du 24 Novembre 2010 Portant Droit d'Accès à l'Information Publique. [www.africafoicentre.org/fr/index.php/legislations-sur-le-dai](http://www.africafoicentre.org/fr/index.php/legislations-sur-le-dai). Cham 2013 (Sierra Leone); Vragovich 2013 (Sierra Leone). For a discussion of freedom of information more broadly, see UNESCO (n.d.).
- 10 Alkasim 2013.
- 11 Vragovich 2013.
- 12 Bruch, Coker, and VanArsdale 2007.
- 13 Bruch, Coker, and VanArsdale 2007. Mali, which was designated a fragile state in 2014, also expressly establishes constitutional rights of access to justice.
- 14 Bruch, Coker, and VanArsdale 2007.
- 15 Bruch, Coker, and VanArsdale 2007.
- 16 UNECA 2004.
- 17 UNECA 2004.
- 18 Dutta et al. 2007; World Bank 2012f.
- 19 Dutta et al. 2007; World Bank 2012f.
- 20 Bruch, Roffman, and Kim 2003; Dutta et al. 2007.
- 21 Bruch, Roffman, and Kim 2003; Dutta et al. 2007; Veit 2008.
- 22 Dutta et al. 2007; Veit 2008.
- 23 Dutta et al. 2007.
- 24 Dutta et al. 2007; Veit 2008.
- 25 Veit 2008.
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- 27 Veit 2008.
- 28 Dutta et al. 2007.
- 29 Dutta et al. 2007.
- 30 Dutta et al. 2007.
- 31 Ratner et al. 2013; Samuels 2006.
- 32 Maru 2006; Ratner et al. 2013.
- 33 Ratner et al. 2013.
- 34 Mechlem 2006.
- 35 Mechlem 2006.
- 36 Mechlem 2006.
- 37 Mechlem 2006.
- 38 Pendergrass 2006.
- 39 Maru 2006.
- 40 Maru (2006) also discusses Timap's work in other areas such as family law and responding to claims of police brutality, which make up the bulk of the organization's work.
- 41 Maru 2006.
- 42 Maru 2006.
- 43 For an overview of the development of grievance mechanisms in four companies in different sectors, including a coal mine, an oil and gas facility, and a supermarket working with fruit producers, see UNSG (2011) and Rees (2011).
- 44 UNSG 2011.
- 45 See Corporate Social Responsibility Initiative (2008), Rees (2011), and UNSG (2011) for general guidance on grievance mechanisms. ICMM (2009) contains guidelines for developing grievance mechanisms in the mining sector.
- 46 UNSG 2011.
- 47 UNSG 2011.
- 48 UNSG 2011, 11.
- 49 UNSG 2011, 11.
- 50 UNSG (2011) contains a more comprehensive discussion of accessibility and different approaches to reaching out to local communities, including the use of local agents of the company or even community librarians.
- 51 UNSG 2011.
- 52 Rees 2011.
- 53 AfDB 2010f.
- 54 AfDB 2010f.
- 55 AfDB 2011p.
- 56 Chapter 9 on Regional Dynamics and Institutions examines transboundary effects of natural resource management and state fragility.
- 57 AfDB 2004c.
- 58 Boege et al. 2008; OECD 2010a.
- 59 Boege et al. (2008) and OECD (2010a) provide detailed discussions of questions of legitimacy and governance in hybrid political orders, touching on challenges related to patronage and perceptions of citizenship and universal human rights.
- 60 Troell and Weinthal 2014; Unruh and Williams 2013.
- 61 Huston 2014.
- 62 Unruh and Williams 2013.
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- 65 Ratner et al. 2013.
- 66 UNEP 2011b.
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- 77 de Leon et al. 2013.
- 78 de Leon et al. 2013.
- 79 de Leon et al. 2013.
- 80 de Leon et al. 2013. Less than 1 percent of cassava concessions studied were subject to some level of overlapping claims; however, even this small percentage constituted

- more than 18,000 of the 97,000 hectares of overlapping concessions discussed above. de Leon et al. 2013.
- 81 de Leon et al. 2013.
- 82 de Leon et al. 2013.
- 83 MEFDD and WRI 2012. Of these, 85,455 hectares of land represent protected areas that overlap with forest concessions, and, therefore the total forest area subject to overlapping claims is 4,961,594 hectares. MEFDD and WRI 2012.
- 84 United Nations Interagency Framework Team for Preventative Action 2012c, 60.
- 85 Gurara and Birhanu 2012.
- 86 AfDB 2012g. Mali was designated a fragile state in 2014.
- 87 DLR 2011; see also Lawson and MacFaul (2010), which discusses the use of satellite imagery to identify illegal logging in nonfragile countries like Cameroon and Ghana, although government capacity is still in the early stages of growth among developing countries using satellite technology for conservation. Satellite technology is used to monitor deforestation in Indonesia, and Brazil uses satellite technology and log transport restrictions to control illegal logging and identify standing stocks. Nellman and INTERPOL Environmental Crime Programme 2012.
- 88 MEFDD and WRI 2012; AfDB 2011q.
- 89 MEFDD and WRI 2012. The Governments of DRC and CAR have also been working with WRI on similar initiatives, as have the Governments of Gabon, Cameroon, and Equatorial Guinea, the latter of which are not fragile states. WRI n.d.
- 90 MEFDD and WRI 2012.
- 91 AfDB 2011q.
- 92 AfDB 2011q.
- 93 AWF 2011, 7.
- 94 AWF 2011.
- 95 Health Planning Department et al. 2009.
- 96 Health Planning Department et al. 2009.
- 97 Wetlands Management Department et al. 2009.
- 98 Wetlands Management Department et al. 2009.
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- 102 Health Planning Department et al. 2009.
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- 104 United Nations Interagency Framework Team for Preventive Action 2012b.
- 105 AWF 2011, 7.
- 106 MEFDD and WRI 2012.
- 107 For defining vulnerable populations with respect to impacts from Bank projects, see AfDB (2013a). For defining vulnerable populations within the context of peacebuilding, which include “children, the elderly, women and other traumatized groups in the society,” refer to the Protocol Relating to the Establishment of the Peace and Security Council of the African Union, 2002, Durban, South Africa, July 9, art. 14(2)(e). [www.africa-union.org/root/au/organs/psc/Protocol\\_peace%20and%20security.pdf](http://www.africa-union.org/root/au/organs/psc/Protocol_peace%20and%20security.pdf).
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- 110 Mikkelsen 2013, 2012.
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- 112 AfDB 2013d.
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- 114 Keili and Thiam 2015\*; Peeters et al. 2009.
- 115 Efforts to avoid negative project impacts are usually covered by donor safeguards systems such as environmental and social impact assessments. The Bank’s Integrated Safeguards System requires the consideration direct, indirect, and disproportionate impacts to vulnerable groups. AfDB 2013a, paras. 39–40.
- 116 Karuru and Yeung (2015)\* discusses quota systems for women in community forest management in Liberia and Nepal and fisheries in Uganda. See also Mansuri and Rao 2013; World Bank 2010b; Kethusegile-Juru 2004.
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- 121 Mikkelsen 2012.
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- 124 Burt and Keiru 2014.
- 125 IRIN 2011b; Karuru and Yeung 2015\*.
- 126 Kolstad and Wiig 2011.
- 127 Transparency International 2012; World Bank 2012e.
- 128 For a discussion on post-conflict conditions that enable corruption, see, for example, Cheng and Zaum 2015\*.
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- 132 AfDB and OECD 2011.
- 133 By comparing the receipts of what the companies paid to the government with the government records of payments, EITI is used to identify inconsistencies for further investigation as a means of uncovering instances of bribery or embezzlement of funds.
- 134 Søreide and Williams 2013.
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## Concessions and Revenue Management

In order to capitalize on the potential of natural resource revenues to transform fragile states, it is essential to build their capacity to negotiate and administer concessions and manage the resulting revenues.

Natural resource revenues frequently provide a potentially immense source of funding for fragile states to rebuild their economies, construct infrastructure, invest in health care, and ultimately to become less fragile. For example, between July 1, 2010, and June 30, 2011, Liberia's governmental agencies collected more than US\$117 million in receipts from the forestry, oil, mining, and commercial agriculture sectors.<sup>1</sup> This is more than four times the average level of official development assistance (ODA) that the Government of Liberia received from the African Development Fund in fiscal year 2011 (2010–2011).<sup>2</sup> And in Nigeria, oil revenues in 2011 were “60 percent higher than total international aid to all of sub-Saharan Africa.”<sup>3</sup>

The enormous economic potential of natural resource concessions means that collecting and managing natural resource revenues is fundamental to two primary areas of peacebuilding: (1) governance and (2) livelihoods and macroeconomic growth. They are also central to two of the five peacebuilding and statebuilding goals identified by the 2011 Busan New Deal for Engagement in Fragile States (New Deal): revenue management and economic foundations.<sup>4</sup> The Bank has committed to support the New Deal, and the Bank's 2014 *Fragile States Strategy* explains that the peacebuilding and statebuilding goals will guide the Bank's operations in fragile states.<sup>5</sup> The Bank's new strategy also emphasizes its continued commitment to the Extractive Industries Transparency Initiative (EITI) and other international efforts to improve the collection and management of natural resource revenues.

Resource revenues have the potential to finance transformational progress towards exiting fragility, achieving the Millennium Development Goals and the successor Sustainable Development Goals,

and pursuing other national objectives. For example, Chad, Democratic Republic of the Congo (DRC), Guinea, Republic of Congo, Sierra Leone, and South Sudan could cumulatively send almost 10 million more children to primary and lower secondary school if they could increase receipts from extractive industries and invest 20 percent of the additional revenue in education.<sup>6</sup>

In many cases, however, fragile states often find it challenging to translate their natural riches into economic and social gains. In 2011, DRC held the world's bottom ranking of 187 on the Human Development Index, despite the fact that it exports more than one-half of the world's cobalt and more than 20 percent of its industrial diamonds.<sup>7</sup> The *2013 Africa Progress Report* estimates that DRC lost US\$1.355 billion in revenues through just five unfavorable concessions.<sup>8</sup> These losses represent funds that could have been used to improve the lives of millions of Congolese, in a country where 17 of 100 children die before the age of five.<sup>9</sup>

This chapter examines how to maximize the benefits of natural resources through robust and effectively administered concessions and how to translate resource revenues into development gains. Concessions and revenue management are treated as crosscutting issues because they apply to many natural resource sectors. Concessions can cover the commercial exploitation of agriculture, forests, gas, minerals, oil, water, and other natural resources.

## 7.1 Concessions

Concessions—including contracts, leases, and other agreements—are an important way for fragile states to generate revenues from their natural resource wealth. The box entitled *Types of Contracts for Natural Resource Extraction and Production* discusses four main types of contracts commonly used for agreements between governments and private-sector enterprises. While there are many types of contracts available, fragile states are frequently ill-equipped to negotiate, administer, or enforce the terms of concessions. Low capacity, weak institutions, and incidents of corruption are chronic challenges to effectively governing concessions.<sup>10</sup> Moreover, the risks associated with working in fragile states can render the potential concessions unattractive to foreign investors, weakening the negotiating position of fragile states.<sup>11</sup> This section examines (1) conducting concession reviews, (2) improving the effectiveness of concession negotiations in the short term, (3) addressing key considerations when negotiating concessions, (4) building long-term fragile state government capacity for concession negotiation and administration, and (5) implementing EITI at the intersection of concessions and revenue management.

### 7.1.1 Conducting Concession Reviews

Many fragile states emerging from political crises or armed conflict inherit a legacy of unfavorable

#### Types of Contracts for Natural Resource Extraction and Production

**Concessions** are agreements by which the private-sector investor agrees to pay taxes or royalties to the government in exchange for the right to extract or produce natural resources or operate a public utility for a specified number of years.

Long-term land **leases** are similar to concessions, providing rent in exchange for the right to use land for a fixed period of time. They are often used for long-term agricultural agreements.

**Production sharing agreements** are like leases or concessions in that the government grants access to agricultural land or extractive resources. What differentiates production sharing agreements from leases and concessions is that, instead of collecting taxes or royalties, the government receives a percentage of the product (e.g., agricultural products or oil).

With **joint ventures**, the government and the private-sector investor enter a contractual agreement or create a new legal entity that creates a governance framework by which both parties cooperate to operate the business.

Many agreements contain elements of two or more of these types of contracts, depending on the needs and interests of the parties to the agreement.



concessions. Following the timber-fueled civil war in Liberia, a comprehensive review of 70 timber concessions found that not one fulfilled the minimum requirements of Liberian law.<sup>12</sup> Timber concessions had been issued to at least one company that had made a personal payment to former-President Charles Taylor, and concessions were traded by all sides of the conflict to unscrupulous private-sector investors in exchange for arms and funding.<sup>13</sup> And in DRC, a 2007 concession review recommended that all of the 61 concessions signed between 1996 and 2006 should either be cancelled (22 concessions) or renegotiated (39 concessions).<sup>14</sup>

Fragile states, particularly those emerging from conflict or political unrest, often seek to review concessions to identify which concessions should be retained and which concessions should be renegotiated or canceled.<sup>15</sup> Although concessions may be illegal, the result of corrupt practices, or otherwise problematic, addressing such concessions can be challenging. Additionally, even well-intentioned concession reviews can deter responsible private sector investment because uncertainty is increased as to whether resource concessions will be honored. Accordingly, fragile states may need to limit concession renegotiation and cancellation to contracts that are so deeply flawed that they are odious. Odious contracts provide companies with unreasonably high profit margins, excessive tax exemptions, or other inappropriately substantial benefits that accrue to the company to the detriment of the country.<sup>16</sup> The quality of the concession review processes—including their transparency, independence, and objectivity—can also influence whether a concession review chills private-sector investment in the fragile state while correcting past injustices.

*To build credibility, concession reviews must be performed by institutions that are independent, technically capable, and legitimate in the eyes of the public.* To be objective and to demonstrate objectivity, the institutions reviewing concessions must be independent from the ministries that are tasked with issuing and administering concessions.<sup>17</sup> This can be achieved through the use of tripartite, interministerial, parliamentary, or judicial proceedings.<sup>18</sup> Tripartite commissions have the advantage of being more broadly representative, including members from the government, civil society, and donors.<sup>19</sup> The body tasked with undertaking the concession review must include members with sufficient technical expertise to review complex provisions for improper tax avoidance measures and to examine the concessions to identify conflicts with the laws of the fragile state.<sup>20</sup>

Transitional governments sometimes seek to undertake concession reviews, as the transitional administration in the Central African Republic has recently proposed.<sup>21</sup> To preserve the legitimacy of

concession reviews, transitional governments can consider limiting their reviews to hearings and the development of proposed recommendations that are presented to post-transition governments.<sup>22</sup> The post-transition government, which is composed of publicly elected executive and legislative officials, can then issue final rulings on whether to retain, renegotiate, or cancel concessions with renewed authority.<sup>23</sup> Liberia adopted this approach, and the first executive order of President Ellen Johnson Sirleaf canceled the concessions that a transitional body had found to not comply with legal requirements.<sup>24</sup>

*Concession review procedures should be transparent, engage both the public and the private sector, and use clearly articulated criteria of general applicability to evaluate the fairness of individual concessions.* Transparency is essential because the evidence that fragile states present to the general public and the private sector will influence whether a concession review is perceived as fair or whether a review is open to accusations that the findings are politically motivated. As part of efforts to review concessions in Guinea, the Government of Guinea has published more than 60 contracts online.<sup>25</sup>

Fragile states must select reappraisal criteria that are clear and are not easily subject to change.<sup>26</sup> Such criteria are needed to reassure private-sector investors that the concession review process is not a function of political opportunism and that determinations arising from the concession review will not be revisited.<sup>27</sup> One example of generally accepted criteria that fragile states could adopt for concession reviews would be those found in the Natural Resource Charter.<sup>28</sup>

Where possible, renegotiation of concessions should be considered as an alternative to cancellation of concessions that are under review. Between 2006 and 2011, the Governments of DRC, Guinea, Liberia, and Sierra Leone have all renegotiated individual concessions for the extraction of minerals, including iron ore and gold.<sup>29</sup> For example, the Government



Fishing boats in Comoros. Photo: AfDB.



of Liberia's renegotiation of an iron ore concession held by ArcelorMittal resulted in modifications to 30 different provisions within the original agreement.<sup>30</sup>

Finally, if a review is undertaken, the recommendations must be evaluated and acted upon by the fragile state government. In DRC, failure to rule upon and implement the 2006 concession review, the immediate commencement of another review in 2007, and the interspersed sporadic judicial cancelation of concessions worked together to further undermine rather than rehabilitate the credibility of the government's issuance and administration of concessions.<sup>31</sup>

### 7.1.2 Improving Concession Negotiations in the Short Term

Fragile states frequently face immense pressure to negotiate concessions in the immediate aftermath of conflicts or crises as a way to restart macroeconomic recovery and the flow of revenues to the government. Many fragile state governments have limited domestic negotiating capacity or leverage to secure fair concession terms, and building domestic capacity to negotiate and administer concessions takes time. The stakes are high: even a single disadvantageous concession can cost a government millions of dollars a year in lost revenues. For example, in Sierra Leone, an unfavorable titanium extraction agreement caused an estimated annual loss of US\$8 million in government revenue for a 12-year period.<sup>32</sup> Costs associated with mitigating environmental and social impacts—usually borne by the government and neighboring communities, and not the concession holder—only add to the losses.<sup>33</sup> Moreover, there are concerns that renegotiating disadvantageous concessions will discourage private-sector corporations from negotiating favorable deals in the future.

*When fragile states are first trying to negotiate concessions in the aftermath of conflicts or crises, outside technical assistance can enhance the skills and knowledge of the government negotiators and improve the terms of the ultimate concession.* Fragile state governments can seek support from programs like the Bank's African Legal Support Facility (ALSF).<sup>34</sup> ALSF assists fragile states in the negotiation or, as necessary, renegotiation of complex commercial transactions such as natural resource concessions.<sup>35</sup> ALSF also assists fragile states in hiring expert legal representation in contract negotiations and renegotiations. For example, assistance from the Bank enabled the Government of DRC to obtain legal counsel to provide advice in treaty negotiations with South Africa for the sale of electricity from the Inga hydroelectric dam complex.

*Fragile state government officials must work with technical advisors and attorneys that represent*

*them to ensure that the team that is advising them is aware of the constraints that the fragile state government faces.* Advisors and negotiators assisting the fragile state must fully understand the government's capacity to (1) administer, participate in, and enforce the terms of the concession with the private-sector investor; (2) accept risk or volatility in terms of profits from the agreement; and (3) build trust and address the public's concerns about corruption. This is particularly important for advisors and negotiators based outside of the client fragile state. Fragile states emerging from conflict or crises frequently face significant gaps in their capacity, and the specific areas where capacity is weak must be identified to ensure that fragile states can administer concessions once they are in place. If fragile state governments, their technical advisors, and their attorneys are all aware of the fragile state's key strengths and capacity gaps, they can negotiate to tailor the terms of the agreement to meet the needs and capabilities of the fragile state. One option for ensuring consideration of fragile state capacity is to task local counsel with evaluating the capacity of the fragile state during negotiations. The next section gives a sampling of various types of concessions and key terms and provisions that are relevant to fragile states.

It is also important to consider the capacity of the public and civil society to understand, comment on, and even participate in overseeing the implementation of the concession, because concession agreements that are opaque or too complicated have the potential to further undermine public trust in the government, the private-sector investor, and the legitimacy of the concession. This is particularly relevant in countries where natural resources may have been linked to past conflicts.

Fragile state governments must maintain a long-term perspective when considering the potential benefits, costs, and risks of a concession, because in the aftermath of conflict or crises, there is immense pressure to accept agreements simply to ensure that the government has the funding to cover immediate expenses such as government salaries.<sup>36</sup> A fragile state may wish to analyze the impacts of the mining concession at the 10-, 20-, and 50-year marks and compare them with analyses of scenarios where the terms are more favorable, where the concession is issued at a later date when conditions are more favorable, where a different concessionaire is found, or where the concession is not issued in favor of other land uses. This can help to predict revenues over the life of the contract, potential costs of cleanup, impacts to nearby communities, and other potential effects of concessions.

Finally, due to the lack of capacity on the part of many fragile states, it is important for those providing

short-term technical support to fragile states to have a working knowledge of the impacts of state fragility on extractive industries so they can identify potential challenges and provide their clients with an array of workable options, whether or not the fragile state raises the issues. Various handbooks and guidelines can introduce technical advisors to the basics of concession negotiation or the conflict dynamics of extractive resources; however, nothing can replace a thorough, tailored understanding of the country-specific context.<sup>37</sup> This requires an in-depth assessment of the number and level of expertise of government agency personnel assigned to monitor the implementation of the concession agreement; the availability of necessary equipment such as vehicles to conduct site visits; and the government's processes for collecting and storing information to develop a record on the implementation of the concession over the long term, even when there are changes in personnel. These are just a handful of the factors that an outside technical expert would need to know to ensure that the agreement that he or she is helping the fragile state negotiate is realistic for the fragile state to effectively implement.

## 7.1.3 Negotiating Natural Resource Concessions: Key Considerations

One of the primary decisions that governments of fragile states must make when negotiating a contract for natural resource extraction or production is whether to pursue a concession or lease, a production sharing agreement, a joint venture, or, most commonly, a combination of the different varieties of agreements (see box on Types of Contracts for Natural Resource Extraction and Production).<sup>38</sup> Depending on the type of agreement established between the fragile state and the private-sector investor, the fragile state can change how profits are calculated, negotiate for more local opportunities for labor and training, acquire greater access to company information, and exercise greater control over the operations.<sup>39</sup> Different types of contracts can also come with disadvantages; a contract that allows the government to exert greater control over operations may require more time and technical expertise to administer.<sup>40</sup> Thus, joint ventures give the state a share of the profits in the event of success, but they can also result in significant losses to the state if the project fails or if commodity prices fall.<sup>41</sup> The different categories of agreements (concession, lease, production sharing agreement, and joint venture) determine the broad mechanisms for how the fragile state government interacts with private-sector investors, and the details of the contract determine how beneficial the agreement is to each of the parties.

When considering what to look for in a resource concession, fragile states examine revenue and nonrevenue risks and benefits. To maximize revenue

benefits, fragile states can negotiate to reduce or eliminate tax holidays; they can also prevent transfer pricing, in which companies purchase inputs and sell products at a discount to parent companies or affiliates.<sup>42</sup> Measures that diversify revenue streams by calculating taxes, fees, and royalties in different ways have the potential to increase government revenues but can be more difficult to administer and enforce.<sup>43</sup> Measures that increase government revenues when commodity prices increase—often called “progressive fiscal regimes”—are another method that increases total government revenues if administered effectively.<sup>44</sup>

Nonrevenue risks and benefits are numerous, ranging from ensuring compliance with national laws and preventing environmental damage to ensuring that concessions maximize local job opportunities and that the public benefits from concession-related infrastructure. *Concessions under negotiation or review should be evaluated to determine whether they comply with national laws, including environmental and social standards.*<sup>45</sup> Concessions can also be negotiated to go beyond these minimum legal requirements and provide additional social and environmental protections. Specific requirements can be included that establish labor standards including wages and housing for workers and access to health care and educational opportunities for workers and their families. Concessions can also provide for grievance-resolution mechanisms or require compliance with international standards for resource extraction.<sup>46</sup> Concessions can be conditioned on the approval of grievance mechanisms for local communities to raise concerns about the project during implementation and the adoption of plans to compensate affected communities for any harm caused by the project. Concessions should also plan for and incorporate the restoration of any damage to natural resources into the terms of the agreement.<sup>47</sup> In addition to specific provisions for remediation, concessions may require the posting of a bond to ensure that the necessary financial resources are available at the end of the project to remediate anticipated environmental harm. In fragile states where natural resources have been tied to violence or human rights violations, fragile state governments may include clauses requiring private-sector investors to address the application of human rights in their business operations and their use of security forces.<sup>48</sup>

*Fragile state governments can use concessions to pursue positive social and economic outcomes beyond maximizing revenue for the state.* Concessions can, for example, expand livelihood opportunities, diversify the economy, build local economies, and develop infrastructure. Thus, concession provisions can specify minimum requirements for local employment, social protection such as health care and educational opportunities for workers and their

families, and the transfer of technical skills to locally hired staff.<sup>49</sup> To expand economic growth upstream and downstream in the natural resource value chain, fragile state governments can negotiate to require the purchase of local production inputs, the domestic processing of raw natural resources, or the sale of a proportion of the final product within the fragile state.<sup>50</sup> In fragile states where private-sector investors are developing infrastructure such as railways, roads, or electrical transmission lines to support their facilities, the fragile state government can negotiate to create opportunities for public use of the infrastructure concurrently or in the future.<sup>51</sup>

Concessions may sometimes be negotiated to provide infrastructure or basic services unrelated to resource extraction, such as a concession where the company agrees to pay for the construction of schools, water supply and sanitation systems, or health centers for nearby communities. Such agreements can be controversial, particularly in remote areas where fragile state governments exercise less authority than in national capitals. In such cases, the temporary involvement of government officials in the negotiation of benefits for communities can be perceived as demonstrating that the government is on the side of the corporation or that the government is abdicating its responsibilities to the corporation.<sup>52</sup> Individual concessions are not designed to address the long-term needs of the community and are not generally a part of an integrated planning process.<sup>53</sup> Disputes between communities and the corporations that they host can escalate over time: communities may view support from the corporation as the primary way to obtain access to basic services, but the corporation may view demands for additional support as efforts to renegotiate the terms of the concession.<sup>54</sup> Piecemeal community-by-community or even property-by-property negotiations can also pit neighboring communities and families against one another if there is the perception that one of them obtained more benefits than the other.<sup>55</sup> Finally, where basic services depend on corporations, the provision of services is subject to the market forces that affect the corporation; services may dwindle as markets fluctuate and extractive resources are exhausted.<sup>56</sup>

To address these challenges, it is essential for the government to undertake long-term development planning and to play an active role in delivering, operating, and maintaining basic services. Concessions can supplement government-provided basic services; however, the infrastructure and other contributions of concessionaires must be integrated into the community's long-term planning processes. Local governments can use concession negotiations as an opportunity to engage community members in long-term visioning and planning processes about the future of the community and the role of

the concession in community development, both during the operation of the concession and after its conclusion. Long-term plans are most effective if they examine the infrastructure provided by the concessionaire, chart out the community's plans for infrastructure independent of the concession, and carefully evaluate how the concession-related infrastructure will complement existing and future government economic and social development initiatives. To avoid the perception of elite capture, such contributions to community development must be designed using broad stakeholder consultations that engage all groups within the community.

Fragile states need to be careful about agreeing to stabilization provisions and freezing clauses, which could require fragile states to apply the laws of the fragile state as drafted at the time the contract is signed, allowing no room for the law to evolve.<sup>57</sup> Companies seek such provisions to mitigate risk of changes to laws related to taxation, fees, tariffs, employment, or environmental controls in what they perceive to be countries with volatile legal environments.<sup>58</sup> Fragile states should avoid these provisions when possible, especially if they are not narrowly tailored to fees, taxes, or tariffs.<sup>59</sup> Stabilization provisions can also be problematic for long-term concessions that last a decade or more, as they could exempt large swaths of resources from the social and environmental protections that fragile states tend to develop over time. Part of the process that fragile states often undertake when building national resilience is the review and revision of legal frameworks to improve rule of law, transparency, public participation, the business climate, and social and environmental protections. If individual corporations use stabilization clauses to exempt themselves from new laws, they could suffer the reputational risk of appearing to the public as promoting unfairness, and the government that agrees to such terms opens itself up to accusations of cronyism. Stabilization provisions can also be seen as an encroachment by the agency that issued the concession on the authority of the legislative branch to enact future concessions, or on



Phosphate mining in Togo. Photo: AfDB.

constitutionally ensured rights of citizens, which have yet to be realized through the necessary implementing regulations.<sup>60</sup> Limited and focused provisions can be adopted to address potential changes that affect the profitability of concessions without the adoption of broad stabilization provisions.<sup>61</sup>

This section highlights only a sampling of the issues that arise during concession negotiations. The issues presented demonstrate the pivotal role of technical expertise in ensuring that fragile states are able to secure the best possible economic, environmental, and social benefits from concessions. In the short term, fragile state governments may seek out external technical advisors to support them in evaluating the terms and conditions of concessions. However, in the long term, fragile states must invest in building their capacity to negotiate and administer concessions without external assistance.

## 7.1.4 Building Long-Term Capacity for Concession Negotiation and Administration

Building long-term capacity for negotiating and administering concessions requires fragile states to develop their legal, institutional, and human resource capacities. The need to build capacity for the negotiation and administration of natural resource concessions has been recognized in the *2013 Africa Progress Report* and the *Africa Mining Vision*, and the need for improved capacity is most significant among fragile states in Africa.<sup>62</sup> In Liberia, during the worst periods of civil unrest and fragility, the government under Charles Taylor eliminated effective recordkeeping in the forestry sector to create opportunities for corruption and misappropriation of natural resource revenues.<sup>63</sup> Conflict and civil crises such as the one in Liberia break down fragile state capacity, leaving fragile states with limited resources to rebuild government capacity and an environment of public distrust for government.

National laws often need to be strengthened. The revision of national laws can incorporate best practices reflected in international standards as well as the standards adopted in other well-performing countries. Guidelines and international standards exist for targeted aspects of concessions, such as the publication of extraction contracts under the EITI. However, a comprehensive set of standards and best practices is needed to more effectively and consistently evaluate options related to concession negotiation, implementation, and enforcement from the preliminary phases through to site closure. *Guidelines are needed for the Bank staff to use in advising fragile states on effective practices, when fragile states approach the Bank for technical advice on alternative frameworks and approaches in areas where fragile states wish to reform their*

*laws governing concessions.* National economic and natural resource planning processes should also include careful consideration of existing and future concessions. Such plans would note where concessions already exist, set forth where they may be issued in the future, discuss how stakeholders nearby are using resources in ways that can complement or benefit from concessionaires' activities, and identify where existing and future uses may be adversely affected by concessions.

Even where the laws governing concessions are adequate, legal capacity is often needed to ensure that concession negotiations fit within the fragile state's laws and administrative capacity, while transparently supporting the rule of law. Concessions can also incorporate relevant international standards.<sup>64</sup> *National model concessions are needed that incorporate the laws, regulations, policies, and priorities of fragile states.*<sup>65</sup> Model concessions empower fragile states to supply the key terms of concessions, rather than using unfavorable contracts provided by would-be concessionaires. By mainstreaming a fragile state's environmental, social, and other legal requirements into the terms of its concessions, using models can help prevent the adoption of concessions that are inconsistent with a country's laws. Models cannot replace the need for expert technical advice from a well-qualified staff; however, model contracts create a strong opening position for the government and allow fragile state government officials to more easily track and be familiar with the multitude of clauses in resource concessions.

*Central elements of good governance—transparency, predictability, inclusion, and accountability—are important to the negotiation and enforcement of natural resource concessions.* The same principles of good governance are applicable to private concessions, partially state-owned companies, and state-owned companies.<sup>66</sup> To strengthen the capacity and negotiating leverage of fragile state governments, fragile states like Liberia have engaged nongovernmental stakeholders who would likely be affected by the concession.<sup>67</sup> Transparency can reduce opportunities for public corruption, increase public confidence in the management of natural resources and their revenues, and improve the information on which decisions are made regarding concessions. To promote transparency, fragile states can require the public disclosure of concession agreements.<sup>68</sup> Opening concessions for public bidding can also improve the quality of concession agreements and reduce opportunities for corruption.<sup>69</sup> The United States and European Union have adopted measures to require companies to report on payments that they make to foreign governments to combat corruption (see box on United States and European Union Requirements for Disclosure of Payments to Governments). Efforts to



### United States and European Union Requirements for Disclosure of Payments to Governments

The international community has pursued both international and national efforts to improve transparency in revenue collection and management.

In 2010, the U.S. enacted a law requiring companies to annually report all payments they make to foreign governments that relate to commercial oil, gas, and mineral “exploration, extraction, processing, export and other significant actions.” The requirement applies to all U.S. and foreign companies registered with the U.S. Securities and Exchange Commission (SEC). The SEC regulations implementing the new law are in the process of being revised.

On June 12, 2013, the EU enacted similar rules, requiring large companies registered in the EU to disclose payments to governments. In contrast with the U.S. law, the EU requirements apply to logging, as well as oil, gas, and mining. The EU requires disclosure of individual or series of payments totaling more than €100,000. The U.S. law applies to all material payments, but it does have an exception for minor or insignificant payments. Both the EU and the U.S. include taxes, fees, royalties, and several other types of payments within the scope of the transparency requirements.

Fragile states and countries such as China, where many major natural resource-based corporations are registered, can strengthen this emerging ethic of transparency and accountability by creating similar disclosure requirements. Disclosure requirements could also be expanded to include payments to governments related to large-scale commercial fishing and agriculture.

combat corruption are discussed in greater detail in the chapter on governance ([Chapter 6.4](#)).

Steps also need to be taken to ensure that concessions consider customary land tenure rights.<sup>70</sup> Fragile states will also be in a stronger negotiating posture if they have accurate data on their natural resource base and the resource extraction process, thereby allowing government officials to evaluate the true value of the concession. This is discussed further in the section on data collection and management in the chapter on governance ([Chapter 6.2](#)).

***Building long-term capacity for concession negotiation and administration requires adequately funded institutions.*** To compete for skilled personnel and preserve the independence of government institutions, the government bodies that negotiate, administer, and audit concessions must have a stable revenue stream and budget that are sufficient to ensure that it can reasonably compensate a well-qualified staff.<sup>71</sup> This is especially challenging in fragile states where government resources are scarce. The institutions that negotiate concessions, administer revenues, report on transparency, and ensure accountability may need to be given independent revenue streams to ensure their independence and sustainability from year to year, freeing them from the annual budgeting cycle. One example of an independent revenue stream is a fee structure for the processing and review of bids for concessions and for the review of data submissions under EITI.

***Once the institutional environment is in place to recruit and retain qualified staff, training and professional development opportunities are needed to rebuild—and, in many cases, build—the human resource capacities of government agencies that are responsible for negotiating and administering concessions.*** Institutional capacity is needed on a multitude of levels. At the highest level, regional training is needed for leaders and experts from fragile states in Africa to exchange best practices with well-performing fragile and nonfragile states in Africa. Awareness-raising and capacity-building events targeting high-level officials at the international level can build political will and technical skills for the introduction of new approaches and practices in fragile states for managing concessions and revenues. At the national level, in-depth training opportunities are needed for fragile state government officials because they are frequently the primary negotiators for fragile states; however, this must be complemented by trainings for officials at the subnational and local levels who should also be consulted during concession negotiations, due to their unique knowledge of the affected regions and of the needs of the affected communities. Moreover, it is often subnational and local officials who are well placed to identify when agreements are being violated. ***Staff of nongovernmental organizations, community leaders, and parliamentarians also need training opportunities so they can participate effectively in concession negotiation and administration and provide oversight of government administrative agencies.***<sup>72</sup>



Commercial timber exploitation in DRC. Photo: AfDB.

*Fragile states should establish mechanisms to periodically evaluate the performance of government agencies and analyze the on-the-ground implementation of legal and regulatory requirements in the negotiation and administration of concessions.* Using an independent body to perform periodic audits of concessions and sharing those audits with the public can help to identify successes and areas for improvement, fight corruption, and build confidence in government institutions. In May 2013, Liberia's EITI secretariat published an independent audit evaluating concessions issued between 2009 and 2011.<sup>73</sup> The audit identified which procedural and substantive requirements were followed relatively consistently and which were sporadically or even systematically omitted, such as the use of stakeholder forums or the rules governing the issuance of private use permits in the forestry sector.<sup>74</sup> This audit gives Liberia crucial information that can be used to identify where additional capacity building, staff resources, and oversight are needed. Liberia's implementation of EITI is discussed more broadly in the box on Expanding EITI in Liberia, below.

## 7.1.5 Implementing EITI at the Intersection of Concessions and Revenue Management

EITI is a voluntary multistakeholder initiative that requires candidate and member countries to collect, reconcile, and disseminate information on private-sector payments to governments for the extraction of oil, gas, and minerals—and increasingly for other natural resources.<sup>75</sup> Fragile state governments have used the outreach component of EITI to develop stronger connections with the private sector, civil society organizations, and affected communities. The EITI reconciliation process requires each national EITI secretariat to hire an independent auditor to compare (or reconcile) government receipts with private-sector records of payments to the government. This process helps to ensure that all the payments that the companies reported actually went into the government coffers, and were not diverted by corruption or other means. As such, the reconciliation process can

identify problems with financial recordkeeping and corruption.

The EITI reconciliation process is a flexible system that can be applied beyond extractive industries to a broad array of natural resource-related activities. Thus, countries have applied EITI to forestry, commercial agriculture, fisheries, and even the withdrawal of groundwater from aquifers.<sup>76</sup>

As of November 2014, eight fragile states in Africa are compliant with the EITI, one other is a candidate country, and one has had its candidacy temporarily suspended.<sup>77</sup> If a country is suspended from EITI candidacy or compliance, it can ask the EITI International Secretariat to reinstate its candidacy or status as EITI compliant if it publishes the outstanding reports required for EITI compliance. If EITI suspension extends beyond one year, the country will be removed from the list of EITI candidate countries.<sup>78</sup> The Bank is supporting EITI initiatives in eight fragile states in Africa, usually as part of larger efforts to improve public financial management.<sup>79</sup>

An expanded EITI standard was launched in May 2013, on the 10th anniversary of the initial launch of EITI.<sup>80</sup> Although the final standard has not yet been



Young olon tree in DRC. Photo: AfDB.

published, the draft standard proposes mandated disclosure of production and export volumes and their respective values; information on expenditures by state-owned enterprises; a list of license holders for natural resource extraction; and general information about revenue allocation to the national budget, various funds, and subnational governments.<sup>81</sup> It also encourages the publication of contracts for resource extraction and the identity of the publicly listed companies or individuals that ultimately control the entities that hold licenses for resource extraction.<sup>82</sup> The new standard also proposes to expand the disclosure of more types of revenue within the EITI framework, such as government-mandated social investments made by companies and government revenue from taxes on the transport of natural resources.<sup>83</sup>

The new standards represent a major step forward in the comprehensiveness of EITI, and some countries have already expanded on the EITI process in these and other ways. For example, EITI has been extended to forestry and commercial agriculture in Liberia and may be extended to the fishing industry.<sup>84</sup> Similarly, Togo is extending EITI beyond its extractive industries to include government revenues generated from the extraction of groundwater from aquifers.<sup>85</sup>

Transparency with respect to revenues or even concessions is a necessary condition for the effective governance of natural resources; it reduces opportunities for rent seeking and diversion of revenues. As such, it helps to ensure that revenues from the country's national heritage are used as

publicly agreed—for the benefit of the population. Transparency also helps to identify key gaps and challenges to natural resource governance in fragile states. To be effective, transparency requires an active and engaged civil society to ensure the challenges identified through EITI are addressed through policy solutions and improved government administration.<sup>86</sup> *To transform natural resource management in fragile states, transparency must be accompanied by (1) targeted investment in capacity building for government officials; (2) the development of effective legal frameworks for concessions, revenue management, and the regulation of environmental and social impacts; (3) the consistent implementation of laws governing natural resource management; and (4) the effective investment of natural resource revenues.*<sup>87</sup>

The two boxes below (Mining Concessions, Regulations, and EITI Candidacy in Guinea and Expanding EITI in Liberia) offer contrasting pictures of EITI implementation in fragile states in Africa. The first box examines efforts by the Government of Guinea, in partnership with the Bank and ALSF, to improve the legal framework governing concessions, the government's capacity to negotiate and administer concessions, and the implementation of EITI. The second box examines Bank support to Liberia as a leader in the expansion of EITI. The case study examines steps that Liberia has taken to work toward transparent and comprehensive oversight of the issuance of concessions and the collection and management of natural resource revenues.

### Mining Concessions, Regulations, and EITI Candidacy in Guinea

Since 2010, the Government of Guinea has initiated comprehensive reforms to its mining sector to improve transparency and governance in the negotiation and implementation of concessions. Guinea has the world's largest deposits of bauxite, which is used to produce aluminum; it also produces diamonds, gold, limestone, and salt. Moreover, untapped reserves of iron, nickel, uranium, and other minerals may be accessed in the future.

With legal support from the African Legal Support Facility (ALSF) and financial and technical support from the Bank, the Guinean government is conducting a review of its mining regulations and several mining agreements. This is part of a larger effort to create a consistent framework for future contracts and to implement the Extractive Industries Transparency Initiative (EITI) in Guinea.

The Government of Guinea, ALSF, and the Bank are cooperating to establish a professional services fund—the first of its kind in Africa—to finance a new consortium of four distinguished law firms to advise the Government of Guinea. The consortium will leverage the expertise of top professionals to support the government as it issues mining concessions and reviews existing mining titles for conformity with the new mining code and the country's priorities.

To complement these efforts, the Bank is supporting the Government of Guinea's efforts to implement EITI, since the voluntary suspension of its EITI candidacy in 2009. In 2011, at the request of the Government of Guinea, the EITI International Board reinstated Guinea's EITI candidacy. The Government



of Guinea resumed reporting and disseminating information on extractive industry revenues in 2011, and the Government of Guinea participated in international, regional, and national EITI conferences and workshops to demonstrate its commitment to relaunching EITI.

The Government of Guinea completed the EITI candidacy validation process in August 2012. In October 2012, the EITI Board concluded that the country has made meaningful progress toward compliance with EITI and renewed Guinea's candidacy for 18 months.

The Government of Guinea is now in compliance with 12 of the 18 EITI requirements. Between 2011 and 2012, the new mining code and decrees were used to appoint the permanent secretary of EITI in Guinea (EITIG) and its steering committee and to delineate EITIG's powers. As of May 2012, all mining companies operating in Guinea must disclose payments in compliance with EITI, whereas previously disclosure was voluntary. The government is also fostering active participation of companies and civil society in the EITI process, the EITIG steering committee, and other EITIG governing bodies.

Areas where further attention is needed include developing processes to ensure that all companies listed on the mining register are filing the required EITI reports, that reporting encompasses all kinds of payments, and that reporting templates are approved. External audit certifications are still needed to verify company and government EITI reports, and reporting still faces occasional discrepancies and omissions. As of the 2012 validation report, the Government of Guinea was working to improve the dissemination of annual reports, but had not yet met the EITI requirements.

## Expanding EITI in Liberia

Liberia has been a leader in expanding transparency in extractive industries beyond the minimum requirements of the Extractive Industries Transparency Initiative (EITI). In 2009, Liberia became the second country in the world and the first country in Africa to become EITI compliant; Liberia was also the first country in the world to require the rubber and forestry sectors to participate in EITI. The Bank has provided Liberia's EITI (LEITI) with funding and technical support since 2008.

Timber, diamonds, iron, palm oil, cocoa, coffee, rubber, and gold were all used to finance the civil war in Liberia. The United Nations applied sanctions against timber and diamond exports during the civil war and its initial aftermath. To improve resource governance, the Government of Liberia has included forestry, mining, oil, and agriculture (such as rubber, palm oil, and biofuels) within the scope of EITI and anticipates adding fisheries in the future.

LEITI surpasses EITI's minimum requirements for collecting, validating, and reporting payments to government in a number of ways. LEITI provides public access to concession agreements. In 2012, over 50 concession agreements, contracts, permits, and licenses were published online. LEITI also requires the publication of revenues owed to the Government of Liberia, counties, and communities, although Liberia is still developing the capacity to implement this effectively.

The law establishing LEITI requires periodic audits to ensure that concessions comply with Liberian law. An independent audit in 2013 reviewed 68 natural resource concessions issued since 2009 and found that six fully complied with existing laws; 25 partially complied; 35 did not comply; and two were outside the scope of the audit. This audit illustrates a need, beyond EITI, to build the Government of Liberia's capacity to effectively negotiate legal concessions.

The fourth LEITI reconciliation report tracked how some natural resource revenues are spent, another step beyond the traditional requirements of EITI. The report tracks payments to counties from Liberia's Social Development Fund (SDF), which allocates extractive industry funding to counties and communities. The SDF verified that individuals picked up over US\$10 million in checks on behalf of counties, but there was no paperwork from the counties confirming their receipt of the funds. The report was unable to track



the 2010 to 2011 community shares of funding from the forestry sector by the National Benefit Sharing Trust Board, which is problematic in light of recent news reports suggesting that forestry revenues are not being properly disbursed to counties and community groups. The Bank also supports Liberia's transition to EITI++, which will work toward transparency throughout revenue collection, management, and distribution to help ensure inclusive growth.

Some challenges still remain with respect to company reporting. For example, during the 2009–2010 reporting period, the Government of Liberia found that 50 companies did not report their payments to the government under EITI. Most of these companies were (1) small-scale mining companies and pit sawers, and (2) companies that had ceased operations before the EITI filing deadline. The report for the 2010–2011 period indicates that the percentage of companies reporting has declined slightly from approximately 60 percent to 59 percent.

Many fragile state governments that are implementing EITI face very limited budgets. With the Bank's support, LEITI is examining options to finance the ongoing administration of LEITI through the establishment of an independent revenue authority. An EITI-reporting fee for companies or other domestic sources of revenue could ensure the program's sustainability for years to come.

EITI reports and audits can identify the scope and severity of irregularities in the issuance of concessions or the misallocation of resource revenues, but EITI is only the first step. A robust public dialogue is needed to adapt legal frameworks and build capacity to effectively negotiate and administer concessions and manage resource revenues.



Oil palm cultivation in Guinea. Photo: AfDB.

## 7.2 Revenue Management

The management of revenues from natural resources is one of the most important factors that determine whether natural resources support or undermine resilience. Natural resource revenues can come from a wide range of extractive and renewable industries: oil and gas, diamonds and other minerals, cash crops such as coffee and cacao, timber, and others. The 2011 Busan New Deal for Engagement in Fragile States emphasizes the importance of effective revenue management to the resilience of fragile states, and the Bank has a long track record of supporting capacity building for revenue management in fragile states; the 2014 *Fragile States Strategy* continues this emphasis on revenue management.<sup>88</sup>

Reform of revenue management can help stabilize fragile states. São Tomé and Príncipe experienced a short-lived military coup d'état in 2003, with those involved in the coup claiming to have taken over due to dissatisfaction with the continuing poverty of the general public despite the discovery of substantial oil reserves.<sup>89</sup> In 2004, the democratically elected Government of São Tomé and Príncipe used inclusive processes that engaged the political opposition and advisors from development partners to draft a revenue management law that was unanimously enacted by the National Assembly.<sup>90</sup> The law provides that oil revenues be directed into a savings fund from which withdrawals are limited to ensure sustainability, made public to ensure credibility, and monitored by a public oversight committee to ensure accountability.<sup>91</sup> The Bank and others are providing São Tomé and Príncipe with technical assistance on oil revenue management and the administration of concessions.<sup>92</sup>

This chapter introduces the fundamentals of revenue management in fragile states in Africa relating to (1) determining how to use natural resource revenues, (2) sharing benefits with resource-producing regions, and (3) building institutions and capacity for improved revenue management.

### 7.2.1 Determining How to Use Natural Resource Revenues

In resource-rich fragile states, natural resource revenues have the potential to contribute far greater government revenue than foreign assistance.<sup>93</sup>

For natural resource revenues to maximize their contribution to national objectives in fragile states, clear legal and regulatory frameworks are needed to set forth how revenues will be allocated and the processes for revenue management. Developing clear frameworks for revenue management takes on a special urgency with respect to extractive resource revenues because they are finite and often have the greatest potential to generate revenue.

Planning for the allocation of natural resource revenues requires fragile states to balance competing demands for how the revenues should be used. The Natural Resource Charter and the African Mining Vision provide guidance for collecting and managing natural resource revenues.<sup>94</sup> The Natural Resource Charter emphasizes the use of resource revenues to support “sustained, inclusive economic development” and to stabilize fluctuations in resource revenues.<sup>95</sup> It promotes sustained investment based on national absorptive capacity that builds sectors outside of the revenue-generating sector as a means of improving the climate for economic growth and diversification.<sup>96</sup> The charter provides examples of investing natural resource revenues in education, health care, transportation infrastructure, and individuals, through cash transfers.<sup>97</sup> The African Mining Vision offers a slightly differing view. While the African Mining Vision also emphasizes the importance of stabilization and economic diversification, it does not support cash transfers or short-term poverty alleviation.<sup>98</sup> Instead, the African Mining Vision emphasizes the need for legal frameworks to ensure that resource revenues are gradually invested in infrastructure that is constructed by local companies, providing both medium- and long-term economic benefits.<sup>99</sup>

At the national level, fragile states have several options for managing natural resource revenues. *Revenues from natural resources can be (1) managed as part of the national budget, (2) placed in a dedicated account (for example, to share revenues with producing regions or to remediate environmental and social harms resulting from resource extraction), (3) invested in a savings fund (also known as a “trust fund” or “sovereign wealth fund”), and (4) invested in a stabilization fund (also known as a “countercyclical fund”). These options are not mutually exclusive, and it is often most useful to employ a combination of these techniques.*

Managing resource revenues as part of a national budget with all other government revenues is the simplest option to administer, and it provides much needed budgetary support to fragile states with many immediate needs. A major disadvantage is that the natural resource revenues are combined with government revenues from all sources, making it difficult to satisfy questions about how the natural resource revenues were spent, which is important

in situations where natural resource revenue management is a source of grievances or tensions. For example, efforts to track the utilization of natural resource revenues in Liberia are limited to payments to government subdivisions and special funds because the remaining natural resource revenues are mixed with all other government revenues in a consolidated fund.<sup>100</sup> Moreover, if natural resource revenue is used for budgetary support, it also means that the revenue is spent as it is generated. For extractive resources, this means that the current generation will have decided how to spend the entirety of what had been an intergenerational natural endowment, there will be no funds available after the resource base is exhausted, and there is a risk that revenues will be spent to achieve short-term political goodwill rather than long-term economic growth—leaving little legacy to show for the extracted resources.<sup>101</sup>

Savings funds, like the one adopted by São Tomé and Príncipe, invest resource revenues and limit withdrawals as a way to sustain revenues into the future after the resource has been exhausted.<sup>102</sup> Funds withdrawn from a savings account can be clearly accounted for; however, maintaining the commitment to saving funds for future generations can be difficult for governments having trouble meeting pressing budgetary and development needs.<sup>103</sup> Countries need to consider how best to use monies from savings funds, depending on their context and priorities. For example, low-income fragile states may invest more in infrastructure, while middle-income states may focus more on education, social protection, and science and technology.<sup>104</sup>

Stabilization funds are used to save monies when revenues are higher than expected (due to an increase in commodity prices) and disburse monies when revenues are lower than expected (due to drops in commodity prices), smoothing the flow of revenues into government coffers.<sup>105</sup> These funds are designed to reduce normal fluctuations in commodity prices but should not be relied upon to address financial crises.<sup>106</sup> Both savings and stabilization funds should be invested in foreign financial assets rather than domestic assets to avoid causing economic instability when money is withdrawn.<sup>107</sup>

Sierra Leone is currently considering a hybrid option for managing revenues from diamonds, gold, and petroleum that would spend a portion of revenues on an ongoing basis and place a greater portion of the revenues in a proposed Transformation Development Fund.<sup>108</sup> The fund would be used for stabilization, savings, and development initiatives in four areas (infrastructure, education, health, and mitigation of income inequality).<sup>109</sup> The proposed arrangement also emphasizes the importance of transparency, trust building, and institutional capacity building for the management of revenues.<sup>110</sup>



People meeting fishing boats in Sierra Leone. Photo: AfDB.

*Resource-rich fragile states must tailor their revenue management strategies to reflect their own national priorities, and strong legal frameworks that mandate investment of revenues on specific priorities can ensure sustained funding needed for transformative change.*

### 7.2.2 Sharing Benefits with Resource-Producing Regions

Benefit sharing with resource-producing regions is both sensitive and critically important; *resource revenues can be used to address horizontal inequities across groups or regional subdivisions within fragile states.*<sup>111</sup> Inequitable distribution of revenues and other benefits from resource extraction has fueled fragility and provided a rallying call for many secessionist movements. In contexts such as South Sudan and Sudan, equitable sharing of natural resource revenues has been central to securing peace.<sup>112</sup> There is, however, the possibility that revenue sharing agreements can also be a basis for renewed grievances for separatist movements, if disagreements arise over the formulas used for revenue allocations.<sup>113</sup>

*Statutes or even constitutional provisions may be needed to ensure that benefits are equitably and*

*consistently shared with entities at the subnational level,* although local benefits can also be determined by individual concessions, as discussed in [Chapter 7.1](#).<sup>114</sup> Local benefit sharing can take place at a variety of levels, channeling resources to regional governments, local governments, traditional institutions, village development committees, and other subregional entities. There are three primary approaches to benefit sharing with regional and local entities.<sup>115</sup> First, fragile states can authorize local or regional governments to directly levy and collect taxes and fees directly from private-sector investors.<sup>116</sup> While this approach maximizes local autonomy, localities frequently lack the capacity to collect and administer resource revenues, and this can thereby introduce opportunities for local corruption.<sup>117</sup> These are not insurmountable barriers, but they do need to be anticipated, monitored, and addressed.

Second, national governments can collect revenues and distribute a set percentage to regional or local entities.<sup>118</sup> For example, the Government of Liberia is required by statute to distribute 30 percent of land rental fees from commercial forestry to designated local communities.<sup>119</sup> Consistent implementation of revenue sharing provisions is both challenging and essential to rebuilding public confidence in fragile state institutions.<sup>120</sup>



Finally, fragile states can collect funds and reallocate them to regional and local authorities through the national budgeting process.<sup>121</sup> This is a more flexible option, allowing a fragile state to rebalance allocations as circumstances and equities evolve; however, it is frequently less feasible where there is significant distrust between national and subnational entities.<sup>122</sup> An example of this approach is found in the constitution of Nigeria, a formerly fragile state; under the constitution, the parliament adopts a revenue allocation formula every five years, and the formula guides how the national government distributes natural resource revenues to the states.<sup>123</sup>

Fragile states must tailor the allocation and distribution of natural resource revenues to respond to their individual circumstances. Each approach has advantages and risks, and there is no consensus as to the relative efficacy of the different approaches. Factors that influence the effectiveness of the different approaches in different fragile settings include conflict dynamics; the economic, social, and environmental impacts of resource extraction; equity; and administrative capacity, efficiency, and accountability at the national, regional, and local levels.<sup>124</sup>

***Conflict dynamics are frequently at the forefront of revenue sharing frameworks, particularly in fragile states trying to respond to civil wars or secessionist movements.***<sup>125</sup> Where horizontal inequalities have already created hardened political divisions and conflict, the lack of trust between the national government and the regional or local authorities can make it politically impractical to channel all natural resource revenues through the national budgetary process.<sup>126</sup> Distribution of revenues to subnational entities can also give them greater autonomy, a common demand in secessionist movements.<sup>127</sup> While national governments are often reluctant to give secessionist regions more autonomy, especially over natural resources and their revenues, experience in Aceh, Indonesia, suggests that increased autonomy can reduce secessionist tendencies.<sup>128</sup>

Benefit sharing should be designed to compensate resource-producing communities for the environmental, social, and economic costs of resource extraction.<sup>129</sup> This can include costs such as building and maintaining infrastructure for resource extraction, remediating polluted waters, relocating displaced populations, or rebuilding lost livelihoods.<sup>130</sup>

Equity is also important in sharing revenues and other benefits from natural resources. While pursuing horizontal equity—ensuring that all areas of a country benefit equally, including producing regions that are often marginalized—frequently weighs in favor of decentralization of revenues to resource-producing regions, there are instances where the resource-producing regions are wealthier than other regions



Seed pods from DRC. Photo: AfDB.

within a country.<sup>131</sup> Benefit sharing may include funds or investments in nonrevenue benefits such as infrastructure or community development projects.<sup>132</sup>

Fragile states considering how and to what extent revenues should be shared at the subnational level must evaluate administrative capacity, efficiency, and accountability at the local, subnational, and national levels. In fragile states, it is important to evaluate the capacity of the different levels of government to collect revenues and administer them, because the conflicts and political crises that often affect fragile states can erode government capacity at different levels.<sup>133</sup> For example, grievances can be fueled by regional public service volatility if regional governments lack the capacity to implement revenue smoothing mechanisms to offset fluctuations in commodity prices.<sup>134</sup>

The absorptive capacity of the national government and government subdivisions is also important when fragile states consider how much of natural resource revenues to put into savings accounts and how much to disburse at different levels of government.<sup>135</sup> Focused capacity-building efforts can address some of these challenges; however, revenue sharing mechanisms must be designed with a realistic understanding of government capacities at each level to ensure that revenues are leveraged to maximize development outcomes.

Efficiency can be a challenge where subnational government authorities are empowered to levy taxes on private-sector investors, because private sector investors must then make payments to both national and subnational governments. Likewise, subnational governments may impose additional regulatory requirements on private sector enterprises. The added layer of taxation and regulation can trigger competition between localities.<sup>136</sup> Companies can use the threat of locating their facilities in another locality to convince subnational governments to accept less revenue, reduced benefits, or poorer environmental and labor standards as a way to attract investment



away from other regions or as a way to prevent existing private sector operations from relocating elsewhere. Competition is particularly likely to occur in private-sector industries that are more flexible in terms of their potential locations, such as commercial agriculture.

Finally, accountability is essential at all levels where revenue collection and administration takes place. For subnational governments, accountability must involve systems that verify to both the national government and to local stakeholders both the receipt of funds and their ultimate use.<sup>137</sup> One strategy to increase accountability in decentralized systems is to assign subnational authorities governance responsibilities in conjunction with the additional funds.<sup>138</sup> This allows the achievement of the associated responsibilities to act as benchmarks of success in revenue management.

Decentralization is often politically necessary but can also be administratively challenging. *Additional research is needed to determine how to most effectively use natural resources to promote horizontal equity, while also addressing the complex conflict dynamics, considering limited administrative capacities, and promoting statebuilding of fragile states.*

### 7.2.3 Building Institutions and Capacity for Improved Revenue Management

For fragile states, developing the institutional and human resource capacity to collect and administer natural resource revenues in a transparent and accountable manner requires a long-term commitment of political will and investment of financial resources at a time when fragile state governments are facing immense financial pressures; nevertheless the potential return on investment makes the political and financial commitments to revenue management worthwhile.

There is significant overlap between institution building for the (1) negotiation and administration of natural resource concessions and (2) the administration of natural resource revenues. Adequately funded agencies with trained personnel are a prerequisite to effective administration of natural resource revenues. Effectively investing resource revenues into savings funds and determining when to save and when to disburse funds from stabilization funds requires significant technical expertise, making staff training a priority.

To create accountability—from the time of government collection of resource revenues through the expenditure of those revenues—capacity building is needed at the national and subnational levels. This requires a system of recordkeeping that demonstrates (1) that funds were transferred to the subnational

or local government entities, (2) that subnational or local governments received the funds, (3) how those governments allocated the funds, and (4) that the funds were used to carry out specific government responsibilities or that spending reflected stakeholder priorities. Local and subnational governments will need training to effectively engage stakeholders and administer systems for revenue management. Capacity building is also needed for civil society organizations so that they can constructively review and analyze public information on natural resource-related concessions and revenue management.

*Consultation and transparency with the general public and, especially, resource-producing communities is essential to develop trust between the public, the government, and the private-sector investors.*<sup>139</sup> Fragile states can approach the legislative process as an opportunity to foster a public dialogue on how best to manage the resources for current and future generations of citizens, and to develop transparent criteria for natural resource revenue allocation. No matter what allocation criteria is selected, to address conflict dynamics, fragile state governments must ensure transparency, public participation, and accountability as revenues are collected and administered. Communication can dispel overly optimistic preconceptions about the value of the natural resources and the accompanying benefits by ensuring that the public knows the actual value of the natural resource base, the rate of extraction, and government revenues. It also helps the public understand how those revenues are spent. Otherwise, grievances, suspicions, and political cleavages can be exacerbated by differences between the actual levels of natural resource revenues and elevated public expectations of the resource revenues.<sup>140</sup> Natural resource data is discussed further in [Chapters 6.2](#) and [12.2](#) on data management.

Despite the availability of assistance from the Bank and many other groups, there is still a pressing need for assistance with the management of natural resource revenues in most fragile states in Africa, and the African Development Bank can provide strong technical support as well as an endogenous perspective, sharing experiences from other Regional Member Countries.

## 7.3 Recommendations

Many fragile states in Africa are endowed with a rich natural resource heritage that could be leveraged—if the states can effectively negotiate concessions and manage resource revenues—to achieve transformative social and economic progress. In fragile states, however, this transformation often must overcome a legacy of conflict and crises that have weakened governance, eroded institutional and human resource capacity, and shaken public

confidence in institutions. There are ten key recommendations for improving negotiation and administration of natural resource concessions and revenue management in fragile states:

- *Fragile states that choose to undertake concession reviews must carefully guard the credibility of the review process by using institutions that are independent, technically capable, and legitimate in the eyes of the public.* Concession review procedures should be transparent, engage both the public and the private sector, and use clearly articulated criteria of general applicability to evaluate the fairness of individual concessions. Development partners can assist with this process by supplying technical expertise upon request and by financing the work of the concession review team to increase their independence.
- *Fragile state governments should view concessions not only as an opportunity to increase revenues but also as a means of pursuing positive social, economic, and environmental outcomes.*
- *When fragile states are first trying to negotiate concessions in the aftermath of conflicts or crises, outside technical assistance and expertise may improve the effectiveness of the states negotiating the concessions.* Technical advisors and representatives who support fragile state governments in negotiating concessions in the short term, after conflicts and crises, need to be aware of the conflict dynamics and government's capacity to administer concessions and collect and administer revenues.
- *Concessions under negotiation or review should be evaluated to determine whether they comply with national laws, including environmental and social standards.* Tailoring national model concession agreements for natural resources would streamline the process of ensuring that concession agreements both comply with the laws in fragile states and advance state policy priorities. Fragile states may also wish to periodically evaluate the performance of government agencies and determine the extent to which concessions are being properly negotiated and administered—not as a way to renegotiate agreements but as a means of identifying ways to improve government performance on current and future agreements.
- *Key elements of good governance—transparency, predictability, inclusion, and accountability—are central to the effective negotiation, administration, and enforcement of natural resource concessions.*
- *Resource-rich fragile states must tailor their revenue management strategies to reflect their own national priorities, and strong legal frameworks that provide a clear mandate for committing resource revenues toward specific priorities can provide sustained funding that is necessary for transformative change.*
- *Resource revenues can be used to address horizontal inequities across groups or regional subdivisions within fragile states.* Statutes or even constitutional provisions may be needed to ensure that benefits are consistently shared with governments at the subnational level.
- *Fragile states and development partners need to fully analyze the conflict dynamics associated with revenue sharing frameworks, particularly in fragile states trying to manage civil wars or secessionist movements.* Conflict-sensitive approaches require consultation and transparency with the general public and, especially, resource-producing communities because transparency is essential for the development of trust between the public, the government, and the private sector.
- *To translate natural resources into substantial development gains, governments of fragile states must invest in long-term capacity building for concession negotiation and administration and for revenue collection and management.* Government institutions that work on concessions and revenue management must be adequately funded to recruit and retain qualified staff. The institutions that negotiate concessions, administer revenues, and ensure transparency and accountability may need to be given independent revenue streams to ensure their independence and sustainability. Training and professional development opportunities are needed for national officials, subnational officials, parliamentarians, and representatives of civil society to rebuild the human resource capacities of fragile states.
- *Additional research is needed to determine how to most effectively use natural resources to promote economic diversification and horizontal equity, while addressing the complex conflict dynamics and limited administrative capacities of fragile states.* Further research is needed to examine how different countries have fared when managing natural resource revenues as part of a unitary budget and as part of various savings and stabilization funds. There is significant conflicting research regarding the efficacy of local benefit sharing arrangements and the extent to which local benefit sharing can be used as a rallying cry for secessionist movements. Alternative structures for revenue management need to be evaluated based on (1) the administrative capacity

required to implement them, (2) accountability, (3) responsiveness to conflict dynamics, and (4) the efficacy of different revenue investment strategies at achieving their objectives.

The effective negotiation and administration of concessions and the collection and allocation of resource revenues are central to the ability of fragile states to leverage natural resources to emerge from fragility. Sustained political will and investments in building fragile state capacity are required to ensure that concessions and revenue management are transparent, accountable, and effective at translating large-scale natural resource extraction and production into practical development gains that benefit the populations of fragile states.

### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

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Transparency Initiative (July 10, 2009, House's Engrossed Bill No. 12). [www.leiti.org.lr/doc/act.pdf](http://www.leiti.org.lr/doc/act.pdf).

### Endnotes

- 1 Gborglah et al. 2013.
- 2 The Government of Liberia received an average of US\$29 million from the African Development Fund between 2010 and 2011. The total ODA received by Liberia from all donors was US\$1,419 million in 2010 and US\$765 million in 2011. OECD 2013a.
- 3 Revenue Watch Institute 2013, 3.
- 4 IDPS 2011a.
- 5 AfDB 2014c.
- 6 UNESCO 2013. The study estimated the benefits if each state would (1) increase government revenues to 30 percent of export receipts for minerals and 75 percent of export receipts for oil and gas, and (2) spend 20 percent of the additional revenue on education.
- 7 Africa Progress Panel 2013a.
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- 9 Africa Progress Panel 2013a.
- 10 Global Witness 2012; Ornert 2012.
- 11 Leo, Ramachandran, and Thuotte 2012 (on the risks of investment in fragile states).
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- 14 Gajigo, Mutambatsere, and Ndiaye 2012.
- 15 Le Billon 2012; Rustad, Lujala, and Le Billon 2012.
- 16 Rustad, Lujala, and Le Billon 2012. Philippe Le Billon provides an alternate definition of odious contracts that includes those contracts "undertaken against the interests of the people, without their consent, and with the full awareness of the creditor." Le Billon 2012, 73.
- 17 Le Billon 2012.
- 18 Africa Progress Panel 2013b; Le Billon 2012.
- 19 Le Billon 2012.
- 20 Le Billon 2012.
- 21 Aboa and Ngoupama 2013 (on concession reviews in CAR); Le Billon 2012.
- 22 Le Billon 2012.
- 23 Le Billon 2012.
- 24 Goldman and Nichols 2011.
- 25 Africa Progress Panel 2013b.
- 26 Le Billon 2012.
- 27 Le Billon 2012.
- 28 Le Billon 2012; Natural Resource Charter 2010. For more information on the Charter, see discussion in Chapter 2.
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- 30 Africa Progress Panel 2013b.
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- 32 Rustad, Lujala, and Le Billon 2012.
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- 35 Agreement for the Establishment of the African Legal Support Facility. 2008. www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/Agreement%20for%20the%20Establishment%20of%20the%20African%20Legal%20Support%20Facility%20%28ALSF%29.pdf; ALSF 2010.
- 36 See generally, Le Billon (2012).
- 37 See, for example, Cotula (2010) and United Nations Interagency Framework Team for Preventative Action (2011, 2012a).
- 38 Cotula (2010) contains a more comprehensive review of types of model contracts and key contract provisions frequently found in natural resource concessions.
- 39 Cotula 2010.
- 40 Cotula 2010. The need for increased capacity to administer joint ventures often makes them a less appropriate choice for fragile states; however, this may be a viable option in states that are exiting fragility and have developed the necessary administrative capacity. States such as Botswana and South Africa have had success with joint ventures with the private sector in mining initiatives. AU 2009.
- 41 Cotula 2010.
- 42 Africa Progress Panel 2013b; AU, AfDB, and UNECA 2011; Cotula 2010.
- 43 Several mechanisms for collecting revenues are discussed in Cotula (2010), Genaschi (2011), and United Nations Interagency Framework Team for Preventative Action (2011).
- 44 Cotula 2010.
- 45 Gajigo, Mutambatsere, and Ndiaye 2012.
- 46 See, for example, OECD (2012c), UNHCHR (2011), and Voluntary Principles on Security and Human Rights (VPs) Initiative (2000). Lists of some of the most prominent voluntary guidelines and frameworks can be found in *Enabling Economies of Peace* and *A Guide for Integrating Human Rights into Business Management* (Ballentine and Haufler 2009; Business Leaders Initiative on Human Rights, UN Global Compact, and UNHCHR 2006).
- 47 Cotula 2010.
- 48 See, for example UNHCHR (2011) and Voluntary Principles on Security and Human Rights (VPs) Initiative (2000).
- 49 Cotula 2010; Weijls, Hilhorst, and Ferf 2012.
- 50 Cotula 2010.
- 51 Cotula 2010.
- 52 Vásquez 2014.
- 53 Vásquez 2014.
- 54 Vásquez 2014.
- 55 Vásquez 2014.
- 56 Weijls, Hilhorst, and Ferf 2012.
- 57 Cotula 2010; Le Billon 2012.
- 58 Cotula 2010.
- 59 Natural Resource Charter 2010.
- 60 Cotula 2010.
- 61 For a brief discussion of economic equilibrium clauses as an alternative to stabilization clauses, see Cotula (2010).
- 62 Africa Progress Panel 2013b; AU, AfDB, and UNECA 2011.
- 63 See Goldman and Nichols (2011).
- 64 See, for example, OECD (2012c), UNHCHR (2011), and Voluntary Principles on Security and Human Rights (VPs) Initiative (2000). Lists of some of the most prominent voluntary guidelines and frameworks can be found in *Enabling Economies of Peace* and *A Guide for Integrating Human Rights into Business Management* (Ballentine and Haufler 2009; Business Leaders Initiative on Human Rights, UN Global Compact, and UNHCHR 2006).
- 65 Natural Resource Charter 2010.
- 66 The 2013 *Africa Progress Report* and the 2013 Natural Resource Governance Index extensively discuss the importance of good governance in the administration of state-owned companies. Africa Progress Panel 2013b; Revenue Watch Institute 2013.
- 67 Kaul, Heuty, and Norman 2009. Notably, while engagement of stakeholders has been effective in some instances in Liberia, a recent audit indicates that the use of stakeholder forums for public engagement was sporadic between 2009 and 2011. Moore Stephens 2013a.
- 68 Liberia has already required the public disclosure of concessions. Kaul, Heuty, and Norman 2009; Moore Stephens 2013a.
- 69 Rustad, Lujala, and Le Billon 2012.
- 70 Unruh and Williams 2013.
- 71 Chêne 2007.
- 72 Africa Progress Panel 2013b; AU, AfDB, and UNECA 2011.
- 73 Moore Stephens 2013a. See also An Act Establishing the Liberia Extractive Industries Transparency Initiative (July 10, 2009, House's Engrossed Bill No. 12). www.leiti.org.lr/doc/act.pdf.
- 74 Moore Stephens 2013a.
- 75 EITI International Secretariat 2013a.
- 76 LEITI Secretariat 2012a; Moore Stephens 2013b. See also An Act Establishing the Liberia Extractive Industries Transparency Initiative (July 10, 2009, House's Engrossed Bill No. 12). www.leiti.org.lr/doc/act.pdf.
- 77 Chad, Congo, Côte d'Ivoire, DRC, Guinea, Liberia, Sierra Leone, and Togo are EITI compliant. São Tomé and Príncipe is a candidate country. The candidacy of CAR is currently suspended. EITI International Secretariat n.d.



- 78 EITI International Secretariat 2013b.
- 79 The Bank has approved funding for EITI initiatives in CAR, Chad, Congo, Guinea, Liberia, São Tomé and Príncipe, Sierra Leone, and Togo. AfDB 2013b\*.
- 80 Moberg 2013.
- 81 EITI International Secretariat 2013b; Moberg 2013.
- 82 EITI International Secretariat 2013b; Moberg 2013.
- 83 EITI International Secretariat 2013b; Moberg 2013.
- 84 LEITI Secretariat 2012a; see also An Act Establishing the Liberia Extractive Industries Transparency Initiative (July 10, 2009, House's Engrossed Bill No. 12). [www.leiti.org.lr/doc/act.pdf](http://www.leiti.org.lr/doc/act.pdf).
- 85 Moore Stephens 2013b.
- 86 For example, the Bank has funded efforts to build the capacity of civil society to participate in EITI in CAR and Sierra Leone. AfDB 2013b\*.
- 87 Mayorga Alba 2009.
- 88 AfDB 2014c; IDPS 2011a.
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- 94 For more information on the Charter, see discussion in Chapter 2.
- 95 Natural Resources Charter 2010.
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- 102 Bell and Faria 2005; Rustad, Lujala, and Le Billon 2012.
- 103 Rustad, Lujala, and Le Billon 2012.
- 104 United Nations Interagency Framework Team for Preventative Action 2011.
- 105 Natural Resources Charter 2010; Rustad, Lujala, and Le Billon 2012.
- 106 Natural Resources Charter 2010.
- 107 Natural Resources Charter 2010.
- 108 Managing Natural Resources (Pillar 2) Working Group 2012\*.
- 109 Managing Natural Resources (Pillar 2) Working Group 2012\*.
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- 111 Ross, Lujala, and Rustad 2012; United Nations Interagency Framework Team for Preventative Action 2011.
- 112 Rustad, Lujala, and Le Billon 2012; United Nations Interagency Framework Team for Preventative Action 2011.
- 113 Ross, Lujala, and Rustad 2012.
- 114 Hayson and Kane 2009; United Nations Interagency Framework Team for Preventative Action 2011.
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- 117 Ross, Lujala, and Rustad 2012.
- 118 Ross, Lujala, and Rustad 2012.
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- 120 Ross, Lujala, and Rustad 2012. For example, Liberia has faced challenges in administering profit sharing requirements through the National Benefit Sharing Trust Board. Gborglah, Mills, Monbo, and Johnson (2013).
- 121 Ross, Lujala, and Rustad 2012.
- 122 Ross, Lujala, and Rustad 2012.
- 123 Hayson and Kane 2009.
- 124 Hayson and Kane 2009; Ross, Lujala, and Rustad 2012. For more information, see Chapter 10 on conflict-sensitive programming.
- 125 Hayson and Kane 2009; Ross, Lujala, and Rustad 2012.
- 126 Ross, Lujala, and Rustad 2012.
- 127 Hayson and Kane 2009; Ross, Lujala, and Rustad 2012.
- 128 Renner 2014.
- 129 Al Moumin 2012; Ross, Lujala, and Rustad 2012.
- 130 Ross, Lujala, and Rustad 2012; United Nations Interagency Framework Team for Preventative Action 2011. These costs may also be paid for by the private investors as part of individual concessions or bonds posted under national environmental legislation.
- 131 Ross, Lujala, and Rustad 2012. McCoy (2008) discusses efforts to address horizontal inequities between northern and southern Mali after the civil war between 1990 and 1996 and before the relapse to conflict in 2012.
- 132 AU 2009.
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- 134 Ahmad and Singh 2003; Ross, Lujala, and Rustad 2012.
- 135 Ross, Lujala, and Rustad 2012; United Nations Interagency Framework Team for Preventative Action 2011. For a more general discussion of absorptive capacity, see Natural Resources Charter (2010).
- 136 Hayson and Kane 2009.
- 137 See, for example, Gborglah et al. (2013) and Maconachie 2012.
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- 140 Hayson and Kane 2009; Ross, Lujala, and Rustad 2012.



## The Private Sector

Private-sector growth is essential to leveraging natural resources for the economic development of fragile states in Africa, from oil and gas extraction to production of agricultural commodities to value-added transformation of forest products. The private sector also provides opportunities to build and operate infrastructure of fragile states through a range of public-private partnerships. When private-sector interests are poorly managed and are not conflict sensitive, however, they can contribute to conflict.<sup>1</sup> In addition to considerations of pro-poor growth, it is important to focus on equitable private-sector growth that supports beneficiaries across social cleavages.<sup>2</sup> Micro, small, medium, and large private-sector growth are all needed to rebuild livelihoods and reignite macroeconomic development. For a definition of how enterprises are defined by their sizes, see the box on Classifying Private-Sector Enterprises by Size.

Basic principles of private-sector development have immediate relevance to natural resource-related enterprises, from convincing international investors to process logs domestically to helping small-scale farmers purchase equipment to create preserves from fruits left over after the harvest. This chapter examines the following six key considerations needed to ensure that the private sector thrives in fragile states, maximizing its contributions to economic and social well-being:

- (1) Creating a stable regulatory environment for local, national, and international investment in the private sector for natural resource-related enterprises.
- (2) Encouraging the adoption of voluntary guidelines for private-sector investments in natural resource-related enterprises in fragile states.
- (3) Promoting transparency and communication with stakeholders.
- (4) Supporting value-added production in natural resource-related sectors and projects that rebuild and strengthen value chains.
- (5) Facilitating access to credit to spur growth in natural resource-related sectors.



- (6) Evaluating private-sector alternatives for the construction or reconstruction of natural resource-related infrastructure, including the provision of basic services.

These suggestions will not be new to those who are familiar with private-sector development; however, it is important for fragile states and development partners to keep these concepts in mind as they address the sector-specific technical challenges described in [Chapters 2](#) through [5](#).

### Classifying Private-Sector Enterprises by Size

Often enterprises are classified by the number of people they employ:

- Micro enterprises: 1–4 employees.
- Very small enterprises: 5–9 employees.
- Small enterprises: 10–49 employees.
- Medium: 50–250 employees.

## 8.1 Creating a Stable Regulatory Environment for Private-Sector Growth

The *2013 African Economic Outlook* observes that natural resources can be the foundation for transformative change “if adequate business environment and supporting policies are in place.”<sup>3</sup> If fragile states in Africa wish to encourage the domestic value-added transformation and manufacturing of raw materials, it is necessary to make institutions more accountable and reduce rent seeking.<sup>4</sup> The regulatory climate for investment affects investments across natural resource sectors. For example, in agribusiness, government initiatives to provide extension services, facilitate access to credit, or set prices can either spur or stifle economic growth.<sup>5</sup> Togo’s nearly 50 percent increase in cotton production in 2012 was attributed to improved governance of the heavily regulated industry.<sup>6</sup> Even in extractive industries, unpredictable business environments can reduce investor confidence, thereby affecting both national and foreign direct investment.<sup>7</sup> Investors may be deterred altogether, or they may demand more favorable contractual arrangements to compensate for the risks associated with investments in fragile states, thereby reducing the government revenues collected from extractive industries. Likewise, efforts to encourage extractive industries to use locally sourced inputs depend on the presence of small and medium enterprises (SMEs) able to supply those inputs.<sup>8</sup> For SMEs to be competitive, fragile states may need to invest in education and skill-building

initiatives and to review whether the regulatory climate allows SMEs to thrive.

*Governments of fragile states can increase private-sector growth in natural resource sectors by adopting and consistently implementing regulatory and legal reforms that protect private-sector investments, and by regulating the market consistently and equitably.* Private-sector entrepreneurs and investors—small, medium, and large—balance the potential for profit from business opportunities in natural resource-related sectors against risk-related obstacles in fragile states.

Uncertain property rights, corruption, irregular enforcement of regulations, and other factors can deter the growth of domestic businesses as well as foreign direct investment.<sup>9</sup> fragile states in Africa constitute 11 of the bottom 15 countries in the World Bank’s 2013 Doing Business rankings.<sup>10</sup> By contrast, only two African states that are not fragile were included among the bottom 15.<sup>11</sup> Figure 8.1 contains an indicator-by-indicator comparison of the performance of fragile states in Africa compared with other AfDB regional member countries (RMCs) based upon the World Bank’s Doing Business indicators.

Regulatory and legal reforms are needed to clearly define rights and responsibilities in the regulatory environment and in concessions. For example, private-sector entrepreneurs and investors must be confident in their property rights without fear that they could be seized. Likewise, private-sector investors and entrepreneurs must have a clear understanding of what constitutes compliance with environmental and labor standards, and know that violating those standards will result in penalties and will not save violators the cost of compliance. Such regulatory certainty gives entrepreneurs and investors confidence that their investments will be protected and that the market will be regulated equitably. This is particularly true for natural resource sectors such as extractive industries and forestry, which are often closely regulated industries that rely heavily on property rights, concessions, agreements with the government, licenses, and permits.

## 8.2 Using Voluntary Guidelines to Improve Private-Sector Performance in Fragile States

Private-sector investors can use voluntary guidelines to integrate environmental, social, and conflict-related considerations into their business practices in fragile states. Governments of fragile states can create legal frameworks to require consistent adherence to high standards of conduct. Where, however, legal frameworks are not yet in place, governments of fragile states can provide incentives for businesses to adopt voluntary guidelines through tax incentives,

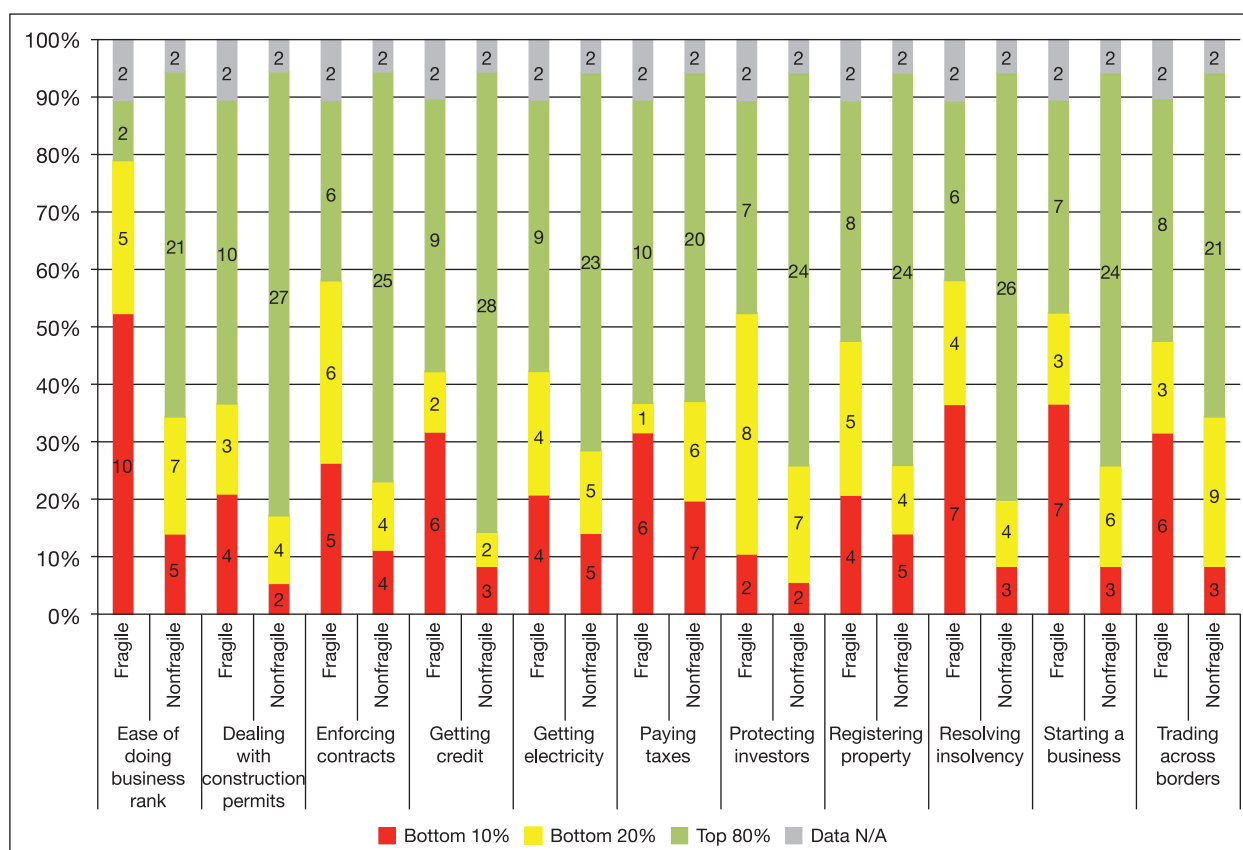


Figure 8.1: Global ranking and performance comparison of fragile and nonfragile states in Africa using the World Bank's 2013 Doing Business Indicators

Note: Percentages in legend show the percentage of African states (fragile and nonfragile) that rank in the bottom 10 percent, bottom 20 percent, and top 80 percent of countries evaluated in the 2013 Doing Business rankings, globally. The numbers on the bars indicate the total number of countries within each category. There are 19 fragile states and 35 nonfragile states in Africa.

Source: Based on data from World Bank and IFC 2012

positive publicity, or by including adherence to voluntary guidelines as part of concession agreements with government agencies. Businesses may also independently commit to voluntary guidelines as a way to reduce the reputational and other risks associated with working in fragile states, or as a condition of securing funding.

*Efforts by businesses to adhere to voluntary guidelines or undertake due diligence can, in turn, support stability in fragile states by addressing labor, human rights, and environmental considerations.*<sup>12</sup>

There are many useful voluntary guidelines and frameworks that help companies identify and incorporate environmental and social practices and standards into their operations, including the Voluntary Principles on Security and Human Rights for extractive and energy sector companies, the UN Human Rights Council's Guiding Principles on Business and Human Rights, and the Equator Principles.<sup>13</sup> More than 75 lenders that support private-sector initiatives have signed on to the Equator Principles as a way to assess and manage environmental and social risks associated with the projects that they finance.<sup>14</sup>

While voluntary systems cannot and should not replace robust governance of natural resource management sectors, they are an important complement to regulation and can reward companies that go beyond compliance with the law. For example, companies that adhere to these voluntary guidelines may have preference in government procurement procedures or concession processes.



Training on motor and fishing equipment repair in Guinea. Photo: AfDB.



### The 10 Principles of the UN Global Compact

#### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: UN Global Compact 2011, 6.

Perhaps the best-known set of voluntary standards is the UN Global Compact; its 10 principles represent corporate commitments to shared values in the areas of human rights, labor, environment, and anti-corruption (see box on The 10 Principles of the UN Global Compact). The UN Global Compact has more than 11,200 signatories in more than 135 countries.<sup>15</sup> These include more than 5,700 companies—ranging from small businesses to Fortune 500 companies—and a variety of business associations, labor groups, civil society groups, academic groups, public-sector groups, and cities.<sup>16</sup> In 2010, the Global Compact released guidance on how companies can implement the 10 principles while doing business in conflict-affected and high-risk areas.<sup>17</sup> The guidance applies broadly to enterprises of varying sizes in various industries, and it contains practical strategies for engaging stakeholders and fragile state governments while undertaking both activities necessary to the operation of the business and social programs.<sup>18</sup> It recognizes that access to natural resources and damage to natural resources can both cause conflicts, and it highlights approaches for assessing high-risk situations, negotiating with fragile state governments, and engaging stakeholders in consultative processes.<sup>19</sup>

In the minerals sector, the Organisation for Economic Co-operation and Development (OECD) has issued voluntary guidance to help companies perform due diligence on supply chains for gold, tantalum, tin,

and tungsten.<sup>20</sup> This guidance is specifically designed to help corporations prevent abuses from occurring in the extraction, transport, and trade of minerals originating in conflict-affected and high-risk areas.<sup>21</sup> It sets forth the following five-step framework:

- (1) Strengthen management systems by adopting supply-chain policies, adapting internal management systems for policy implementation, and broadly communicating supply-chain policies.
- (2) Examine the supply chain for risks and assess their magnitude.
- (3) Prepare and implement a strategy to mitigate risks.
- (4) Contract independent audits of key points in the supply chain.
- (5) Disseminate the outcomes of efforts on due diligence.<sup>22</sup>

The OECD guidance is discussed further in [Chapter 2](#) on extractive resources.

Large private-sector projects are complex, bringing important benefits, such as much-needed revenues in the form of taxes and fees for fragile state governments, formal-sector employment, and opportunities for economic growth. The complexity of large natural resource-related projects can, however, lead to controversy, particularly with respect to environmental, social, and labor concerns and the implementation of environmental and social



Rice harvest in Côte d'Ivoire. Photo: AfDB.

management plans and resettlement plans.<sup>23</sup> *To promote large-scale private investment while reducing risks, governments of fragile states can encourage companies to utilize voluntary certification processes that include transparent audits by independent third parties.* The Bank-funded Addax biofuels project in Sierra Leone applied for certification by the Roundtable on Sustainable

Biofuels (see box on Biofuel Production in Sierra Leone). Part of the certification process involved an in-depth audit of the company's environmental and social impacts, and the findings of the audit examined concerns raised by international organizations and civil society.<sup>24</sup> For voluntary certification initiatives to be credible and effective, however, the third-party audits must be independent and rigorous.

### Biofuel Production in Sierra Leone

In 2011, the Bank approved its first private-sector investment in Sierra Leone—a €25 million loan for the development of the Addax Sierra Leone (Addax) facility for the production of ethanol from sugarcane. The Bank is a leading lender among several participating international financial institutions, contributing over 10 percent of the total project cost of €248 million. The project includes a sugarcane plantation, an integrated bioenergy facility with a sugarcane-crushing facility and ethanol distillery, a biomass cogeneration power plant, associated infrastructure, and a food security initiative. It is designed to provide benefits to economic diversification, employment, access to electricity, food security, government revenues, and climate change mitigation.

The project started producing sugarcane in early 2013. In February 2013, it became the first African facility to be certified as meeting the sustainability standards of the Roundtable on Sustainable Biofuels (RSB). RSB is an international initiative comprised of large biofuel producers, small farmers, environmental groups, labor groups, and others to develop sustainability standards for biofuels. The Addax facility represents the first major African entrant into the global ethanol market, which has historically been dominated by the United States and Brazil. It is estimated that the ethanol produced by the Addax facility will produce 72 percent less greenhouse gas than conventional gasoline.

By exporting ethanol, the project will diversify the economy of Sierra Leone, reducing the percentage of Sierra Leone's total exports that depend on diamonds from 48 to 39 percent. Project estimates indicate that 1,470 full-time jobs, 650 permanent seasonal jobs, and 1,600 temporary jobs will be created. Approximately 20 percent of the jobs will go to women, and many of the positions will include specialized training.

The facility will also be a new source of electricity in Sierra Leone; as of 2012, only 10 percent of the population of Sierra Leone had access to electricity. The project includes a cogeneration plant that will use the fibrous by-product from the sugarcane to generate electricity. The electricity will operate the ethanol plant, and excess electricity will be sold to the Government of Sierra Leone to supply nearby communities.

Recognizing that large-scale land concessions for biofuels often displace smallholder farmers, the project has a food security component that will cultivate rice on almost 2,000 hectares of land, which is more than five times the amount of farmland that will be displaced by the project.

Landowners whose property is leased by Addax will be compensated at a rate of US\$7.50 per hectare annually. An additional US\$4.50 per hectare annually is allocated among the local district council, the chiefdom council, and the central government. The leases may be the first time that a company in Sierra Leone has contractually recognized traditional landowners' rights. Addax is exempt from corporate taxes until 2023; from 2023 onward, estimates indicate that the facility will generate approximately €18.6 million in government revenue annually.

As with many major private-sector investments, the project has seen controversy. Civil society has criticized implementation of the environmental and social management plan (ESMP) and the resettlement plan. However, a February 2013 audit commissioned by the RSB Services Foundation determined that Addax was compliant with RSB environmental and social standards for biofuels production, based on an inspection of Addax's compliance with the Addax ESMP and resettlement plan. Addax is working to resolve some outstanding compliance issues with respect to access to water and to worker safety. For example, the project caused seasonal water supply disruptions in three villages, which it is currently remedying by restoring water to the villages and changing its internal processes to avoid further disruptions.

### 8.3 Promoting Transparency and Communication with Stakeholders

In fragile states, private-sector operations can have impacts on natural resources, such as land and water, which can exacerbate tensions within and among communities.<sup>25</sup> *Private-sector operations that proactively engage the public can reduce tensions or conflict.*<sup>26</sup> Engaging local stakeholders—and building consensus, where possible—needs to be undertaken in all aspects of private-sector operations, from large-scale enterprises to micro-level income-generating activities.<sup>27</sup> Even when fragile state governments undertake efforts to promote micro-level private-sector businesses, stakeholder engagement is necessary to perform market research, beneficiary selection, and monitoring and evaluation to ensure that project benefits are distributed equitably and that income-generating activities are successful. When there is insufficient communication, companies can seem indifferent to grievances or biased if hiring and other project benefits are not distributed fairly across the groups in conflict. For the private sector,

communication should be tailored to the individual situation, but can range from having the board of directors of a company publish an official policy on natural resource management to conducting interviews and meetings with stakeholders to implementing grievance mechanisms.<sup>28</sup>

### 8.4 Supporting Value-Added Production and Rebuilding and Strengthening Value Chains

*Fragile states can help expand private-sector opportunities in value-added transformation of natural resources among small and large businesses.* A common way that fragile states can promote value-added production among small businesses is through the promotion of locally appropriate technologies. Supporting value-added production in fragile states involves helping private-sector enterprises obtain access to technologies to process raw materials domestically so that fragile state economies can benefit from the additional profits from selling a more finished product. Examples of this include projects initiated by fragile states to help

agricultural cooperatives purchase simple machines for producing palm oil or canning jams, preserves, or tomatoes.

Value-added transformation of agricultural commodities can reduce post-harvest losses.<sup>29</sup> For example, if farmers have canning equipment to make and preserve fruit as jam, excess fruits that are not sold fresh can be sold or consumed over the course of months without spoiling. In Africa, post-harvest losses account for 30 percent of grains and half of other agricultural products.<sup>30</sup> Post-harvest losses can be particularly severe in fragile states, where market access and infrastructure are often limited.<sup>31</sup> Fragile states can work with natural resource producers such as farmers or fishers to facilitate the collective purchase of heavy equipment for processing that they could not afford individually. Projects can also be used to support livelihoods for disadvantaged populations with business skills training and equipment for value-added production (see box on Value-Added Agriculture in Burundi).

At the large scale, some fragile states have adopted restrictions on the export of raw natural resources, instead requiring or creating incentives for the materials to be processed within the country. For

example, the Forestry Code of Congo sets taxes progressively higher on less-processed wood to encourage domestic processing.<sup>32</sup> Sometimes, these initiatives are undertaken to offset the impacts of tariff escalation. (See box on Tariff Escalation: A Challenge for Value-Added Exports). Policies that require value-added production in country, either through mandates or prohibitive taxes, are controversial. They can be ineffective where there is insufficient domestic capacity within the fragile state to process goods in a way that is economically competitive. Where taxes on raw goods are cheaper in neighboring countries, requirements for in-country processing can also push products into the informal markets, where they are smuggled abroad for export.

*Value-chain approaches can promote private-sector development by systematically identifying and addressing constraints to market growth and rebuilding linkages throughout the natural resource value chain.* The term *value chain* refers to the steps that a product takes to get from the input suppliers to producers of raw materials to the retailers who sell to the final consumers (see Figure 8.2 for a generic value chain). Strengthening the value chain can be more effective in the immediate aftermath of conflicts than efforts to reform the investment climate, because

### Tariff Escalation: A Challenge for Value-Added Exports

Tariffs in countries belonging to the Organisation for Economic Co-operation and Development, countries neighboring fragile states, and other potential trading partners can discourage enterprises from processing natural resources in fragile states prior to export. For example, 12 fragile states in Africa receive preferential tariffs under the U.S. African Growth and Opportunity Act (AGOA), and at least five of those 12 states export cocoa but do not export meaningful amounts of chocolate to the United States. While AGOA provides low tariffs for cocoa imports, tariffs for sugar and dairy products are high to protect U.S. producers. This discourages fragile states in Africa from exporting finished products like chocolate to the United States because they contain sugar and dairy ingredients and would be subject to the higher tariff rates.

Tariff escalation, which is when tariffs on processed materials are higher than their raw material inputs, also exists in the European Union (EU) and elsewhere, and it can affect a broad range of natural resource exports including agricultural, timber, fuels, metals, and minerals. The impacts of tariffs vary for each product and depend on the fragile state's participation in multilateral trade regimes that set tariffs or other, bilateral preferential regimes.

There are certain products and countries where tariff escalation has been eliminated or does not have a significant impact on fragile state exports. For example, by 2015, the EU will have phased in the elimination of tariffs on sugar imported from Africa's Least Developed Countries, which include many fragile states. Likewise, some products that are lighter when processed than in their raw forms are not significantly impacted by tariff escalation because reduced transport costs offset increased tariffs.

*The AfDB's Strategy for 2013–2022* identifies tariffs as harmful to Africa's economic development. They are among the many factors that discourage trade between fragile states in Africa and their neighbors. Other key constraints to trade include burdensome customs procedures, lack of transportation and communications infrastructure, and corruption.



### Value-Added Agriculture in Burundi

As a result of prolonged conflict, poverty rates in Burundi increased from 33 percent in 1990 to 68 percent in 2002. More than 90 percent of the population is engaged in agriculture, and agriculture constitutes 40 percent of the country's gross domestic product.

In 2004, the Government of Burundi partnered with the Bank to launch a project to improve livelihoods by (1) equipping professional development centers, (2) helping cooperative groups launch income-generating activities in areas such as value-added transformation of agricultural products, and (3) providing short-term employment through labor-based infrastructure reconstruction. This case study focuses on the first two components of the project; projects similar to the third component are examined in [Chapter 4](#) on infrastructure and natural resources.

The Government of Burundi partnered with Twitezimbéré, a Burundian nongovernmental organization, to rehabilitate three professional development centers in rural Burundi to increase the proportion of agricultural crops preserved before they spoil, to broaden the variety of locally produced goods, and diversify the economy beyond the agricultural sector. The centers were reequipped with tools and materials, and Twitezimbéré worked with a Canadian firm to develop tailored business skills curricula for different trades, including auto mechanics, clerical work, machining, masonry, metallurgy, and the transformation of agricultural products.

To support some of the poorest and most vulnerable segments of the Burundian population, the project identified community-based cooperative groups interested in launching income-generating activities. Twitezimbéré and the Government of Burundi helped the cooperative groups learn basic business skills, develop business plans, and obtain small amounts of start-up capital and equipment. Income-generating activities included trash collection in Bujumbura and the value-added transformation of agricultural products into palm oil, jams, cheese, fruit juices, honey, dried gari from cassava, and soap. The projects for community-based cooperative groups aimed to support the livelihoods of approximately 500 Burundian women.

For one project, a cooperative including former refugees, internally displaced persons, and excombatants started a small enterprise for the decortication of rice. Twitezimbéré worked with the leaders of the cooperative to develop a plan that included a feasibility study with a projection of annual profits, a work plan, provisions for group members to receive training from Twitezimbéré, and a budget outlining key project costs. The cooperative contributed about 12 percent to the costs.

The project successfully rehabilitated the professional development centers and trained the cooperative groups. While the project was a success in these respects, insufficient resources were planned for follow-up support, monitoring, and evaluation after the initial trainings. Future projects of this type would benefit from additional resources to provide technical support to cooperative groups during the first year as they start to implement their business plans.



Artisanal palm oil production in DRC. Photo: AfDB.



Figure 8.2: Generic value chain

Source: Parker 2008, 6.

Value-chain initiatives are only successful if both (1) a strong potential market or demand exists and (2) the project beneficiaries can supply the market in a way that competes effectively with existing suppliers already serving the same market.<sup>35</sup> Accordingly, implementing value-chain projects requires a thorough knowledge of the context in which extraction, production, and trade takes place and the target market. The value-chain approach can be used to identify and address potential constraints to doing business, such as a lack of access to financing for input purchases, a lack of adequate roads to access markets, and policy or regulatory challenges.<sup>36</sup> One tool for understanding local markets during rapid onset emergencies is the Emergency Market Mapping and Analysis approach (EMMA).<sup>37</sup> EMMA is particularly useful for fragile state contexts because it integrates market assessment methodologies with do-no-harm analyses to help humanitarian aid workers identify how different types of assistance, including value-chain approaches, can be used to meet communities' basic needs such as food security.<sup>38</sup>

value-chain initiatives do not necessarily require government action or amendments to laws and regulations, which can take time and may be blocked by vested interests.<sup>33</sup> Value-chain approaches focus on employment generation, which makes them a useful tool for ensuring that economic growth and recovery are more equitable.<sup>34</sup>

Value-chain analyses are different from value-added production because value-added production specifically refers to the degree of processing that a product undergoes at different points in the value chain. Initiatives related to value-added production focus on increasing the amount of processing that is performed in-country or at earlier stages in the value



Making planks for export from an okoumé log in DRC. Photo: AfDB.

chain (for example, having producers do more of the processing of raw materials). By contrast, value-chain analyses are broader examinations of the linkages between different actors, from input suppliers to retailers. Value-chain initiatives, therefore, can but do not necessarily include value-added components. For example, a value-chain initiative might simply put resource producers in touch with new potential consumers; however, such an initiative might also have a value-added component where producers are taught how to process raw materials to meet the needs of prospective clients.

By building private-sector opportunities throughout the value chain within fragile states, local and national governments can maximize economic returns on the natural resource endowment by creating jobs for processors, traders, and wholesalers in fragile states rather than simply producing raw materials for export. Value-chain initiatives rebuild horizontal linkages among actors at each level in the value chain (e.g., through trade associations or producer cooperatives) and vertical linkages between the different steps in the value chain (e.g., through forums and opportunities for communication between producers and traders).<sup>39</sup> Developing and expanding markets requires a significant investment in strengthening communication networks between local producers and regional and national buyers, such as supermarkets, hotels, and even export markets.<sup>40</sup> Such networks are particularly important in fragile states, where the pressures of state fragility often undermine communication and trust. By facilitating closer horizontal and vertical linkages throughout the value chain, value-chain initiatives build relationships and networks that SMEs can use collectively to combat rent seeking and government corruption.<sup>41</sup>

Value-chain initiatives can also be used to support vulnerable populations affected by conflict by helping agricultural cooperatives reach new markets and achieve sustainable livelihoods.<sup>42</sup> In the wake of the conflict in formerly fragile Rwanda, coffee-focused value-chain initiatives were implemented in combination to eliminate government controls on coffee prices.<sup>43</sup> With support from the U.S. Agency for International Development, the government implemented a plan to build domestic technical capacity for coffee processing, marketing, fair trade certification, networking at trade shows, and more.<sup>44</sup> The project ultimately created 5,000 jobs at an estimated annual cost of slightly more than US\$12 per person emerging from poverty.<sup>45</sup> Studies also indicate that perceptions across ethnic groups have improved due to cooperation between ethnic groups in the coffee supply chain.<sup>46</sup> The development of value chains does, however, take time.<sup>47</sup> Even after the project in Rwanda had been in place for a decade, it was not yet entirely self-sufficient.<sup>48</sup>

In Colombia, for example, the UN Conference on Trade and Development sponsored a BioTrade initiative to support environmentally, socially, and economically sustainable production and sale of forest products by creating networks between SMEs from conflict-affected communities, universities, and government.<sup>49</sup> The network helped the SMEs enter and develop new markets in the value chain. One type of support included convincing regional and national supermarkets, hotels, and restaurants to carry BioTrade products. Other value-chain initiatives have targeted cotton producers in formerly fragile Uganda and women who produce shea butter in South Sudan.<sup>50</sup>

Some value-chain initiatives can include professional training to youth and disadvantaged populations, providing opportunities for beneficiaries to enter new occupations where there is an unmet demand for skilled labor. Training initiatives can be useful in sectors such as mining, forestry, or commercial agriculture. Professional training is particularly effective when it is preceded by a detailed market analysis and is tailored to the individual market. Such analysis is needed to ensure that the market demand exists and to more efficiently or precisely meet the demands of customers within the value chain, including retailers and wholesalers.

## 8.5 Facilitating Access to Credit for Natural Resource-Related Sectors

*Efforts to jump-start entrepreneurship and private-sector investment in natural resource-related sectors should be coupled with efforts that provide access to credit either as part of development projects or as companion projects.* Some fragile states find that access to credit is one of the key constraints on private-sector recovery. In the Central African Republic, the Democratic Republic of the Congo, and Guinea, less than 5 percent of the population holds bank accounts at formal lending institutions.<sup>51</sup> Development partners and fragile states have launched initiatives to support the expansion of microfinance institutions (MFIs) in countries like Côte d'Ivoire, Liberia, Sierra Leone, and formerly fragile Rwanda.<sup>52</sup> The lack of access to credit is even more pronounced within the agriculture sector; loans to the agriculture sector represent approximately only 10 percent of the total value of commercial bank loans in Africa.<sup>53</sup>

The poorest entrepreneurs—who are often in the informal sector and seek the smallest loans—frequently face hurdles in getting access to credit, even from MFIs. For these borrowers, incremental growth can be difficult because even the small fees needed to obtain individual savings and credit services through MFIs can be cost prohibitive. In rural



areas, MFIs may be far from the poorest borrowers' homes, farms, or income-generating activities, further reducing access to credit. Access to documentation such as identification cards can be another barrier to individuals seeking to open an account with an MFI.<sup>54</sup>

By investing in capacity building, fragile states can support the establishment of self-help groups (SHGs), also known as village savings and loan associations (VSLAs), comprised of members who would be unable to afford individual MFI accounts. The SHGs or VSLAs can pool the savings of its members and offer credit to individuals from the collective pot.<sup>55</sup> After developing sufficiently large amounts of capital, SHGs and VSLAs often open group savings accounts with MFIs, something that the members could not afford individually. These types of initiatives require a focus on small-group capacity building rather than the injection of capital into existing MFIs.

Small and medium private-sector businesses that focus on natural resource management often require significant capital investments to purchase equipment such as tractors, trucks, fishing vessels, or sawmill equipment. Capital investments and equipment purchases are major investments for small and medium businesses, and they take time to repay, thereby necessitating a longer-term loan. Often MFI loan products are not appropriate either due to express limits in the loan duration or because the interest rates render them cost prohibitive.<sup>56</sup> The limited availability of traditional private-sector loans for medium-term capital investments in fragile states can compound this challenge. Whether promoted through regulatory reform, additional sources of capital for lending, or otherwise, more credit opportunities for mid-sized loans at reasonable interest rates could help endogenous small and medium natural resource-based businesses invest in the equipment and business infrastructure needed to be economically competitive.<sup>57</sup>

## 8.6 Engaging the Private Sector to Rebuild and Expand Natural Resource-Related Infrastructure

*Fragile states can improve provision of basic services by more systematically engaging the private sector.* Small-scale private suppliers can be networked together to provide water and electrical services in fragile states where such services are limited.<sup>58</sup> Public-private partnerships have also been used to provide or restore services on a larger scale, including build-operate-transfer agreements in which the private sector constructs infrastructure, operates it for a specified period of time, and then transfers it to government for long-term maintenance.<sup>59</sup> Strategies for effectively developing the infrastructure to deliver basic services—including through partnership with



Water-filling station utilized by the private sector in Juba, South Sudan. Photo: Carl Bruch.

the private sector—is discussed further in [Chapter 4](#) on infrastructure.

## 8.7 Recommendations

To realize the potential for natural resource management to boost economic growth, fragile states and development partners can pursue five key means to support the growth of micro, small, medium, and large enterprises:

- Fragile states must focus on creating a regulatory climate that encourages private-sector growth by adopting and consistently implementing regulatory and legal reforms that protect private-sector investments, thereby regulating the market consistently and equitably.
- To avoid and mitigate adverse environmental and social impacts, fragile states can encourage private-sector stakeholders to commit to voluntary certification processes and guidelines that address labor, human rights, and environmental considerations. Development partners can also encourage the adoption of voluntary guidelines and certification processes as part of the development of private-sector loans.
- Private-sector actors can improve community relations and reduce tensions by actively engaging communities, local governments, and other key stakeholders through activities such as regular consultations, the development of natural resource policies, and the implementation of grievance mechanisms.
- Fragile states and development partners that undertake projects to spur private-sector growth must engage local governments, communities, and civil society organizations, as well as the private-sector project beneficiaries. Private-sector businesses can also actively engage community



and government stakeholders to minimize the possibility that their business operations will exacerbate tensions.

- By supporting value-added production and value-chain development, fragile states can help create strong networks of private-sector enterprises and encourage the domestic processing of raw natural resources in a way that maximizes the economic benefits fragile states and their people receive from their resource base.
- To encourage capital investments in natural resource management, fragile states and development partners should encourage the development of financial services for micro and mid-sized enterprises.

### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

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### Endnotes

- 1 For a general discussion of private-sector potential to inadvertently contribute to tensions or conflict, please see UN Global Compact and PRI (2010). Private-sector actors have also intentionally contributed to conflict. For example, certain logging companies in Liberia used security forces to commit human rights violations and were implicated in the civil war. Republic of Liberia Truth and Reconciliation Commission 2009.
- 2 Dudwick et al. 2013.
- 3 AfDB et al. 2013, 13.

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- 5 IFC, World Bank, and MIGA 2013.
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- 12 See, for example, OECD (2012c), UNHCHR (2011), and Voluntary Principles on Security and Human Rights (VPs) Initiative (2000). Lists of some of the most prominent voluntary guidelines and frameworks can be found in *Enabling Economies of Peace* and *A Guide for Integrating Human Rights into Business Management*. Ballentine and Haufler 2009; Business Leaders Initiative on Human Rights, UN Global Compact, and UNHCHR 2006.
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- 14 Equator Principles Secretariat 2013a; Equator Principles Secretariat 2013b.
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- 31 See, for example, Satoh, Suzuki, and Miyazawa (2011).
- 32 Le code forestier de la république du Congo. Law No. 16-2000 (November 20, 2000). [http://www.congo-site.com/downloads/TEXTES-OFFICIELS-CODES\\_t5136.html](http://www.congo-site.com/downloads/TEXTES-OFFICIELS-CODES_t5136.html)
- 33 Dudwick et al. 2013.
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- 36 For a more complete discussion of value-chain approaches, see Parker (2008).
- 37 Albu 2010.
- 38 Albu 2010.
- 39 Parker 2008.
- 40 Jaramillo Castro and Stork 2015\*.
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- 50 Dudwick et al. 2013.
- 51 Demirgüç-Kunt and Klapper 2013. In Burundi, Chad, Mali, Sudan, and Togo, 10 percent or less of the population have access to credit. While fewer people in fragile states in Africa often have less access to banking services than those in African nonfragile states, there are some exceptions. Sile 2013; Demirgüç-Kunt and Klapper 2013. In Somalia (31 percent) and Zimbabwe (40 percent), more people have accounts at formal institutions than the African average of 23 percent. Demirgüç-Kunt and Klapper 2013.
- 52 Dudwick et al. 2013.
- 53 Hansen 2013.
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- 55 Allen and Staehle 2007; Brook, Hillyer, and Bhuvaneshwari 2008; VSL Associates n.d.
- 56 Ferranti and Ody 2007; Stein, Bilandzic, and Hommes 2013.
- 57 The Bank is currently engaging in significant research on how to increase its private-sector engagement in fragile states.
- 58 Schwartz, Hahn, and Bannon 2004; Schwartz and Halkyard 2006.
- 59 Marin, Mugabi, and Mariño 2010; Schwartz, Hahn, and Bannon 2004.







## Regional Dynamics and Institutions

State fragility frequently has regional drivers and impacts, with neighboring states providing markets and routes for licit and illicit trade in natural resources from fragile states. At the same time, regional institutions and initiatives that promote regional cooperation can also support fragile states by promoting key objectives such as security, improved governance, economic growth, infrastructure, and trust and improved relations. These complex dynamics are frequently rooted in the fact that many natural resources cross political boundaries including, for example, rivers and fisheries. Moreover, infrastructure to access natural resources can cross boundaries or may affect neighboring countries. For example, pipelines that carry oil and gas and electricity transmission systems frequently cross one or more countries. Likewise, dam projects on shared rivers can have impacts on downstream countries.

Transboundary dynamics surrounding natural resources can be a contributing cause or driver of conflict.<sup>1</sup> The increasing scarcity of grasslands in southern Chad and Sudan have been leading to the migration of armed groups of pastoral herders into the northern regions of the Central African Republic (CAR), which was causing tensions and low-level conflict, even before the outbreak of violence in 2012 between the Seleka rebel coalition and, eventually, anti-balaka militias, which has continued through 2015.<sup>2</sup> Likewise, conflicts between and among pastoral and agricultural groups in the Greater Horn of Africa and the Sahel have strong transboundary dimensions because pastoral groups follow migratory patterns that cross borders ([Chapter 3](#)).<sup>3</sup> In the late 1990s, during the civil war in Sierra Leone, Charles Taylor—then president of neighboring Liberia—furnished the Sierra Leonean Revolutionary United Front rebel group with weapons and ammunition needed to sustain the conflict in exchange for diamonds.<sup>4</sup> Transboundary smuggling of minerals is also a significant source of financing for the ongoing violence and instability in the eastern regions of the Democratic Republic of the Congo (DRC) ([Chapter 2](#)).



Even where there is little risk that violence will spill over national boundaries, countries still have a strong interest in the stability of their fragile neighbors. Fragility and state failure have economic impacts on neighboring countries, and conflict can result in transboundary migration, causing new pressures on neighboring states. States typically suffer a 0.6 percent loss in growth of gross domestic product when neighboring fragile states fail.<sup>5</sup> Large migrations of refugees have significant impacts on natural resources—such as deforestation, soil erosion, soil exhaustion due to the reduction of fallow periods, water pollution, poaching of wildlife, and strains on potable water—in the neighboring countries that receive the displaced persons.<sup>6</sup> This can lead to concerns that fragility can become concentrated in an economic region. For example, the countries of the Mano River Union (Côte d'Ivoire, Guinea, Liberia, and Sierra Leone) and Guinea-Bissau were all considered to be fragile states in 2012.

The transboundary dynamics, challenges, and opportunities make regional approaches particularly important in building resilience of fragile states. Through natural resource-related initiatives, regional institutions can support security and governance, promote economic growth, coordinate the sustainable management of shared ecosystems, build trust across borders, and improve infrastructure and access to basic services.

In the past, regional institutions have provided direct support to establish security in fragile situations and to address the root causes of insecurity through improved governance of natural resources in fragile situations. In the wake of the March 2013 political crisis in CAR, the Economic Community of Central African States (ECCAS) has been directly engaged in maintaining stability by sending peacekeeping forces to provide security.<sup>7</sup> Regional institutions can also strengthen national and regional mechanisms for governance in situations where illegal trade in natural resources threatens security. Because the trade in cassiterite, wolframite, coltan, and gold is regional within Central Africa, the International Conference on the Great Lakes Region is advancing a regional initiative to trace minerals and harmonize legal norms to combat smuggling and the illegally armed groups that profit from it ([Chapter 2](#)).

As African countries begin to look more to each other as trading partners, regional institutions also have the potential to promote economic growth within fragile states and their nonfragile neighbors. Intraregional trade among Member States of the Common Market for Eastern and Southern Africa (COMESA) has increased from US\$2 billion in 2000 to US\$18 billion in 2012.<sup>8</sup> COMESA includes seven fragile state members: Burundi, Comoros, Djibouti, DRC, Eritrea, Sudan, and Zimbabwe.<sup>9</sup> In the East



Person mending a fishing net. Photo: AfDB.

African Community (EAC), intraregional trade among the EAC members increased by 40 percent between 2005 and 2009.<sup>10</sup> While this statistic did not include Burundi and formerly fragile Rwanda, which joined the EAC in 2007, it does demonstrate the potential for regional economic communities (RECs) to strengthen economic growth and trade among African countries by supporting the harmonization of legal standards, such as customs procedures.<sup>11</sup>

Because so many natural resources and trade routes are shared across borders, regional institutions play an important role in the management of shared resources and ecosystems. Transboundary water basins contain 90 percent of all surface water in Africa.<sup>12</sup> The Congo Basin—the green heart of the African continent—includes forested areas in Burundi, Cameroon, CAR, Chad, DRC, Equatorial Guinea, Gabon, Republic of Congo (Congo), Rwanda, and São Tomé and Príncipe.<sup>13</sup> When managed sustainably, these transboundary resources can contribute significantly to economic growth. For example, in 2012 formerly fragile Rwanda earned US \$282 million from tourism to see mountain gorillas that live in transboundary park systems that are jointly managed by Rwanda, Uganda, and DRC.<sup>14</sup> Table 9.1 highlights examples of selected African regional institutions that govern

**Table 9.1: Selected regional institutions established for the management of shared natural resources in Africa**

Resource type	Organization name	Geographic scope	Member states (Fragile States underlined)
Fisheries	Fishery Committee of the West Central Gulf of Guinea (FCWC) / Le Comité des Pêches pour le Centre Ouest du Golfe de Guinée (CPCO)	West central part of the Gulf of Guinea	Benin, <u>Côte d'Ivoire</u> , Ghana, <u>Liberia</u> , Nigeria, <u>Togo</u>
	Regional Fisheries Committee for the Gulf of Guinea (COREP)	Gulf of Guinea	Angola (observer), Cameroon, <u>Congo</u> , <u>DRC</u> , Equatorial Guinea (observer), Gabon, <u>São Tomé and Príncipe</u>
	Sub Regional Fisheries Commission (SRFC) / La Commission Sous Régionale des Pêches (CSRP)	Coastal fisheries of the Member States	Cape Verde, the Gambia, <u>Guinea</u> , <u>Guinea-Bissau</u> , Mauritania, Senegal, <u>Sierra Leone</u>
Forests	Commission des Forêts d'Afrique Centrale (COMIFAC)	Congo Basin	<u>Burundi</u> , Cameroon, <u>CAR</u> , <u>Chad</u> , <u>Congo</u> , <u>DRC</u> , Equatorial Guinea, Gabon, Rwanda, <u>São Tomé and Príncipe</u>
	Niger Basin Authority (NBA) / Autorité du Bassin du Niger (ABN)	Niger River Basin	Benin, Burkina Faso, Cameroon, <u>Chad</u> , <u>Côte d'Ivoire</u> , <u>Guinea</u> , Mali, * Niger, Nigeria
Fresh Water	Lake Chad Basin Commission (LCBC) / La Commission du Bassin du Lac Tchad (CBLT)	Lake Chad	Cameroon, <u>Chad</u> , <u>CAR</u> , Libya, Niger, Nigeria
	Mano River Union (MRU) / Union du Fleuve Mano (UFM)	Mano River	<u>Côte d'Ivoire</u> , <u>Guinea</u> , <u>Liberia</u> , <u>Sierra Leone</u>
	Nile Basin Initiative (NBI) / L'Initiative du Bassin du Nil (IBN)	Nile Basin	<u>Burundi</u> , <u>DRC</u> , Egypt, <u>Eritrea</u> (observer), Ethiopia, Kenya, Rwanda, <u>South Sudan</u> , <u>Sudan</u> , Tanzania, Uganda
Parks	Volta Basin Authority (VBA) / Autorité du Bassin de la Volta	Volta River	Benin, Burkina Faso, <u>Côte d'Ivoire</u> , Ghana, <u>Togo</u>
	Greater Virunga Transboundary Collaboration (GVTC)	Greater Virunga Landscape	<u>DRC</u> , Rwanda, Uganda

\* Mali was designated a fragile state in FY 2014.

natural resources and ecosystems that are shared between fragile states and their neighbors.

Regional cooperation also creates opportunities for building trust across borders. Another key feature of the cooperation between Rwanda, Uganda, and DRC has been that it has built trust across borders that have experienced tensions in the past. Joint patrols and regional meetings between Rwandan and Congolese park rangers on conservation issues that are not politically charged has helped to build trust and relationships that have lasted even through times of conflict.<sup>15</sup>

Fragile states sometimes find that it is challenging to maintain security in transboundary forests and preserves due to the rougher terrain and lack of infrastructure and personnel. For example, in the

Gola Forest Region along the Liberia–Sierra Leone border, crossing points are often unmanned, and excombatants are reported to be conducting illegal mining and poaching activities, smuggling illegal drugs and artisanal firearms, and even launching attacks on park guard stations.<sup>16</sup> Regional cooperation can play a key role in addressing such threats to security while improving relations between neighboring countries.

Regional infrastructure initiatives—including regional networks of roads and electricity production and transmission—facilitate trade between African countries and represent opportunities for more resilient and cost-effective access to energy, and for less reliance on carbon-based fuel sources. These benefits are particularly important for fragile states, which are under immense pressure to improve access to electricity and frequently lack the resources to do

so (Chapter 4). The Programme for Infrastructure Development in Africa (PIDA) envisions energy generation and transmission projects connecting all of Africa's subregions to increase access to energy.<sup>17</sup> In West Africa, PIDA's plan for integration will include the construction of hydroelectric facilities in the fragile state of Guinea and neighboring Senegal, and an energy transmission line that would reach from Guinea to Ghana and serve five fragile states along the way (Guinea, Guinea-Bissau, Sierra Leone, Liberia, and Côte d'Ivoire).<sup>18</sup> The Inga hydropower initiative in DRC is an example of a project with enormous potential for low-carbon electricity generation for Central Africa and Southern Africa (Chapter 4).

While RECs and other regional institutions support a wide range of objectives, they frequently use four key approaches to help build resilience in fragile states:

- (1) Building norms and plans for the management of shared resources.
- (2) Establishing standards and providing technical assistance for the development and harmonization of national laws and capacity.
- (3) Coordinating cooperative efforts and trust between countries.
- (4) Identifying the potential for natural resource-related conflicts and undertaking conflict prevention, mediation, and peacekeeping activities.

This chapter examines opportunities for fragile states and their neighbors to use these four strategies to improve natural resource management and promote natural resource-related economic sectors in ways that support security and improved governance, economic growth, conservation, resilient networks of infrastructure, and trust and improved relations.

## 9.1 Managing Shared Natural Resources

Efforts to promote regional integration and regional institutions can also play a key role in planning the development and sustainable utilization of shared resources. Overexploitation or degradation of a shared resource can be the source of tensions, particularly if communities depend on the natural resource for food security, drinking water, or livelihoods. For example, low-level conflict broke out between communities in DRC and communities in formerly fragile Uganda due to disputes related to the overfishing of Lake Edward.<sup>19</sup> *Regional institutions can address tensions over shared resources by creating platforms for information sharing, joint planning, legal harmonization, and dispute resolution.*<sup>20</sup> Moreover, by protecting and restoring shared ecosystems, fragile states and their neighbors can reduce the need for populations to migrate across borders due to droughts or other environmental pressures.<sup>21</sup> For example, the drop in water levels in the Lake Chad Basin is one of the underlying reasons

for transboundary migration from Chad into CAR, and the Bank's project to strengthen climate change adaptability in the Lake Chad Basin has the potential to reduce these pressures.<sup>22</sup>

*Regional planning for shared watercourses can include the development of shared plans and capacity building to help Member States effectively implement the plans.* The Bank is working with the Mano River Union (MRU), its Member States, and the Global Environment Facility to develop regional management capacity for the sustainable management of the Upper Guinea Forest (see box on Partnering with the Mano River Union to Conserve the Upper Guinea Forest). The plan includes the development of the MRU's capacity to collect and analyze information related to the Upper Guinea Forest ecosystem and how the ecosystem is used; the project will also build the institutional capacity of the MRU and its Member States for forest management. Another example of this is the Central African Forest Commission (COMIFAC), which is the regional body that coordinates Congo Basin forest management. COMIFAC has 10 Member States, including six fragile states (Burundi, CAR, Chad, Congo, DRC, and São Tomé and Príncipe) and four nonfragile states (Cameroon, Equatorial Guinea, Gabon, and Rwanda).<sup>23</sup> COMIFAC worked with member countries to develop a forest management plan for the region, and it offers capacity building for forestry officials at the national level.<sup>24</sup> COMIFAC works on a range of issues related to forest management, including the certification of timber products, the protection of biodiversity, climate change mitigation, and data collection and management, among others.<sup>25</sup>

*In the fisheries sector, cooperation is particularly important to the control of illegal, unreported, and unregulated fishing both because fish populations migrate across borders and because countries trying to sustainably manage their fisheries struggle with how to address fishing vessels from neighboring countries.* There are many regional institutions for the management of shared fisheries in Africa. Institutions for the collective management of shared fisheries can provide fragile states with information about fisheries, technical support and legal norms related to what fishing practices are legal, and enforcement support to combat illegal fishing. The Bank is currently supporting this type of regional approach for the restoration and harmonization of fisheries in Lake Tanganyika (Chapter 3). Another example of a regional institution for the management of fisheries is the Regional Fisheries Committee for the Gulf of Guinea (COREP).<sup>26</sup> COREP focuses on preserving the fisheries of the Gulf of Guinea and the inland waters of the Member States. Its members include three fragile states (DRC, Congo, and São Tomé and Príncipe) as well as the nonfragile states of Cameroon and Gabon; Angola and Equatorial Guinea



participate as observers.<sup>27</sup> COREP seeks to create a common legal framework for fisheries in the Member States and monitor the health of the Gulf of Guinea fisheries.<sup>28</sup>

In addition to resource-focused regional organizations (which generally are independent of RECs), RECs can also support the development of plans and protocols for the use of shared resources. For example, in 2000, the Southern African Development Community (SADC), which includes the fragile state of Zimbabwe, adopted the Revised Protocol on Shared Watercourses, which sets forth principles on the use, conservation, and monitoring of shared waterways.<sup>29</sup> The revised protocol also specifically maintains the rights of Member States to develop additional protocols related to specific shared watercourses. In 2004, Zimbabwe and its neighboring countries adopted the Agreement on the Establishment of the Zambezi Watercourse Commission, which both generated a framework for governing the Zambezi River and implemented the SADC Revised Protocol on Shared Watercourses.<sup>30</sup>

## 9.2 Developing and Harmonizing National Laws and Capacity

Fragile states frequently look to and seek technical and capacity-building support from RECs and other regional institutions when working to develop and harmonize national laws and capacity with their neighbors. This type of harmonization and support is useful for natural resources, particularly those resources that are traded regionally and internationally—and may support economic growth.

Regional conventions, protocols, and other frameworks on environmental protection and natural resource management provide an important source of norms, standards, and procedures for fragile states and their neighbors. For example, in the EAC, when projects in one Member State might cause transboundary environmental impacts in another Member State, the EAC's Transboundary Environmental Assessment Guidelines for Shared Ecosystems in East Africa set forth processes for the evaluation of potential impacts and assign the resolution of disputes to the EAC Secretariat, if the proponent and affected states are unable to agree upon a solution.<sup>31</sup> Continent-wide initiatives such as the *African Mining Vision*, the *Framework and Guidelines on Land Policy in Africa*, and the *Africa Water Vision 2025* also have the potential to contribute to the harmonization of norms and standards in specific natural resource management sectors.<sup>32</sup>

Fragile states can also use natural resource frameworks established by RECs as a starting point when developing national legal systems and reforming institutions. RECs such as the EAC, SADC,

and the Economic Community of West African States (ECOWAS) have adopted protocols related to the environment and natural resource management in general and on specific issues such as forestry, fisheries, and shared waters.<sup>33</sup>

Regional institutions like RECs also provide essential capacity-building support to Member States, including fragile states. For example, in 2012, SADC worked with development partners to prepare a needs assessment of Zimbabwe's climate change capacity-building needs and sponsored a workshop for Zimbabwean government officials and members of civil society on climate change adaptation, risk reduction, and climate finance.<sup>34</sup>

Fragile states and their partners can also promote economic growth through legal harmonization, capacity building, and improvements to infrastructure to support the legal export of natural resources. Fragile states rely heavily on natural resource-related exports ([Chapter 1](#)); however, trade among African states currently accounts for a disproportionately small proportion of exports. While Africa's exports grew by 11.3 percent between 2000 and 2009, only 12 percent of the continent's trade was intraregional.<sup>35</sup> In a promising indication of intra-African trade development, trade between neighboring countries in Africa has been increasing, and there is great potential for fragile states to catalyze and accelerate trade with neighboring countries through regional cooperation.<sup>36</sup>

Legal harmonization and reforms can provide incentives to encourage entrepreneurs to transition informal cross-border trade (ICBT) into the formal markets.<sup>37</sup> ICBT in natural resources deprives governments of revenues and can provide a source of financing for armed groups, such as minerals in Central Africa and cattle in East Africa ([Chapter 2](#); [Chapter 3](#)). There are risks to livelihoods in criminalizing ICBT, however, because it is an important source of income for many people who trade in natural resources ranging from staple foods and cattle to cash crops like cocoa and minerals.<sup>38</sup> The informal trade of staple foods was critical for the alleviation of food shortages in Southern Africa in 2005 and 2006, during which roughly 209,000 metric tons of food reached countries in need through informal means.<sup>39</sup> Informal trade in staple foods benefited fragile states like DRC and Zimbabwe as a source of low-cost imports to address shortages. Informal trade also supports farmers in neighboring countries like Mozambique, South Africa, Tanzania, and Zambia, who export the staples to countries where food is needed. ***Inexpensive and efficient strategies are needed to formalize export markets without harming local livelihoods.*** It is essential that the conflict dynamics of transboundary trade in natural resources be considered as part of analyses of customs and trade policies. Combatting

corruption at borders and checkpoints, investing in building the physical and human resource capacity of customs facilities to more quickly process items for export and import (reducing delays at border crossings), and simplifying customs processes and reducing fees also create incentives for traders to use formal rather than informal trade across borders.<sup>40</sup> *By supporting the efforts of RECs, like ECOWAS and COMESA, to facilitate and simplify trade among their Member States, fragile states can encourage both formalization and growth of their trade with neighboring countries.*<sup>41</sup>

The Bank is actively supporting regional-level efforts to promote trade among neighboring countries. For example, in Southern Africa, the Bank is committing US\$600 million between 2011 and 2015 to improve infrastructure and customs and transportation processes along the North-South corridor, which will benefit the fragile states of DRC and Zimbabwe, as well as their nonfragile neighbors.<sup>42</sup> These harmonization and capacity-building initiatives are integral to maximizing the effectiveness of the PIDA, which envisions highways and ports knitting the continent together by 2040.<sup>43</sup>

### 9.3 Coordinating Cooperative Efforts and Building Trust between Neighboring Countries

Joint natural resource management activities can be an effective platform for building trust and fostering cooperation between countries that are experiencing tensions. In situations where natural resource management is not central to disputes between fragile states and their neighbors, there can be greater room for flexibility and collaboration on a technical level because the issue is not politically sensitive. For example, cooperation on issues of conservation in the Tai-Sapo corridor, which straddles the border of Liberia and Côte d'Ivoire, is much less politically challenging than dialogue on other issues in natural resource management, such as the exploration for and possible development of oil or minerals.<sup>44</sup>

*Governments across Africa are exploring how to use transboundary protected areas, such as peace parks, to build confidence and ease tensions across borders while rebuilding livelihoods and improving economic growth.* Some examples of protected areas that are in the process of being established in fragile states include Sangha Trinational, which includes Cameroon and the fragile states of CAR and DRC; the Tri-National Dja-Odzala-Minkébé, which includes Cameroon, Gabon, and the fragile state of Congo; and the Mayombe Transboundary Initiative, which includes Angola and the fragile states of Congo and DRC.<sup>45</sup>

*The institutions that manage transboundary protected areas should be designed with conflict*



Moabi saplings. Photo: AfDB.

*dynamics in mind.* For example, the Governments of Liberia and Côte d'Ivoire and their development partners are paying particular attention to conflict analyses and conflict-sensitive conservation in the development of the Tai-Sapo forest complex.<sup>46</sup> It was recognized from the outset that the expansion and harmonization of the management of the Tai-Sapo Complex may have both positive and negative impacts on the existing local conflict landscape. In 2009, a major workshop identified steps needed for the joint management of the Tai-Sapo Complex, examining peacebuilding and conflict management as one of the key themes. After examinations of the sources of conflict within the complex, the workshop proposed regular meetings for information sharing and confidence building between officials from Liberia and Côte d'Ivoire; stakeholder forums to engage civil society and local communities on issues related to access to livelihoods; campaigns to inform the public of the plans for the Tai-Sapo Complex; and income-generating projects for those living in the complex. The workshop findings also emphasized the need for park administrators to be trained in both participatory conflict analysis and conflict resolution.

During the development of transboundary protected areas, there is the risk that nonfragile states can use their economic or political strength to negotiate more advantageous terms for their national interests to the detriment of their fragile neighbors, which has the potential to increase rather than mitigate tensions.<sup>47</sup> *Revenue sharing agreements are one tool to ensure fragile states and their nonfragile neighbors both benefit from transboundary protected areas.* For example, the transboundary strategic plan (TSP) for the management of the Greater Virunga Landscape, which includes parts of DRC and formerly fragile Uganda and Rwanda, provides for revenue sharing when gorillas migrate from one country's territory to another.<sup>48</sup> Both Uganda and DRC have received payments from Rwanda as gorillas have migrated into Rwandan territory.<sup>49</sup>

When the foundation for intergovernmental cooperation is strong, institutions may be able, as time goes on, to tackle issues that are more politically sensitive. In the Greater Virunga Landscape, international nongovernmental organizations initially arranged technical coordination and activities such as joint patrols and regional meetings between Rwandan and Congolese park rangers on gorilla conservation.<sup>50</sup> These activities built an atmosphere of trust and collegiality so that, eventually, park rangers from different countries even “exchanged shirts like football players.”<sup>51</sup> After years of technical cooperation, the Governments of Rwanda, Uganda, and DRC formalized the management arrangements for the Greater Virunga Landscape, in 2005, with the signature of the Goma Declaration<sup>52</sup> and the subsequent development of a TSP for the region.<sup>53</sup> Successful cooperation, capacity building, and benefit sharing have built the countries’ trust in the TSP process. This trust was illustrated in the expansion of the TSP, beyond its original mandate, to address low-level conflicts between Congolese and Ugandan fishermen over the fisheries in Lake Edward.<sup>54</sup>

*Cooperation and management of international rivers, large landscapes, and other shared resources can also provide a platform for confidence building and reduced tensions.* The Bank’s collaboration with the Intergovernmental Authority on Development (IGAD) to support drought resilience in the Greater Horn of Africa specifically includes a component for building institutional capacity for peacebuilding and conflict resolution (Chapter 3).<sup>55</sup> Likewise, exchange of technical information, shared power generation, and other joint activities to support the common development of the Mekong River served as a foundation for peaceful exchanges at a time when Cambodia, Laos, Thailand, and Vietnam were experiencing armed conflict, civil unrest, and periodic border skirmishes.<sup>56</sup>

#### 9.4 Developing Early Warning Systems, Preventing Conflicts, and Mediating Disputes

Regional institutions have also play a role in identifying the potential for conflicts through early warning systems and undertaking efforts to prevent, mediate, and reestablish the peace in fragile states. For example, the African Union plays an important role in conflict prevention and mediation and has carried out important peacekeeping operations in Burundi, Comoros, Darfur, Somalia, and elsewhere.<sup>57</sup> Regional institutions, such as ECOWAS and ECCAS, are also making significant contributions in this arena. ECCAS was one of the first institutions to provide peacekeeping forces in response to the 2013 political crisis in CAR, and ECOWAS has been engaged in peacekeeping and conflict prevention in countries like Côte d’Ivoire, Liberia, Sierra Leone, Togo, and more



Students in DRC learn to inventory trees. Photo: AfDB.

recently Guinea-Bissau.<sup>58</sup> ECOWAS also has an early warning system, which collects information from both Member State governments and civil society organizations to develop a more holistic assessment of the potential for tensions to flare up into armed conflict.<sup>59</sup>

*By developing systems for recognizing and responding to natural resource-related conflicts at their earliest stages, regional institutions can play a key role in preventing natural resource-related conflicts.* In 2008, ECOWAS supplemented its ongoing work on conflict mediation and prevention with the adoption of the ECOWAS Conflict Prevention Framework.<sup>60</sup> The framework is designed to integrate conflict prevention and peacebuilding throughout ECOWAS activities, policies, and programs by building capacity and deepening awareness of conflict prevention and peacebuilding within ECOWAS institutions, Member States, and development partners. It addresses both structural factors that contribute to armed conflict over the long term and operational strategies and tools for conflict prevention. Natural resources, identified as a driver of civil conflicts across the region, is a theme throughout the framework. The framework also identifies natural resource governance as one of 14 components of conflict prevention and peacebuilding in West Africa.

Within this context, the framework establishes objectives, activities, benchmarks, and capacity-building requirements needed to achieve improved natural resource governance in the ECOWAS region.<sup>61</sup> The activities envisioned include the creation of a network to set norms for the region; the development of natural resource audits that would map natural resource-related data; the review of laws and policies related to natural resource governance; the preparation of a regional strategy for shared resources; and a host of other items ranging from the preparation of studies on environmental risks to the prevention of the illegal disposal of hazardous waste.



One particularly notable recommendation was the development of regional and national institutions for the resolution of disputes between local, national, and regional interests. The ambitious framework identifies benchmarks for implementation including changes in resource use, such as reduced deforestation; changes in governance, such as increased transparency; and improvements to peacebuilding or statebuilding objectives, such as reduced tensions between communities and increased employment opportunities. The implementation of the new ECOWAS framework is still at an early stage, and will require the devotion of significant resources to achieve its objectives. Efforts such as these are important in fragile states, where governments are just beginning to rebuild national capacity for data collection and management and natural resource governance in the wake of conflicts and political crises (Chapter 6.2).

To develop working institutions that can address this broad scope of conflict prevention activities, additional sources of resource mobilization are needed to build the institutional capacity of regional institutions to undertake these activities; to develop the linkages between regional institutions and Member States; and to ensure that Member States have the resources to implement regional norms. Many development partners have offered support for specific aspects of the implementation of the ECOWAS framework; however, more support is needed to achieve the objectives of the framework. Moreover, as other regions begin to develop conflict prevention frameworks to address natural resources, they too will need support.

The Bank has supported this type of approach for efforts by the IGAD, which is responsible for regional integration within the Greater Horn of Africa. The Bank is supporting IGAD's efforts to more effectively address pastoral conflicts and increase resilience to droughts, while simultaneously providing national-level support for individual countries in the Greater Horn of Africa (Chapter 3). This approach supports and complements IGAD's ongoing efforts to strengthen its early warning system and implementation capacity for responding to conflicts among pastoral groups and between pastoral and agricultural groups.<sup>62</sup>

## 9.5 Recommendations

Regional institutions have an essential role to play in the promotion of resilience in fragile states. The Bank has been supporting regional institutions and integration both through regional economic commissions (RECs) and through regional institutions for the management of shared resources. This commitment to regional approaches in Africa is continuing to grow. AfDB's *Strategy for 2013–2022* recognizes the importance of regional institutions in resolving conflicts and supporting rule of law,

transparency, accountability, and economic growth.<sup>63</sup> Fragile states and development partners should examine the following five key considerations when working on regional initiatives for natural resource management:

- *The joint management of shared resources is important for fragile states and their neighbors because development choices by one country can cause scarcity and tensions in neighboring countries, because cooperation around natural resources can create opportunities for cooperation in other sectors, and because joint management can leverage scarce expertise and financial resources.* Regional institutions have the potential to prevent and diffuse tensions through joint planning for the management of shared natural resources and the mediation of disputes. Support from regional institutions can include the collection and dissemination of natural resource-related data, technical support for the development of national laws, capacity-building opportunities for the staff of fragile states, and access to regional mediation and arbitration mechanisms.
- *Fragile states can work with RECs to spur economic growth and recovery by facilitating the growth and formalization of trade with neighboring countries.* Key steps to achieve this include the harmonization and simplification of customs frameworks, the improvement of transportation networks, the reinforcement of institutional and human resource capacity at customs and border checkpoints, and the control of corruption. During the development of efforts aimed at harmonization of customs and transportation standards, fragile states, RECs, and development partners should consider the potential effects (both beneficial and harmful) of proposed standards on informal markets in order to reduce the risk of exacerbating tensions and armed conflict.
- *In developing and managing initiatives for regional cooperation around natural resource management and more broadly, it is important to ensure that fragile states are able to participate on an equal footing with their neighbors.* This may require technical assistance, capacity building, and other measures.
- *Through regional cooperation on natural resources, fragile states can build trust and relationships with their neighbors on technical issues, creating platforms for cooperation on more politically sensitive areas of mutual interest.* Revenue sharing agreements are one approach for ensuring fragile states and their nonfragile neighbors both benefit from transboundary protected areas.

- *Cooperation between regional institutions and Member States is essential to address the structural causes of conflict, particularly related to natural resource management.* After regional institutions have built a consensus among their Member States to tackle the structural underpinnings of natural resource-related conflict, the Bank is uniquely positioned to (1) help regional institutions develop clearly elaborated projects; (2) fund plans that simultaneously support institutions at the regional and national levels; and (3) convene donor meetings and leverage support for well-elaborated plans that exceed the resources that the Bank can provide on its own.

## Endnotes

- 1 United Nations Interagency Framework Team for Preventative Action 2012c.
- 2 United Nations Interagency Framework Team for Preventative Action 2012c.
- 3 LOG Associates 2010 (Greater Horn of Africa); AfDB 2013l.
- 4 Special Court for Sierra Leone, Appeals Chamber 2013.
- 5 Chauvet, Collier, and Hoeffler 2007; see also Santi, Ben Romdhane, and Ben Aïssa (2011).
- 6 See, for example, UNEP (2000).
- 7 France 24 2013.
- 8 UNECA, AU, and AfDB 2013.
- 9 COMESA n.d.
- 10 EAC 2011. Burundi, Kenya, Rwanda, Tanzania, and Uganda are all currently members of the EAC. EAC n.d. Of these, only Burundi is a fragile state.
- 11 EAC 2013.
- 12 Jägerskog and Zeitoun 2009.
- 13 AfDB and WWF 2012; COMIFAC n.d.; World Bank 2011b.
- 14 Butera 2013; Maekawa et al. 2015\*.
- 15 Martin et al. 2011.
- 16 UNSC 2014.
- 17 PIDA is a joint initiative of the Bank, the African Union Commission, the United Nations Economic Commission for Africa, and the NEPAD (New Partnership for Africa's Development) Planning and Coordinating Agency. PIDA et al. 2010.
- 18 PIDA et al. 2010.
- 19 Refisch and Jenson 2015\*.
- 20 United Nations Interagency Framework Team for Preventative Action 2012c.
- 21 United Nations Interagency Framework Team for Preventative Action 2012c.
- 22 This project is discussed in detail in Chapter 5 on climate change.
- 23 COMIFAC n.d.
- 24 COMIFAC 2005, 2009.
- 25 COMIFAC 2009.
- 26 FAO 2010.
- 27 FAO 2010.
- 28 FAO 2010.
- 29 SADC 2000. Protocol on Shared Watercourse Systems in the SADC Community. [www.sadc.int/files/3413/6698/6218/Revised\\_Protocol\\_on\\_Shared\\_Watercourses\\_-\\_2000\\_-\\_English.pdf](http://www.sadc.int/files/3413/6698/6218/Revised_Protocol_on_Shared_Watercourses_-_2000_-_English.pdf).
- 30 Agreement on the Establishment of the Zambezi Watercourse Commission. 2004. Kasane, Botswana. [www.zambezicommission.org/images/downloads/ZAMCOM%20agreement.pdf](http://www.zambezicommission.org/images/downloads/ZAMCOM%20agreement.pdf).
- 31 East African Community 2005. Transboundary environmental assessment guidelines for shared ecosystems in East Africa. Arusha, Tanzania. [www.environment.eac.int/index.php?option=com\\_docman&task=cat\\_view&gid=66&Itemid=106](http://www.environment.eac.int/index.php?option=com_docman&task=cat_view&gid=66&Itemid=106).
- 32 AU 2009; AU, AfDB, and UNECA 2010a; UNECA, AU, and AfDB 2000.
- 33 East African Community 2006. EAC Protocol on environment and natural resource management. Arusha, Tanzania. [www.eac.int/environment/index.php?option=com\\_content&view=article&id=122:eac-gender-a-community-development](http://www.eac.int/environment/index.php?option=com_content&view=article&id=122:eac-gender-a-community-development). Economic Community of West African States 2008. ECOWAS environmental policy. Abuja, Nigeria. [www.comm.ecowas.int/dept/d/d2/en/ecowas\\_environment\\_policy.pdf](http://www.comm.ecowas.int/dept/d/d2/en/ecowas_environment_policy.pdf). Southern African Development Community 2002. Protocol on forestry. Luanda, Angola. [www.sadc.int/files/9813/5292/8364/Protocol\\_on\\_Forestry2002.pdf](http://www.sadc.int/files/9813/5292/8364/Protocol_on_Forestry2002.pdf). Southern African Development Community 2001. Protocol on fisheries. Gaborone, Botswana. [http://www.sadc.int/files/5613/5292/8363/Protocol\\_on\\_Fisheries2001.pdf](http://www.sadc.int/files/5613/5292/8363/Protocol_on_Fisheries2001.pdf).
- 34 Davis 2012; SA Vulnerability and Risk Atlas n.d.
- 35 AfDB 2013d; Ben Barka 2012.
- 36 See, for example, data on increased trade between EAC members. EAC 2011.
- 37 Afrika and Ajumbo 2012.
- 38 Afrika and Ajumbo 2012.
- 39 Afrika and Ajumbo 2012.
- 40 Afrika and Ajumbo 2012; AfDB 2013d.
- 41 For more on COMESA and ECOWAS efforts to formalize ICBT, see Afrika and Ajumbo (2012).
- 42 AfDB 2011m, 32. AfDB (2011l) also discusses similar efforts to support economic integration in Central Africa.
- 43 PIDA et al. 2010.
- 44 Refisch et al. 2009.
- 45 Refisch and Jenson 2015\*.
- 46 Refisch et al., 2009.
- 47 See, for example, the discussions of revenue sharing and land use in Van Amerom and Büscher (2005).

- 48 Refisch and Jenson 2015\*.
- 49 Refisch and Jenson 2015\*.
- 50 Refisch and Jenson 2015\*.
- 51 Martin et al. 2011, 628.
- 52 The Goma Declaration is formally known as the Tripartite Declaration on the Transboundary Natural Resources Management of the Transboundary Protected Area Network of the Central Albertine Rift.
- 53 Refisch and Jenson 2015\*.
- 54 Refisch and Jenson 2015\*.
- 55 AfDB 2012l.
- 56 Nakayama 2011.
- 57 Wulf and Debiel 2009.
- 58 Atoubi 2010; BBC News Africa 2012; France 24 2013; Wulf and Debiel 2009.
- 59 Wulf and Debiel 2009.
- 60 Economic Community of West African States (ECOWAS). 2008. The ECOWAS Conflict Prevention Framework. Regulation MSC/Reg.1/01/08. Abuja, Nigeria. [www.ecowas.int/publications/en/framework/ECPF\\_final.pdf](http://www.ecowas.int/publications/en/framework/ECPF_final.pdf).
- 61 Economic Community of West African States (ECOWAS). 2008. The ECOWAS Conflict Prevention Framework. Regulation MSC/Reg.1/01/08. Abuja, Nigeria. [www.ecowas.int/publications/en/framework/ECPF\\_final.pdf](http://www.ecowas.int/publications/en/framework/ECPF_final.pdf).
- 62 For more on IGAD's early warning system, see Wulf and Debiel (2009).
- 63 AfDB 2013d.





## Conflict Sensitivity and the Program Cycle

Natural resources are assets that can help bring communities together, jump-start economic development, sustain livelihoods, and meet people's basic needs for food security and household water consumption in fragile and conflict-affected states. Conflict-sensitive approaches to natural resource management are essential to peacebuilding and statebuilding, as well to development. This chapter examines how to make natural resource programming more conflict sensitive, and how natural resource initiatives can contribute to peacebuilding and statebuilding. The box on Defining Conflict Sensitivity, Peacebuilding, and Statebuilding provides brief descriptions of these three core concepts.

When natural resources are mismanaged, they can both contribute to the cause of armed conflict and provide financing for conflict. The earlier chapters of this Flagship Report analyze multiple connections between natural resources and conflict, including examples of farmer-herder conflicts; tensions over land and water rights; and the use of profits from the sale of diamonds, precious metals, ivory, timber and other products to fund conflict. Indeed, natural resources have contributed to the onset or financing of conflict in at least 14 fragile and formerly fragile states in Africa.

Development initiatives in fragile states must be conflict sensitive because of the higher risks of failure and the potential to exacerbate tensions by infusing money into already fragile situations.<sup>1</sup> For example, an initiative in eastern Democratic Republic of the Congo (DRC), designed to reduce human-wildlife conflict, distributed cash and food to farmers in exchange for labor to install fences to keep out buffalo.<sup>2</sup> Rebel fighters then targeted raids against the project beneficiaries because the food and money the farmers had been paid represented valuable assets that were relatively unprotected.<sup>3</sup>

If the benefits and burdens of development initiatives are not distributed equitably, they can reinforce or even deepen divisions between groups.<sup>4</sup> A donor-supported hydroelectric and irrigation initiative

in Sri Lanka was abandoned when it became one of the many grievances underpinning the nation's civil war.<sup>5</sup> The Tamil ethnic minority rallied public support around claims that the Sri Lankan government was using the project to resettle members of the Sinhalese ethnic majority on disputed lands.<sup>6</sup> Tensions similarly arose during the first phase of the Fadama project in Nigeria because it focused on the interests of farmers without sufficient attention to the competing needs of herders and fishers (Chapter 3).<sup>7</sup>

Development initiatives can also risk the diversion of project funds or other resources, or the reduction of project effectiveness, if they are not designed and implemented in ways that take into account the role of different levels of government in conflict

dynamics. Thus, for example, relief agencies attempting to distribute food aid in Rwanda during the 1994 conflict found that much of the food aid administered by traditional institutions was not reaching its intended beneficiaries, and efforts to correct the problem were “met with sometimes violent resistance.”<sup>8</sup> Development initiatives can also mistakenly raise beneficiary populations' expectations for basic services beyond what fragile states can provide or otherwise inadvertently undermine the legitimacy of fragile state governments.<sup>9</sup> Projects that promote the growth of informal markets to improve livelihoods must also take care to ensure that the profits from natural resource markets are not diverted to finance armed conflict.<sup>10</sup> And informal markets that fund conflict extend beyond diamonds to more

### Defining Conflict Sensitivity, Peacebuilding, and Statebuilding

*Conflict sensitivity* is “the ability of an organisation to (a) understand the context in which it is operating, (b) understand the interaction between the intervention and that context, and (c) act upon that understanding in order to avoid negative impacts and maximise positive impacts on the conflict.” Conflict sensitivity is needed for all development initiatives, whether or not they are designed to support peacebuilding and statebuilding objectives.

Peacebuilding and statebuilding involve “reinforcing processes that support the building of effective, legitimate, accountable and responsive states.” Peacebuilding and statebuilding include those activities that support the following:

- (1) Livelihoods and economic development.
- (2) Inclusive governance.
- (3) Basic services.
- (4) Security.

This practical conceptualization of peacebuilding and statebuilding includes a broad range of initiatives that improve the state-society relationship. It builds on the Bank's policies and activities, including the Bank's participation in efforts led by the Organisation for Economic Co-operation and Development and the International Dialogue for Peacebuilding and Statebuilding, and the commitment of the Bank and 11 fragile states in Africa to the New Deal for Engagement in Fragile States, also known as the Busan New Deal.

When tailoring assistance to fragile state contexts, distinguishing between peacebuilding and statebuilding can be helpful. *Statebuilding* refers to the focus placed on building state capacity and the structures needed for ongoing, inclusive dialogues between fragile state governments and the societies that they serve. *Peacebuilding* refers to the focus placed on implementing the incentives and institutional structures needed to reduce the likelihood that a state will lapse or relapse into conflict by addressing the root causes and drivers of conflict, delivering peace dividends, and otherwise supporting countries transitioning out of conflict. These are considered separate but overlapping areas of assistance. Some institutions define *peacebuilding* more narrowly as targeted assistance, limited to those interventions aimed at addressing the root causes and drivers of conflict.

For the purposes of this Report, peacebuilding and statebuilding are treated together based on the four key areas of intervention defined above. This more generalized approach allows the Report to cover the diversity of fragile states in Africa with the understanding that peacebuilding and statebuilding initiatives must be tailored to the needs and experiences of individual fragile states. This broader approach is also more suited to the breadth of Bank interventions in fragile states.



common natural resources such as cattle, fish, and charcoal.<sup>11</sup>

***Conflict-sensitive approaches to natural resource management can be used to identify potential pitfalls and to reduce tensions.*** Conflict-sensitive approaches to development focus on ensuring that development initiatives can achieve their objectives in ways that avoid doing harm. Mainstreaming conflict sensitivity into Bank activities involves asking, at each step in the programming cycle, whether the objectives or operational aspects of the proposed activity have the potential to directly or indirectly aggravate tensions, renew grievances, or otherwise increase fragility—and whether the activity could provide jobs, foster cooperation and reconciliation, or otherwise build resilience.<sup>12</sup>

***Consideration of the linkages between natural resources and fragility is also important to projects that are not traditionally considered a part of natural resource management.*** For example, infrastructure initiatives or efforts to improve public financial management may affect natural resource-related conflict dynamics. The environmental impacts of infrastructure initiatives can cause grievances. Changes to customs regulations to improve public financial management can alter the incentives for trading natural resource products in the formal market rather than through informal channels. Such initiatives can also be affected by natural resource-related conflict dynamics. For example, effective public financial management of natural resource revenues can be undermined by the smuggling of natural resources to fuel conflict. Likewise, infrastructure initiatives can be undermined where there is corruption in the consideration and issuance of environmental permits.

Conflict-sensitive natural resource management requires attention to the ways in which development partner objectives may diverge from those of the fragile state government—and how both of those may diverge from community interests.<sup>13</sup> For example, one fragile state government may be interested in the potential of forest resources to support economic development and livelihoods; another fragile state may be concerned about the effects of deforestation on tensions between agricultural communities and forest-dwelling communities; and a third fragile state may wish to focus on the potential for the timber trade to finance armed conflict. And in all these states, community needs may be reflected in state priorities, or—as is often the case—the community interests may compete with state interests in the forest. Development partners may be interested in these challenges, but they may also wish to place more emphasis on a forest's value in terms of carbon sequestration or as habitat for threatened or endangered species.<sup>14</sup> Development partners may

also view forestry initiatives through the lens of human rights or democratic governance. Conflict-sensitive approaches are needed to identify and consider how to address the priorities of fragile state governments, communities, and development partners to minimize the likelihood that development initiatives can undermine national priorities for peacebuilding or statebuilding.

***The state-society relationship in fragile states, which is central to statebuilding, can be influenced significantly by natural resource management because of the importance of natural resource-related government actions in people's everyday lives.*** Natural resources are crucial to people's food security and livelihoods in fragile states, and many of the interactions between individuals, communities, and subnational and national governments occur within the context of natural resource management. Examples of these interactions include obtaining access to water and sanitation; allocating and resolving disputes over rights to fisheries, arable land, forestry resources, or transhumance corridors; managing cooperative agriculture or reforestation projects on communally held lands; and transporting natural resource products and trading them at market. People's ideas of government effectiveness and legitimacy can be shaped by how fragile state governments allocate natural resource rights and distribute the benefits and burdens of managing natural resources and developing related infrastructure.

Because natural resource management decisions can affect many aspects of the state-society relationship, ***peacebuilding and statebuilding considerations must be integrated into fragile state government and development partner decisions, policies, and initiatives.*** The connections between natural resource management and peacebuilding and statebuilding priorities are numerous. For example, natural resource management can contribute to livelihoods and economic development through efforts to boost the production of agricultural cooperatives or through government initiatives to collect revenue from and support the extraction of minerals or other high value resources. Fragile states can develop mechanisms for inclusive governance by developing local land use plans that allocate natural resources through consensus-building processes. Access to basic services is also linked to natural resource management; for example, water supply is dependent on the sustainable management of water resources. Security interests can be enhanced through projects to control the illicit trade in natural resources linked to conflict and through initiatives that support the reintegration of excombatants into natural resource-related professions. Additional linkages between natural resource management and peacebuilding and statebuilding objectives are listed in [Chapter 1, Table 1.2](#).



Fishing boats. Photo: AfDB.

To ensure effective programming, *analyses are needed at each step in the programming cycle for natural resource-related projects to evaluate and monitor the relationship between peacebuilding and statebuilding priorities and natural resource management.* In many situations, multiple peacebuilding and statebuilding priorities may need to be considered simultaneously because weaknesses in one area can undermine the effectiveness of projects designed to support other peacebuilding and statebuilding priorities. For example, the lack of inclusive governance and access to justice in many instances has undermined economic development projects; conversely, poorly designed development projects can similarly undermine governance. In Nigeria, the first Fadama project (discussed above) achieved its goals to boost agricultural production. Nevertheless, the project had a negative impact on conflict dynamics, in part because the project benefited only one user group and also because the local government lacked the capacity to build consensus over how natural resources should be used.<sup>15</sup> The follow-on Fadama project, which was supported by the Bank and others, addressed the conflict dynamics by supporting local natural resource governance, planning, and dispute resolution. By addressing the noneconomic aspects of natural resource management (that is, the conflict-related aspects), the project was ultimately able to support economic development and reduce conflict.

In 2014, the Bank released a new strategy for engaging fragile states entitled *Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014–2019 (Fragile States Strategy)*.<sup>16</sup> The strategy focuses on using a fragility perspective in both lending and nonlending activities in fragile situations. This chapter of this Flagship Report identifies potential strategies for integrating conflict sensitivity, peacebuilding, and statebuilding into three key points in the program cycle in fragile states: (1) dialogue between development partners and fragile states, (2) project design, and (3) monitoring of implementation and evaluation. As

each fragile state is unique, the selection and use of the approaches will need to be tailored to the particular context.

### 10.1 Development Partner Dialogues with Fragile States

Fragile states and development partners can use dialogues and strategic-planning processes as opportunities to identify and prioritize projects that focus on the linkages between natural resources and fragility, and to address these linkages to build resilience. The Bank's *Fragile States Strategy* emphasizes the need to integrate considerations of fragility into country strategy plans (CSPs), regional integration strategy papers (RISPs), and other policy dialogues at the national, regional, and international levels.<sup>17</sup> Conflict-sensitive approaches are an important part of dialogues and strategic planning between fragile states, the Bank, and other development partners because these planning processes establish medium-term plans that outline peacebuilding, statebuilding, and development priorities for assistance to fragile states.

*Fragility assessments are needed to identify the causes and drivers of fragility, including natural resource linkages.* The Busan New Deal has encouraged the development of fragility assessments that are based on processes led by fragile states that identify drivers of fragility as well as national priorities within the New Deal's framework of peacebuilding and statebuilding goals.<sup>18</sup> Development partners often conduct similar studies, including conflict assessments and conflict analyses.<sup>19</sup> Each institution uses its own methodology for conducting conflict or fragility assessments; however, such assessments frequently involve identifying the following:

- (1) Sources of grievances, including both structural and proximate causes.
- (2) Motivations of key actors (individuals and groups) and their ability or capacity to pursue their objectives.
- (3) Sources of resilience or factors that reduce the likelihood of conflict.<sup>20</sup>

Other key considerations include identity, societal patterns, institutional performance, security, and economic factors.<sup>21</sup>

In developing and refining the approaches for preparing fragility assessments and related studies, it is essential to include natural resource linkages in the assessments. This means understanding the extent to which, within a specific national context, natural resources are (1) a contributing cause of conflict, (2) used to finance conflict, and (3) important assets for peacebuilding (Chapter 1). For example, in 2008, several development partners undertook an analysis



of the conflict in DRC; the study initially noted that natural resources, the recruitment of child soldiers, and violence against women were key factors in the conflict. Later, a full conflict analysis identified land use as another significant driver of the conflict, which had not been previously considered.<sup>22</sup> Likewise, an analysis of the conflict in Somalia identified competition between pastoral, semipastoral, and agricultural clan groups over arable land and water points as a key source of serious and recurring violence.<sup>23</sup> Laws and institutions that result in perceived inequities in access to land and other natural resources are another important type of structural grievance.<sup>24</sup> In other contexts, sudden changes in access to natural resources, such as increased fees for water, has been the proximate cause of civil unrest.<sup>25</sup> In a number of conflicts, the capacities of key actors to marshal financial resources for armed conflict has been determined by their ability to access and sell natural resources.<sup>26</sup> It is also important to assess the damage to natural resources caused by armed conflict because such damage can cause scarcity, thereby undermining economic and development efforts and even potentially contributing to grievances that can lead to relapses into conflict. ***Guidelines are needed to standardize processes for identifying the natural resource-related aspects of conflicts and fragility within the larger fragility assessment process.***

Fragility assessments reflect national priorities; to effectively inform programming, though, they must also depict the realities on the ground and objectively describe diverse viewpoints. In polarized situations it can be challenging to ensure the objectivity of fragility assessments. Accordingly, the process of developing objective fragility assessments requires the engagement not only of government officials of fragile states but also a wide range of stakeholders at the national, subnational, and local levels.<sup>27</sup> Fragility assessments should include the consideration of opposition groups to ensure that the assessment avoids inadvertently framing the conflict to favor one party over another.<sup>28</sup>

Proposals have been put forth for development partners to prepare joint fragility and conflict assessments to avoid the duplication of efforts and to maximize opportunities for coordination of priorities and assistance initiatives.<sup>29</sup> Where circumstances require development partners to have their own, separate fragility or conflict assessments, development partners should examine the extent to which they can share the information from and results of such assessments.

After preparing fragility or conflict assessments, development partners work with fragile states to start planning transitional assistance in the aftermath of a conflict or political crisis.<sup>30</sup> The United Nations Development Group, the World Bank, the European

Commission, and other international organizations also cooperate to prepare post-conflict needs assessments (PCNAs) for individual countries affected by conflict. PCNAs analyze the conflict but also assess needs, prioritize interventions, evaluate the costs of post-conflict assistance, and identify how to measure progress in specific transitional settings.<sup>31</sup> The African Development Bank was particularly active in the development of the needs assessment for the Darfur region of Sudan.<sup>32</sup> PCNAs can also serve as the foundation and precursor to poverty reduction strategy papers (PRSPs).<sup>33</sup> As such, participation in PCNA processes can be important in setting the long-term development agenda for fragile states.

Integrating natural resource management into the PCNA process can be technically challenging, and United Nations Environment Programme has developed guidance to facilitate the analysis.<sup>34</sup> The guidance focuses on the linkages between natural resources and conflict, how the impacts of conflict on natural resources affect key development and peacebuilding priorities, and how to leverage natural resources to support peacebuilding.<sup>35</sup> It offers strategies for integrating the natural resource base into peacebuilding, both by treating it as a separate category and by mainstreaming it into traditional categories in PCNAs, such as security, governance, or economic development. The analysis also includes a list of natural resource management action areas where support is often needed in the short and medium term in post-conflict situations (see box on Prioritizing Natural Resource Management Needs as Part of Post-Conflict Needs Assessments). These areas of intervention are also frequently relevant to fragile states in Africa that have not experienced armed conflict.

***Fragility assessments can inform strategic plans, such as country strategy papers (CSPs).*** This information and analysis on fragility is particularly important in three instances: (1) when fragile states have not experienced conflict, (2) when fragile states are no longer in the immediate aftermath of conflict, and (3) when development partners did not participate in the coordinated PCNA process. CSPs provide an overview of a country's economic and social situation, and the performance of the Bank's portfolio of projects there. CSPs then identify key priorities for Bank investment over a five-year period, criteria for monitoring and evaluation, and how Bank priorities interact with regional initiatives and the initiatives of other development partners. For countries in transition from conflict to peace, CSPs may cover a shorter period of time.

The Bank is currently in the process of developing guidelines to incorporate considerations of fragility into CSPs.<sup>36</sup> As fragile states in Africa and development partners engage in dialogue to develop

### Prioritizing Natural Resource Management Needs as Part of Post-Conflict Needs Assessments

The United Nations Environment Programme has identified the following short- and medium-term natural resource management priorities, which should be considered when establishing reconstruction objectives in post-conflict needs assessments.

Priorities in the immediate aftermath of conflict:

- Keep natural resources from financing conflict.
- Engage critics of the peace process and reduce their natural resource-based incentives for conflict.
- When supporting and resettling displaced persons, address considerations of access to natural resources.
- Clean up contaminated sites that pose short-term risks to public health and the environment.
- Promote dialogue and cooperation related to natural resource allocation and management.
- Provide livelihoods through the restoration of natural resources.
- Rebuild the foundations of the economy that were based on natural resources.

Medium-term priorities:

- Support livelihoods through sustainable natural resource management.
- Restore natural resources that have sustained long-term damage or degradation.
- Build natural resource governance capacity at the national and subnational levels.
- Invest in long-term natural resource-based economic growth, including through value-added production.
- Promote the joint or shared management of natural resources as a means of encouraging “dialogue, confidence-building, cooperation and reconciliation.”
- Develop processes for resolving natural resource-related disputes.

CSPs and prioritize natural resource-related projects in fragile states, important considerations include (1) the ability of the project to prevent, reduce, and resolve conflict, as well as to meet peacebuilding and statebuilding objectives; (2) the presence of a window of opportunity to address a politically sensitive topic; (3) the equitable distribution of benefits and burdens of development initiatives across political and social divisions; (4) the time and capacity necessary for implementation; and (5) whether the project lays the foundation for other projects.

Fragility assessments can help development partners to identify how best to select, design, and implement projects so as to support peacebuilding and statebuilding objectives. *Projects that address the root causes of the conflict or reduce the incentives or financial resources for continuing conflict should be given priority.* Addressing the natural resource-related structural causes of armed conflict may take years, but taking concrete steps toward addressing them can help fragile state governments demonstrate their political commitment to reform.

*Conflict and crises can also create windows of opportunity to address politically sensitive issues,*

*such as natural resource benefit sharing or rights to natural resources.*<sup>37</sup> If, however, that window of opportunity is not seized, it can be difficult to address the issue later. Thus, Sierra Leone was able to reform its diamond sector after decades of abuse because it took key reform actions immediately following the end of the civil war, whereas land remains a contentious issue due to the lack of comparable initiatives to address land disputes in that window. Fragile state governments and development partners need to be able to target assistance in the immediate aftermath of conflict when an opportunity arises to “re-balance power relations, redefine political settlements, legislate for new forms of participation, and reform institutions.”<sup>38</sup> Otherwise, vested interests can quickly develop or reestablish influence, making meaningful reforms much harder to achieve.

*Dialogues on project prioritization should examine whether the combination of projects supported by development partners are equitable and inclusive, benefiting groups across political and social lines.* Fragile state governments can build their legitimacy by working with the Bank and other development partners to plan a portfolio of projects

that provides assistance in an equitable manner and avoids pockets of exclusion. This may require combining information about societal divisions, such as election or census data, with development statistics to ensure that the types of development assistance chosen and the regional distribution of such assistance are equitable. For example, if a fragile state government is launching a food security initiative in one of the poor areas that support the president's political party, it may improve government legitimacy to simultaneously launch development initiatives in underserved geographic areas that support opposition parties, even if those regions require other types of support, such as improvements to water and sanitation infrastructure. Similarly, where conflicts involve land, fragile state governments may want to work with development partners to support a mix of projects that help livelihoods for both landed and landless populations. Development partners can also coordinate their portfolios with one another to ensure that benefits are distributed equitably and that development partners are focusing efforts based upon their respective areas of competitive advantage.

*It is important to have a portfolio of projects that deliver benefits in the short, medium and long terms.* Short-term projects, such as natural resource management initiatives that support food security and water supply can build confidence in the state and deliver peace dividends. Medium- and long-term projects, such as the development of extractive industries or the institutional reform of natural resource governance, can lay the foundation for more transformative change and resilience.<sup>39</sup> Projects designed to address a single sector can be designed to include short-, medium-, and long-term components. For example, to address the illicit trade in extractive resources and to encourage economic development, short-term efforts can secure mines and trading posts and restore any contaminated mine sites that pose an immediate risk to public health. Medium-term projects could involve training for artisanal miners and local mining officials on the use of new technologies and techniques, and encouraging trade in the formal market. Long-term projects might require revisions to the mining laws, participation in and improved implementation of the Extractive Industries Transparency Initiative, and the revision of customs procedures and regulations to reduce incentives for smuggling.

*Fragile states and development partners may wish to place a higher priority on long-term projects that lay the foundation for the development of other natural resource management sectors or projects.* For example, in Burundi, the Bank is supporting the development of a feasibility study for a railway, which, if constructed, would support macroeconomic growth

by creating access to the country's significant nickel deposits.<sup>40</sup> The railway project is also an example of a project that could provide short-term labor as well as lay the groundwork for other projects that provide both longer-term jobs and macroeconomic development, such as the mining and processing of nickel.

Coordination of natural resource management initiatives among development partners, fragile state governments, and communities is essential throughout the program cycle, including project prioritization. Four key opportunities for coordination among development partners with fragile state governments are fragility assessments, needs assessments, plans for transitional assistance (which identify priorities for humanitarian, development, and peacebuilding initiatives in the immediate aftermath of conflict), and donor conferences. Many donor conferences have dedicated sessions or components on specific natural resource sectors such as forestry or mining. Coordination around natural resource management is examined in greater depth in the box on Coordination among Development Partners and Fragile States.



Man planting a moabi tree. Photo: AfDB.



### Coordination among Development Partners and Fragile States

Coordination among development partners and fragile state governments around natural resources is an important tool to supplement the standard approaches used to plan assistance, such as donor conferences. The 2005 Paris Declaration on Aid Effectiveness called for greater harmonization and coordination in the establishment of assistance strategies and in the design and implementation of development initiatives. Coordination of assistance helps to avoid the inadvertent duplication of efforts or pockets of exclusion. It is particularly important within fragile states because fragile state governments may lack the capacity to coordinate development initiatives, particularly in the aftermath of conflicts or political crises. In some fragile states, like the Republic of Congo, technical and financial partners work with the beneficiary government to coordinate assistance by sector, such as forestry.

Coordinated approaches to project design allow projects to leverage more funds and address natural resource-related challenges more comprehensively by providing the financial and technical resources to support a larger geographic area or to support interventions in multiple, related subject matters. For example, the Bank's initiatives to support the sustainable management of Lake Tanganyika was jointly financed by the Bank and several other development partners, in addition to the contributions of governments bordering the lake and the beneficiary communities. This coordinated approach made it possible to significantly increase the total funds available for the restoration and support of the lake. It also streamlined the administration of the project by planning for joint donor activities such as multipartner missions for monitoring and evaluation.

The Bank is playing a leading role in helping fragile states design natural resource management initiatives and leverage additional assistance in key areas, such as water supply in the Darfur region of Sudan and drought resilience in the Greater Horn of Africa. For example, the primary objective of the Darfur water project profiled in [Chapter 4](#) is to create investment-ready designs for water management and infrastructure development for 15 to 20 towns and to finance the implementation of the designs in three to six pilot towns in order to demonstrate the feasibility and efficacy of the plans. Projects such as these are particularly important where government officials lack the capacity or resources to fully articulate program designs. In the drought resilience project for the Greater Horn of Africa, which supports pastoral livelihoods and access to water ([Chapter 3](#)), the Bank is undertaking significant efforts to engage development partners. For example, the Bank is working with the Global Environment Facility to support the aspects of the initiative that relate to climate resilience and adaptation.

The pooling of expertise among fragile state experts and development partners is also needed to establish cohesive frameworks for natural resource management challenges. For example, in Liberia, the Liberia Forest Initiative was created to coordinate the efforts of a range of international institutions, bilateral donors, and nongovernmental organizations. The Government of Liberia worked with the initiative to coordinate funding and technical support for the reform of the forest sector. This coordinated approach helped ensure a coherent strategy for forest management that allowed multiple perspectives and priorities to be reflected in the overall sector development, with individual development partners providing support in their respective areas of expertise. The success of the process has inspired development partners to consider developing similar approaches for coordinating the development of the forest sector elsewhere, including in South Sudan.

Development partners and fragile state governments can coordinate development initiatives across sectors based on their use or development of specific natural resources, such as a particular forest, watershed, river, lake, or landscape. This type of coordination is useful because multiple development projects often use, rely on, or impact the same natural resource, including the existing users and uses of the resource.

Finally, coordination between the Bank and other bilateral and multilateral development partners, such as the United Nations Global Compact, could also improve the quality of private-sector investment in fragile states by establishing conflict-sensitive standards or guidelines for supporting private-sector natural resource management projects in fragile states.

## 10.2 Project Design

Natural resource management projects that are designed to be conflict sensitive and contribute to peacebuilding and statebuilding objectives are more responsive to the needs and contexts of fragile states in Africa, and thus are more likely to be successful. The Bank's 2014 *Fragile States Strategy* emphasizes the use of a fragility perspective (sometimes referred to as a "fragility lens") in project design and implementation.<sup>41</sup> The *Fragile States Strategy* emphasizes the need to "understand the drivers of fragility in country and regional programming and project design to ensure that operations build resilience and reduce the potential for conflict. . . ."<sup>42</sup> This section examines how to better design natural resource management initiatives to incorporate conflict sensitivity, by adapting the project design process to identify and build on opportunities to support peacebuilding and statebuilding.

Conflict sensitivity is essential to natural resource management initiatives because all development projects—regardless of whether the stated goals address conflict—can alter conflict dynamics in fragile states. Projects change conflict dynamics by injecting capital, assets, and opportunities into communities, which can reinforce or change power dynamics in ways that can build resilience or inadvertently increase the likelihood of a relapse to conflict.<sup>43</sup> This is particularly true of natural resource management initiatives because they so frequently affect the use of shared resources and involve capital-intensive components, such as the construction of new infrastructure. The dynamics around natural resource management initiatives are compounded by the value of, the competing uses for, and the competing claims to the resources—all of which can be affected by the influx of capital and international action.

*Conflict-sensitive natural resource-related project design involves (1) analyzing the potential effects of the proposed project on the national and local political and conflict contexts, and (2) identifying alternative project designs and choosing the ones that best achieve project objectives while minimizing the risk of inadvertently increasing tensions.* Conflict-sensitive approaches to projects can be useful for conflict prevention as well as for interventions in conflict-affected contexts. Moreover, project designers need to understand where the country and the beneficiary communities are on the conflict continuum, accounting for regional variation. For example, the approaches used to address natural resource challenges—such as the illicit trade in natural resources or the resolution of disputes over natural resources—will depend on whether, at the time of project design, tensions are increasing or decreasing. Likewise, fragile states are characterized by dramatic regional variation, so levels of violence,

conflict dynamics, and government capacity may vary dramatically from one region within a country to another. See box on Core Concepts for Programming in Conflict-Affected Contexts.

*Conflict sensitivity requires the design team to extend its analysis beyond the need for and objectives of a project to consider how the project is undertaken.* As the Collaborative for Development Action observed, "[i]t is never an entire programme that goes wrong. It is the details that matter."<sup>44</sup> The effects of a project on conflict dynamics are often determined by the details of the project design. For example, when a nongovernmental organization sponsored a project to support rival pastoralist communities in East Africa, its conflict-sensitivity analysis led it to adjust its project design.<sup>45</sup> Project components involving the construction and management of road and market facilities were adapted to ensure shared management and use by both communities. The nongovernmental organization increased opportunities for participation by the less represented pastoral groups in project activities. Training events and other joint activities were sited in neutral locations, which were safely accessible by all. And the nongovernmental organization adapted project procurement processes to ensure that criteria were clearly communicated to both groups.

Conflict sensitivity in project design requires an understanding of the national context and conflict dynamics and how they play out within the project's sector and the individual beneficiary communities.<sup>46</sup> This involves supplementing national-level fragility assessments with interviews and workshops during project design that focus on the context of the proposed project.<sup>47</sup> Deeper conflict analyses may be needed where fragility assessments are lacking. When done properly, *conflict and context analyses bring together groups of individuals with different perspectives to analyze different aspects of the conflict, including the natural resource dimensions.* People from all sides of the conflict should be included in these interviews and workshops. Conflict and context analyses identify key actors and the relationships between them, incentives for peace and incentives for continued conflict, root causes of conflict, power dynamics, transfers of financial or technical resources, and the implicit ethical messages that underlie programs.<sup>48</sup>

Information on relationships between the causes of conflicts, their effects, and relationships between the different actors involved can help project officers identify the types of project components—especially components regarding natural resources—that are needed to include key actors and address multifaceted development problems holistically. Conflict-tree exercises have been used by nongovernmental organizations to identify causes of

## Core Concepts for Programming in Conflict-Affected Contexts

Conflict-sensitive programming is necessary in countries that are experiencing or recovering from armed conflict; however, **conflict-sensitive programming can also yield benefits even in fragile states that are not conflict-affected**—and indeed in countries that are not fragile. For example, conflict-sensitive approaches to water supply initiatives in communities that were not conflict-affected in the nonfragile state of Uganda were found to increase participation by the beneficiary communities and to improve relations between service providers, government officials, and communities.

**Conflict prevention is worth the investment.** Not only does conflict prevention programming have the potential to avert the human suffering associated with armed conflict, it is also significantly less costly than recovering from armed conflict. A Carnegie Commission study of international responses to seven conflicts in the 1990s estimated that the international community could have saved US\$130 billion if it had successfully employed conflict prevention strategies. This emphasizes the importance of investments in fragility assessments as well as peacebuilding and statebuilding efforts in fragile states that have not yet experienced armed conflict. For example, signs of increased polarization surrounding access to pastures, minerals, or other natural resources may mean that projects are needed to build the capacity of local institutions to manage resource disputes using conflict-sensitive techniques and to reduce horizontal inequalities that are leading to grievances.

**Conflict ebbs and flows; it is not binary.** A series of models, including the conflict continuum, the conflict curve, and the hourglass model, all illustrate the fact that modern conflicts rarely begin with a declaration of war, and they often do not end with a peace treaty. Conflicts are fluid and go through periods of escalation and de-escalation in hostility, rhetoric, and polarization that lead to or away from peaks in violence. Different responses are needed at different stages in the continuum between conflict and peace. For example, initiatives to place sanctions on the trade in natural resources linked to conflict may be necessary during peak levels of conflict. By contrast, when tensions are starting to rise or when relations are starting to normalize, institutional development projects to increase incentives for formalizing the trade in natural resources may help to reduce tensions. Conflicts can escalate or de-escalate rapidly, requiring development professionals to stay current on the conflict context and manage projects adaptively.

**Conflict is often localized.** As a result, development initiatives may be affected by insecurity in one region of a fragile state at the same time that they are proceeding as planned in another region. Security considerations require a delicate balance on the part of development partners and fragile state governments. Equitable delivery of assistance across regional and group divisions is important, and assistance to one group over another can lead to claims that the government or even development partners are practicing favoritism. At the same time, delivering assistance in high-risk environments can be technically challenging and may put development workers' safety in jeopardy. Certain natural resource management initiatives can use satellite imagery for monitoring and evaluating activities such as wetlands reconstruction or reforestation initiatives. This can reduce the risks to project staff by reducing the number of visits to insecure areas. Likewise, fragile state governments and development partners may wish to design initiatives with extra funds to allow for transportation and lodging to hold trainings or project coordination meetings in safer locations. While locally engaged project staff are frequently more aware of the security situation and able to work more safely in conflict-affected environments, it is essential to ensure that local staff are not inadvertently put in harm's way through project activities or by association with the project. The fundamental tension between the need to provide assistance in insecure areas and the need to maintain the security of aid workers is an ongoing challenge in fragile states, and development partners and government officials must develop solutions that are specific to the local context.

localized conflicts associated with encroachments into the Queen Elizabeth Conservation Area in the nonfragile state of Uganda.<sup>49</sup> The tree diagram drew the encroachments as the trunk of a large tree and asked the group to identify the relationships between

the causes and effects of the encroachments, which were depicted as roots and branches, respectively.<sup>50</sup> This created a forum for workshop participants to discuss the relationships between encroachments and controversial issues such as ethnic polarization,





Spices at market. Photo: AfDB.

insecure land tenure, growing demands on limited natural resources, loss of biodiversity, tensions between communities and park authorities, and institutional corruption. Another exercise used by the same group mapped relationships in the same area, identifying which actors had good working relationships, where relationships were strained, and the types of influence different actors could exert upon one another.<sup>51</sup> This was used to identify how to approach and include different actors in the project and to examine how different actors' positions and viewpoints might be reconciled. For example, in the Queen Elizabeth Conservation Area, the conflict map identified that the tense relationship between the government and pastoralists was inhibiting communications.<sup>52</sup> The map also identified important relationships between the pastoralists and other actors, such as influential individuals and a local nongovernmental organization, which pointed to potential opportunities to address the conflict. Tools such as these can be used with different groups in separate workshops to see how their views of the situation differ from one another.<sup>53</sup> Where there is significant polarization or tensions are running particularly high, separate workshops may be needed to find common ground before bringing competing groups together.<sup>54</sup>

*Natural resource project designs should examine resource transfers, both in terms of procurement and the benefits delivered by the project, to ensure*

*that development initiatives are conflict sensitive and equitable.*<sup>55</sup> Resource transfers include a wide range of financial and nonfinancial project benefits. Financial resources can be distributed through procurement and through disbursements to project beneficiaries. Nonfinancial resource transfers can include benefits such as equipment, training opportunities, and technical assistance. Procurement for natural resource management initiatives can be as controversial as beneficiary selection. In Nepal in 2008, a firm was hired to improve river management by conducting repairs on a dam in order to prevent flooding; however, the firm was unable to resolve labor disputes between competing political factions as to who would provide the labor for the construction project.<sup>56</sup> The repairs were delayed and a flood broke through the barrage, causing significant damage and the displacement of 60,000 people.<sup>57</sup> How procurement is undertaken and who benefits can, thus, substantially influence project effectiveness.

Project benefits must also be delivered in an equitable way that does not reinforce inequalities between groups and does not put beneficiary populations at risk. A sustainable agriculture initiative that was designed to improve the economy of Sierra Leone focused heavily on crop production.<sup>58</sup> However, the design of the project discouraged pastoral communities from cooperating on project components related to

achieving secure access to land for women and other underrepresented groups, because the pastoral communities felt left out of the other parts of the project.<sup>59</sup> Conflict sensitivity also encompasses an analysis of the potential risks of resource transfers to beneficiary populations. The example of the cash-for-work project in DRC, described at the beginning of this chapter, is an instance where a resource transfer exposed beneficiary populations to rebel attacks because they had received payments of money and food in exchange for project participation.<sup>60</sup> Where the conflict analysis suggests that there might be such risks to beneficiaries, the project design process could consider alternative designs for generating and sharing benefits, such as paying directly for beneficiaries' children's school fees or other common expenses.<sup>61</sup> Other options might be to put payments for beneficiary populations in community accounts at secure institutions or to provide training opportunities in lieu of payment.

Project burdens and impacts to natural resources should be assessed carefully to ensure that they are not harming one population over another. This is part of the larger principle that *project designs for natural resource management, development, peacebuilding, and statebuilding initiatives should identify and, whenever possible, avoid and mitigate their impacts on natural resources and the communities that rely on them.* This is undertaken through the preparation and review of environmental and social impact assessments, the development of strategic environmental assessments, and the implementation of the resulting environmental and social management plans. To ensure that the necessary studies are undertaken and that impacts to natural resources are reduced or avoided, development partners may need to provide technical support and capacity building to their fragile state counterparts (Chapter 4).<sup>62</sup> Processes to mitigate and avoid environmental impacts are particularly important in fragile states where the population relies on natural resources for food security, livelihoods, and even identity. Moreover, damage to natural resources can also serve as stressors and even as contributing causes of conflict.<sup>63</sup>

*Conflict-sensitive programming in the area of natural resource management requires an examination of natural resource-specific conflict dynamics, as well as the broader political and power dynamics in fragile states.* Examples of natural resource-related questions for consideration during project design include the following:

- If the project includes group activities, such as cooperative agricultural production or community forestry, does the project design reinforce existing group dynamics or promote cohesion across divisions?

- Does the project increase or reduce incentives to use formal markets for the commercial sale of natural resources, such as gems, minerals, or timber?
- Is the natural resource-related project based on the availability of water, land, or other resources that may be shared by other users? If so, how are these competing interests being addressed?
- Does the project have the potential to change property values in ways that affect land grabbing and land tenure?

Natural resource-specific frameworks are currently being developed to analyze conflict dynamics and identify opportunities for peacebuilding through improved natural resource management.<sup>64</sup> *To improve the conflict sensitivity of natural resource management initiatives, sector-specific checklists can help project teams to identify the most common areas of risk and opportunities.*

To ensure conflict-sensitivity in implementation of natural resource management projects, *project design documents, budgets, and timelines should expressly provide for conflict sensitivity trainings for project staff and for periodic reviews of assumptions related to the conflict context.*<sup>65</sup> Conflict-sensitive approaches promote transparency and seek to identify and address any underlying biases on the part of project staff and participants. Foreign and domestic project staff may need training on conflict sensitivity to help them identify, articulate, and examine any personal assumptions and biases that they may hold about the project context. Hiring staff from fragile states for project implementation at the national and local levels is essential for understanding the local conflict dynamics and developing projects that are responsive to local needs. At the same time, it is necessary to acknowledge that national project staff are immersed in the fragile state context and may hold individual biases that they need to identify and address to maximize their contributions to the project.

Transparency is important to conflict sensitivity because it is central to community ownership, and it can mitigate the impacts of raising controversial or potentially painful conflict dynamics in interviews or workshop settings. Training local government officials and other key leaders within beneficiary communities is also an important part of project transparency; it ensures that leaders and communities understand why development partners are inquiring into potentially politically sensitive issues and how those inquiries relate to conflict sensitivity, project design, and beneficiary selection. When project and community leaders understand conflict sensitivity, they can help allay suspicions about the project by communicating

the project objectives and the associated conflict analyses to beneficiary communities. While the costs of conflict-sensitivity trainings are modest compared to their potential benefits, such trainings do take time and resources; the project design should incorporate such expenses and time commitments.

In areas where local project staff could face reprisals or other controversies within their local communities for cooperating with development initiatives, the project staff should—when designing the project—examine alternatives for project implementation to minimize risks to local staff, including alternatives that limit the scope, location, and duration of the project, as needed.<sup>66</sup>

By incorporating peacebuilding and statebuilding considerations into program design, fragile states and development partners can more easily identify gaps in fragile state capacity and maximize the project's contribution to resilience. Natural resource management initiatives can deliver significant benefits to each of the key areas of peacebuilding and statebuilding: economic development and livelihoods, governance, security, and basic services. Examples of how design of natural resource management projects can support peacebuilding and statebuilding goals are highlighted in Figure 10.1. This is also discussed in table 1.2, entitled Key Connections between Natural Resources and Peacebuilding and Statebuilding Objectives (Chapter 1).

Supporting peacebuilding and statebuilding frequently requires only minor project modifications. For example, a 2012 Bank project to restore and expand water supply in the Central African Republic (CAR) was designed to employ excombatants and unemployed youth in the construction and maintenance of water points (see box on Water, Sanitation, and Reintegrating Excombatants in the Central African Republic [CAR]).<sup>67</sup> While CAR experienced further conflict in 2012 and again from 2013 to 2014, this project represents an example of how natural resource management can be designed

to provide employment opportunities for youth and excombatants. Other natural resource-related projects that are well suited for the employment of excombatants and, in some cases, youth and displaced persons include park ranger positions, agricultural or aquaculture cooperatives, and temporary employment initiatives related to natural resource restoration or the construction of market infrastructure and feeder roads to support agricultural production. Creating such employment opportunities can be essential to achieving sustained peace in fragile states.

Examining how natural resource management initiatives interact with national peacebuilding and statebuilding objectives can also help identify capacity gaps and challenges that could have significant impacts on project success. For example, water supply and sanitation projects in fragile states such as Burundi have had to address foundational peacebuilding issues, such as building the legitimacy and capacity of local institutions to manage water supply points (Chapter 4). If the legitimacy of local institutions is not established (or reestablished), short-term project gains can be lost over time because the public may be unwilling to pay for water services, thereby limiting tax revenues and preventing the government from operating and maintaining project-funded infrastructure. Likewise, projects that establish parks or other protected areas for the conservation of biodiversity in fragile states must be designed to support local livelihoods and economic development, or the existence of the protected area can become a source of tensions or resentment for local populations (Chapter 3).<sup>68</sup> These are just two examples of how natural resource management initiatives in fragile states must frequently address peacebuilding and statebuilding objectives in order to effectively achieve natural resource management objectives.

Training opportunities are needed for the staff of development partners and fragile states to ensure that staff project designers have the skills needed

Economics & Livelihoods	Governance	Security	Basic Services
■ Projects for agricultural production can include training on value-added production to increase profit margins and preserve crops.	■ Projects that affect disputed resources, such as water or land, can be designed to build the capacity of local officials to manage and resolve disputes.	■ Water supply and other infrastructure projects can be designed to hire excombatants to perform manual labor or maintenance activities.	■ Projects can include efforts to provide water and electricity for households.

Figure 10.1: Examples of how resource-related projects can be designed to support peacebuilding and statebuilding objectives



### Water, Sanitation, and Reintegrating Excombatants in the Central African Republic (CAR)

The Bank has been designing projects that address the underlying causes of fragility as well as economic and social development objectives. The Bank is supporting a water and sanitation initiative that is expected to benefit 1.26 million people, and will do so in a way that supports leadership by women's groups and the reintegration of excombatants.

In CAR, water infrastructure was damaged by conflict and neglect, and skilled technicians had fled or were unwilling to travel from town to town to repair and maintain water supply points due to insecurity. This has made clean water difficult to obtain, requiring women and girls to walk up to 500 meters in the city and five kilometers in rural areas to collect water. This constitutes a daily time commitment of between 20 minutes and three hours. Lack of access to clean water also contributes to the high rate of infant mortality in CAR, and more than one-quarter of children (ages 0–5) have diarrhea and related illnesses.

The project is designed to develop 429 manually operated pumping stations, rehabilitate one and construct six modern water points, and construct 204 public latrines for market facilities and transit stations. The water points would reduce the distance traveled to collect water to 50 meters in the city and 500 meters in rural areas. Reducing the time needed to collect water will increase the living standards of women and create more opportunities for children to attend school. Women's groups will organize the community mobilization and information campaigns related to water and sanitation, and 37 percent of the permanent jobs created by the project will be provided to members of the women's groups, who will be charged with organizing the maintenance of the public latrines for the project.

The project also addresses the security challenges faced by CAR, where one of the underlying causes of fragility has been the lack of effective and continuous opportunities for the reintegration of excombatants into civilian life. As of September 2012, there were approximately 6,500 excombatants in CAR, 80 percent of whom were youth. The project area has 1,100 excombatants, including 32 former child soldiers, and many youth who are unemployed and out of school.

The water and sanitation project provides both temporary and permanent employment opportunities for excombatants and disadvantaged youth. They will be trained to construct and maintain water pumps and latrines, thereby rebuilding the skilled human resources that were lost as a result of the conflict. Five hundred youth and excombatants will receive reintegration kits and training in skills such as water pump repair, masonry, solid waste management, and water pump use and management.

The project also recognizes the need for additional capacity building within the Ministry of Energy and Hydrology. To ensure that there are sufficient resources for the administration of the project, funding is allocated to hire technical assistants to administer the project. It also provides additional resources for three Bank supervision missions annually.

Projects such as these, which combine natural resource management with reintegration opportunities for excombatants, have the potential to significantly improve security as well as water infrastructure. This is particularly important in a country like CAR, which relapsed into conflict in 2012 and again in 2013, partly due to the lack of effective and continuous reintegration opportunities for excombatants.

*Note:* All Bank activities in CAR are currently on hold pending resolution of the current political crisis.

to effectively incorporate conflict sensitivity and peacebuilding and statebuilding objectives into development initiatives in fragile states. The Bank has been working to improve its staff's awareness of conflict dynamics through sector-specific training workshops, see box on The Fragility Lens. Additional

financial resources may also be needed to undertake project-level conflict analyses during project design. *Government officials in fragile states also need access to training on conflict sensitivity so that they can better develop portfolios and projects that address national challenges in a conflict-sensitive way.*

## The Fragility Lens

The Bank is developing fragility lens training seminars, the first of which focused on working effectively in the water sector in fragile states. These seminars examine how to develop tools for taking into consideration fragility in needs assessment, project design, and implementation, including the institutionalization of context and political economy analyses in fragile states.

The workshop identified risks associated with programming in fragile and conflict-affected situations, including *contextual risks* such as state failure, relapse into conflict, and other shocks; *institutional risks* such as reputational damage, security risks to staff, and other potential effects on development partners; and *programmatic risks* such as the failure of a project to achieve its objectives or the possibility that projects could do harm. The workshop also reviewed the fundamentals of peacebuilding and statebuilding, and examined questions such as how to improve the coordination of development initiatives in fragile states and how to identify and focus programming on the causes of state fragility.

### 10.3 Monitoring and Evaluation of Implementation

The context, needs, and conflict dynamics of fragile states can evolve rapidly, and development and peacebuilding project activities can affect the fragile state context in unexpected ways. Because natural resource management projects are frequently designed to shape the very resources that people depend on for their livelihoods and food security, it is essential for project teams to be aware of and responsive to the evolving needs of the affected communities and any unintended consequences of natural resource-related development, peacebuilding, and statebuilding initiatives. Well-designed monitoring and evaluation strategies which are undertaken over the course of project implementation give project teams insights into project performance and changes in context on multiple fronts. Project managers can use this information to adapt ongoing projects to better meet the project objectives and the needs of the beneficiary communities.

In the complex and volatile context of fragile states, monitoring and evaluation is more effective when it is multidimensional and regularly assesses the fragile state context as well as project performance. Because of the fluidity of fragile settings, monitoring and evaluation must be performed more frequently than in nonfragile settings. To account for the broad range of dynamics, monitoring and evaluation should include both quantitative and qualitative components, and involve beneficiary populations. The contextual factors that project monitoring and evaluation will examine must be tailored to the country-specific context. This section suggests some common challenges and analytical tools that development partners, fragile state governments, and project staff can consider to determine whether the tools can be adapted to the project-specific context. The section

also identifies the need for flexible procedures that allow projects to adapt to changing conditions and opportunities for institutional learning that are based on the results of rigorous monitoring and evaluation.

Situations of fragility can evolve quickly in ways that can affect project security and the ability of natural resource management initiatives to achieve stated objectives. For example, the conflict context in Nepal had significant impacts on a German initiative to support tea production, because it became increasingly dangerous for project beneficiaries to travel and because insurgents began requiring conflict-related graft payments at different points in the tea production value chain.<sup>69</sup> After the conflict concluded, the project was able to successfully restart its operations and make a significant contribution to the lives of the local tea farmers.<sup>70</sup> *By staying abreast of the conflict context, development partners and project staff can identify potential impacts that changes in conflict dynamics may have on project performance and security considerations.* This requires project staff to regularly monitor changes to the security situation and to the conflict dynamics at the national level and within the project area.<sup>71</sup> Monitoring the context of projects in fragile states is frequently done through less formal channels than efforts to monitor project outcomes because conducting full conflict assessments quarterly is not usually logistically feasible; however, project staff can benefit from maintaining regular contact with key people who can provide a diverse range of insights into issues that are relevant to the project.<sup>72</sup> For example, to monitor the context of a water supply project, project staff might identify and stay in touch with key individuals on the public's perceptions of local government legitimacy, particularly regarding perceptions of officials regulating the water sector; changes in relationships between military, illegally armed groups, and informal water service providers;

new power dynamics between key groups competing for existing water supplies; and the logistical and political dynamics associated with the return of displaced persons to the project area.<sup>73</sup>

In conflict-affected contexts or in situations where tensions are running high, project staff must take particular care to ensure that the timing and logistical approach to monitoring and evaluation strategies do not reignite tensions or place staff in harm's way.<sup>74</sup> This examination should include careful consideration of how monitoring and evaluation questions are designed and presented to ensure that the evaluation process does not highlight political or societal challenges in a way that could inject bias or raise tensions.<sup>75</sup>

As conflict sensitivity, peacebuilding, and statebuilding are mainstreamed into project design, it becomes important to develop frameworks for monitoring and evaluating the effects of natural resource-related projects on conflict, peacebuilding, and statebuilding, from project design through implementation.<sup>76</sup> *For natural resource management projects that are designed to promote peacebuilding, statebuilding, or conflict resolution, natural resource-related project design should incorporate clear theories of change and supporting indicators to monitor and evaluate the project's impacts.*<sup>77</sup> Theories of change and the supporting indicators articulate and test the assumptions of the design team as to how the project activities will affect conflict dynamics and contribute to peacebuilding and statebuilding objectives. For example, a Liberian project to develop community dispute resolution mechanisms was based on theories of change stating that the presence of local-level dispute resolution mechanisms could help communities address conflicts before they escalate into larger-scale conflicts.<sup>78</sup> Although the project had created effective dispute resolution mechanisms that provided useful services to local communities, it was also found that the dispute resolution mechanisms established by the project were not being used to address the types of disputes that tended to escalate, namely disputes over land.<sup>79</sup> Thus, the project evaluation was able to suggest ways to adapt the project to address conflicts related to land, which were being resolved by traditional authorities. Natural resource management initiatives can be designed to support numerous theories of change—including economic incentives, inclusive governance, and the interruption of armed conflict financing—because natural resources are so closely connected with factors related to the root causes and drivers of conflict. A sampling of theories of change and examples of how natural resource management initiatives can support them is included in Table 10.1. After theories of change have been articulated, indicators are needed that reflect outputs and outcomes associated with individual project components.

Theories of change are most effective when they build on information from fragility assessments or conflict assessments to ensure that they are tailored to the specific context of the project.<sup>80</sup> Frequently, an overarching theory of change for a project will have two or three embedded sub-theories of change that address different elements or assumptions supporting the larger theory of change.<sup>81</sup> For example, a hypothetical project to improve the water supply might focus on developing the local government's capacity to allocate water where access to water has been a source of local conflict. In such a case, multiple theories of change could underpin different project components: (1) *if* water can be allocated in a way that meets the household and economic needs of all groups within the community, *then* the groups will have fewer incentives to resolve conflicts violently; (2) *if* local government officials use inclusive approaches and all groups feel that their voices are being heard, *then* the groups will use government dispute resolution procedures rather than resorting to armed conflict; and (3) *if* the local government provides, operates, and maintains water supply infrastructure to benefit the different groups within the community, *then* the groups' confidence in government will increase.

*Effective monitoring and evaluation measures outputs, outcomes, and impacts in ways that identify problems with project implementation and situations where theories of change are incorrect.*<sup>82</sup>

To continue the water supply example from above, project monitoring and evaluation would identify outputs: the number of officials trained in conflict-sensitive decision making, the number of community water allocation plans developed, and the number of new water supply points constructed. Outcome indicators consider the results of the project, and might look at whether different groups were subsequently participating in the development of water allocation plans, whether groups' perceptions of local government were changing, and whether new water supply points were being used. The ultimate impact sought would be a decrease in the number or intensity of water-related conflicts.

Theories of change are useful because they clearly identify the assumptions underlying the project.<sup>83</sup> In the case of the hypothetical example above, the overarching theory of change was that inequitable decision making and infrastructure distribution was resulting in lack of access to water, which was leading groups into armed conflict with one another to gain access to limited water supply points. If the real reason that access to water was hampered for pastoral groups was because competing groups were staging cattle raids at water supply points, it is possible that the project could generate the desired outputs without having an impact on the conflicts (and thus, not the desired outcome). An effective monitoring and evaluation plan would demonstrate



Table 10.1: Examples of applying theories of change to natural resource-related projects

Theory of Change	Sample Natural Resource Management Projects
<b>Individual change:</b> If we transform the consciousness, attitudes, behaviours and skills of many individuals, we will create a critical mass of people who will advocate peace effectively.	<ul style="list-style-type: none"> <li>■ Trainings on peace or positive group dynamics can be incorporated into projects that support individuals or groups (e.g., reintegration of excombatants into natural resource management activities, cash-for-work programs for rural infrastructure projects, community-based infrastructure, cooperative agriculture).</li> </ul>
<b>Healthy relationships and connections:</b> Strong relationships are a necessary ingredient for peacebuilding. If we can break down isolation, polarisation, division, prejudice and stereotypes between/among groups, we will enable progress on key issues.	<ul style="list-style-type: none"> <li>■ Trainings on peace and positive group dynamics can be incorporated into projects that support groups (e.g., cash-for-work programs for rural infrastructure, community-based infrastructure, cooperative agriculture).</li> </ul>
<b>Withdrawal of the resources for war:</b> Wars require vast amounts of material (weapons, supplies, transport, etc.) and human capital. If we can interrupt the supply of people and goods to the war-making system, it will collapse and peace will become possible.	<ul style="list-style-type: none"> <li>■ Projects to track timber or minerals used to finance conflict.</li> <li>■ Projects to improve alternative employment in the natural resource management sector, targeted at demographic groups particularly likely to be recruited by armed groups (e.g., youth).</li> </ul>
<b>Economic action:</b> People make personal decisions, and decision makers make policy decisions based on a system of rewards and incentives and punishment and sanctions that are essentially economic in nature. If we can change the economies associated with war making, we can bring peace.	<ul style="list-style-type: none"> <li>■ Projects to introduce transparency to the management of minerals, timber or petroleum.</li> <li>■ Projects that serve traditionally disadvantaged groups, such as the following: <ul style="list-style-type: none"> <li>□ Projects for value-added transformation of agricultural products.</li> <li>□ Projects to increase agricultural or pastoral production.</li> <li>□ Projects to improve access to market and market facilities.</li> </ul> </li> </ul>
<b>Good governance:</b> Peace is secured by establishing stable and reliable social institutions that guarantee democracy, equity, justice, and the fair allocation of resources.	<ul style="list-style-type: none"> <li>■ Projects to strengthen the capacity of traditional authorities to use conflict-sensitive approaches to resolve disputes over natural resources.</li> <li>■ Projects to improve the capacity of fragile state governments for the management of revenues from natural resources concessions.</li> </ul>

Source: *The theories of change are quoted from OECD 2012a, 85.*

that the outputs were being achieved, that certain outcomes were still elusive, and the impact was not being achieved. Such results would inform project staff that the underlying assumptions driving the theories of change may need to be reconsidered. If monitoring and evaluation identifies such problems early on, it may be possible for project staff to adapt, remove, or add project components to address situations where theories of change are incorrect.

Monitoring for peacebuilding and statebuilding impacts or changes to conflict dynamics should be conducted in addition to, not instead of, traditional monitoring and evaluation of natural resource management and economic objectives. Traditional natural resource management and economic metrics remain important, such as the number of people with increased food security; better access to water; and improved livelihoods through forestry, aquaculture,

agriculture, fishing, or pastoralism. The additional conflict-oriented monitoring and evaluation metrics are needed to show whether the project is having an impact on peace, conflict dynamics, or the state-society relationship; however, such indicators will not necessarily address whether metrics related to sustainability or natural resource production or restoration are being achieved.

Continuing monitoring and evaluation of project effects after the distribution of project benefits is another important way to gauge the impacts of the project. Development initiatives, including natural resource-related initiatives, frequently end with the distribution of equipment or with training or a workshop. Outputs for such initiatives are frequently measured by, for example, the distribution of equipment or the performance of workshop participants on post-workshop knowledge assessments. Additional



Cotton plants. Photo: AfDB.

follow-on monitoring and evaluation is needed to determine whether the beneficiary populations were able to operate and maintain the equipment after the conclusion of the project or whether the project beneficiaries applied the skills learned or otherwise changed their behavior as a result of the project. Likewise, follow-on monitoring and evaluation is needed to determine whether local officials trained in conflict-sensitive decision making are applying those principles six months or a year after the conclusion of the project. Visits and surveys can determine whether the distribution processes were accessible, equitable, and otherwise conflict-sensitive.<sup>84</sup>

In fragile states, particularly in countries recovering from conflict, the situation is usually volatile, subject to rapid change, and frequently involves many actors.<sup>85</sup> Moreover, due to the lack of capacity and data (especially related to the extent and condition of natural resources) in fragile states, projects are often designed based on preliminary or incomplete baseline information.<sup>86</sup> This means that ***monitoring and evaluation on a quarterly basis is necessary*** to stay abreast of changing circumstances, including how specific natural resource management projects might interact with conflict dynamics.<sup>87</sup>

It is often best to ***use an integrated monitoring and evaluation approach comprising both quantitative and qualitative assessments***. Monitoring for quantitative outputs (for example, number of wells drilled) or outcomes (such as fewer conflicts over water) is important; however, in fragile and conflict-affected environments, there are frequently too many dynamics and interventions to accurately assess the impact of a development initiative based on quantitative data alone.<sup>88</sup> Moreover, quantitative methods are often inadequate to evaluate the effectiveness of efforts to develop or strengthen laws, regulations, institutions, and capacity for governing natural resources, since efforts to improve governance are often nuanced due to the variety of influences on the decision-making process. Qualitative methods of monitoring come in

a range of forms, including observation of activities or simulations, the analysis of narrative questionnaires, onsite inspections, and the engagement of discussion groups, among others.<sup>89</sup> Structured and unstructured interviews can be particularly effective for identifying capacity gaps, changing circumstances, and unintended consequences.<sup>90</sup>

The value of well-designed qualitative data collection is that it can create opportunities for evaluators and project beneficiaries to examine issues outside the set parameters of the project's predesignated outputs and outcomes. Qualitative assessment can also help identify key factors that influenced outcomes, as well as outcomes that would otherwise be outside the scope of preset quantitative indicators. For example, UNDP used such an integrated approach to evaluate its projects related to agriculture and erosion control in Rwanda as the country was recovering from conflict.<sup>91</sup> This approach demonstrated that while the projects were well received, insufficient consultation with beneficiary populations during project design and a short project duration had kept the project from consistently achieving lasting impacts. These aspects would not necessarily have been highlighted using purely quantitative monitoring and evaluation techniques.

***Natural resource-related initiatives in fragile states can engage beneficiary populations to support project monitoring and evaluation to improve project transparency, build community support for the project, and help overcome suspicion and distrust.***

It is essential for natural resource-related projects in fragile states to include regular opportunities for communities to provide feedback and raise concerns to project staff.<sup>92</sup> To increase local ownership of natural resource-related projects, project staff can organize committees made up of diverse members of the beneficiary communities to understand and review project activities and expenditures, participate in decision-making processes, and monitor and verify that projects benefits are being distributed in an equitable and transparent manner.<sup>93</sup> Such committees can be used to alleviate concerns about misuse of project funds or favoritism. Other examples of participatory monitoring and evaluation include initiatives where communities are engaged to report on the status of a resource; initiatives where beneficiary populations track whether there are improvements in resource governance; and community microcredit associations in which group members evaluate each others' business plans and implementation to encourage loan repayment.<sup>94</sup> Community monitoring is particularly helpful in the implementation of natural resource management initiatives because communities have unique knowledge about how natural resources are being used at a local level. For example, in Reducing Emissions from Deforestation and Degradation Plus

Sustainable Forest Management (REDD+) initiatives, community-based monitoring can keep project staff abreast of the effects of small-scale uses that can damage forests through their cumulative impacts, such as deforestation for charcoal.<sup>95</sup> Information on these small-scale activities is harder to track using other methodologies, such as satellite technology.<sup>96</sup>

Finally, *processes are needed to allow natural resource-related projects to act on feedback from monitoring and evaluation, and to adapt to changing circumstances and evolving understandings of the capacity and needs of the beneficiary populations.* This is particularly important for fragile states because the circumstances in fragile states can change rapidly. Moreover, the lack of baseline data in fragile states means that projects are often designed based on an incomplete understanding of the capacity of the beneficiary population and the government implementing agencies, the status of the natural resources, and social dynamics around those resources.<sup>97</sup> For example, after identifying significant administrative capacity gaps, a Japanese project to rehabilitate Juba port notably improved the positive impacts of the reconstruction of port infrastructure in South Sudan by adding a capacity-building component to the project.<sup>98</sup> Likewise, a Swedish initiative to improve feeder roads to facilitate the transport of agricultural products within Liberia adjusted its approach to increase capacity building for contractors, so that the contractors could improve their business management practices and increase their rates of completion for subcontracts within the project.<sup>99</sup> Finally, projects may need to be adapted where monitoring and evaluation demonstrates that the theories of change on which a project is based were incomplete or became obsolete due to changing circumstances.<sup>100</sup>

The results of monitoring and evaluation can also be used to support institutional learning and to improve the design and implementation of other projects. For example, upon finding that the project staff for a road project in Liberia was having difficulties with the implementation of environmental and social management plans, the Bank provided dedicated resources to improve Liberian capacity for the implementation of such plans.<sup>101</sup> Programmatic evaluations of Bank performance are also being used to support institutional learning in key areas, such as improving initiatives in fragile states.<sup>102</sup> For example, the Bank is using an integrated REDD+ project in the Isangi Region of DRC to pilot new approaches and promote institutional learning to guide the design of future Bank forestry initiatives.<sup>103</sup>

#### 10.4 Recommendations

To achieve improved results for natural resource management and development initiatives in fragile

states, conflict-sensitivity needs to be mainstreamed throughout the program cycle, with special consideration and support for the peacebuilding and statebuilding needs of individual fragile states. As development partners and fragile state governments work together to prioritize, design, implement, monitor, and evaluate initiatives in fragile states, the following considerations are essential:

- Fragility and conflict assessments must form the foundation of development, peacebuilding, and statebuilding initiatives in fragile states. *To ensure a comprehensive understanding of the causes and drivers of fragility, fragility and conflict assessments must examine the role of natural resources as (1) important assets for statebuilding and peacebuilding; (2) potential contributing causes of grievances, increased tensions, or armed conflict; and (3) potential sources of financing for armed conflict.* In fragile states that have experienced armed conflict, fragility assessments and conflict analyses should also consider the impacts of the conflict on natural resources. *Guidelines are needed to standardize processes for identifying the natural resource-related aspects of conflicts and fragility within the larger fragility assessment process.*
- *During the development of strategic-planning documents, such as CSPs, the prioritization of natural resource-related projects is most effective when based on a working knowledge of the national conflict dynamics and natural resource linkages to conflict, peacebuilding, and statebuilding.* This means drawing on the findings of fragility and conflict assessments. In the realm of natural resource management initiatives, important considerations for project prioritization include (1) the importance of the project to preventing, reducing, and resolving conflict as well as to peacebuilding and statebuilding objectives; (2) the presence of a window of opportunity to address politically sensitive topics; (3) the equitable distribution of benefits and burdens of development initiatives across political and social divisions; (4) the time and capacity necessary for implementation; and (5) the extent to which the project lays the foundation for other projects.
- *Conflict sensitivity is essential to natural resource management initiatives because development projects—whether or not their goals focus on addressing conflict—can alter conflict dynamics in fragile states.* This involves tailoring national-level fragility assessments and conflict assessments to the project level through interviews, workshops, and other exercises. Natural resource management initiatives can benefit from conflict sensitivity in their procurement,



distribution of benefits, and their impacts on natural resources.

- ***Project designs for development, peacebuilding, and statebuilding initiatives should identify and seek to avoid and mitigate impacts to natural resources.*** Formal processes for the analysis and mitigation of project impacts typically include the preparation and review of environmental and social impact assessments (ESIAs), the development of strategic environmental assessments, and the implementation of the resulting environmental and social management plans.
- ***Natural resource management initiatives can frequently provide significant contributions to peacebuilding and statebuilding objectives, and these opportunities should be identified as part of the project design process.*** Frequently, finding synergies with peacebuilding and statebuilding objectives only requires minor project modifications, such as improving natural resource governance through increased capacity building for dispute resolution or supporting security by employing excombatants as park rangers or in natural resource restoration initiatives. These synergies can improve the performance of the natural resource management initiatives by showing the beneficiaries that the projects are responsive to local needs.
- ***Additional training opportunities and resources are needed to ensure that staff from both development partners and fragile states are able to effectively design and implement natural resource management initiatives using conflict-sensitive approaches.*** Workshops, toolkits, and checklists are needed to train staff from the Bank and other development partners so that staff can more effectively design and evaluate project portfolios and individual projects in fragile and conflict-affected states. Project staff and fragile state government officials may also benefit from training opportunities to improve their capacity to conduct conflict assessments, participate in project design, implement projects, and address conflict dynamics among the beneficiary communities.
- ***In fragile states, monitoring and evaluation of natural resource-related projects is most effective when it is conflict sensitive, examines both peacebuilding and statebuilding objectives and natural resource management objectives, is performed frequently, includes both quantitative and qualitative components, and involves beneficiary populations.*** Where natural resource-related initiatives seek to support

peacebuilding and statebuilding objectives, theories of change are a powerful tool for articulating the project's assumptions about the linkages between individual project components and broader improvements in conflict dynamics.

- To maximize the benefits of development initiatives in fragile states, ***processes are needed that allow natural resource-related projects in fragile states to nimbly adapt in response to interim project evaluations and changing conditions on the ground.*** This increased adaptability is needed in fragile states because complete baseline data may not be available during project design, and the project context in fragile states can change rapidly.

Natural resource management initiatives can deliver profound benefits in fragile states both in terms of traditional natural resource management objectives (such as improving water supply, agricultural production, or forest conservation) and in terms of peacebuilding and statebuilding objectives (such as breathing new life into weakened economies and promoting the inclusive governance of shared resources). To maximize these benefits, conflict sensitivity must be mainstreamed throughout the program cycle, and peacebuilding and statebuilding must be viewed as integral not unrelated to natural resource management.

#### Text Box Citations\*

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

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- 21 See Joint UNDG-ECHA Working Group on Transition (2004) and USAID (2012a).
- 22 OECD 2012a.
- 23 World Bank 2005b.
- 24 USAID 2012a (discussing disputes over natural resources in Jos, Nigeria).
- 25 United Nations Interagency Framework Team for Preventative Action 2012c (discussing violent protests over water fees in Bolivia).
- 26 UNEP 2009c.
- 27 Carius and Maas 2012; Conflict Sensitivity Consortium 2012. USAID (2012b) articulates criteria and processes for data collection and stakeholder engagement for the development of conflict assessments. This sample approach for data collection in conflict assessments is not specific to any particular causes or drivers of conflict and would need to be tailored to individual fragile states to ensure that data collection includes relevant issues related to natural resource management.
- 28 USAID 2012b.
- 29 See, for example, Scott and Midgley (2012).
- 30 Joint UNDG-ECHA Working Group on Transition 2004. UNEP also conducts several other assessments that examine the relationship between conflict and natural resources in post-conflict countries. Jensen 2012. These assessments range from desk studies to targeted analyses of key issues to in-depth comprehensive assessments of post-conflict countries. Jensen 2012. Development partners can consult with UNEP to draw on its in-depth analyses when developing fragility assessments, designing country strategies, and identifying key priorities for assistance in fragile states in Africa.
- 31 Joint UNDG-ECHA Working Group on Transition 2004; UNEP 2009c.
- 32 D-JAM 2007.
- 33 Joint UNDG-ECHA Working Group on Transition 2004.
- 34 Jensen 2012; UNEP 2009c.
- 35 UNEP 2009c.
- 36 See, for example, AfDB (2013e).
- 37 Hilker 2012.
- 38 Hilker 2012, 5.
- 39 See, for example, AfDB (2009b).
- 40 AfDB 2009.
- 41 AfDB 2014c.
- 42 AfDB 2014c, 1.
- 43 A general discussion of the impact of international aid on conflict dynamics is contained in USAID (2012a).
- 44 Collaborative for Development Action 2004, 5.
- 45 Conflict Sensitivity Consortium 2012.
- 46 Conflict Sensitivity Consortium 2012; USAID 2012a.
- 47 Conflict Sensitivity Consortium 2012.
- 48 Conflict Sensitivity Consortium 2005, 2012; UNDPKO and UNDFS 2012. Swiss Solidarity (2005), the Swiss Agency for Development and Cooperation (2005), the Collaborative for Development Action (2004), and others have also produced useful resources for project-specific conflict analyses.
- 49 Hammill et al. 2009.
- 50 Hammill et al. 2009.
- 51 Hammill et al. 2009.
- 52 Hammill et al. 2009.
- 53 Hammill et al. 2009.
- 54 USAID 2011b.
- 55 Collaborative for Development Action 2004.
- 56 Smith and Vivekananda 2009.
- 57 Smith and Vivekananda 2009.
- 58 Conflict Sensitivity Consortium 2012.
- 59 Conflict Sensitivity Consortium 2012.
- 60 Hammill et al. 2009.
- 61 Hammill et al. 2009.
- 62 AfDB 2011c; Bouma 2012.
- 63 See, for example, the discussion in Mashatt, Long, and Crum (2008) of the proposed resettlement as a result of flooding caused by a dam project in Sri Lanka.
- 64 Ratner et al. (2013), for example, has suggested a framework for analyzing conflict dynamics specific to renewable resources.
- 65 Conflict Sensitivity Consortium 2012.

- 66 OECD 2012a.
- 67 AfDB 2012d.
- 68 Maekawa et al. 2015\*; Van Amerom and Büscher 2005.
- 69 Grossmann et al. 2009.
- 70 Grossmann et al. 2009.
- 71 Grossmann et al. 2009; Hammill et al. 2009.
- 72 Church and Rogers 2006.
- 73 Church and Rogers (2006) and Grossman et al. (2009) provide some general guidelines on the types of considerations that project staff should monitor when checking for changes in the fragile state context.
- 74 OECD 2012a.
- 75 OECD 2012a.
- 76 OECD 2012a.
- 77 Babbitt, Chigas, and Wilkinson (2013a, 2013b); Lederach, Neufeldt, and Culbertson (2007); Nan and Mulvihill (2010); and OECD (2012a) discuss the development of theories of change and the associated indicators for monitoring and evaluation.
- 78 OECD 2012a.
- 79 OECD 2012a.
- 80 Babbitt, Chigas, and Wilkinson (2013a) articulates a seven-step process used by USAID for developing theories of change based on conflict analyses.
- 81 Babbitt, Chigas, and Wilkinson 2013a; OECD 2012a.
- 82 Outputs are the products or services that a project delivers; outcomes look at whether the immediate goals of the project were achieved; and impacts are the ultimate objectives of the project. Kusek and Rist 2004; MSI 2006. For example, a project to increase food security might organize, train, and provide cooperatives with rice decorticators, and the project outputs would be the number of people trained and the number of decorticators distributed. The outcome would be a decrease in post-harvest losses of rice and increased stocks of dried rice. This outcome and many other factors—such as the presence of adequate food distribution networks—all contribute to the ultimate impact: improved access to affordable staple foods during the dry season.
- 83 Babbitt, Chigas, and Wilkinson 2013a; OECD 2012a.
- 84 Conflict Sensitivity Consortium (2012) discusses the importance of post-distribution monitoring in the context of the distribution of food aid and other assistance packages.
- 85 Nanthikesan and Uitto 2012.
- 86 Coyle, Bruch, and Nakayama 2011; Davitt 2003; MSI 2006.
- 87 Depending on the development partner and the particular fragile state, monitoring and evaluation reports can either be (1) analyses of the country conditions with a consideration of how such conditions may impact individual projects, or (2) project-specific monitoring and evaluation reports that take into account changes in the country. DFID 2010; USAID 2010a.
- 88 Nanthikesan and Uitto 2012; Natsios 2010.
- 89 OECD (2012a) lists additional quantitative and qualitative methodologies.
- 90 Nanthikesan and Uitto 2012; Natsios 2010.
- 91 Nanthikesan and Uitto 2012.
- 92 Conflict Sensitivity Consortium (2012) lists numerous formal and informal methods for projects to collect feedback from crisis-affected communities.
- 93 Conflict Sensitivity Consortium 2012.
- 94 Brady et al. 2011; Chidhakwa 2003; Sugiura 2011.
- 95 Brady et al. 2011; Chidhakwa 2003; Pratihast et al. 2013.
- 96 Pratihast et al. 2013.
- 97 MSI 2006.
- 98 Ishiwatari 2011.
- 99 Swedish Agency for Development Evaluation 2012.
- 100 OECD 2012a.
- 101 AfDB 2011c.
- 102 AfDB 2012b.
- 103 AfDB 2013i.





## Programming for Sustained Success

Development and other aid programs in fragile states frequently have difficulty securing long-term results. Securing long-term results can be particularly challenging for projects related to natural resource management. Despite ongoing initiatives to provide assistance, many natural resource-related crises repeatedly recur, such as droughts, food insecurity, and violent disputes over lucrative resources.<sup>1</sup> Conflict and fragility frequently compound communities' vulnerability to recurring crises.<sup>2</sup> Even where natural resource-related shocks do not cause additional stress, programming in fragile situations can be more challenging. Between one-quarter and one-half of the countries emerging from civil wars fall back into conflict again during the 10 years that follow the conflict.<sup>3</sup> This risk is even more urgent in countries where conflicts are linked to natural resources, where relapses occur twice as quickly and the duration before relapses is shorter.<sup>4</sup>

These challenges are not unique to fragile states; however, such challenges frequently impede lasting progress at the project level, because they can change the nature of programming in fragile states. Capacity gaps are more pervasive and deeper in fragile states; and distrust colors group dynamics and the relationship between communities, local governments, and national governments.<sup>5</sup> A 2012 evaluation of Bank assistance for fragile states noted some of the same problems, identifying challenges with respect to capacity building and technical assistance.<sup>6</sup> Individual Bank projects, on occasion, have had difficulty establishing sustained gains.<sup>7</sup> This is not unique to the Bank; it is a common challenge for development partners working in fragile states. For example, using quantitative and qualitative approaches to evaluate its projects related to agriculture and erosion control in post-conflict Rwanda, the United Nations Development Programme found that while the projects were well received, their ability to produce lasting impacts was mixed due to insufficient consultation with beneficiary populations during project design and the short duration of the project.<sup>8</sup>

This chapter examines strategies for enhancing the long-term impact of projects through capacity building, long-term engagement, participatory programming, and phasing out donor assistance.

### 11.1 Capacity Building

Natural resource management initiatives in fragile states often must go beyond a focus on developing resource-related infrastructure to build the informational, institutional, and human resource capacity of local and national governments and beneficiary populations. Fragility and conflict often erode capacity at the national, regional, and local levels. Human resources are reduced as skilled workers frequently move to urban areas or flee abroad to escape conflict or economic hardship. Additionally, data and data management systems may be out of date or destroyed (Chapter 6.2).

Capacity building is frequently identified as one of the key elements that sets programming in fragile states apart from development initiatives in other countries. Building institutional and human resource capacity frequently proves more challenging and time-consuming than projected in project appraisal reports.

When conducting a needs assessment for natural resource-related projects in fragile states, identifying gaps is one of the most challenging tasks. *Project design teams should work with fragile states to identify gaps in long-term institutional and management capacity as well as natural resource-specific expertise, and then develop strategies for addressing these gaps.*<sup>9</sup>

The Bank typically includes capacity-building components for both institutional development and for program management within its initiatives. For example, Bank projects have built capacity through study tours on data management for national-level government officials (see Chapter 6.2 on governance) and trainings on community engagement for local government officials (Chapter 4 on infrastructure). The Bank's efforts to build the capacity of government officials to administer environmental and social management plans in Liberia is another example of efforts to build the project management capacity of government officials in fragile states (see box on Capacity Building to Implement Environmental and Social Management Plans [ESMPS] in Liberia).

The positive impacts of building institutional capacity can be dramatic. An initiative by the Japan International Cooperation Agency to rebuild the port infrastructure in Juba—at the time in Southern Sudan, now the capital of South Sudan—rebuilt the physical infrastructure of the port but did not, initially, include capacity development to operate the port, leaving it underutilized.<sup>10</sup> After a year of low activity, the project focused on building institutions to operate the port; training staff in topics such as safety, financial management, and human resource management; and designing a tariff system for sustained operations.<sup>11</sup> Within one year of the new capacity-building initiative, the port had exceeded the facility's original estimated cargo processing capacity.<sup>12</sup>

#### Capacity Building to Implement Environmental and Social Management Plans (ESMPs) in Liberia

The Bank and the Government of Liberia worked together to create ESMPs for the various development projects undertaken in the country. The ESMPs are collaborative approaches between the Bank and government stakeholders, and are designed to mitigate particular social and environmental impacts of each project; when fully implemented, ESMPs can yield net social and environmental benefits. A crucial component in the development of ESMPs is assessing the regulatory, administrative, and technical capacity for the specific development projects, and then implementing specific measures that supplement and develop that capacity to secure the ESMP's substantive environmental and social goals.

When designing the Bank's supplement to the Labor-Based Public Works Project to rehabilitate roads and rural infrastructure in Liberia, it was found that the Ministry of Public Works lacked the capacity to implement the ESMP. To address this, the Bank provided supplementary funding to hire an assistant charged with monitoring the implementation of the ESMP for four months during the project.

The Smallholder Agricultural Productivity Enhancement and Commercialization (SAPEC) Project is a project designed to increase agricultural business and food security in Liberia. As part of the project design, the Bank recognized that capacity to implement ESMPs is still developing. To remedy the capacity gaps until the relevant agencies develop the required institutional capacity, the project includes trainings for Liberian government officials, and the Bank will also perform oversight, technical assistance, interviews, and field visits to support and monitor the implementation of project safeguards.



Examples of strategies for ongoing capacity-building support include seconding staff from development partners and funding the placement of international experts in fragile state government ministries to work alongside ministry staff for a year or more.<sup>13</sup> Other options include supporting key staff in fragile states to train abroad, with a requirement that they return to work for the government for a specified term after their studies. Extension officers can be used in rural areas to disseminate information and build capacity for agricultural, forestry, and other natural resource-related livelihoods. Capitalizing on expertise from within the diaspora is another approach for building fragile state capacity over the short and long term—although care needs to be exercised to manage potential tensions between those who stayed during the conflict and those who sought refuge abroad.

While capacity building often focuses on governmental agencies, parliamentarians can also benefit from capacity-building support to better develop and evaluate proposed natural resource-related legislation, to strengthen connections with their constituencies, and to conduct budgetary and administrative oversight of the line ministries' execution of natural resource-related laws through public hearings and, as needed, investigations. Avenues for building capacity of parliamentarians can include stocking the parliamentary libraries with reference materials related to natural resource legislation, providing training opportunities for staff members in natural resource management (possibly through opportunities to attend international training events), and dedicated training for parliamentarians and staff.<sup>14</sup> Efforts such as these, however, must also be coupled with activities to strengthen legislators' connections and responsiveness to the communities that they represent (see [Chapter 6](#) on governance).<sup>15</sup>

The general public, civil society, and the private sector are important stakeholders that play essential roles in natural resource management and are affected by natural resource governance. Some infrastructure development initiatives in fragile states rely on building on existing networks of civil society organizations (CSOs), community-based organizations, or private-sector organizations to extend basic services to the general population. Other initiatives seek to jumpstart the economy through agricultural cooperatives. Moreover, civil society has a key role in advocacy. These important roles in natural resource management make it essential to engage civil society, the private sector, and the general public when building capacity of fragile states. As such, it is important to build capacity of civil society, the private sector, and the general public; to engage these entities in identifying governmental capacity gaps at the national and local levels; and to leverage their interest and expertise in building governmental capacity.<sup>16</sup>

### Defining Civil Society Organizations (CSOs): an Inclusive Approach

The Bank's policy on engaging CSOs defines the entities broadly and includes a wide range of organizations:

The myriad of civic organizations in civil society include, but are not limited to, nongovernmental organizations (NGOs), people's and professional organizations, trade unions, cooperatives, consumer and human rights groups, women's associations, youth clubs, independent radio, television, print and electronic media, neighborhood or community-based coalitions, religious groups, academic and research institutions, grassroots movements, and organizations of indigenous peoples.

A common capacity constraint in civil society is a lack of specialization within individual CSOs. The box on Defining Civil Society Organizations (CSOs) describes the types of organizations that the Bank classifies as CSOs. This lack of specialization may help with initial fundraising and may be immaterial in some emergency aid situations; however, as donor aid shifts to long-term goals, specialization is increasingly required to achieve particular goals.<sup>17</sup> Fragile states and development partners can help CSOs to more effectively transition into more specialized roles—and thereby build critical in-country capacity—through technical training on focused natural resource management skills (see box on Building the Capacity of Civil Society to Participate in Natural Resource Management). CSOs may also need capacity building in core project management skills such as accounting, budgeting, monitoring and evaluation, strategic planning, community engagement, and participatory consultation.<sup>18</sup> Training is also needed to help CSOs learn conflict-sensitive approaches for service delivery, advocacy, and programming in fragile states. Fragile states can work with development partners and CSOs to evaluate which types of capacity building are most needed by CSOs within their national context and mainstream capacity building for CSOs into related natural resource management initiatives.

Some of Africa's most talented and influential civil society leaders in natural resource management come from fragile states. The box on building the capacity of CSOs mentions the important contributions of CSOs in, for example, the Democratic Republic of the





Aquaculture project in Côte d'Ivoire. Photo: AfDB.

Congo, Liberia, Somalia, and Zimbabwe. There are also opportunities for development partners, including the Bank. The Bank can use its convening power to create a conference or summit on natural resource management to encourage exchange of experiences and learning, and to foster mentorship among CSOs in fragile states in Africa. Through these events, staff from successful CSOs could share information with staff from new and growing CSOs on technically

challenging and politically sensitive issues in natural resource management, such as how to build political will for improved revenue management and how to rebuild trust across group divisions.

Private-sector enterprises in natural resource-related sectors in fragile states can also benefit from capacity building. For example, workshops to train micro and small businesses on how to use improved technologies for natural resource management and on value-added opportunities could encourage the use of more efficient and sustainable techniques for a broad range of activities, from artisanal mining (Chapter 2) to preserving agricultural produce (Chapter 3). Many micro enterprises could also benefit from trainings on basic business skills.<sup>19</sup> Medium- and large-scale enterprises may benefit from learning conflict-sensitive approaches and strategies for doing business, for example, how to consider and ensure equity across groups in hiring and how to engage communities through regular communications.

*Supplemental funding is often needed to address capacity gaps identified during project implementation* because the full scope of capacity gaps can be difficult to assess at the outset, both for the fragile state and for development partners.

### Building the Capacity of Civil Society to Participate in Natural Resource Management

Active participation of civil society organizations (CSOs) can provide additional and often crucial support for natural resource management in fragile states, and fragile states can work with development partners to build the capacity of CSOs as part of natural resource management initiatives. CSOs can help communities to develop livelihood opportunities, deliver basic services, and support peace-focused initiatives and efforts to resolve disputes; however, additional capacity building is often needed to help CSOs be more effective in these roles.

In fragile states, CSOs frequently have experience in managing natural resources to deliver basic services, such as water delivery, sanitation, energy, or solid waste disposal. In Somalia, the Horn of Africa Relief and Development Organization (Horn Relief) led the distribution of solar cook stoves to increase household access to energy and reduce deforestation by decreasing the demand for charcoal. The organization was instrumental in advocating for the enactment and enforcement of a ban on charcoal exports that had been used to finance armed conflict. Organizations like Horn Relief demonstrate what CSOs can achieve in fragile states, but there are many CSOs that need further support to effectively deliver quality services. Capacity building can help CSOs improve their management skills and the technical quality of service delivery, for example, by providing trainings on water treatment (Chapter 4).

CSOs play a key role in advocacy and ensuring government accountability in fragile states. For example, Silas Siakor of the Sustainable Development Institute, a Liberian CSO, was at the forefront of exposing the role of the timber trade in fueling the civil war in Liberia. CSOs are instrumental in evaluating information from transparency initiatives such as the Extractive Industries Transparency Initiative and environmental impact assessments, communicating the information to community members, and fostering community engagement. In fragile states where advocacy has historically been tightly controlled, many CSOs are not ready to take on that role. CSO leaders and staff could benefit from technical training on the collection, analysis, and dissemination of information about the natural resource-related projects, payments and

revenues from extractive industries, and environmental impacts of projects. Staff of CSOs may also need support to hone their policy analysis, development, and advocacy skills.

CSOs can also contribute substantially to dispute resolution and peace programs in fragile states. In formerly fragile Angola, CSOs have played key roles in managing disputes related to land as well as performing research and analysis to support development of the land law. These efforts have identified areas of ambiguity and raised awareness of elements of the law that may lead to conflict. Opportunities for capacity building in this area include mediation and dispute resolution training, and workshops on substantive laws and the traditional and statutory processes for determining access and rights to natural resources.

The fight against poaching and the enforcement of environmental laws is another area where CSOs have been instrumental. For example, in 2001, civil society leaders played key roles in preserving and reducing poaching in the Okapi Faunal Reserve during the conflict in the Democratic Republic of the Congo and, more recently, in coordinating the protection of black rhinos in Zimbabwe. Fragile states can build the capacity of CSOs to identify and report violations of natural resource-related laws and policies.

Effective capacity development of civil society requires assessment of the individual capacities of the beneficiary institutions, with the understanding that many CSOs may require more in-depth or longer-term training opportunities to build baseline skills. For example, projects that include trainings for CSO staff on how to use online databases of natural resource-related information may need to start by providing for foundational trainings on basic computer skills.

## 11.2 Long-Term Engagement

Fragile states in Africa need long-term donor engagement to reform natural resource-related laws and institutions, build capacity, and change engrained practices; however, international assistance is volatile in fragile states. This is particularly challenging because institutions take time to rebuild. The Organisation for Economic Co-operation and Development's Principles for Good International Engagement in Fragile States and Situations, in which the Bank has been involved, estimate that it takes at least 10 years to build capacity in core institutions in fragile states.<sup>20</sup> With this in mind, the Bank has extended the period that fragile states are eligible for Fragile States Facility (FSF) funding from two three-year African Development Fund (ADF) cycles to at least three cycles, and thereafter to be determined on case by case, to more closely reflect the amount of time it takes to transition out of fragility.

Extending eligibility for FSF will be particularly helpful to initiatives that seek to rebuild the core institutions that undertake natural resource management activities in fragile states. For example, the restoration of degraded natural resources or the development of institutions for the regulation and disposal of hazardous waste in fragile states takes approximately 10 years.<sup>21</sup> It can take approximately 25 years to build and implement systems for administering land tenure.<sup>22</sup> Efforts to pass new land laws in fragile and formerly fragile states have taken between three and 12 years (and sometimes longer).<sup>23</sup> Moreover,

even after laws are passed, additional time is needed to develop implementing regulations, build institutional capacity, and change past practices and mindsets.

Institutional development takes time, but with sustained donor commitment, it can produce significant improvements in economic growth, access to basic services, and other peacebuilding and statebuilding objectives (see box on Engaging Communities, Building Capacity, and Promoting Long-Term Economic Development in Formerly Fragile Rwanda).

During project design, fragile states and development partners sometimes recognize that long-term support is needed in a time frame that extends beyond the duration of the available funding (often because the project cycle traditionally is up to five years). In such situations, one option is to set forth the long-term institutional development objectives and then construct a series of projects that incrementally build on each other to accomplish the long-term objective, or objectives. Each incremental project should have clear deliverables and milestones occurring within normal project time frames; however, project documents would clearly establish the longer-term project objectives. The Bank took this approach in its development of drought resilience in the Greater Horn of Africa (GHA) (Chapter 3). First, the Bank funded a study on the scope and effects of drought in the GHA and established a plan for improving resilience in those countries affected by recurring droughts and floods.<sup>24</sup> The Bank has subsequently worked with

the Intergovernmental Authority on Development to establish a plan to implement the study and has pledged US\$300 million to the 15-year program, and it plans to work with other donors to leverage additional funds for the full implementation of the drought resilience project.<sup>25</sup> Phase I of the project costs approximately US\$126 million and covers implementation in three countries, including the fragile state of Djibouti.<sup>26</sup> Phase I is being undertaken with the understanding that when additional funds become available, the project will be expanded to support the remaining countries, including four fragile states, that were included in the plan for drought resilience in the GHA region.<sup>27</sup> The Bank is also examining strategies to scale up projects in fragile states (see box on Scaling Up Projects in Fragile States).

Even well-designed programs will have trouble meeting their objectives—and can fail—when the term of implementation is too short or donor involvement ceases in crucial moments.<sup>28</sup> To prevent such problems from plaguing programs that might otherwise be successful, realistic goals and terms for projects can aid program stability. Projects in fragile states need greater flexibility in timing to meet individual milestones or objectives because, in fragile states, it may be harder to predict the amount of time it will take to perform community engagement, capacity building, procurement, or other aspects of programming. In situations such as these, additional mechanisms are needed to document and evaluate the ongoing performance of projects when original timelines need to be modified to address realities on the ground.

### Scaling Up Projects in Fragile States

The Bank is currently performing research on different approaches to scaling up development initiatives in fragile states. Strategies include changing project design so that projects are conceptualized to facilitate scaling up. The Bank is also considering how to streamline project planning processes to provide for more rapid, targeted, responses in the aftermath of conflict or political crises with an eye toward building longer-term follow-on projects that scale up successful initiatives. The research is also examining how the Bank can build stronger partnerships with other multilateral development banks and emerging bilateral donors to finance efforts to scale up successful initiatives.

*Acceptance of long-term involvement and inevitable setbacks that accompany the lengthy development process in fragile states can facilitate growth and maximize benefits of natural resource opportunities.*

Despite well-laid plans, some projects will suffer setbacks that threaten to derail them. When such setbacks arise, projects can improve their long-term performance through a combination of continued support and adaptability in project implementation (see [Chapter 10.3](#) on monitoring and evaluation of implementation).

### Engaging Communities, Building Capacity, and Promoting Long-Term Economic Development in Formerly Fragile Rwanda

The ongoing recovery of Rwanda, a formerly fragile state, from an intense civil conflict in the mid-1990s is an example of the elements of successful sustained programming. Initial programming experienced difficulty in sustaining results. Programs were then redesigned to ensure future sustainability of development progress. With the redesigned programs, sustained long-term support from donors, and community engagement, Rwanda has made substantial progress toward its goal of establishing a lower middle-income economy in the country by 2020.

The success of the Bank-supported peacebuilding and statebuilding programs in Rwanda is, in part, a result of direct involvement of communities through purposeful evaluation and assessment of the needs of and criticisms from communities throughout the country. By incorporating Imihigo, an indigenous system of performance contracts, into the aid programming that was already present, programming has been able to link different levels of government. The first step in the process was surveying citizens to identify priorities for socioeconomic development. The process led to improved access to clean water and increases in agricultural output and pasturage, among other communal benefits.

Capacity building is one of two pillars in the Bank's strategy for Rwanda. Aid effectiveness is being improved by financing increased use of country systems for managing project finances after strengthening



the capacity of governmental staff and treasury accounts in the area of cash management. The Bank's Rwanda field office is supporting the national reviews of poverty and development as well as coordinating development partners and providing a statistician to support evidence-based decision making. The Bank is supporting the ongoing Rural Water and Supply Initiative, which is directed at improving capacity in central and local governments as well as civil society and private entities in rural areas. The plan projects that 95 percent of the rural population will have access to drinking water and that 70 percent will have access to sanitation facilities by 2016.

Although Rwanda is not rich in high-value extractive resources, renewable resources and some mineral resources play a crucial role in this ongoing development. For example, well-designed agricultural programs have shielded Rwanda from the food crisis that is affecting neighboring countries in the Greater Horn of Africa, and ongoing funding is directed at mitigating environmental impacts and ensuring that infrastructure projects resist climate change, thereby aiding the longevity of such projects and overall environmental health of the country. Additionally, Rwanda saw a 26.5 percent increase in export value from 2009 to 2010, 60 percent of which is attributed to coffee, tea, and minerals. Although several development milestones remain, the programs directed at improving economic independence through capacity building and community involvement have established a reliable basis for Rwanda's continued growth, and the development and resilience of the programming is facilitating Rwanda's progress.

### 11.3 Participatory Programming

While community engagement is important in all development projects, the characteristics of fragile and conflict-affected states make community engagement both more necessary and more challenging. Community engagement is especially important for projects focusing on, inadvertently affecting, or relying on natural resources because natural resources are often central to livelihoods, food security, identity, and conflict financing.

Situations of fragility are frequently characterized by a hyperpoliticized environment in which there is a lack of trust and social capital.<sup>29</sup> In comparison to nonfragile situations, communities in fragile states more frequently lack confidence in institutions.<sup>30</sup> This makes it more challenging to engage communities in fragile states, and *greater attention must be devoted to transparency and community engagement to overcome suspicion and to build community ownership.*

*All projects, particularly natural resource-related projects in fragile states, should mainstream community engagement as a standard practice.* Many development projects use a participatory approach to engage communities at specific stages; however, engagement in projects in fragile states must be continuous throughout the project cycle—from project design to implementation to monitoring and evaluation.

A range of techniques can be used to create windows of opportunity for participation in natural resource-related initiatives. Some examples include notice, consultation, participatory decision making,

comanagement, inclusive strategies for local governance, and public comment on proposed legislation and rulemaking.<sup>31</sup> For example, when preparing the implementation regulations for Liberia's 2006 National Forestry Reform Law, the Government of Liberia released the draft regulations for public comment.<sup>32</sup> Communities can also be engaged in the construction of infrastructure and other rehabilitation projects, in particular projects involving communal resources such as water.<sup>33</sup>

Development initiatives can be designed to engage specific communities based on need or risk. For example, while environmental and social impact assessments provide a foundation for the development of affirmative risk assessments, more efforts are needed to engage communities and use participatory approaches during program design (Chapter 10.2). For example, in order to address the potential for conflict or disputes, it can be helpful to select beneficiary communities based on clearly articulated criteria that are communicated to the public. Natural resource-based programs can create short-term employment that develops long-term skills for those populations with fewer livelihood options. For example, initiatives that provide vulnerable populations with cash for work for rebuilding feeder roads or water infrastructure can simultaneously train workers to create self-help groups that can facilitate long-term cooperative work in value-added transformation of agricultural products or other activities. A multi-donor initiative in Burundi has been working to translate cash-for-work initiatives into long-term cooperative activities by setting aside a share of funds into a communal account for program participants. Then, after the temporary cash-for-work activities are complete, participants are trained

in business skills and can invest the funds from the communal account in cooperative agricultural or value-added production activities.<sup>34</sup> In addition to directly resolving problems with capacity, community involvement can be designed to create a platform for cooperation and reconciliation among formerly conflicting groups. Such cooperation, in turn, can lead to long-term results such as local ownership, improved security through community cohesion, and strengthened dispute resolution mechanisms.<sup>35</sup>

*It is important to ensure that community consultation and participatory approaches are truly inclusive.* Participatory projects have sometimes concentrated benefits with local elites and their patronage networks.<sup>36</sup> Accordingly, projects may also need to require the inclusion of vulnerable groups; address, reduce, or at least avoid increasing existing inequities; create mechanisms to ensure that local governance structures are accountable to their constituencies; and improve the management and maintenance of investments in infrastructure and natural resources by building capacity, providing resources, and creating the necessary incentives.<sup>37</sup>

Participatory programs often mistakenly presume that various groups of local stakeholders share a common interest.<sup>38</sup> While they may share certain interests, often they have different interests in different resources, for different objectives. To address this challenge, project officers designing programs and projects should identify stakeholders and conduct a stakeholder analysis. Where projects in fragile states rely on collective action, such as projects for cooperative agriculture or community land use planning, it may be necessary to take specific actions designed to actively promote social cohesion. For example, promoting social cohesion during project design involves both developing incentives for cooperation and building capacity for conflict-sensitive interactions among diverse stakeholders. Subsequently, during project implementation, indicators are needed to evaluate whether social cohesion is improving as intended.



Boats at harbor in Comoros. Photo: AfDB.

Local programs work best when there is a measure of government oversight to help ensure accountability and effective utilization of local resources. Donors can supplement this oversight, but evidence indicates that donor oversight cannot replace state involvement.<sup>39</sup>

#### 11.4 Phasing Out Programming

Phasing out of assistance and transferring and mainstreaming long-term management responsibilities into national or local institutions is a crucial step in long-term programming. For a program to have a lasting effect, the transition from donor assistance to a locally or nationally funded and managed program requires planning and preparation. Dependence on outside aid may result in a country being trapped in an aid cycle.<sup>40</sup> Natural resources provide a particularly important opportunity to avoid aid dependence by providing a significant and ongoing foundation for economic growth and a source of government revenues—but only if the natural resources are managed effectively and sustainably. During project design, fragile states and development partners can work together to establish plans and long-term goals that transition away from official development assistance to the use of the state's own revenues, whether from natural resource wealth or tax revenues. For Bank-supported projects, project design incorporates the consideration of long-term implementation after Bank funding has concluded; for fragile states, this includes analyses of government staff training, budget allocations for operations and maintenance, and, as needed, the development of regulatory or procedural frameworks for implementing agencies.<sup>41</sup>

When donor aid ends suddenly, without the means in place for the country to continue supporting the project (or program), gains can be lost quickly. In Zimbabwe in 1990, approximately 78 percent of the national population had access to water, and in urban areas the figure neared 100 percent of the population.<sup>42</sup> These gains were achieved through twenty years of water reforms and development initiatives funded by many donors. This progress was quickly eroded due to national macroeconomic imbalances and political crises that severely impacted donor support.<sup>43</sup> Through the 2000s, Zimbabwe's water and sanitation institutions and infrastructure collapsed. By 2008, water coverage rates had dropped to 46 percent nationally.<sup>44</sup> Access to water and sanitation had fallen dramatically, culminating in a nation-wide cholera epidemic. In 2010, Zimbabwe worked with a group of international institutions, including the Bank, to develop a plan for reviving the country's water sector, with clear acknowledgement that local ownership of water assets and consumer-based financing are essential to long-term success.<sup>45</sup>

Where sudden withdrawal of project funding can have a devastating impact, *graduated withdrawals of funding that are supplemented by continued technical support can facilitate a smooth transition to national management*. For example, in Rwanda, DFID (the United Kingdom's Department for International Development) financed the recovery of the Rwanda Revenue Authority (RRA), which is the line ministry responsible for collecting tax revenues. Over the course of six cycles of financial and technical support to RRA and in response to increased domestic revenue collection, DFID has been able to gradually reduce its budgetary support for RRA from 34 percent of the RRA's operating budget in 2003 down to 10 percent in 2009. DFID has, meanwhile, continued to provide equipment, training, and technical support related to information technology systems and various operational activities.<sup>46</sup>

*Capacity building must be accompanied by strong institutionalized reforms that can maintain the increased capacity as outside assistance for a project or priority ends.* Fragile states and development partners can monitor programming and reforms to institutional capacity. A fragile state may see significant gains in human resources and infrastructure capacity from a specific project or program; however, institutionalized reforms are needed to create frameworks for ongoing capacity development and maintenance of the gains.<sup>47</sup>

## 11.5 Recommendations

It is more difficult to ensure the lasting effects of development initiatives—including those related to natural resources—in fragile states because they tend to experience greater political, social, and economic volatility. Capacity gaps are larger, and damage to the social fabric and the connections between communities and their government make community engagement more challenging. Despite these challenges, well-designed programs that make a sustained commitment to fragile states, build their long-term capacity, and plan for the end of assistance can provide significant and lasting progress towards peacebuilding, statebuilding, and development. Six key considerations in this respect follow:

- Capacity gaps in fragile states are frequently more substantial than in other developing countries and can include gaps in technical expertise, the fundamentals of project management, and public administration. *When designing and implementing natural resource-related projects, identifying the scope and depth of capacity gaps requires close collaboration between fragile states and development partners; such collaboration will allow for the examination of both the existing capacity and the capacity needs of government, civil society, and the private sector.*

- Capacity building may take more time and resources in fragile states than in other contexts; however, it is essential to ensure that fragile states can sustain and build on the progress made by development initiatives after the project has ended. After capacity gaps are identified, *extensive support is needed to build capacity in local and national government institutions, civil society, and the private sector.*

- *Mechanisms are needed to provide sustained and predictable support to fragile states over a time frame that allows for the effective development of institutions for natural resource management.* To address the need for longer-term support in fragile states and to more closely reflect the amount of time it takes a state to transition out of fragility, the Bank is considering extending the period that fragile states are eligible for Fragile States Facility (FSF) funding.

- *Long-term natural resource management initiatives can be divided into discrete, successive projects with specific objectives that can be achieved in a shorter time frame.* Project design documents for these shorter natural resource management projects should clearly link the long-term development and natural resource-related objectives with the short-term project objectives. The specific benchmarks in each individual project can help make donor assistance more targeted, providing clear and achievable benefits to encourage continued funding for additional phases.

- To address lingering mistrust and lack of social cohesion in fragile states, *community engagement is needed throughout the project cycle—from project design to implementation to monitoring and evaluation.* For community engagement to be effective, special efforts must be made to ensure that projects are truly inclusive, nondiscriminatory, and reach beyond local elites and existing group dynamics to include vulnerable and at-risk populations as well as populations that are affected by horizontal inequalities.

- *Phase out assistance gradually and according to a plan.* A sudden elimination in funding and support can cause a program to fail to sustain gains or stall. Phasing out assistance in steps by decreasing funding but maintaining technical support and training, or providing oversight assistance, can help the fragile state transition to domestic sources of revenue and troubleshoot the ongoing management of the project as it becomes sustainable.



**Text Box Citations\***

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

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**Endnotes**

- 1 AfDB 2012q; USAID 2012c.
- 2 USAID 2012c.
- 3 Bruch et al. 2014; Collier 2004; Walter 2010.
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- 31 For additional approaches to public participation, see IAP2 (2007).
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- 33 Jensen and Lonergan 2012; Troell and Weinthal 2014.
- 34 Interview with Stephan Fox, European Union, November 24, 2012 (discussing a joint EU, FAO, UNDP, and UNICEF initiative). See also UNDP (2012).
- 35 Bruch et al. 2015\*; Sugiura 2011.
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## Recommendations and Next Steps

Natural resources, including arable land, pastureland, water, oil, minerals, and forests, are a cornerstone for livelihoods and economic development for most fragile states in Africa. Fragile states' economies frequently rely more heavily on natural resource exports than their nonfragile counterparts. Arable land and water are often tied inextricably to food security and identity.

The importance of natural resources to fragile states has made the connections between natural resource management and state fragility complex and multidimensional. Natural resources have contributed to the onset or financing of conflict in at least 14 fragile and formerly fragile states in Africa. Yet these same resources can be the foundation for resilience-building strategies. Inclusive and effective governance of natural resources can help build consensus between competing groups and increase state legitimacy. Creating frameworks that incentivize the formal trade in natural resources can increase public security and create new sources of natural resource revenues for the government. Through the judicious and transparent management of natural resource revenues, fragile states can leverage oil, minerals, and other high-value natural resources to finance economic and social development priorities. Renewable natural resources are also important, often providing the foundation for livelihoods, food security, and economic growth. This Flagship Report showcases a wide range of approaches that fragile states can use to transform natural resources from a source of fragility to an asset for resilience.

To build resilience, the Bank engages fragile states in policy dialogues, facilitates long-term planning, and supports the development of comprehensive aid packages. These combined aid instruments—ranging from budget support to technical assistance and high-level advocacy—are particularly important to fragile states, which frequently lack the technical, financial, and human resource capacity to achieve development objectives without external support. Because the Bank is one of the major development partners for fragile states in Africa, it has the opportunity to lead fragile states and other development partners by mainstreaming considerations of fragility and natural resources into





Collecting water. Photo: AfDB.

comprehensive aid packages. By focusing attention on natural resource management in fragile states, the Flagship Report offers suggestions for operationalizing *At the Center of Africa's Transformation: Strategy for 2013–2022* (the Bank's *Ten Year Strategy for 2013–2022*) and *Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014–2019* (the Bank's *Fragile States Strategy*). The *Ten Year Strategy for 2013–2022* places an emphasis not only on “sustainable growth, but also [on] the sustainable management of natural resources,” and it has identified fragile states as one of its three areas of focus in the coming decade.<sup>1</sup> The 2014 *Fragile States Strategy* emphasizes the importance of incorporating a fragility perspective into the Bank's work in fragile situations, from policy dialogues to program cycles.

This Flagship Report identifies ways that the Bank can further support fragile states in their efforts to build resilience through improved management of natural resources. This Report has examined how the linkages between fragility, conflict, and natural resources sometimes necessitate natural resource management initiatives in fragile states to use approaches that differ from development approaches appropriate to other Regional Member Countries (RMCs).

Fragile states frequently require support for or attention to development fundamentals that are universal to developing countries. Moreover, many countries have pockets of fragility or share individual characteristics with fragile states, which has led the Bank to focus on fragile situations rather than fragile states in its *Fragile States Strategy*.<sup>2</sup> Thus, many of the strategies offered throughout this Flagship Report could be adapted to nonfragile situations where additional capacity building is needed, where conflict dynamics pose a particular challenge, or where other characteristics of fragility are present. What is different about fragile states is that they may require additional or more focused attention because they face many of the challenges of fragility simultaneously and the

challenges are more prominent, as identified through the Country Policy and Institutional Assessment (CPIA) ratings.

The bulk of this Flagship Report focuses on experiences of and lessons for the broad community of fragile states and development partners. With the many development partners working with fragile states on natural resource management, a coordinated approach is needed to address unmet needs in fragile states. One of the two key objectives of the Flagship Report is to survey lessons on natural resources and fragility, focusing on actions by fragile states and a broad range of development partners. The reason to consolidate these lessons is to foster dialogue and raise awareness of common challenges and strategies to address them. To build this common understanding, Chapters 2 through 11 of this report have focused on how fragile state governments and development partners together can improve the management of natural resource sectors, address cross-cutting issues, and manage the program cycle more effectively. Each chapter concludes with a short list of bulleted recommendations that offer a way forward, and the summary report provides an overview of these recommendations.

This chapter, in contrast, serves the second objective of the Flagship Report: to identify focused recommendations targeting a small number of areas where the Bank can make adjustments and investments to support future natural resource-related programming in fragile states. This chapter speaks to a narrower audience and examines how the Bank can improve the way that it engages RMCs and other development partners to leverage natural resources for resilience in fragile states. It emphasizes four priority opportunities: (1) mainstreaming natural resource management, conflict sensitivity, peacebuilding, and statebuilding in Bank processes, and incorporating tools and training opportunities throughout the program cycle; (2) using natural resource data collection, analysis, and management



Logging operations. Photo: AfDB.



to build resilience and transparency in fragile states; (3) improving natural resource concessions in fragile states; and (4) building fragile state capacity for natural resource revenue management.

### 12.1 Conflict Sensitivity, Peacebuilding, and Statebuilding in Natural Resource Management

Natural resource management initiatives have the potential to support the transition to greater resilience in fragile states; however, improvements to natural resource management and the associated infrastructure must be delivered using conflict-sensitive approaches that focus on national peacebuilding and statebuilding priorities. The Bank's 2012 evaluation of its assistance to fragile states identified the need for a stronger emphasis on the "all-important political context and the drivers of conflict and fragility."<sup>3</sup> *A key component of developing a comprehensive understanding of the political context and the drivers of conflict and fragility involves assessing the roles natural resources play within the particular national context. To achieve practical gains, each step of the program cycle is then tailored to the national context, by incorporating the findings of the assessment—including natural resource-related considerations.*

This section focuses on approaches for mainstreaming conflict-sensitive natural resource management into the Bank's program cycle, and it examines opportunities for developing greater institutional capacity for conflict sensitivity within the Bank and fragile states in Africa.

#### Approaches for mainstreaming conflict sensitivity and peacebuilding and statebuilding objectives into program cycles

Maximizing the benefits of natural resource management in fragile states requires an ongoing consideration of conflict dynamics and peacebuilding and statebuilding objectives during policy dialogues and throughout the program cycle—including during the development of country strategies; the design of projects; and the implementation, monitoring, and evaluation of projects. A variety of measures could help to ensure that conflict sensitivity and peacebuilding and statebuilding objectives are systematically incorporated into natural resource-related initiatives and other Bank projects in fragile states.

- Fragility assessments examine conflict dynamics at the national level and can be used to identify peacebuilding and statebuilding priorities in fragile states. The importance of conflict dynamics in fragile states makes fragility assessments a foundational tool that Bank staff can use to inform every step in the program cycle. Whether

integrated into country strategy papers (CSPs), discussed below, or prepared as stand-alone documents, fragility assessments are needed for all fragile states in Africa.<sup>4</sup> *Incorporating natural resource considerations into fragility assessments is essential to understand how development initiatives may affect conflict dynamics in fragile states.* Such fragility assessments would consider the extent to which, within a specific national context, natural resources are or could be (1) a contributing cause of conflict, (2) a source of financing for armed conflict, and (3) an important asset for peacebuilding or statebuilding. Other important considerations include, for example, the extent to which natural resources have been damaged by armed conflict or fragility, and the extent to which climate change could exacerbate existing tensions or increase the threat of natural disasters in a particular fragile state. As a template is developed for fragility assessments, natural resource-related considerations can be integrated into the assessment framework.

- The CSP for each country represents the Bank's investment strategy for a period of five years, although the CSP may cover a shorter period of time for some countries in the immediate aftermath of conflict or political crises. CSPs are based on national priorities identified through extensive RMC consultations and also take into account the Bank's areas of comparative advantage. A CSP template for fragile states is needed to ensure that the findings of fragility assessments inform the development of Bank priorities for each fragile state in which it works. *The CSP template for fragile states can be designed to include categories and questions that facilitate the analysis of linkages between natural resources, conflict, peacebuilding, and statebuilding.* The CSP process is significant because it is one of the key procedural mechanisms for prioritizing the allocation of Bank support at the national level in fragile states.
- *The Bank has supported the preparation of joint strategies in fragile and conflict-affected states through participation in the development of post-conflict needs assessments (PCNAs) and poverty reduction strategy papers (PRSPs).* These joint assessments are powerful tools for coordination between a fragile state and its development partners and among the various development partners; and the Bank could benefit from increasing its involvement in the development of joint strategies in fragile states in the years to come. Because the Bank contributes technical expertise and financial support to joint planning processes with development partners and fragile state governments, *strategies are needed to*

*systematically integrate the linkages between natural resources, conflict, and fragility into processes for the coordination and preparation of analyses and responses* such as PCNAs and PRSPs. Such coordination would help to ensure that the Bank is better able to draw on internal knowledge and expertise, while also leveraging the expertise of development partners and fragile state governments.

- ***A review of the project design process for fragile states—including project conceptualization—would help to identify ways to adapt standard Bank procedures to the unique challenges of fragility.*** Possible points of entry for review include the development of additional criteria for concept notes and project appraisal reports in fragile states. Such criteria would integrate the consideration of conflict sensitivity as well as national peacebuilding and statebuilding priorities into Bank projects in fragile states, including natural resource-related projects. Such supplemental criteria would also facilitate the identification of country-specific linkages between natural resources, conflict, peacebuilding, and statebuilding, thereby ensuring that Bank initiatives maximize development gains while reducing the likelihood of inadvertently exacerbating tensions. To build greater conflict sensitivity into development initiatives, additional financial and technical resources could be allocated to tailor fragility assessments to the project-specific context through interviews and workshops during project appraisals in fragile states. A procedural opportunity has been added to allow the Bank's Transition Support Department (formerly the Fragile States Department) to review and comment on proposed projects in fragile states that rely on, are affected by, or are likely to affect natural resources. It is anticipated that such review procedures will be fully operationalized in the near future.

- Monitoring and evaluation in fragile states is most effective when it is multifaceted. ***Incorporating methodologies and indicators to measure project impacts on conflict, peacebuilding, and statebuilding—including through the use of theories of change—could help monitoring and evaluation plans clearly identify the project's effects on the fragile state's political and conflict contexts.*** This is particularly useful in regard to natural resource-related initiatives that also support peacebuilding and statebuilding objectives, such as the reintegration of excombatants or the improved governance of contested natural resources. Such information would serve as a foundation for evaluating the Bank's impact on peacebuilding and statebuilding,

and create a richer source of data for institutional learning regarding Bank performance in fragile states. Procedural opportunities that encourage the collection of qualitative information—for example, through semistructured interviews—could be used by project staff to identify factors influencing project success that are outside predesignated evaluation criteria. Qualitative assessments thereby create opportunities to identify changing circumstances, unintended consequences, and capacity gaps that were not predicted during program design. Monitoring and evaluating natural resource-related initiatives in fragile states on a quarterly basis, particularly where the Bank has field offices, can also facilitate the early identification of changes in project performance caused by the rapidly changing context of fragile states.

- The unique context and challenges of fragile states mean that performing environmental impact assessments and planning and implementing other project safeguards in fragile states requires specialized skills and expertise that are not as necessary in nonfragile states. Challenges associated with fragility include, for example, avoiding negative impacts on refugees and internally displaced persons, combatting increases in sexual and gender-based violence against women and children collecting water and firewood, and preventing increases in land grabbing associated with projects that increase property values. ***Training and certification of Bank staff and consultants in conflict-sensitive programming*** can help ensure that Bank staff and consultants planning, designing, and implementing natural resource-related projects in fragile states can identify and work to avoid such potential impacts.

#### **Tools and training for Bank staff, fragile state government officials, and project staff**

***Practice guides and training opportunities are needed to help Bank staff rapidly understand and identify how to adapt natural resource-related programs and projects to the context of fragile states.*** Both overarching and sector-specific guides and training opportunities are necessary, with priority sectors including extractive industries; water resource management, water supply, and sanitation; and agriculture, pastoralism, fisheries, and forestry. Such guidance would raise the profile of key issues that arise frequently and provide analytic and practical tools to address those issues. The guidance would also explain that the political and conflict dynamics around natural resources are specific to each fragile state and require tailored analyses and



Crops in Guinea. Photo: AfDB.

responses. To ensure effective project prioritization, planning, and implementation, additional capacity-building opportunities could be developed for multiple audiences—including Bank staff, fragile state government officials, project staff and consultants, and community groups and beneficiary institutions.

- **Streamlined, sector-specific practice guides are needed for incorporating conflict sensitivity and peacebuilding and statebuilding objectives into different natural resource sectors.** The guides could include practical tools such as forms, checklists, and lists of key issues for project managers to consider throughout the program cycle. Projects would also benefit from a guide on monitoring and evaluation of natural resource-related projects in fragile states.
- **Natural resource-specific trainings are needed for Bank staff who administer projects in fragile states.** Trainings could introduce the practice guides and offer opportunities to share ideas and experiences among Bank staff (for example, building on fragility lens trainings). Trainings should also build capacity to supervise and evaluate the natural resource-related content of fragility assessments; to evaluate project designs for conflict sensitivity; to conduct conflict-sensitive project evaluations; and to use conflict assessment tools, such as conflict trees or conflict mapping during the project appraisal process.
- **Training opportunities are needed for fragile state government officials on natural resource-related conflict dynamics and approaches to peacebuilding and statebuilding.** One option for such training is an annual international workshop for government officials from fragile states to learn and exchange experiences related to natural resources and conflict, conflict sensitivity, peacebuilding, and statebuilding. Training and

dialogue efforts such as these can help fragile state government officials better understand why conflict sensitivity is important and how it can be incorporated into strategic planning at the national level. Such workshops could be particularly useful for government officials from the handful of fragile states working with the Bank to develop new CSPs during the year following the workshop. Another option is incorporating conflict-sensitivity training into the national-level meetings associated with developing CSPs.

- **Where appropriate, projects could incorporate training on key topics related to natural resource management and fragility that would be tailored for project staff, fragile state government ministries, other implementing partners in fragile states, and beneficiary communities.** Such trainings would address targeted issues, such as strategies for conducting informal contextual evaluations as part of the monitoring and evaluation process and for identifying key conflict dynamics that could potentially impact the performance of natural resource-related projects. For beneficiary communities and local leaders, workshops could provide training, for example, on how to improve consensus building in water supply initiatives where water supply is a source of tensions or how to address the conflict dynamics arising between competing ethnic groups that use forest resources in different ways. To maximize the effectiveness of such trainings as part of natural resource-related projects, project budgets, timelines, and monitoring and evaluation plans can include criteria related to trainings during project appraisal.

## 12.2 Data Collection, Analysis, and Management

Natural resource-related information is the foundation of effective decision making regarding resource use and allocation; however, many fragile states lag behind nonfragile states in data collection, analysis, and management. In the aftermath of armed conflicts and political crises, there is frequently an influx of pledges and assistance from development partners at a time when fragile state governments lack the data needed to make informed decisions regarding how best to allocate funds. Clear and accurate data is needed to identify the opportunities for natural resource development and the potential economic, social, and environmental impacts thereof. Natural resource-related information is also needed to identify where property may be subject to multiple incompatible land claims or uses. Sound and unbiased estimates of the value of mineral or petroleum deposits and forests are essential for government officials negotiating natural resource concessions. However, in many



fragile states, government capacity for the collection, analysis, and management of such natural resource-related data may have been neglected or even destroyed as a result of conflicts or political crises.

Development partners in general and the Bank in particular can provide significant financial and technical support for data collection, analysis, and management. The Bank supports data collection and management for sound natural resource decision making in fragile states, from projects involving the collection and analysis of targeted natural resource and environmental information to broader household statistical surveys (Chapter 6.2). The Bank is leading the creation of the Open Data for Africa Portal, a publicly available online resource containing economic, development, and demographic data about the Bank's Member States.<sup>5</sup> Nevertheless, *additional support is needed to build the capacity of fragile states to collect and manage data regarding their natural resources.*

*Sector-specific guidance is necessary to help Bank staff identify the types of technical support needed for fragile states to collect and analyze natural resource-related data.* Data collection and management should generate information that helps decision makers identify and evaluate how to use and maintain the natural resource base. Such information also helps ensure that the needs are met of the various stakeholders who rely on the resource base. There are four crosscutting considerations for Bank projects that include the development of data collection, analysis, and management in fragile states. Data analysis, collection, and management needs to be (1) based on developing fragile state capacity, (2) designed to support a broad view within a sector and across sectors, (3) shared seamlessly across line ministries, subnational governments, and the regional institutions responsible for the shared management of transboundary natural resources, and (4) transparent and available to the public in fragile states.

### **Building fragile state capacity for data collection, analysis, and management**

Data collection, analysis, and management initiatives for fragile states should support decision making over the long term. In the aftermath of conflict, projects may be inclined to rely on international consultancies to collect natural resource-related data and to provide policy alternatives and recommendations, because fragile states have limited capacity to conduct such studies themselves. This practice can address short-term data needs, but the practice only provides a snapshot of the condition of the resource base at one particular moment in time and can quickly become outdated. Accordingly, natural resource data collection, analysis, and management initiatives

should build the capacity of fragile state governments over the long term. The following are three key ways to build long-term capacity:

- *The ultimate goal of natural resource data collection and management projects should be to build the capacity of fragile states to independently maintain, update, analyze, and adapt data management systems.* This involves the development of long-term human, technological, and financial capacity within fragile state government agencies; it may also include building long-term capacity in universities, research institutes, and other bodies that support government agencies in data collection and management.
- *Projects that use international consultants or international nongovernmental organizations to deliver short-term results should also include components to build the capacity of fragile state governments.* Datasets collected, analyzed, and prepared by consultants or international nongovernmental organizations should be transferred to fragile state governments, and the consultants should train fragile state government officials on how to update and use the datasets in the future.
- *When evaluating alternatives during project design, key considerations include whether a project inventories existing data or builds on existing databases and whether a project's database is designed to facilitate future expansions.* Due to financial, time, and human resource constraints, natural resource data management projects in fragile states may initially target a single sector or contain limited information on a particular natural resource. Even where databases may initially be limited in scope, the project appraisal process can increase the efficiency and effectiveness of data collection and management initiatives by directly addressing whether there are other databases that have collected and managed similar data in the past, or are currently collecting and managing similar or related data. The project appraisal process can also be used to identify whether data collection and management is designed to facilitate long-term expansion, so that new types of data and additional users can be added over time. While creating expandable databases may initially be more costly, the value of such databases is reflected in their ability to meet a fragile state's long-term needs. The development of expandable systems of data management that incorporate existing sources of data can reduce the likelihood that government agencies in fragile states will, as a short-term cost-saving measure,

invest in parallel databases, because there are long-term costs associated with the consolidation of databases containing related information.

### Supporting cross-sectoral analyses of natural resource-related data

Data collection and management practices are most useful when they are designed to collect and compare information both across a natural resource sector and across more than one sector. Collecting and comparing data across sectors builds the capacity of the government to make informed decisions that maximize benefits and that balance the needs of different users and uses. Three important measures to support cross-sectoral analyses of natural resource-related data include the following:

- ***Inventories and atlases are needed to identify overlapping and inconsistent claims of land, water, mineral, and other resource rights, including concessions.*** One example of a cross-sectoral analysis is the comprehensive analysis of community, individual, corporate, and state land rights in the same database with forest, mining, petroleum, and agricultural concessions. Another example is the collection, maintenance, and analysis of water use and needs for household water supply, agriculture, livestock, industries such as mining, and hydropower. Integrated data on resource rights empowers fragile states to consider the needs and rights of different natural resource users and uses across economic and natural resource sectors.
- ***To support pro-poor natural resource management, analyses should cross-reference demographic, census, and other poverty data with natural resource-related data.*** Such analyses can inform the design of development initiatives so that development funds are distributed to areas where the funding will produce the greatest social and economic return on investment without overburdening the natural resource base.
- ***To maximize the utility of the natural resource-related data collected, information should be collected at the highest level of detail that can be feasibly updated and maintained.*** Where demographic or natural resource data is only available for large geographic areas, such as regions or even districts or prefectures, the data can encompass a variety of locations and stakeholders, making it challenging to effectively identify where assistance is most needed and where natural resources may be degraded or require restoration. When information is collected for smaller geographic units, detailed assessments

can target assistance to individual communities or small clusters of communities where the need is the greatest.

### Coordination and information sharing across fragile state governments at the national and subnational levels and with regional institutions

Many ministries, directorates, and agencies at the national level, subnational institutions, local governments, and customary institutions make decisions that affect the same natural resources. Additionally, regional institutions often coordinate the management of natural resources that are shared among multiple countries. For example, the ministries responsible for water, energy, mining, fisheries, health, and agriculture may all make decisions that could affect a major lake or river and its watershed. Local governments and (in many instances) customary institutions both rely on and affect the same waterways by managing local water and sanitation initiatives, building small-scale irrigation systems, and conducting other local-level activities that are essential to livelihoods. For transboundary waterways, regional institutions may be developing plans for water sharing between countries and for regional initiatives that could range from electrical generation initiatives to programs to harmonize fishing standards and prevent illegal fishing.

When government officials work from a common understanding of the natural resource base and the users that it supports, it is easier for agencies to identify areas where cooperation is needed and to undertake consultations or build linkages between institutions. ***To build a common understanding of the natural resource base and the needs and rights of different users, natural resource-related information must be shared across multiple levels.***

- When designing natural resource-related data collection and management projects for a resource such as a river or a forest, it is important to identify and include all of the different government agencies that plan the future of, issue permits or concessions for the use of, or rely on that resource for development or other purposes. These agencies at the national and subnational levels should be identified and brought together for consultations during project design. ***Clear plans are needed to outline how access to natural resource-related information and databases will be shared within and across national and subnational government institutions.*** Broadly accessible databases using a consistent platform are useful for identifying overlapping claims and boundaries across economic, natural resource, and government sectors and for



Coffee crop in Cote d'Ivoire. Photo: AfDB.

identifying compatible and incompatible uses of natural resources. The availability of such data would make it easier to identify, prevent, and resolve potentially competing claims to land, water, and related resources. Sharing data across government ministries also reduces costs and duplication of efforts in individual ministries and takes advantage of efficiencies of scale.

- *The collection and sharing of data at the regional level can build trust across borders and facilitate planning for shared natural resources at the regional level.* Because ecosystems frequently span several countries, it is important to have a clear technical understanding of each country's interests in and impacts on common resources. Where tensions are high, cooperation on surveys, scientific studies, and other technical research related to natural resource management may also be easier to achieve than cooperation on more politically sensitive issues.

#### Encouraging transparency of natural resource data

Transparency, as a foundational element of good governance, should be a high priority in fragile

states. Moreover, transparency regarding the natural resource base can put to rest lingering suspicions and tensions arising from past mismanagement. Three key good practices for enhancing transparency of natural resource-related data follow:

- To build public confidence, projects for the collection, analysis, and management of natural resource-related data can include plans for the dissemination of the resulting data and findings. *The development of publicly accessible websites for natural resource-related data can demonstrate a strong commitment to openness.* The development of annual publications discussing natural resource trends can make data and findings easier to understand. Radio broadcasts, outreach initiatives in partnership with civil society organizations, and other strategies may be needed to inform communities that are not able to access natural resource-related data online, or might otherwise benefit from intermediaries interpreting the data.
- When supporting the development and management of systems for managing natural resource-related information, *it is good practice to encourage fragile state governments to release natural resource-related information and datasets to the public.*
- Sometimes there may be significant polarization or accusations of corruption relating to a particular natural resource, such as the amount and value of oil or mineral deposits. If politicization is severe, findings of fact produced by the government may be called into question. *In situations of extreme polarization, studies by a neutral third party may be used to create a common foundation for negotiation and to demonstrate that the government is negotiating in good faith.*

### 12.3 Concessions

Fragile states are often ill-equipped to issue and manage concessions in ways that maximize the benefits for their people. Financial and technical support is greatly needed to develop the institutional frameworks for concessions and for negotiating, administering, and enforcing the terms of individual concessions.

The Bank's ongoing initiatives for extractive industries governance and concession negotiation create a solid foundation for deepening engagement. The Bank's African Legal Support Facility (ALSF) helps fragile states in Africa and other RMCs negotiate or, as necessary, renegotiate complex commercial transactions, including natural resource concessions.<sup>6</sup> Financial and technical support to fragile states could be expanded in four areas related to natural resource



concessions: (1) providing technical assistance for the negotiation, review, and renegotiation of natural resource concessions; (2) supporting legal and institutional reform of the standards and processes governing concessions; (3) creating model concession agreements for natural resources; and (4) improving the management of concessions financed by the Bank.

### Providing technical assistance for the negotiation, review, and renegotiation of natural resource concessions

The need for technical assistance for concession review, negotiation, and renegotiation is often greater than the available assistance; and additional resources are needed for ALSF to meet the needs and requests of fragile states. Technical assistance is also needed to support fragile states that request assistance in undertaking reviews of natural resource concession contracts that are deemed to be “odious.” Such assistance could include technical advice on possible processes to review, renegotiate, and cancel concessions, as appropriate, while minimizing the risk of deterring private-sector investment.

- *Training workshops are needed for ALSF staff and consulting experts* on how to tailor assistance related to natural resource concessions to the unique needs of fragile states.
- The technical support and representation provided to fragile states should go beyond maximizing revenues to encompass counseling fragile states on managing the potential environmental and social impacts of concessions. Technical advisors and attorneys for fragile states should *consider provisions in natural resource concession contracts that reduce harmful impacts of concessions and that foster social and environmental benefits.*
- Suggested negotiation strategies should *address private-sector compliance with human rights obligations and include processes to encourage transparency and address grievances.*
- Both concessions under negotiation and concessions included in comprehensive reviews should be evaluated to determine whether they *comply with national laws and international standards, including environmental and social standards.*<sup>7</sup>

These recommendations are needed in all fragile states, and they are especially important in fragile states where the legal frameworks regulating private-sector actors in natural resource extraction, production, and processing are still being developed or require significant revision.

### Supporting the legal and institutional reform of the standards and processes governing natural resource concessions

To ensure that good concession practices—including stakeholder engagement and consideration of human rights—become institutionalized, some fragile states may need to reform the laws, processes, and institutions governing natural resource concessions. States interested in undertaking such reforms may find it difficult to fund major legal and institutional reforms. The best time to undertake reforms is before the concessions are issued. This, however, leaves fragile states in the paradoxical position of needing financial resources to reform the system for issuing concessions, but having few options for generating the funds needed to institute reforms without issuing concessions. Generating revenues is particularly difficult for fragile states because they are already facing significant budgetary demands and, frequently, a weakened revenue base. Financing reforms can also be challenging if fragile state resource revenues have been interrupted or limited, for example, as a result of international sanctions.

The Bank regularly provides financial assistance to support legislative reform and improved governance in fragile states, from public financial management broadly to extractive industries more specifically. These types of investments are important and could be expanded upon to support fragile states that have the political will but lack the financial and technical resources needed to reform the standards and processes governing natural resource concessions.

- One approach for supporting the development or reform of the laws and processes governing concessions is to develop *feasibility studies that suggest alternate strategies for legal and institutional reforms.* Such studies set forth options for encouraging transparency, engaging



Fisherman in Sierra Leone. Photo: AfDB.

the public and local-level traditional and statutory authorities, incorporating environmental and social assessments, and enacting other key standards and processes governing the negotiation and administration of concessions.

- For efforts to reform standards and processes governing natural resource concessions, success should be measured not only by the adoption of legal and institutional reforms but by the extent to which the fragile state government reaches out to the public and creates meaningful *opportunities for public engagement* in the development and implementation of legal and institutional reforms.
- Efforts should also *build in-country capacity*, so that fragile states can independently negotiate and administer future concessions without outside assistance. This support includes the development of workshops and training tools for officials from the ministries and agencies that negotiate, administer, and enforce concessions. Seconding international technical experts to the relevant ministries and agencies has also proven successful in developing the capacity of fragile states.<sup>8</sup> In order to attract and retain well-qualified staff, institutional support to fragile states should also extend to temporary budgetary support to the ministries and agencies that negotiate concessions. Such budgetary support should include criteria for measuring progress toward the development of sustainable and independent mechanisms to finance the institutions that negotiate concessions, collect and administer revenues, and report on transparency and accountability. These mechanisms will ensure that fragile state institutions remain strong as they begin to collect natural resource revenues and transition away from receiving budgetary support from the Bank and other development partners.
- To ensure that reforms are effectively implemented, it is good practice to require fragile states to commission and publish *periodic independent audits of recently issued natural resource concessions*. Such audits report on whether concessions issued after legal reforms are following the new processes and legal standards.

### Creating models for natural resource concessions

The variety of different types of concessions, agreements, and leases provide fragile states a wide array of choices in terms of how government revenue is calculated, how engaged the government is in the management of the concession, and the type and magnitude of contributions the company makes to subnational governments and communities. Fragile

states, however, frequently lack the information to make informed choices about what types of concessions can best meet their country's needs. While a number of model concessions exist, they are generally tailored to provide companies with opportunities during negotiations and do not address the needs or constraints of fragile states, and the terms do not incorporate national standards or sector-specific best practices.

- Fragile states would benefit from *an in-depth study of concessions in fragile states in Africa as well as access to generalized sample concession forms and contract terms and provisions* that fragile states could select and adapt to their particular context. Such an analysis could be useful for African countries more broadly; if a pan-African analysis is conducted, it would require a dedicated discussion of how governments could tailor concessions to address challenges that are more acute in fragile situations, such as the lack of government capacity, absence of infrastructure, and the presence of conflict dynamics surrounding natural resources and benefit sharing. Alternatively, the Bank and Regional Member Countries could contribute to a broader global model concession contract.
- Once fragile states have narrowed down the types of agreements and provisions they wish to pursue, *model natural resource concession agreements could be developed to empower fragile states* to use their own standard terms for concession agreements. National models make it easier for fragile states to avoid using unfavorable contracts provided by potential concessionaires. Model concession agreements can mainstream a fragile state's economic, environmental, social, and other legal requirements and policy priorities into the terms of its concessions. This reduces the likelihood that fragile states will mistakenly adopt concessions that are inconsistent with or do not otherwise reflect the requirements of their laws and policies.

### Improving the management of concessions financed by the Bank

Even where national laws do not require transparency and compliance with environmental and social management plans (ESMPs), the Bank can encourage the adoption of best practices where it is asked to finance concessions through public-private partnerships.

- *Requiring disclosure of concession contracts strengthens institutions and legitimacy in fragile states*. Transparency with respect to concessions, concession agreements, and their specific terms is already required by the International Finance

Corporation and encouraged by the 2013 Extractive Industries Transparency Initiative (EITI) standard.<sup>9</sup>

- Where the Bank is financing concessions in fragile states, it is particularly important to *regularly review the implementation of any ESMP or resettlement plans associated with the concession*. The Bank already requires the development of ESMPs and, where appropriate, resettlement plans. However, personnel in fragile states sometimes lack the capacity to effectively supervise the implementation of complex ESMPs or resettlement plans and may require additional technical support and guidance.

#### 12.4 Revenue Management

The Bank has a strong record of supporting both public financial management as well as transparency in the management of natural resource revenues. The Bank has supported the negotiation of natural resource concessions, the adoption of EITI in eight fragile states, and the implementation of broad-based public financial management projects in many fragile states in Africa.<sup>10</sup> The Bank has a comparative advantage in providing technical support for the management of natural resource revenues because of its history in building capacity for public financial management and in supporting the implementation of EITI in RMCs. Nevertheless, more needs to be done to help fragile states in Africa effectively and transparently manage their natural resource revenues. There are four key areas of natural resource revenue management that would benefit from further support in fragile states: (1) convening an international dialogue on natural resource revenue management across fragile states in Africa; (2) developing guidance documents and toolkits on managing natural resource revenues; (3) encouraging the continued implementation and expansion of EITI in fragile states; and (4) providing tailored financial and technical support for natural resource revenue management in fragile states.

##### Convening an international dialogue on natural resource revenue management across fragile states in Africa

As a pan-African intergovernmental institution, the Bank can convene managers and leaders from line ministries in fragile states across Africa to exchange experiences and share best practices on different approaches for natural resource revenue management. Workshops and exchange programs can help create interest and political will within fragile states by creating opportunities for struggling fragile states to learn from well-performing African states. Such dialogues can also help to identify priorities and shared challenges across fragile states in Africa in the area of revenue management, including

common needs for guidance and targeted financial and technical support.

##### Developing guidance documents and toolkits on managing natural resource revenues

Fragile states and development partners have a need for guidance that lays out the benefits and constraints of the different approaches to natural resource revenue management, benefit sharing, and the implementation of such key issues.

- *Additional research is needed to determine how to most effectively use natural resource revenues to promote economic diversification and horizontal equity while addressing the complex conflict dynamics and limited administrative capacities of fragile states.* Such research is necessary to learn how different countries have fared when managing natural resource revenues as part of a unitary budget and through various savings and stabilization funds. Analysis would also help clarify the conflicting research regarding the efficacy of local benefit sharing, assess different models for benefit sharing, consider how to shape communication campaigns to manage public expectations, and examine the extent to which local demands for benefit sharing can be used as a rallying cry for secessionist movements. Such analysis could examine methods for creating clearer connections between natural resource revenues and the delivery of public services, so that people in fragile states can see how the government's use of natural resource revenues benefits their communities. It could also identify the advantages and drawbacks of different types of concession agreements, for example, ones that require private-sector concessionaires to deliver public services as a component of natural resource-related concessions.
- *Toolkits and guidelines are needed to help fragile states evaluate the advantages and disadvantages of different resource revenue management structures and to implement the selected frameworks.* Alternative structures for revenue management should be evaluated based on (1) the administrative capacity required to implement them, (2) transparency and accountability, (3) their responsiveness to conflict dynamics, and (4) the efficacy of their revenue investment strategies.

##### Encouraging the continued implementation and expansion of EITI in fragile states

While the Bank has supported EITI in several fragile states, fragile states in Africa continue to have difficulties in sustaining progress in implementing EITI. Additional support is needed over the medium term



to support the administration and implementation of EITI. Moreover, it is important that such assistance aim to develop independent, financially sustainable institutions in the long term.

- The Bank should encourage fragile states to *extend national EITI frameworks beyond the minimum requirements of EITI* to include additional natural resources, additional disclosure requirements, and additional measures to promote good management of resource revenues.
- EITI initiatives should include national and subnational training workshops and initiatives that *build the capacity of civil society representatives and subnational government officials* to access and interpret the information released as part of EITI.
- For many fragile states, EITI project components should include the development of *independent financing mechanisms for national EITI secretariats* that engage as Bank projects extending financial support for EITI wind down and conclude.

#### Providing tailored financial and technical support for natural resource revenue management in fragile states

Preparing and implementing national plans for the collection and management of natural resource revenues can be technically challenging and politically sensitive. Fragile states need to develop their legal, institutional, and human resource capacity to effectively manage such revenues. The consultative process involved in building a national consensus on how to manage natural resource revenues requires a significant investment of time, human resources, and financial resources; however, revenues to fund such consultations are scarce because such consultations should take place before concessions are issued and revenues begin to flow.

- *Financial, technical, and personnel support is needed to build legal frameworks and institutions governing natural resource revenues that reflect national priorities.* Such institutions must be robust and able to collect and administer revenues in a way that effectively engages the private sector, serves the public interest broadly, and considers conflict dynamics.
- *Institutional oversight and consistent support for transparency and public participation are needed to build public trust.*<sup>11</sup> Projects that involve public financial management or natural resource revenue management should be evaluated based on, in part, whether they facilitated improvements in access to information

and public engagement. Transparency and good governance are critical in fragile states due to the connections between conflict and the mismanagement of natural resources and associated revenues, which are discussed in [Chapters 2, 3, and 6](#).

#### 12.5 Way Forward

As the Bank's President noted in the *Ten Year Strategy for 2013–2022*, "Africa's development is so closely tied to nature, and economic growth is not sustainable without preserving the continent's natural capital, land, water, marine, forests and energy resources."<sup>12</sup> Nowhere is this truer than in fragile states. Fragile states rely more heavily on natural resources than other countries. And natural resources represent both the promise of resilience and—when poorly governed—the risk of a relapse into conflict. The challenge, then, is to better manage natural resources for resilience.

The Bank and development partners can help fragile states realize their peacebuilding and statebuilding objectives by leveraging natural resources to support resilience and sustainable development. The Bank's presence in fragile states is already significant, including US\$2.5 billion in aid to fragile states between 2008 and 2012.<sup>13</sup> Bank projects have included a broad range of natural resource-related initiatives in fragile states. Between 2009 and 2011, Bank-supported initiatives replanted, reforested, or otherwise improved over 26,000 hectares of land; created new electricity connections benefiting 570,000 people; and built over 2,800 boreholes and wells.<sup>14</sup>

This Flagship Report examines how fragile states, the Bank, and development partners can work together to more effectively and efficiently build resilience in fragile states. One important approach is by finding and reinforcing synergies between natural resource management and national peacebuilding and statebuilding objectives. This Flagship Report provides a broad view of the wide range of opportunities, tools, and approaches that must be tailored to the particular national context of each fragile state in order to identify and address the challenges associated with natural resource management in situations of fragility. It examines the benefits of collaboration—and the importance of coordination—with a range of partners, from multinational organizations to local governments, and from the private sector to civil society. It looks at project objectives and also the methodologies and approaches that determine how development initiatives are undertaken.

While this Flagship Report addresses a comprehensive range of resources, partners, and contexts, it is only a roadmap—the first step in developing a stronger system of support to help fragile states leverage

natural resources for resilience. To take full advantage of the multitude of opportunities identified in this Report, additional dialogue, guidance, training, and procedures are necessary. These measures will help fragile states, the Bank, and others determine how to most effectively address the unique needs of fragile states in Africa on a sector-by-sector basis at the different stages of the program cycle—and then to take action.

### Endnotes

\* Asterisks in citations denote that the source was reviewed in a draft format or that the document is pending publication.

### Endnotes

- 1 AfDB 2013d, iii.
- 2 AfDB 2014c.

- 3 AfDB 2012b, vii.
- 4 AfDB 2012b.
- 5 AfDB 2013j.
- 6 ALSF 2010; Agreement for the Establishment of the African Legal Support Facility. 2008. [www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/Agreement%20for%20the%20Establishment%20of%20the%20African%20Legal%20Support%20Facility%20%28ALSF%29.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/Agreement%20for%20the%20Establishment%20of%20the%20African%20Legal%20Support%20Facility%20%28ALSF%29.pdf).
- 7 Gajigo, Mutambatsere, and Ndiaye 2012.
- 8 See, for example, Nichols and Goldman (2011).
- 9 EITI International Secretariat 2013b; IFC 2012.
- 10 AfDB 2013b\*.
- 11 Bell and Faria 2005; Managing Natural Resources (Pillar 2) Working Group 2012\*.
- 12 AfDB 2013d, iii.
- 13 AfDB 2012m.
- 14 AfDB 2012m.





## Annex 1 – References

\* An asterisk indicates that the publication had not yet been finalized at the time the Flagship Report was being drafted. References to these sources are based on reviews of advanced copies of the publications in draft form.

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## Annex 2 – List of People Interviewed

\* Representatives of the Environmental Law Institute interviewed the following people to develop the findings of the Flagship Report. While the contributions of these individuals were invaluable to the development of the report, ultimately, the opinions and findings expressed in the report do not necessarily reflect the opinions of the individuals interviewed.

TUNIS: October 22, 2012 – November 1, 2012 and Follow up phone meetings, AfDB staff	
Name (First LAST)	Title
<b>Fragile States Unit (OFSU)</b>	
1. James WAHOME	Acting Director
2. El Iza MOHAMEDOU	Chief Political Analyst
3. Hadja TALL	Young Professional
4. Philippe NGWALA	Senior Social Protection Specialist
5. Facinet SYLLA	Principal Capacity Building Officer
6. Frederik TEUFEL	Young Professional
7. Elinam Gilberte DOGBEVI-FALY	Portfolio Data Analyst
8. Cristina HOYOS	Fragile States Policy Expert
9. John AFELE	OSFU Consultant
10. Kiari LIMAN-TINGUIRI	OSFU Consultant
11. Robert POLDERMANS	Consultant
12. Bruno BOEDTS	Chief Operations Officer
<b>Regional Department West Africa B (ORWB)</b>	
13. Olivier MANLAN	Principal Country Economist (Guinea)
14. Patrick S. HETTINGER	Senior Country Economist (Liberia)
<b>Regional Department West Africa A (ORWA)</b>	
15. Ferdinand BAKOUP	Lead Economist
<b>Central Africa Regional Department (ORCE)</b>	
16. Nouridine Kane DIA	
17. Abdourahmane DIAW	Country Program Officer
18. Kalidou DIALLO	Senior Economist
<b>Regional Department East Africa B (OREB)</b>	
19. Solomane KONE	Lead Economist
20. Philippe TRAPE	Senior Country Economist
<b>African Development Institute (EADI)</b>	
21. Issiaka ZOUNGRANA	Chief Training Officer
22. Alexis DE ROQUEFEUIL	Knowledge and Information Services Division (EADI 3), Manager OIC & Lead Specialist
<b>Development Research Department (EDRE)</b>	
23. Steve KAYIZZI-MUGERWA	Director, EDRE
24. Anthony Musonda SIMPASA	Principal Research Economist, Research Networking and Partnerships Division
<b>Energy, Environment and Climate Change Department (ONEC)</b>	
25. Frank SPERLING	Chief Climate Change Specialist, Environment and Climate Change Division
26. Florence RICHARD-QUINTANILHA	Senior Climate Change Specialist
27. Marjory-Anne BROMHEAD	Consultant
<b>Congo Basin Forest Fund (CBFF)</b>	
28. Christine DOVONOU	Operations Officer

<b>Operational Resources and Policies Department (ORPC)</b>	
29. Walter ODHIAMBO	Chief Development Policy Economist
<b>Results and Quality Assurance Department (ORQR)</b>	
30. Justus Joseph KABYEMERA	Chief Policy Economist
31. Oliver SHINGIRO	Senior Results Officer, Quality Assurance and Results
32. Gabriele FATTORELLI	Principal Results Officer
33. Aimee BELLA-CORBIN	Principal Safeguards Specialist, Quality Assurance and Results Based Department
34. Anouk FOUICH	Social Safeguards Officer
<b>Private Sector Department (OPSM)</b>	
35. Cécile AMBERT	Senior Strategy Officer
36. Anas BENBARKA	Chief Investment Officer, Industries and Services
<b>Transport and ICT Department (OITC)</b>	
37. Girma Berhanu BEZABEH	Principal Transport Engineer
38. Aaron Katambula MWILA	Senior Transport Engineer
39. Mamady SQUARE	Chief Transport Engineer
<b>Water and Sanitation Department (OWAS)</b>	
40. Kéba BA	Division Manager
41. Rex SITUMBEKO	Senior Financial Analyst
42. Eskendir Alemseged DEMISSIE	
<b>Governance and Financial Management Department (OSGE)</b>	
43. Jean-Luc BERNASCONI	Division Manager, OSGE1
44. Cam DO	Senior Macroeconomist & Public Finance Management Specialist
45. Alain Fabrice EKPO	Principal Macroeconomist
46. Bady BALDE	Consultant, OSGE
<b>Agriculture and Agro Industry Department (OSAN)</b>	
47. Dougou KEITA	Division Manager, OSAN2
48. Lawal UMAR	Principal Livestock Officer
49. Modibo TRAORE	Chief natural resources management officer
<b>African Legal Support Facility (ALSF)</b>	
50. Stephen KARANGIZI	Director and CEO
51. A. Kader GUEYE	Financial Advisor
<b>NEPAD, Regional Integration and Trade Department (ONRI)</b>	
52. Ralph A. OLAYÉ	Manager, NEPAD and Regional Infrastructure
<b>Statistics Department</b>	
53. Luc Mbong MBONG	Statistician and Economist Engineer, Chief Statistician
<b>African Water Facility (AWF)</b>	
54. Akiça BAHRI	Coordinator
<b>Chad Field Office</b>	
55. Mamadou TANGARA	
<b>DRC Field Office</b>	
56. Valentin ZONGO	Resident Representative, CDFO
57. Seraphine WAKANA	Principal Country Economist
<b>Côte d'Ivoire Field Office</b>	
58. Sidi Hassan DRISSI	Chief Country Program Officer
<b>Liberia Field Office</b>	
59. Margaret KILO	Resident Representative, LRFO

Sierra Leone Field Office	
60. Ibrahim Ansu BANGURA	Senior Macroeconomist
Sudan Field Office	
61. Andoh Obed MENSAH	Principal Country Program Officer
Togo Field Office	
62. Kanfitine LARE-LANTONE	Consultant
Zimbabwe Field Office	
63. Damoni KITABIRE	Lead economist

Central African Republic: November 5, 2012 – November 9, 2012	
Name (First LAST)	Title
BAD, Bureau National pour la République Centrafricaine (CFFO)	
64. Modibo Djimet SANGARE	Représentant Résident
65. Brice MIKPONHOUE	Principal Country Program Officer
Ministère du Plan et de l'Economie	
66. Felix MOLOUA	Directeur de Cabinet
67. Thierry OUANDE	Point Focal BAD
Ministère de l'Agriculture	
68. Jacques NAMFIO	Directeur Général
69. Lidiere Alphonse ZARA-BISSO	Attaché de Cabinet
70. Dr. Fernand Arsène KOUMANDA KOTONGE	Président du Conseil d'Administration, Société de Gestion des Abattoirs
Ministère de l'Environnement et de l'Ecologie	
71. Jean-Claude BOMBA	Directeur Général de l'Ecologie et de la Prévention des Risques
72. Ambroise ZANGA	Directeur Général de l'Environnement
Ministère des Eaux, Forêts, Chasse	
73. DIRECTEUR	
74. Mariam ANOUDOU SIDI	STP/APV/FLEC-T
75. Pierrette MOKAMANEDE	DRI
76. Prosper NAKOE	DCDF
77. Eugène BOUAWA	CN/OEFB
78. Luc DIMANCHE	ENAPV/FLEGT
79. Albert GANDOKO	ENAPV/FLGT
80. Lt-Colonel OYELE Stévy	Directeur Pêche et Pisciculture
81. David OUANGANDO	Directeur Financier
82. Théodore MBARO	Directeur Général des Eaux Forêts, Chasses et Pêches
FMI (IMF)	
83. Michel BUA	Représentant Résident
Union Européenne	
84. Marco PAROUN	Secteur Infrastructure et Développement Durable
Banque Mondiale	
85. David TCHUINO	Économiste Résident
Société Financière Internationale (IFC)	
86. Justin K. KOUAKOU	Représentant Résident
Agence Française de Développement (AFD)	
87. Thierry LIABASTRE	Représentant
Industries Forestières de Batalimo (IFB)	
88. Philippe GADEN	Président Directeur Général



Ministère de l'Energie et de l'Hydraulique, Direction Générale de l'Energie	
89. Serge Mesmin FEIGOUDOZNI	Directeur des Etudes des Statistiques et de la Planification
Ministère de l'Energie et de l'Hydraulique, Direction Générale de l'Hydraulique	
90. Sylvain GUEBANDA	Directeur Général de l'Hydraulique
91. Sosthène NARBET	Directeur des Infrastructures Hydraulique et Equipement Rural
92. Maximin ANASSIDE	Assistant Technique au Passation des Marchés
Ministère Délégué à la Présidence de la République, chargé du Désarmement, de la Démobilisation, de la Réinsertion des ex-combattants et de la Jeunesse Pionnière Nationale (DDR/JPN)	
93. Jean Eudes KOI	Chef de Cabinet DDR/JPN
94. Jean Aubin WANYANG	Chargé de Mission/DDR/JPN
95. Djarnib GREBAYE	CN DDR
96. Jonas ANKOUMA-MEYAKA	Dr de Production
97. Edouard BAWENE	DDR/JPN
98. Dieudonné MOYAKO	DR
Initiative pour la Transparence dans les Industries Extractives (ITIE) – République Centrafricaine	
99. Robert MOIDOKANA	Coordinateur National de l'ITIE – RCA, Membre du Conseil d'Administration de l'ITIE Internationale
Projet d'Appui à la Réhabilitation des Infrastructures Rurales	
100. Joseph NGUERKAMBA	Responsable du Suivi Evaluation
Project de Developpement Communautaire et d'Appui aux Groupes Vulnérables (PDCAGV)	
101. Evariste SIMBARAKIYE	Coordinateur
102. Fred AZENE	Spécialiste en Développement Communautaire et Rurale
103. Anatole NDOMA	Spécialiste en Suivi et Evaluation
UNDP, UN Peacebuilding Fund in CAR	
104. Davy Victorien YAMA	Coordinateur
105. Léopold KOUANDONGUI	Expert en Suivi-Evaluation

Burundi: November 26 – November 30, 2012	
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BAD, Bureau National pour le Burundi (CFFO)	
106. Abou Amadou BA	Représentant Résident
107. Hercule YAMUREMYE	Senior Social Development Specialist
108. John NDIKUMWAMI	Senior Transport Engineer
PRODAP Project, National Coordination Unit, Burundi	
109. Charles KARAKURA	Project Coordinator
Projet NELSAP	
110. Jérôme CIZA	Coordinateur de la Cellule Nationale d'Execution du Projet NELSAP
111. Dominique NIYONZINIGIYE	Membre de la cellule nationale d'execution du Projet d'Interconnection des Réseaux Electricques des Pays des Lacs Equatoriaux du Nil, chargé des acquisitions
Lake Victoria Water Supply and Sanitation II (LVWATSAN II)	
112. Ir. Déo KAVYANDARI	National Project Coordinator
Projets Routières	
113. Ir. Eléazar NDIRARIHA	Chef de Projet Adjoint (RN 5 – Nyamitanga – Ruhwa), Ministère des Transports, des Travaux Publics et de l'Equipement, Office des Routes
114. Damase MUGANGA	Chef de Mission (RN 5 – Nyamitanga – Ruhwa, RN 15 – Nggozi – Nyangungu)
115. Salvator NAKUMURYANGO	Chef de Projet Multinational: Rwanda/Burundi, Project de route: Bujumbura-Nyamitanga

Projet de Chemin de Fer Dar Es Salaam-Isaka-Kigali / Keza-Gitega-Musogati	
116. Vital NARAKWIYE	Conseiller au Cabinet du Ministre des Transports, des Travaux Publics et de l'Équipement, Chargé du Suivi du Projet
Projet de Rehabilitation et d'Extension des Infrastructures Hydrauliques en Milieu Rural	
117. Dominique NYANDWI	Coordinateur
118. Marie-Claude SEMUKURI	Responsable Administratif et Financière
Bututsi Agropastoral Development Project and Fonds International de Développement Agricole (FIDA)	
119. Maurice NTAHIRAJA	Coordinateur Adjoint (ancien) ; Coordinateur du PARSE (projet FIDA)
Projet Développement Rural du Bugesera (Regional)	
120. Bonaventure GAKUKWE	Coordinateur du PAIRB
Projet Multisectoriel de Réinsertion et Projet de création d'Emplois	
121. Anselme HABONIMANA	Directeur Général
122. Alphonse NIYONGERE	Directeur
123. François X. NKURUNZIZA	Environnementaliste Consultant
124. Athanase NTIRUHANGURA	Chargé de Suivi du PMRSE, ASBL TWITEZIMBERE
Ministère de l'Énergie et des Mines, Direction des Mines et Carrières	
125. Damien MBONICUYE	Directeur
Union Européenne, Délégation de l'Union Européenne au Burundi	
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127. Egide NIYOGUSABA	Program Manager for Infrastructures, Infrastructure and Rural Development Section
Executive Secretariat International Conference of the Great Lakes Region	
128. Silas SINYIGAYA	Program Officer in charge of Democracy and Good Governance
129. Mohamed BOUABDALLI	Economist Specialist in Economic and Financial Regional Integration and Resource Mobilization
130. Roger NSIBULA	Gestion du Partenariat et Mobilisation des Ressources

AfDB South Sudan Field Office: October 2012	
Name (First LAST)	Title
131. Jeremiah MUTONGA	Resident Representative
132. Joseph MUVAWALA	Chief Country Economist

Côte d'Ivoire: November 20, 2012	
Name (First LAST)	Title
133. Anatole TOHOUGBE	Financial Officer, Technical Advisor in charge of Sustainable Development, Minister's Cabinet at the Ministry of Planning and Development

## Annex 3 – Consultative Meeting Attendance List

The following individuals generously supported the development of the report by participating in a consultative meeting in January 2013 to vet the preliminary findings of the report. While the contributions of these individuals were invaluable to the development of the report, ultimately, the opinions and findings expressed in the report do not necessarily reflect the opinions of the individual participants in the consultative meeting.

1. James Wahome	Acting Director	OSFU
2. El Iza Mohamedou	Chief Political Analyst	OSFU
3. Philippe Ngwala	Social Protection Specialist	OSFU
4. John Afele	Consultant	OSFU
5. Frederick Teufel	Economist	OSFU
6. M. A. Ibrahim	Consultant	OSFU
7. Bruno Boedts	Operations Officer	OSFU
8. Facinet Sylla	Economist	OSFU
9. Mbui Wagacha	Macroeconomics Consultant	OSFU
10. Cristina Hoyos	Fragile States Policy Expert	OSFU
11. Zeneb Toure	CSO Officer	ORQR 4
12. Fouich Anouk	Social Safeguards Officer	ORQR 3
13. Stephen Karangizi	Director	ALSF
14. Solomane Kone	Lead Economist	OREB
15. Bady Balde	Extractive Industries Expert	OSGE 1
16. Lydiah Munyi	Governance Officer	OSGE 0
17. Anas Benbarka	Chief Investment Officer	OPSM 2
18. Modibo Traore	Chief NRM Officer	OSAN4
19. Florence Richard	Senior Climate Change Specialist	ONEC 3
20. Giama Adde	Consultant	ORPC
21. Diawara Rouna	Economist	ORCE



## Annex 4 – Peer Reviewers

The following individuals generously supported the development of the report by providing comments during the internal and external peer reviews of the summary report. While the contributions of these individuals were invaluable to the development of the report, the opinions and findings expressed in the report do not necessarily reflect the opinions of the individual participants in the peer review process.

### Internal Peer Reviewers for Summary Report

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Frederik Teufel
Justus Joseph Kabyemera
Facinet Sylla
Philippe Ngwala Malemba
John Afele
Anouk Fouich
Cristina Hoyos
Mahamoud A. Ibrahim
Bruno Boedts
Adila Abusharaf
Florence Richard Quintanilha/Marjory Anne Bromhead

### External Peer Reviewers for Summary Report

Commenter Name
Jill Shankleman
Oli Brown
Jon Unruh
Antonio Pedro
Marit Kitaw
David Jensen
Ejeviome Otobo
Gerald Pachoud
Laurah Harrison Bachnack
Ruth Meinzen-Dick

### Peer Reviewers for Full Report

The full report was also made possible through the efforts of staff within the Transition Support Department, the African Natural Resources Center, the Complex of the Chief Economist, and others within the African Development Bank who participated in the peer review process for the full Flagship Report. While the contributions of these individuals were invaluable to the development of the report, the opinions and findings expressed in the report do not necessarily reflect the opinions of the individual participants in the peer review process.

## Annex 5 – List of Contributors from ELI

Research and publication assistance was provided by numerous visiting attorneys, visiting researchers, and interns at the Environmental Law Institute, including (in alphabetical order) Helaine Alon, Simonne Brousseau, Francesca Buzzi, Alyssa Casey, Elizabeth Euler, Lauren Faccinato, Emmanuel Feld, Farah Hegazi, Rose Helen-Graham, Elizabeth Hessami, Amber Kim, Brett Lingle, Delphine Robert, Carina Roselli, Mike Stephens, Janna Wandzilak, Nikita West, Patrick Woolsey, Joel Young, and Madaline Young.

Special thanks to Adam Harris and Alex Hoover for their support on Chapters 11 and 9, respectively.

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