



Stabilization and Reconstruction series

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ABOUT THE REPORT

This report is based on a series of consultations under the auspices of the Natural Resources Working Group, chaired by J. Robinson West, chairman of the board of the United States Institute of Peace and PFC Energy, and Dr. Jill Shankleman, former Institute senior fellow and oil sector consultant. Harriet Hentges, former executive vice-president of the Institute, served as a special advisor to this working group. The working group is part of the Institute's Filling the Gaps program, which aims to systematically address the causes of failure in specific areas in reconstruction and stabilization operations and to generate policy options for those in the U.S. government and elsewhere who lead and staff these missions. Filling the Gaps is directed by Daniel Serwer and managed by Beth Cole Degrasse of the Institute. Dr. Jill Shankleman authored the report.

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Managing Natural Resource Wealth

Summary and Recommendations

- This report analyzes the particular challenges of stabilization and reconstruction missions in countries rich in hydrocarbons and minerals and provides lessons learned from the recent experience of such countries as Iraq, Sudan, Angola, Liberia, and Afghanistan. It offers recommendations for the U.S. government and others involved in natural resource-rich countries emerging from conflict and also to the extractive industry companies and banking sectors— that play a critical role in these states.
- War-torn countries rich in hydrocarbons and minerals face particular problems in the stabilization and reconstruction of their states despite the apparent promise that natural resource wealth holds. Unless deliberate efforts are made to avoid the “resource curses”—corruption, economic instability, conflict over the distribution of resource wealth and control of resource-rich areas—these curses will undermine peace building.
- Elite groups who receive royalties and taxes paid by extractive industry companies have shown themselves consistently resistant to democratization.
- Control over natural resources is fundamental to sovereignty. Ultimately, it is the governments and people of resource-rich countries who must put in place the systems that enable resource wealth to support stability and development. However, through early and consistent action, the international community can play an important role in helping resource-rich states emerging from conflict manage the wealth that accrues from these resources, and can make proper wealth management a condition for donor assistance.
- It is essential that international missions and indigenous transitional governments immediately secure effective control of natural resource wealth (physical and monetary) and establish the laws, institutions, and capacity to manage that wealth transparently, accountably, and in ways that support reconstruction.
- Achieving these goals requires prior planning by relevant U.S. agencies, a willingness to confront vested interests, a consistent approach from the international community and

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donors, the involvement of civil society, and the deployment of human resources, such as forensic accountants able to “follow the money,” as part of the mission staff.

- To be successful, the extractive industries and their bankers, the international financial institutions, and non-governmental organizations (NGOs) must be brought into this process.
- The key recommendations for U.S. departments and agencies involved in stabilization and reconstruction missions in countries dependent on hydrocarbons and/or minerals are as follows:
 - Make an immediate assessment of the extent to which transitional governments (including subnational entities with resource wealth, such as South Sudan) have
 - effective control of natural resource-rich areas' wealth and the associated facilities (pipelines, oilfields, mines, airstrips used to export minerals, etc.);
 - transparent and accountable systems for allocating new resource concessions;
 - transparent and accountable systems for receiving and using government income from the production of hydrocarbons and minerals; and
 - macroeconomic plans and programs that take into account the challenges of a resource-based economy, particularly the unpredictability of government revenues.
 - If no indigenous government exists or if the mission has a power-sharing arrangement with a government that is in place, develop country-specific natural resource wealth management plans in collaboration with other international agencies and bilateral donors to achieve
 - effective control over resource-rich areas and related facilities;
 - a legal and institutional framework for transparent and accountable management of resource wealth; and
 - institutions and capacity for effective macroeconomic management, taking account of the specific issues of resource wealth.
 - The international mission should
 - work closely with the international organizations that have expertise and a focus on reforming management of natural resource wealth;
 - develop a corps of on-call specialists in hydrocarbon and mineral law, economics, and accounting to take the lead in conducting assessments and providing expertise and technical assistance;
 - identify other stakeholders who have an interest in the natural resource sector and whose engagement should be planned for—industry, NGOs, and local political leaders; and
 - establish one or more centers of excellence in natural resource wealth management to build capacity in government, industry, the media, and NGOs in the United States and in resource-rich countries.

Introduction

This report analyzes the particular challenges of stabilization and reconstruction missions in countries rich in hydrocarbons and minerals (International Monetary Fund, 2004) and provides lessons from the recent experience of countries such as Iraq, Sudan, Angola, Liberia, and Afghanistan. It offers recommendations for the U.S. government and others involved in natural resource-rich countries emerging from conflict and also to the extractive industry companies and banking sector that play a critical role in these states.

Specific Issues for Societies Emerging from Conflict

In addition to the generic challenges of dependency on natural resource wealth discussed later in this report, a postwar environment where hydrocarbon and mineral extraction has been maintained throughout the conflict period presents its own problems and opportunities. Natural resource-rich countries demonstrate a higher than average risk both of experiencing conflict and of returning to conflict in the decade following a peace agreement.

The following problems are often found in these countries:

- Powerful and corrupt vested interests, for example in oil ministries, state-owned companies, the army, and the highest levels of government
- Heavy government debt burdens as a result of bilateral and commercial loans taken out on “war terms” and offset against future resource income
- Disputes about subregional control and distribution of resource wealth feeding into fundamental questions of the type of state (for example, Iraq—the degree of federalism); the existence of a state (for example, southern Sudan—the promised referendum on independence); or the extent of regional autonomy (for example, Aceh, Indonesia)
- Militias/insurgents controlling or influencing resource-rich areas or pipeline routes
- Damaged oil fields, pipelines, and mines
- Grievances and human rights issues relating to forced expulsion of people from resource-rich areas by military or rebel forces
- Long-term concessions sold on terms that reflect the risk of a war economy but are unfavorable to the country in times of peace
- An unattractive market for international private sector investment (**Whereas investors in place will stay when possible during conflict, major public companies are unlikely to make new investments during or immediately after a conflict if a country is not safe and lacks developed, transparent, and stable regimes for investors, although state-owned companies, diaspora-owned companies, and, in the extractive sector, risk-orientated “juniors” may do so.**)

Addressing these issues is particularly difficult for external agencies because control of natural resources is widely associated with sovereignty and national pride. Thus, the motives for external interventions, especially those of the U.S. government, are viewed with suspicion as opportunism. A senior U.S. advisor to the former Coalition Provisional Authority (CPA) in Iraq, interviewed for this report, said, “I got around a lot and talked to many Iraqis—I can’t tell you how many times people I did not expect thought that Bremer was keeping the good gasoline for the U.S. and giving Iraqis second quality—and believed that the U.S. was stealing crude oil.”

However, this type of environment may also offer opportunities for intervenors, specifically leverage where new governments and institutions are being formed and new constitutions are being written. Transitional governments need external assistance, and international organizations, foreign governments, and donors can develop new engagement strategies to reflect the changed environment. The opportunity is to use this leverage to try to set the rules for long-term revenue management.

Successes, Failures, and Future Challenges

Few developing or transitional countries have successfully managed both the political and economic challenges of natural resource dependency. But there are some cases of successful natural resource wealth management that offer lessons for reconstruction and stabilization missions. Botswana has leveraged its diamond wealth to bring most of its population out of poverty—although this achievement is now jeopardized by the country’s HIV/AIDS

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Natural resource wealth continues to be a destabilizing factor in Liberia, the Democratic Republic of the Congo, and Iraq.

epidemic. Chile has been relatively successful on the economic aspects, as has Azerbaijan to date, by establishing an oil fund in the period running up to the major expansion now underway in its oil industry. East Timor, with assistance from the World Bank, is setting up a fully transparent and audited oil fund to spread the benefits of resource wealth over a longer period and is an active participant in the Extractive Industries Transparency Initiative (EITI) (a voluntary program launched in 2002 among governments, resource companies, and NGOs) (Center for Strategic and International Studies, 2004).

Natural resource wealth continues to be a destabilizing factor in Liberia, the Democratic Republic of the Congo, and Iraq. There are early signs that this might also be the case in Sudan, as officials from South Sudan are negotiating concessions apparently outside the arrangements provided for in the Comprehensive Peace Agreement and demarkation of the north/south border is delayed because of the oil that lies beneath the border zone.

Control and management of natural resource wealth is a factor in ongoing conflicts such as those in Cabinda (Angola), Mindanao (Philippines), and the Niger Delta (Nigeria), as well as international territorial disputes, for example, between the several countries claiming all or part of the Spratly Islands and Nigeria and Cameroon over the Bokassa Peninsula.

Structure of the Report

- Part I addresses lessons learned from past external interventions.
- Part II addresses recommendations for U.S. and international intervenors to develop and apply policies for managing natural resource wealth that are tailored to the needs of specific countries.
- Part III sets out a generic set of tasks related to the management of natural resource wealth in relation to security, justice and reconciliation, social and economic well-being, and governance and participation, as well as in relation to the initial response, transformation, and fostering of sustainability in stabilization and reconstruction.

The report concludes with suggestions for further reading.

Lessons Learned

Limited Success of External Interventions

Neither the United States nor the wider international community has a record of success in mitigating the economic and political risks that natural resource wealth presents to the stabilization and reconstruction of war-torn countries. Once the immediate window of opportunity presented by a peace agreement closes as revenues flow to postwar governments, the governments become more resistant to external interventions.

Causes of Failure

The primary cause of failure is that the systematic and predictable risks to stabilization and reconstruction that follow from natural resource dependency are not recognized and acted upon with sufficient speed. The false assumption is too commonly made that the principal impact of natural resource wealth is to provide the resources necessary to achieve stability and postwar reconstruction. As a result, steps aimed at establishing economic control over natural resource wealth and undertaking political and economic reforms are not prioritized. (See Box on page 5.)

A second cause of failure is the absence of explicit standards for transparency and management of natural resource wealth with an accompanying system to provide rapid

Priorities for Control and Reform of Revenue Management

- Recognize the importance of securing control of oil, gas, and mining sites, infrastructure, and resource-rich areas.
- Act fast to secure information on, and control of, revenues from natural resources.
- Recognize that a central issue in peace agreements, constitution making, and political settlement is how natural resource wealth is controlled and shared.
- Deploy people with the right skills, such as auditors and natural resource lawyers.
- Prevent illicit use of natural resource wealth or facilitate the recovery of looted wealth—for example, through the use of tools similar to those used to control terrorist funds.
- Seize opportunities for exercising leverage, such as making better management of natural resource wealth a condition for international assistance (debt relief for oil-producing countries remains a complex issue for the U.S. government).
- Recognize the power of resource revenue transparency relating to the letting of concessions and government revenues (how much, how used) as an agent of democratic change.
- Ensure the equitable distribution of oil revenues for the benefit of citizens.

rewards to administrations that implement reform. Standards need to be agreed to by the U.S. government as well as the key international organizations and donors and systematically communicated to transitional governments. Additionally, a mix of carrots and sticks must be used to arrive at a locally appropriate road map for implementation. The lack of an agreed template enables governments to play off different international institutions and bilateral donors against one another; the lack of a clear road map with staged rewards weakens the hands of reformers in government, who need to show some rapid benefits from reforms. The difficulty of combating corruption and vested interests, and the need for support through external recognition and a positive response to reforms, has been a consistent theme, for example, in speeches to international audiences by Mrs. Ngozi Okonjo-Iweala, foreign minister and former finance minister of Nigeria.

A third cause of failure is the inability to secure the cooperation of commercial banks and emerging state-owned and small private natural resource companies in international efforts to limit business with governments when there is no transparency, accountability, or likelihood of revenues being used appropriately. This is important because of fast growing investment by Chinese and Indian state oil companies throughout Africa and Asia, including in Sudan and Myanmar, where U.S. companies are prohibited from operating.

A fourth cause is underestimating the strength and resilience of local political and economic elites intent on maintaining or acquiring control of natural resource wealth.

A fifth cause—highlighted in Iraq but also increasingly understood by extractive industry companies operating in many unstable locations—is that security of onshore oilfields, mines, and pipelines is inseparable from the security of the nearby indigenous population. These facilities cannot be protected in the absence of community support, and community support will not be forthcoming unless people feel that they are protected too.

Options for Influencing the Management of Resource Wealth

In the past few years, several international efforts have started to focus on addressing the destabilizing and antidemocratic impacts of natural resource wealth. The tools deployed include incentives and sanctions targeted at government behavior, civil society capacity building to encourage domestic pressure for change, and technical assistance to deliver effective revenue management. Some efforts focus on the general problems, others on specific countries or resources. The EITI provides incentives and technical assistance for revenue transparency; the Kimberley Process targets the use of resource wealth to finance rebels through restrictions on sale of conflict diamonds. UN and U.S. sanctions seek to limit funds available to governments and/or rebels in specific countries such as Sudan and Myanmar. The Oil for Food Programme in Iraq aimed to reduce the oil revenues available to Saddam's regime and control how they were used. International Monetary Fund (IMF) and World Bank conditionality requiring revenue transparency and appropriate economic management policies is being applied to the provision of assistance in a number of countries, notably Angola, and NGOs and donor programs are building civil society advocacy capacity.

All of these approaches have weaknesses; none is a quick fix solution. All require support from across the international community because the key barriers to change are a lack of political will among the elites of resource-rich postwar countries or, where there is a will to change, a lack of capacity to specify and implement appropriate measures.

- Sanctions systems (including the Kimberley Process) are difficult to enforce even where all the potential players sign on to sanctions regimes and largely ineffective if major players stay outside. Many of the producer country members of the Kimberley Process require assistance to fully implement the system, especially in relation to

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artisanal mining. In Sudan, for example, unilateral sanctions by the U.S. government preventing U.S. companies from investing in particular countries enable overseas state-owned companies to move in while publicly held international oil companies cannot, thus exacerbating some of the issues in war-torn states.

- A relatively new approach being tested by the IMF and World Bank is making aid conditional on revenue transparency while also offering technical assistance to build skills and locally appropriate institutions and mechanisms for revenue management. To date, this approach shows mixed results. The example of Angola, where negotiations between the government and the IMF have been unsuccessful and the government has instead taken out bilateral loans from China, shows how conditionality can be undermined where other donors, governments, or commercial entities step in to fill government's financing gaps and where the government considers the international community unable to respond with sufficient speed to any steps the government takes.
- Voluntary approaches such as EITI rely on governments responding to domestic and international political pressures to join. It is too early to say how attractive the reputational benefits are compared to the burden of compliance. There are signs, for example from Nigeria, that involvement in EITI is a powerful mechanism for building collaboration between reformers in government, donors, and indigenous civil society.
- Because achieving revenue transparency and accountability and effective economic management of resource wealth is technically complex and requires a much wider skill base within governments and civil society than is readily available, capacity building in the legal, accounting, and economic areas is critically important.

The Need to Build International Weight for the Emerging Consensus Solutions

Despite the weaknesses of the consensus approaches, the more radical approaches such as direct distribution of revenues to citizens or international control of resource revenues present even greater problems. For example, how can vested interests be compelled to relinquish control of revenues, and how could those revenues be distributed to citizens in countries where there is no reliable census or banking system? What international body could effectively manage revenues in place of government, and how would its control be legitimized and enforced?

Given the wide range of players able to influence—for good or ill—how resource wealth is managed and the suspicions about the motives of the U.S. government, it is important that the U.S. government pursue collaborative rather than independent action. This includes collaboration with the IMF and EITI with respect to natural resource wealth management in general. Substantially greater political, financial, and technical backing from the U.S. government could increase their effectiveness, as could developing specific strategies for individual resource-rich postwar countries with partners such as the IMF (revenue management), the G8 (revenue transparency), and the United Nations (security).

The Importance of Host Country Political Leadership and Civil Society Pressure

The success stories in resource revenue management have occurred where there is visionary political leadership that understands the need for explicit policies for economic management and accountability (for example, Botswana, increasingly Nigeria, potentially East Timor) and where civil society and the media have the capacity to press for good governance of resource wealth.

Recommendations for U.S. and International Intervenors

The issues posed by natural resource wealth are now well understood, as are the broad policies needed to increase the prospect that such wealth will assist, not hinder, development, democracy, stabilization, and reconstruction. The challenge is to develop policies tailored to the needs of specific countries, and to apply them. U.S. government agencies (and NGOs and companies) can contribute in two principal ways:

- By actively promoting the effective management of natural resource wealth through the systematic international application of standards for revenue transparency and management—both in countries currently at peace and those in postconflict transformation from war to peace.
- By ensuring that resource wealth management strategies are at the heart of postwar stabilization and reconstruction work in countries where hydrocarbon and/or minerals form the core of the economy.

The key steps are to increase U.S. political, financial, and technical support for existing international initiatives (such as EITI, the Kimberley Process, and IMF and World Bank programs) that apply to natural resource–dependent countries and extractive industry companies and to use U.S. leverage and influence to raise awareness of and capacity to manage resource revenues. For example:

- Encourage key resource–rich countries important to the United States to join these systems and then provide mentoring to support them in implementing the EITI/Kimberley Process. Countries where this step is relevant include Sudan, Angola, Democratic Republic of the Congo, and Iraq.
- Encourage other countries and companies to join EITI, especially China and India, whose governments and extractive industry companies are now major players in the natural resources sectors.
- Promote collaboration among the international financial institutions, voluntary schemes, and bilateral agencies on a shared template and road map for reform of resource wealth management that could be used as a common basis for interventions and technical assistance in developing resource–rich countries.
- Launch “name, shame, and reward” initiatives. For example, the State Department’s Bureau of Democracy, Human Rights, and Labor could prepare annual country reports measuring natural resource wealth management practices against explicit standards and templates.
- Apply systems and resources similar to those used to track down and stop terrorist financing to prevent natural resource wealth being misappropriated and to recover looted assets for legitimate governments.
- Invest in training and capacity building on natural resource wealth management issues both for the U.S. government (for example, within U.S. embassies in resource–rich developing countries) and for governments/officials, media, and civil society in those countries.
- Endeavor to share best practices with countries that host large natural resource investments.
- Explore the possibilities of discouraging governments and commercial banks from financing governments that do not meet agreed standards for natural resource wealth management. For example, establish legal requirements for disclosure of all commercial bank loans to foreign governments by institutions registered in IMF member countries.

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Key Strategies

Seven key strategies should be applied by the various U.S. agencies involved in stabilizing and reconstructing resource-rich postwar countries (Department of State, Department of Defense [DoD], Department of Commerce, United States Agency for International Development [USAID]) to help address the issues of resource wealth control and ensure the establishment of transparent, accountable, and effective wealth management.

1. Be ready to use leverage in the immediate postwar period. Send a clear U.S. political message to governments that the price of welcome in the international community is effective and accountable natural resource wealth management, and that the United States is fully aligned with the IMF and other international organizations in pressing for transparency and accountability. This message should be comparable to those the United States sends about democratization. It is an essential component of democratization in resource-rich countries and needs to be part of the U.S. conversation at all levels, including bilateral discussion with government leaders, diplomacy, USAID and DoD programs, and stabilization and reconstruction programs.
2. Recognize the need for both rapid action and long-term commitment. Immediate steps are likely to be necessary to help transitional governments (including the United States, other lead nations, or United Nations-led missions) secure control of natural resource wealth and prevent it from undermining peace agreements (for example, because rebels or corrupt elites maintain access to wealth or because key groups do not trust that wealth is being shared as agreed). Subsequently, achieving accountable and transparent resource wealth management is a slow process that requires long-term, sustained commitment to institution and capacity building in government and civil society.
3. Evaluate in each country what elements of support for stabilization and reconstruction and future assistance (for example, development assistance, debt relief, donor conference) should be made conditional on progress in putting in place effective and accountable natural resource wealth management, and what rapid and substantial rewards can be offered for good performance. Coordinate with other key international bodies and governments. The objective is to develop a package with achievable but effective terms that brings about improvements in resource wealth management and is not so onerous (or slow to deliver rewards) that countries refuse to engage.
4. Include protection of natural resource assets and infrastructure in security plans for states emerging from conflict. For example, provide financial and material support to legitimate governments or international forces seeking to drive out rebels and others financed through natural resource wealth; help secure key natural resource infrastructure, such as pipelines; and help recover looted natural resource wealth.
5. Develop natural resource wealth management assessments tailored for individual countries to guide U.S.-led and other international interventions. Assessments should be built around the specific issues and sources of leverage in each case, with the background work done before deployment in the field.

Much of the background work for country-specific natural resource management assessments plans can be completed by drawing on the extensive information that is available from U.S. government agencies such as the Energy Information Administration, U.S. Geological Service, USAID, State Department; the World Bank and IMF; UN agencies such as the United Nations Development Programme; NGOs active in natural resource wealth management such as Global Witness, Human Rights Watch; resource companies; and country specialists and experts such as the U.S. National Defense University's Africa Center for Strategic Studies.

The plans should start from an assessment of what resources exist and how, and by whom, resource wealth is monetized and controlled. They should include a gap

The objective is to develop a package with achievable but effective terms that brings about improvements in resource wealth management.

analysis against good resource revenue management systems (e.g., transparency, accountability, budget controls to handle volatility); analyze the role that resource wealth has played in the war economy and the linkages with government and civil society; determine what is needed in terms of a stable, transparent, and fair system for letting concessions; and identify actual or potential subnational conflicts over revenue allocation. They should determine what related work is being undertaken by other agencies such as the IMF and look for synergies.

6. Build capacity in the United States and in other resource-rich countries. Establish a roster of experienced natural resource specialists (forensic accountants, economists, and lawyers) on call internationally for deployment in stabilization and reconstruction teams. This capacity could be drawn from current and recently retired resource company personnel, from law firms and accountancies with natural resource practices, and from people with relevant World Bank or IMF experience. It would be similar in structure to the professional capacities established under the **Organization for Security and Cooperation in Europe Rapid Expert Assistance and Cooperation Teams (REACT)** program.
7. Match the emphasis on building national institutions and policies for the management of natural resource wealth with investment in local-level programs that engage people in employment and transparent decision making. (See Box on this page.) This is essential because natural resource-based industries do not generate the large-scale employment that helps stabilize countries, and it is important to build up civil society capacity to become involved in, and press for, the democratic and accountable systems of decision making that resource wealth typically undermines. According to a senior advisor to the former Coalition Provisional Authority in Iraq, “Oil does not equal jobs and productive income—you have to carefully think about how you get from resources in the ground to jobs.” Industry can also make an important contribution. It is crucial that international oil companies be engaged in the effective governance of the oil sector to the extent that they can. Otherwise, international companies that are committed to high standards will be excluded because other companies, including national oil companies from the developing world, will not hesitate to pay bribes and subvert the system. One source of leverage available to international oil companies is the financial sector. The international oil companies could pressure leading global banks with which they do business to meet international governance, transparency, and anticorruption standards. Those banks in turn should pressure other banks that seek to do business with them to meet those international standards as well.

Building Bottom-up Capacity and Support

Structural reform takes a long time to deliver results. Therefore, there is a need to focus initially on achieving rapid micro-level changes that bring about immediate improvements in peoples’ lives, creating advocates for the new state, and building capacity for working in conditions of transparency and accountability. Doing this requires listening to what local people think works and what are the obstacles to change, and requires foreign government agencies, NGOs, and investors to work in partnership with local organizations. It requires listening to local people about the security threats that matter to them and focusing on eliminating these threats. Practical steps include requiring contractors involved in clean-up and rebuilding to recruit local people; developing micro-enterprise programs and ensuring that they are run transparently; and engaging with local community councils and other similar entities to help build skills in budgeting, financial control, and dispute resolution.

Source: Based on interviews with working group members involved in Iraq under the CPA.

Action Matrix: Managing Natural Resource Wealth

In the Post-Conflict Reconstruction Task Framework (May 2002) CSIS/AUSA identifies four pillars of reconstruction: security, justice and reconciliation, social and economic well-being, and governance and participation. It defines three distinct phases of stabilization and reconstruction: initial response, transformation, and fostering sustainability.

Table 1 outlines a generic set of tasks related to the management of natural resource wealth that provides a checklist for developing country-specific strategies. Not all of the tasks will be relevant to each country. The natural resource wealth management assessments proposed in item 5 above will provide the detailed information necessary to determine and prioritize across these points. Depending on the role of U.S. government departments and agencies, the tools available to carry out these tasks will range from direct involvement (e.g., in drafting legislation) to technical assistance, awareness raising, advocacy, and persuasion. Where there are few levers to influence government, then the priority should be to raise awareness of and capacity for resource revenue management within civil society.

Table 1: Action Matrix

<i>PILLAR/PHASE</i>	<i>INITIAL RESPONSE GOAL: ENSURE BASIC SECURITY AND STABILITY</i>	<i>TRANSFORMATION GOAL: DEVELOP LEGITIMATE AND SUSTAINABLE INDIGENOUS CAPACITY</i>	<i>FOSTERING SUSTAINABILITY GOAL: CONSOLIDATION</i>
Security	<p>Identify all natural resource-rich areas, infrastructure (production and transport), and export points (border crossing, airfields, ports).</p> <p>Deploy troops and develop the necessary mandates and strategies (for example, to include monitoring natural resource exploitation) to ensure effective control of natural resource areas and infrastructure to prevent rebels controlling the resources or sabotaging legitimate government control.</p> <p>Develop a communication plan to explain to the indigenous population why forces are being deployed to resource-rich areas to protect and benefit the population as a whole. Explain transparency plans.</p>	<p>Implement projects to provide economic alternatives to illicit mineral extraction and trading where this is a factor in instability.</p>	
Justice and Reconciliation	<p>Prevent people credibly implicated in looting resource wealth from acquiring positions of power in transitional governments.</p>	<p>Establish national processes to redress any forcible expropriation or expulsion of indigenous peoples from resource-rich areas under the previous regime.</p> <p>Develop transparent and fair processes for letting new resource concessions.</p>	<p>Find ways to recover looted assets from deposed rulers and others.</p>

<i>PILLAR/PHASE</i>	<i>INITIAL RESPONSE GOAL: ENSURE BASIC SECURITY AND STABILITY</i>	<i>TRANSFORMATION GOAL: DEVELOP LEGIT- IMATE AND SUSTAIN- ABLE INDIGENOUS CAPACITY</i>	<i>FOSTERING SUSTAIN- ABILITY GOAL: CON- SOLIDATION</i>
Social and Economic Well-being	<p>Identify and audit state management of concession contracts and the operations of relevant state bodies to determine what resource revenues are payable and to ensure that all payments due are received and controlled properly.</p> <p>Provide the central bank (or other relevant body) with the capacity to manage resource revenues to required standards of transparency and accountability.</p> <p>Identify “quick result” opportunities for large-scale employment (for example, through clean-up and reconstruction work).</p>	<p>Fill gaps in indigenous capacity to manage revenue flows and negotiate resource concessions.</p> <p>Assist postwar governments to develop economic policies to limit economic risks associated with resource dependency.</p> <p>Develop policies and systems of accountability and oversight to ensure that resource revenues are spent on poverty reduction and development, for example, through explicit links with World Bank–mandated Poverty Reduction Strategy Papers (PRSPs).</p> <p>Assist postwar governments to review the terms of resource concessions and seek revisions where they do not allow for transparency or social/environmental safeguards.</p> <p>Implement a transparent and accountable system for new resource concessions—no new concessions should be let other than by due process.</p>	<p>Identify obstacles to foreign investment in general and in the natural resources sector and seek to increase investment.</p>
Governance and Participation	<p>Prevent transitional governments from letting resource concessions. Allow transitional governments only to sign service and technical contracts.</p> <p>Identify where regional allocation of resource revenues is a critical political issue and start developing a process to address this issue.</p>		

An online edition of this report can be found at our website (www.usip.org), together with additional information on the subject.

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