

**DANGEROUS LITTLE STONES: DIAMONDS IN  
THE CENTRAL AFRICAN REPUBLIC**

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## DANGEROUS LITTLE STONES: DIAMONDS IN THE CENTRAL AFRICAN REPUBLIC

### EXECUTIVE SUMMARY AND RECOMMENDATIONS

In the diamond mines of the Central African Republic (CAR), extreme poverty and armed conflict put thousands of lives in danger. President François Bozizé keeps tight control of the diamond sector to enrich and empower his own ethnic group but does little to alleviate the poverty that drives informal miners to dig in perilous conditions. Stringent export taxes incentivise smuggling that the mining authorities are too few and too corrupt to stop. These factors combined – a parasitic state, poverty and largely unchecked crime – move jealous factions to launch rebellions and enable armed groups to collect new recruits and profit from mining and selling diamonds illegally. To ensure diamonds fuel development not bloodshed, root and branch reform of the sector must become a core priority of the country's peacebuilding strategy.

Nature scattered diamonds liberally over the CAR, but since colonial times foreign entrepreneurs and grasping regimes have benefited from the precious stones more than the Central African people. Mining companies have repeatedly tried to extract diamonds on an industrial scale and largely failed because the deposits are alluvial, spread thinly across two large river systems. Instead, an estimated 80,000-100,000 mostly unlicensed miners dig with picks and shovels for daily rations and the chance of striking it lucky. Middlemen, mostly West Africans, buy at meagre prices and sell at a profit to exporting companies. The government lacks both the institutional capacity to govern this dispersed, transient production chain and the will to invest diamond revenues in the long-term growth of mining communities.

Chronic state fragility has ingrained in the political elite a winner-takes-all political culture and a preference for short-term gain. The French ransacked their colony of its natural resources, and successive rulers have treated power as licence to loot. Jean-Bédél Bokassa, the CAR's one-time "emperor", created a monopoly on diamond exports, and his personal gifts to French President Giscard d'Estaing, intended to seal their friendship, became symbols of imperial excess. Ange-Félix Patassé saw nothing wrong in using his presidency to pursue business interests

and openly ran his own diamond mining company. Bozizé is more circumspect. His regime maintains tight control of mining revenues by means of a strict legal and fiscal framework and centralised, opaque management.

Since Bozizé came to power in 2003, industrial diamond mining companies have almost all left, in part because the authorities' high demands erode potential profits. Informal artisanal mining carries on apace, but the government's closure in 2008 of most diamond exporting companies – a ruse to better control the market – severely cut investment in the production chain, cost many miners their jobs and helped cause a spike in infant malnutrition. Expensive licences and corrupt mining police make it harder for miners to escape the poverty trap. A 12 per cent tax on diamond exports, the highest in the region, makes smuggling worthwhile and fosters illicit trading networks that deprive the state of much needed revenue.

The government's refusal to distribute national wealth fairly has led jealous individuals and disenfranchised groups to take up arms for a bigger slice of the cake. The Union of Democratic Forces for Unity (Union des forces démocratiques pour le rassemblement, UFDR), more ethnic militia than rebel group, has signed a peace agreement but still mines diamonds in the north east and sells them on the black market. Poor miners joined its ranks to improve their lot, and though taking power is no longer a prospect, diamond profits are a strong incentive not to disarm. Meanwhile, the Convention of Patriots for Justice and Peace (Convention des patriotes pour la justice et la paix, CPJP), the most active rebellion, preys on miners and traders in the east. This insecurity, largely banditry under a rebel flag, severely restricts economic activity, inhibits the holding there of elections set for 23 January 2011 and puts civilian lives at great risk.

Reform of the diamond sector is a crucial element, alongside wider governance and conflict resolution measures, for improving the living conditions of miners and their families, boosting the state's scant domestic revenues and helping break the cycle of armed conflict. The govern-

ment needs first to improve governance of the mining sector, which is a question more of political will than capacity. Only when Bozizé has shown commitment to instituting more democratic control of mining revenues and enhancing transparency in management processes should international partners support mining authorities in the capital and mining zones. The reform strategy should prioritise artisanal above industrial mining, which has less direct impact on mining communities, aim to reduce incentives for smuggling and tighten controls to stop armed groups profiting from diamonds.

## RECOMMENDATIONS

### *Improving governance of the mining sector*

#### **To the government of the Central African Republic:**

1. Transfer the power to award mining contracts and grant licences to exporting companies from the presidency to the mines ministry and require the minister to give appropriate public airing to draft contracts, including by making them available to a parliamentary group with representation from major opposition parties for review and debate, before obtaining cabinet approval and signing them.
2. Adhere fully to the Extractive Industries Transparency Initiative (EITI), and in order to ensure external audits already carried out instigate more transparent practices, encourage the national EITI council and a multiparty parliamentary group to rigorously investigate discrepancies between government revenues and payments from diamond mining and exporting companies.
3. Request accession to the World Bank's EITI++ project.
4. Reduce incentives to smuggle by harmonising tax rates on diamond exports with neighbouring countries.

#### **To the CAR's international partners:**

5. Provide financial and technical support to the mining authorities only if the government demonstrates commitment to more democratic and transparent mining management; to this end, they and World Bank experts in the EITI++ framework should:
  - a) assist the mines and planning ministries to draw up a strategy for mining sector reform that prioritises improved governance and the formalisation and promotion of artisanal mining and incorporate it into the Poverty Reduction Strategy Paper (PRSP) for 2011-2013;

- b) help the government create a new Special Anti-Fraud Unit (Unité spéciale anti-fraude, USAF) to replace the current mining brigade, incorporating it into the wider security sector reform; and ensure that the new force has a multi-ethnic, multi-regional composition and is accountable to an inter-ministerial body including the mines, internal security and defence ministries;
- c) the World Customs Organisation (WCO) should propose to the governments of the region, in particular those of the CAR, Cameroon, Chad and Sudan, that it lead and coordinate their customs authorities in investigating smuggling methods and routes; and
- d) the UN Peacebuilding Commission should help the government organise in 2011 a donors conference to mobilise funds for implementing the PRSP 2011-2013, including funds dedicated to mining sector reform.

### *Stopping diamonds from perpetuating armed conflict*

#### **To the government of the Central African Republic:**

6. Prevent rebels profiting from diamonds by compiling a public blacklist of individuals, either in rebel groups or with links to them, prohibited from mining, trading and exporting the precious stones.
7. Create incentives for rebels to enter the disarmament, demobilisation and reintegration (DDR) process by drawing up a plan for their reintegration into civilian life that provides alternative sources of income to illegal diamond mining and trading.
8. Invite the Kimberley Process to carry out a review mission.

#### **To the Kimberley Process:**

9. Send a team to the CAR with a special mandate to investigate rebel activity in eastern mining zones and advise on how to ensure exporting companies do not trade diamonds mined or sold by rebel groups.

#### **To the Mission for the Consolidation of Peace in the CAR (MICOPAX):**

10. Deploy to the north east and combine civilian protection duties with implementing a mines monitoring program in coordination with mines ministry officials and the Special Anti-Fraud Unit.
11. Ensure the security of the afore-mentioned Kimberley Process team in the east.

*Boosting development in mining zones*

**To the government of the Central African Republic:**

12. Lower the price of artisanal mining licences, allow miners to pay in several instalments and make the licence valid for one year from the time of purchase, not just until the end of the calendar year.
13. Reduce the cost of starting a cooperative; increase transparency in the management of the National Union of Central African Mining Cooperatives; and initiate vocational training programs for cooperatives, including on literacy, mining techniques and financial management.
14. Put a portion of diamond export taxes into a community mining development fund for local projects and training schemes on diamond valuation and mining methods; and create local committees to administer the money in a collective and transparent way.

**Nairobi/Brussels, 16 December 2010**

## DANGEROUS LITTLE STONES: DIAMONDS IN THE CENTRAL AFRICAN REPUBLIC

### I. INTRODUCTION: THE EVOLUTION OF DIAMOND MINING IN THE CAR

The history of diamond mining in the hands of the country's successive rulers explains much about the challenges the current government faces and how it approaches them.<sup>1</sup> All diamond deposits in the CAR so far identified are alluvial, spread thinly across two large river systems.<sup>2</sup> One centres on the Mambere and Lobaye Rivers in the south west and extends into northern Republic of Congo (Brazzaville) and eastern Cameroon. Another spreads from the Kotto River in the east and extends into the Democratic Republic of Congo (Kinshasa, DRC).<sup>3</sup> Such a wide dispersal makes it difficult for a weak state to control mining and use it for the benefit of its people. But the whim of the political elite has been a stronger determining factor on the development impact of diamond wealth than lack of state capacity.

French colonial authorities treated the territory known then as Oubangui-Chari, a colony from 1903, as a business venture. They divided it up and granted exclusive concessions to French companies with which they worked hand in hand to make profit. These private enterprises sought to invest as little as possible in the development of the country, while reaping maximum gain from its rubber, cotton, coffee and diamonds. Diamond mining began in

1927, and the precious stones soon became the territory's most important export after cotton.<sup>4</sup> The French mainly used local workers with basic tools to excavate gravel and nimble-fingered children to sieve and pick out the gems. But thanks to the use of bulldozers and dragline excavators at the largest mines, Oubangui-Chari produced more diamonds than any other territory in the French Union, including Guinea and Côte d'Ivoire.<sup>5</sup> The amalgamation of state authority and private enterprise set a strong precedent that the reins of power came with a licence to profit from natural resources and the people's hard labour.<sup>6</sup>

Independence in August 1960 led to a sea change in the way diamonds were mined and a significant increase in production and exports.<sup>7</sup> A law passed on 17 January 1961 gave Central Africans the right to start their own small gold and diamond mines.<sup>8</sup> Freed from strict colonial control, thousands went to work in the mines. Many were former employees of foreign companies, who knew where to look and how to mine.

These artisanal miners were better suited than industrial mining operations to exploit the scattered diamond deposits. Industrial mining companies had difficulty accessing sites and finding diamonds in sufficient concentrations to

<sup>1</sup>For an account of the CAR's political history, see Crisis Group Africa Report N°136, *Central African Republic: Anatomy of a Phantom State*, 13 December 2007. For analysis of more recent political developments, see Crisis Group Africa Briefing N°55, *Central African Republic: Untangling the Political Dialogue*, 9 December 2008; and Crisis Group Africa Briefing N°69, *Central African Republic: Keeping the Dialogue Alive*, 12 January 2010.

<sup>2</sup>De Beers spent two years, 2005-2007, searching for kimberlitic diamonds, those found in vertical "pipes" of kimberlite rock, in south-eastern Mbomou prefecture but to no avail. Crisis Group interview, diamond mining company official, Bangui, 21 May 2010.

<sup>3</sup>See Appendix A for a map of the CAR's diamond mining zones. The south-western zone produces more but smaller diamonds than those found in the east. Crisis Group interview, buying office employee, Bria, 1 June 2010.

<sup>4</sup>Pierre Kalck, *Realités Oubanguiennes* (Paris, 1959), p. 188. From 1927 to 1964, 26 mining companies and twenty individual entrepreneurs operated in Oubangui-Chari, which in 1960 became the Central African Republic. Crisis Group interview, former mining official, Bangui, 25 May 2010.

<sup>5</sup>Kalck, *Realités*, op. cit., pp. 189-190. Exports rose from 1,500 carats in 1931 to a pre-independence high of over 147,000 in 1954. Crisis Group interview, former mining official, Bangui, 25 May 2010.

<sup>6</sup>See Crisis Group Report, *Anatomy of a Phantom State*, op. cit., p. 2.

<sup>7</sup>Under the first president, David Dacko, exports quickly rose from some 70,000 carats in 1960 to just under 537,000 carats at his overthrow five years later. See Appendix C for the CAR's diamond exports from 1990 to 2010.

<sup>8</sup>"Guide du code minier en République centrafricaine", Property Rights and Artisanal Diamond Development (PRADD) project, 2009.

make operations economically viable.<sup>9</sup> The CAR's landlocked position and chronically poor infrastructure also meant they incurred high costs importing machinery and overcoming challenges such as broken roads and insufficient electricity. Artisanal miners, however, operating on a much smaller scale with handheld tools, were unhampered by such constraints.

A mines-to-export production chain developed that continues today. Opportunistic businessmen, largely from West Africa with expertise in valuing and trading diamonds, found a profitable niche buying stones from miners and selling them to buying offices (*bureaux d'achat*).<sup>10</sup> The latter export and sell diamonds on the international market. They sustain production by financing the middlemen, or collectors as they became known, who in turn finance the miners. Lacking capital, miners are dependent on collectors and therefore obliged to sell them diamonds for meagre amounts. Mining companies similarly financed artisanal mining on their concessions, taking advantage of the opportunity to buy at low prices.

Despite the state's efforts to register miners through a licensing system, artisanal mining has remained almost entirely informal, uncontrolled and, in strict terms, illegal. Unlicensed miners try to avoid the authorities for fear of being punished. The informal nature of mining makes it more difficult for miners to appeal to the state for support and for the authorities to intervene on their behalf. It also creates conditions ripe for crime. Smugglers export diamonds illegally and sell at higher prices elsewhere through transnational trade networks. Up against weak state security forces, bandits have also profited in mining zones or on diamond traders' routes.

The state's approach to industrial and artisanal mining has been relatively constant in the 50 years since independence. In sync with the French, successive rulers have

turned the responsibility of governance into a business opportunity. Lacking the capital to launch its own diamond mining operations or exporting offices, the ruling elite has fed off the largely foreign companies who do by demanding a share of production and heavily taxing exports. Those in power have used the small but precious state revenue to enrich themselves and their families and buy political loyalty through a patron-client network.<sup>11</sup> The presidency's sustained involvement in the diamond business led a former politician to say, "Central African heads of state are first and foremost diamond merchants".<sup>12</sup> Proceeds from diamonds have, therefore, failed to filter down to the large majority of citizens at the bottom of the socio-economic pyramid.

The best example of this presidential parasitism is Jean-Bédél Bokassa. He developed an early taste for diamonds, which, even as an army officer, he confiscated from smugglers in return for their freedom.<sup>13</sup> Having risen to army chief of staff, he took power in a coup on 31 December 1965 and ruled until the French Operation Barracuda deposed him in September 1979. For the first three years of his stewardship, he oversaw the continued growth of the diamond sector.<sup>14</sup> Timothée Malendoma, his minister for the economy, carefully regulated the trade at the head of a national diamond office. A consortium of four buying offices, one each from France, the U.S., the Netherlands and Israel, enjoyed an export monopoly in return for putting aside 40 per cent of their profits for the treasury.<sup>15</sup>

In 1969 Bokassa decided this system was not meeting his needs. He pushed Malendoma aside, ended the consortium's monopoly and created Centradiam, a diamond buying and exporting office of which he was the majority shareholder.<sup>16</sup> Exempt from taxes and licence fees, it soon had an export monopoly. Bokassa allowed foreign firms to mine diamonds, but if they did not meet his demands for kickbacks, he had no scruples about withdrawing their licences, expelling their personnel and confiscating their assets.<sup>17</sup> His avarice, the exhaustion of easily exploitable

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<sup>9</sup> In 1963, the French Office of Geological and Mining Research (Bureau de recherche géologique et minière, BRGM) tried to help French companies overcome this obstacle and better target their operations by carrying out a geological survey of the country.

<sup>10</sup> These middlemen, known as collectors, fall into three social groups based on their origins: West Africans (including Malians, Senegalese, Mauritians, Guineans), Nigerians and Chadians. The arrival of West Africans is partly explained by the social norm that young men from those countries are expected to travel abroad to make money before returning home. There is also a strong family tradition in West Africa of working with gold and diamonds. Crisis Group interview, Senegalese immigrant, Bangui, 3 September 2010. See also Sylvie Bredeloup, "L'aventure contemporaine des diamantaires sénégalais", *Politique Africaine*, no. 56 (1994), pp. 77-93. Following the establishment of a Lebanese buying office, Primo, in 1996, Lebanese also started to arrive and work as collectors.

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<sup>11</sup> The CAR's economy as a whole has remained reliant on rents from agricultural and mining exports. See Jean-Baptiste N. Wago, *L'économie centrafricaine: pour rompre avec la logique de rente* (Paris, 1999).

<sup>12</sup> Jean-Paul Ngoupandé, *Chronique de la crise Centrafricaine 1996-1997: Le syndrome Barracuda* (Paris, 1997), p. 179.

<sup>13</sup> Jean-Barthélémy Bokassa, *Saga Bokassa* (Paris, 2009), p. 150.

<sup>14</sup> Exports rose to almost 636,000 carats in 1968, still the highest recorded. Crisis Group interview, former mining official, Bangui, 25 May 2010.

<sup>15</sup> Brian Titley, *Dark Age: The Political Odyssey of Emperor Bokassa* (Quebec, 1997), p. 74.

<sup>16</sup> *Ibid*, p. 74.

<sup>17</sup> Bokassa did this in November 1969 to the French and American firms that were part of the original consortium and in 1976

deposits and a lack of exploration for new sites caused exports to fall below 300,000 carats in 1978, less than half the 1968 high.<sup>18</sup> This was indicative of the disastrous effects of Bokassa's policies on the economy as a whole.

The self-proclaimed emperor also tried to use diamonds for diplomacy, lavishing them on visiting dignitaries and his hosts when travelling abroad. His gifts to Valéry Giscard d'Estaing, French finance minister and from 1974 president, were intended to nurture a personal friendship on which Bokassa depended for Paris's continued benevolence. In these demonstrations of largesse, Bokassa also found an opportunity to turn the tables on his former colonial masters and display generous condescension.<sup>19</sup> But the violent repression and killing of school children in April 1979, in which Bokassa was said to be involved personally, on top of his proven poor governance finally exhausted France's patience and sped his forced exit later that year. When the French press reported that Giscard had received the precious stones, Central African diamonds became symbolic of a brutal dictator's fantastic excesses and the questionable morality of Francafrique.

It took over a decade of relative stability under strong French tutelage and technical assistance from the World Bank for diamond exports to climb back to pre-Bokassa levels. In 1983, records showed that importing countries had received from the CAR 495,000 carats more than total official exports.<sup>20</sup> Such a clear sign of smuggling moved the World Bank to introduce a certificate of origin system in which diamonds for export had to be accompanied by sale and purchase receipts that traced them back to the mine.<sup>21</sup> It also helped the government set up the Office for the Evaluation and Control of Diamonds and Gold (Bureau d'évaluation et de contrôle de diamant et d'or, BECDOR) to value diamonds for export, calculate tax and check proof of origin. These programs and a reduction in export tax helped reduce the illegal trade, but only temporarily.<sup>22</sup>

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to SCED, a subsidiary of American Diamond Distributors. Ibid, p. 75.

<sup>18</sup> Crisis Group interview, former mining official, Bangui, 25 May 2010.

<sup>19</sup> Jean-Barthélémy Bokassa, *Saga Bokassa*, op. cit., p. 151.

<sup>20</sup> "Report of the Review Mission of the Kimberley Process to the Central African Republic, 8-15 June 2003", Kimberley Process, 2003, p. 3.

<sup>21</sup> This system was an early forerunner of the Kimberley Process Certification Scheme that came into force in 2003. Crisis Group telephone interview, Kimberley Process diamond expert, 26 July 2010.

<sup>22</sup> From 1984 to 1994 the government reduced export tax on diamonds from 20 per cent to 8 per cent, thus lowering the incentive to smuggle. F. Barthélémy, J. M. Eberlé, F. Maldan (BRGM), "Transborder Artisanal and Small-Scale Mining

Soon after winning the 1993 presidential election, Ange-Félix Patassé, former prime minister under Bokassa, openly set himself up as a businessman with various interests, including diamonds. His mining company, Colombe Mines,<sup>23</sup> had several sites near Ngore on the Carnot-Nandobo axis in the south west, and he employed collectors to buy for him.<sup>24</sup> During his tenure, he took an increasingly tighter grip on the diamond business. If given sufficient incentive or if he saw a political need, Patassé handed out concessions that exempted their holders from responsibilities set out in the 1961 mining code.<sup>25</sup> These eventually covered almost 70 per cent of the diamond zones.<sup>26</sup>

In July 1995, CAR officials visited Antwerp and found that more than half the country's diamonds entered the market illegally. Under pressure from the World Bank and International Monetary Fund, Patassé introduced measures to tackle smuggling.<sup>27</sup> An export quota that buying offices had to meet to escape penalties was intended to ensure more diamonds left the country through official channels, while keeping government tax revenue high.<sup>28</sup> The policy backfired. Smaller buying offices unable to meet the quota moved from Bangui to Cameroon, and less

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Zones in Central Africa: Some factors for Promoting and Supporting Diamond Mining", in K. Vlassenroot and S. Van Bockstael (eds.), *Artisanal Diamond Mining: Perspectives and Challenges* (Gent, 2008), p. 35. By 1995, the amount by which imports from the CAR exceeded official exports had fallen to 140,000 carats. "Report of the Review Mission of the Kimberley Process", op. cit., p. 3.

<sup>23</sup> Crisis Group interview, former mining official, Bangui, 25 May 2010.

<sup>24</sup> Crisis Group interview, artisanal miner, Berberati, 10 September 2010.

<sup>25</sup> In the late 1990s, the South African businessman Antonio Teixeira set up Central Africa Mining Company (CAMCO) and Central Africa Diamond Company (CADCO) and mined diamonds near Sam Ouandja, Haute-Kotto prefecture. With Patassé's blessing he did not pay taxes on exports. Crisis Group interviews, former mining official, Bangui, 4 September 2010; former CADCO employee, Bangui, 25 September 2010. See also Christian Dietrich, "Diamonds in the Central African Republic: Trading, Valuing and Laundering", Partnership Africa Canada, January 2003, p. 2.

<sup>26</sup> Crisis Group telephone interview, Kimberley Process diamond expert, 26 July 2010.

<sup>27</sup> In 1995, the World Bank assisted in the publication of a national mining plan and found a consultant to update the CAR's geological data. It has not been updated or enhanced since. Crisis Group interview, former mining official, 4 September 2010.

<sup>28</sup> Buying offices older than five years had to export at least \$2 million worth of diamonds per month, those younger than five years at least \$1 million. Crisis Group interview, former buying office employee, Bangui, 28 May 2010. See also Christian Dietrich, "Hard Currency: The criminalised diamond economy of the Democratic Republic of the Congo and its neighbours", Partnership Africa Canada, June 2002, p. 56, fn. 47.



competition and lower prices created greater incentives for collectors to sell diamonds elsewhere.<sup>29</sup> Similarly, the state-run diamond bourse Patassé created in 1996 should have increased competition, pushed up prices, decreased the incentive to smuggle and ensured better state tax revenues. But the initiative fell victim to the president's own predatory rule and the political violence it provoked. A series of army mutinies in 1996 and 1997 severely damaged the already frail economy and caused the bourse to shut.<sup>30</sup>

Under Patassé, the diamond trade was further tainted by the suspected presence of conflict diamonds. In the neighbouring DRC, Jean-Pierre Bemba partly financed his 1998-2003 rebellion by controlling diamond mines just across the Ubangui River.<sup>31</sup> Reports linking buying offices in the CAR to Bemba suggest he found in Bangui a useful conduit for exporting his gems to the international market.<sup>32</sup> His willingness to send troops in June 2001 and again in October 2002 to defend Patassé showed how much he valued the regime's cooperation.

On 15 March 2003, Francois Bozizé, then army chief of staff, seized power and inherited a largely informal diamond mining sector traditionally kept under strict presidential control. Initially the new government showed a willingness to clean up mining governance. On 14 April, the president cancelled all prospecting and mining permits, including Patassé's Colombe Mines concession, and soon after carried out a full review of the sector. On 1 February 2004, the national assembly issued a new mining code, the first since 1961, to align the CAR with international standards.<sup>33</sup> Perhaps more wary of international reproach than his predecessor, Bozizé has not openly entered private enterprise. But, following the example of those who went before, he has put the interests of his ethnic group before the country's economic development.<sup>34</sup>

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<sup>29</sup> By 2000, the ratio of officially exported diamonds to those arriving on the international market was one to three. "Report of the Review Mission of the Kimberley Process", op. cit., p. 3.

<sup>30</sup> Dietrich, "Hard Currency", op. cit., p. 20. In late 2010, the government was intending to reopen a diamond bourse in Bangui. Crisis Group interview, agent of COMIGEM (Comptoir des minéraux et des gemmes), the state-run buying office, 20 September 2010.

<sup>31</sup> Bemba was earning between \$1 million and \$3 million a month from diamond sales. Dietrich, "Diamonds in the Central African Republic", op. cit., p. 4.

<sup>32</sup> Ibid.

<sup>33</sup> "Report of the Review Mission of the Kimberley Process", op. cit., p. 4.

<sup>34</sup> All the CAR's rulers have favoured their own ethnic group, but André Kolingba, president from 1981 to 1993, filled the army with his fellow Yakoma to an unprecedented extent and in doing so cemented tribalism – the manipulation of ethnic origin for political ends – as a cause of political instability and vio-

lence in the country. Bozizé's Gbaya is the largest ethnic group, about a third of the population, and itself suffers from rivalries between sub-groups. See Eric G. Berman, Louisa N. Lombard, "The Central African Republic and Small Arms: a Regional Tinderbox", Small Arms Survey, December 2008, p. 5.

## II. MISGUIDED GOVERNANCE OF THE DIAMOND SECTOR

The regime's governance of the diamond sector bears a striking resemblance to that of its predecessors. Its clear priority is to solidify control of mining revenues to enrich and empower as quickly as possible the elite of Bozizé's Gbaya ethnic group.<sup>35</sup> The sector's legal framework and fiscal regime are severe and inflexible, its management centralised and opaque. The few industrial diamond mining companies bold enough to risk working in the CAR have left, partly because of government greed. The mines ministry has devoted little thought, time or money to developing artisanal mining or helping diggers escape the poverty trap. Stringent taxes incentivise smuggling, which mining authorities are too weak to stop. These factors combined – a parasitic state, poverty and largely unchecked crime – move jealous factions to take up arms and create conditions in mining zones that enable armed groups to collect new recruits and use profits from diamonds to perpetuate their fight.

The regime's exploitation of the mining sector is explained in part by the all-or-nothing system that has characterised the distribution of power and wealth in the CAR since independence. Those in power profit, knowing that once out their opportunities will be severely reduced. The frequency of past turnovers, the ongoing activity of armed groups and the lingering risk of a coup mean they cannot know how long the sun will shine. Hence the haste with which they seek to profit. Beyond self-enrichment, the elite need money to fulfil their extended families' expectations and maintain political loyalty through patronage networks. The government is also in constant need of immediate returns to satisfy its minimal obligations, not least paying civil servant salaries, and Bozizé needs extra cash to ensure that the elections planned for 23 January 2011 go his way.<sup>36</sup> After these priority expenses are met, little is left for investing in the country's long-term growth.

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<sup>35</sup> In 2009, total official revenues from the mining sector were 8.2 billion CFA francs (over \$16 million), including tax on diamond exports and obligatory payments from mining companies and buying offices. "Rapport final: Validation de l'Initiative de Transparence des Industries Extractives de la République centrafricaine", Good Corporation, 11 November 2010, p. 37. In the same year, tax on diamond exports made up 3.5 per cent of the CAR's total tax revenues. 12 per cent export tax of 23.5 billion CFA francs (\$46.9 million) worth of diamonds amounted to 2.8 billion CFA francs (\$5.6 million) – 3.5 per cent of 81.1 billion CFA francs (\$162.2 million) total tax revenues. Crisis Group calculations from official BECDOR and International Monetary Fund figures.

<sup>36</sup> For an analysis of why governments typically loot resource rents instead of investing them in long-term growth, see Paul

In the mines ministry, the prioritisation of short-term gains inhibits the creation and implementation of a strategy for developing the mining sector. The General Directorate of Mines (Direction générale des mines) does not have a strategy document. It is waiting for the World Bank to provide consultants to help write one.<sup>37</sup> However, the CAR's Poverty Reduction Strategy Paper (PRSP) for 2008 to 2010 does include an action plan for the mining sector that concentrates on three objectives:

- ❑ improving the sector's legal, institutional and tax framework;
- ❑ improving transparency in management of the sector; and
- ❑ increasing mining production and improving the incomes of the inhabitants of mining zones.<sup>38</sup>

The goals are sound. Since Bozizé took power, the government has certainly made some improvements along these lines, including by revising the mining code, participating in the Extractive Industries Transparency Initiative (EITI) and creating a national union for artisanal miner cooperatives. However, it has a long way to go. Crucially, Bozizé has reserved political control of the mining sector for himself and the Gbaya elite, which hinders the transparent and fair distribution of revenues for the benefit of the citizenry.

### A. TIGHTENING POLITICAL CONTROL

The power to grant access to diamonds and control of mining revenues are concentrated in Bozizé's hands. He alone can sign decrees to grant mining companies research and mining permits and licence buying offices to export diamonds.<sup>39</sup> This ensures the regime receives a satisfactorily large cut of the profits and that individuals close to the president benefit from lucrative posts. One mining company was reportedly obliged to employ Alfred Ndoutingai, the mining minister's younger brother, as assistant general manager.<sup>40</sup> In 2007 Socrate Bozizé, the president's son, was given an honorary position on the managerial team of another company created to extract

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Collier and Anke Hoeffler, "Resource Rents, Governance, and Conflict", *Journal of Conflict Resolution*, vol. 49 (2005), p. 630.

<sup>37</sup> Crisis Group interview, director general of mines, Bangui, 6 September 2010.

<sup>38</sup> "Central African Republic, Poverty Reduction Strategy Paper (PRSP) 2008-2010", p. 100. The action plan for the mining sector falls within its third strategic pillar, namely renewing and diversifying the economy.

<sup>39</sup> "Loi n°9-005 du 29 avril 2009 portant code minier de la République centrafricaine", Articles 19, 31 and 152.

<sup>40</sup> Crisis Group interview, former mining company employee, Bangui, 21 May 2010.

diamonds from the Lobaye River in the south west.<sup>41</sup> A presidential decree determines what happens to the Mining Development Fund into which companies' substantial signing bonuses are supposed to be put.<sup>42</sup>

To keep a firm hand on management of the mining sector, Bozizé entrusted the ministry of mines, energy and water to his nephew, Colonel Sylvain Ndoutingaï, who helped him take power in 2003.<sup>43</sup> Soon afterwards, Bozizé removed from it the large majority of civil servants who had built up mining expertise in the decade since Patassé came to power and replaced them with members of his own Gbaya tribe, inexperienced in the business of government and largely lacking mining knowledge.<sup>44</sup> This ethnic exclusiveness fosters opacity in the ministry's work and creates conditions ripe for systemic corruption and resentment among other ethnic groups.<sup>45</sup> Management of mining, and especially the collection and distribution of its revenues, is highly centralised in Bangui, where mining companies, buying offices and even collectors who operate in specific areas all pay license fees.

In early October 2008, the government resorted to heavy-handed measures to tighten its control of and boost its revenues from the trade and export of diamonds. It im-

posed fines ranging from 20 to 25 million CFA francs (\$40,000 to \$50,000)<sup>46</sup> on eight of eleven buying offices for not investing enough in property in the CAR to meet the 2004 mining code's requirements.<sup>47</sup> The buying offices claimed the fines were illegal and refused to pay. The ministry then executed what it called Operation Closing Gate.<sup>48</sup>

On 5 October, ministry officials, mining brigade officers and soldiers from Bangui arrived in mining towns across the country, including Berberati, Carnot, Boda, Nola and Bria. Local mining brigade officers were not forewarned of their arrival or purpose. Early the next day, the ministry announced on national radio the withdrawal of the eight buying offices' licences.<sup>49</sup> The pre-deployed teams immediately entered their local branches, demanded staff open safes and confiscated diamonds and money. They also took back to Bangui cars, equipment for weighing and valuing diamonds and personal belongings such as telephones, televisions and clothes. They did the same to many of the wealthier collectors for operating as buying offices, that is buying diamonds from other collectors and miners in town instead of at the mines.<sup>50</sup>

After the operation, the ministry's Seizure Commission (Commission de saisie), responsible for judging whether a seizure is justified, worked through the many cases. Collectors who had come to Bangui to claim back their belongings managed to retrieve some of their goods but not diamonds. Usually the ministry sells diamonds seized by the mining brigade to the buying office in Bangui that bids highest, and proceeds go to the treasury. But after Operation Closing Gate, the government did not sell any diamonds to buying offices.<sup>51</sup>

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<sup>41</sup> Crisis Group interview, former artisanal miner, Bangui, 25 September 2010.

<sup>42</sup> "Loi n°9-005", op. cit., Article 7.

<sup>43</sup> In July 2007, Bozizé appointed Ndoutingaï finance minister but by November had dismissed him under pressure from Paris. Bozizé's trust in him remained unshaken, and in November 2010 he appointed him his campaign manager for the January 2011 elections. Ndoutingaï was born in Nandobo, grew up in Berberati and was an artisanal miner at Ngore, all in the diamond-rich Mambere-Kadeï prefecture in the south west, of which he is now resident minister. Whether or not he is actually Bozizé's nephew, his father came from Bossangoa, Bozizé's hometown, and the president has acknowledged he is a close relation. Crisis Group interview, artisanal miner, Berberati, 10 September 2010. See Crisis Group Report, *Anatomy of a Phantom State*, op. cit., p. 19. Interview with François Bozizé, *Jeune Afrique*, 13 December 2008.

<sup>44</sup> Crisis Group interview, former mining official, Bangui, 4 September 2010.

<sup>45</sup> In November 2008, the CAR became a candidate in the Extractive Industries Transparency Initiative (EITI) and is waiting for the international EITI secretariat to decide whether it has fulfilled the criteria to become a compliant country. As part of this process, it published in March 2009 a first report that identified major discrepancies between government revenues and payments from buying offices and mining companies in 2006. However, a lack of reliable data makes it difficult to identify concrete instances of corruption. See "Premier Rapport de l'ITIE-RCA: Collecte et réconciliation des données statistiques du secteur minier, année 2006", 23 March 2009. The role of the EITI in promoting good governance is discussed in Section IV below.

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<sup>46</sup> For all conversions from CFA francs into U.S. dollars, an average exchange rate of 500 CFA francs per \$1 has been used.

<sup>47</sup> Crisis Group interview, director general of mines, Bangui, 6 September 2010. The 2004 mining code provided that within three years a buying office must have invested at least 250 million CFA francs (\$500,000) in property. "Ordonnance n° 04-001 portant code minier de la République centrafricaine", Article 103.

<sup>48</sup> Crisis Group interview, regional director of mines, Bangui, 7 September 2010.

<sup>49</sup> The government withdrew licences from Primo, Diamond Distributors Centrafrique (DDC), Ordica, CAD, ADC, Beldiam, Diamstar and Gem-CA. "Centrafrique: retrait d'agréments miniers", *Les Afriques*, 22 October 2008.

<sup>50</sup> Crisis Group interviews, director general of the Office for Geological Research and Mining (Office de recherches géologiques et d'exploitation minière, ORGEM), Bangui, 31 May 2010; mining brigade officer, Berberati, 12 September 2010; collectors and buying office employees, Bangui, Boda, Bria, Berberati, May and September 2010.

<sup>51</sup> Crisis Group interview, buying office employee, Bangui, 6 September 2010.

Mining authorities say the closure was motivated by the need to combat fraud and redress the injustice that some buying offices were investing in construction outside the CAR,<sup>52</sup> but other economic and political interests appear to have been at play. The operation was a means for the government to collect money quickly. Unexpected tax campaigns against businessmen in Bangui are not uncommon when the state needs a financial boost.<sup>53</sup> It was also part of a longer-term strategy, one that Bokassa employed in the late 1960s to good effect, namely to create a near monopoly for those buying offices with which the regime has a profitable relationship.

Six of the eight buying offices the government shut down exported diamonds only infrequently and in small quantities. Two though were among the top five exporters. The government finally decided to take umbrage at their long-standing infringement of the mining code in order to give a greater market share to those it allowed to carry on working.

The regime has also tried to benefit through two new buying offices. It is a shareholder in the first,<sup>54</sup> but the company's principal investor and diamond buyer pulled out in January 2010, when the government seized its second shipment on the grounds that the local buyer was not fully licensed. Operations are on hold until a new investor is found.<sup>55</sup> The 2009 mining code created the legal basis for the second, an entirely state-owned and state-run enterprise.<sup>56</sup> It too is looking for an external backer but has been setting up offices with the help of state funds. Other buying offices doubt it has the money or expertise to succeed but fear it will be a competitor with unfair advantages, able to avoid the constraints and fees they face.<sup>57</sup>

Operation Closing Gate shocked the diamond sector and had serious humanitarian consequences for mining communities. Development and humanitarian actors were not too concerned about the peaceful, diamond-rich south west until mid-2009.<sup>58</sup> With the reduction in buying offices and wealthy collectors investing in the production chain and the sharp drop in world diamond prices, many

miners found themselves out of work and unable to feed their families.<sup>59</sup> Agriculture had been largely neglected in favour of mining, and malnutrition rates among children skyrocketed due to poor health services in the region.<sup>60</sup> International aid agencies responded quickly and alleviated the situation. But in mid-2010, when world diamond prices had almost returned to pre-2008 levels, persistent malnutrition in the south west indicated the problem was far from over.<sup>61</sup>

The Kimberley Process secretariat in Bangui estimates illegal exports rose from 20 per cent of all exports to 30 per cent after the operation.<sup>62</sup> Less competition resulted in buying offices offering lower prices, thus creating greater incentive for artisanal miners and collectors to sell diamonds to smugglers. Many collectors who lost their licences also continued to operate on the black market.<sup>63</sup>

Less mining and increased smuggling caused an immediate drop in official exports and state revenues.<sup>64</sup> The fall in diamond prices on the world market has made it difficult to assess the lasting impact of the government's intervention.<sup>65</sup> However, despite the recent global rebound, CAR exports have not returned to pre-2008 levels.<sup>66</sup>

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<sup>52</sup> Crisis Group interview, director general of mines, Bangui, 27 May 2010.

<sup>53</sup> "De contrôles inopinés de la douane paralysent le secteur commercial à Bangui", Agence Centrafrique Presse, 20 August 2010.

<sup>54</sup> Crisis Group interview, regional director of the company, Berberati, 12 September 2010.

<sup>55</sup> Ibid.

<sup>56</sup> "Loi n°9-005", op. cit., Article 143.

<sup>57</sup> Crisis Group interviews, buying offices, Bangui, September 2010.

<sup>58</sup> In 2003, Nana-Mambere, Mambere-Kadeï and Sangha-Mbaere were recorded as the three least poor prefectures in the country, with a monetary poverty rate less than 55 per cent. PRSP 2008-2010, op. cit., p. 13.

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<sup>59</sup> "Synthèse de l'évaluation de Première Urgence dans les sous-préfectures de Carnot et Boda du 25/10/09 au 1/11/09. Sécurité alimentaire et économique", Première Urgence, 6 November 2009.

<sup>60</sup> Berberati hospital registered a rise in severe cases of malnutrition in babies less than a year old from 84, 40 and 32 in the first three quarters of 2009 to 522 in the last. Crisis Group interview, hospital records office, Berberati, 10 September 2010.

<sup>61</sup> Crisis Group email communication, Action Contre la Faim, Bangui, 18 November 2010.

<sup>62</sup> Crisis Group interview, Kimberley Process permanent secretariat, Bangui, 8 September 2010. The Kimberley Process is a system established in 2003 by a coalition of governments, the diamond industry and civil society to prevent conflict diamonds – those used to finance rebellion – from entering the diamond market.

<sup>63</sup> Crisis Group interviews, collectors and artisanal miners, Berberati, September 2010.

<sup>64</sup> According to BECDOR statistics, from January to September 2008 the CAR exported an average of over 36,000 carats each month. In October 2008, it exported 15,017 carats, in November 19,602 carats and in December 16,134 carats.

<sup>65</sup> The world financial crisis saw consumers cut back on luxury goods, with a consequent drop in diamond prices of some 40 per cent that lasted from December 2008 until June 2009. Despite this, BECDOR refused to modify its price list, so export tax stayed high. In fact, it has used the same price list (*mercurelle*) for diamonds of different shape, weight and quality since 2002. Crisis Group interview, BECDOR director general, 3 September 2010.

<sup>66</sup> In 2007 the CAR exported an average of 34,808 carats per month, in 2009 that figure was 25,982 carats per month and for

## B. THE FLIGHT OF INDUSTRIAL MINERS

The government has failed to keep industrial diamond mining companies in the country. Before Bozizé's coup, eleven were operating. The general review of the mining sector and renegotiation of contracts in 2004 left nine.<sup>67</sup> In mid-2010, there was, according to the government, one still active.<sup>68</sup> The only other industrial mining companies in the country are Areva (French), which is planning to mine uranium near Bakouma, south-eastern Mbomou prefecture,<sup>69</sup> and Axmin, a Canada-based gold exploration firm that in August 2010 was awarded a permit to start mining near Bambari in central Ouaka prefecture.<sup>70</sup>

The companies have left for a variety of reasons. The high cost of importing material and laborious bureaucracy make life difficult for all start-up businesses.<sup>71</sup> Mining companies face the particular problem of finding economically viable deposits of alluvial diamonds and major logistical obstacles, and the global economic downturn saw a drop in diamond prices of some 40 per cent in late 2008.<sup>72</sup> The government's stringent and costly conditions also shrink profitability and fray relations with foreign investors.<sup>73</sup>

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the first seven months of 2010 26,647 carats per month. Crisis Group figures calculated from BECDOR and Kimberley Process export statistics.

<sup>67</sup> Crisis Group interview, former mining company employee, Bangui, 4 September 2010.

<sup>68</sup> According to government sources, by July 2010 one company had begun exploring for diamonds on the Kotto River, in the area of Mingala on the border between south-eastern Basse-Kotto and Mbomou prefectures. Government document seen by Crisis Group, July 2010.

<sup>69</sup> In July 2007, Areva purchased the Canadian uranium mining company UraMin, which then held the Bakouma concession. The CAR protested and demanded Areva renegotiate. In August 2008, Areva agreed to pay the CAR some \$40 million over five years, develop infrastructure and employ 900 nationals when at full strength. In late 2009, the CAR claimed nearly 2 billion CFA francs (\$4 million) in taxes and fees on the transfer from UraMin. Areva plans to reach full production by 2014-2015, after a 2010 test phase. "Près de deux milliards de francs CFA de taxes dues par AREVA à l'Etat centrafricain", *L'Indépendant*, 13 January 2010.

<sup>70</sup> "Axmin announces the granting of the mining licence at Passendro gold project, CAR", Axmin press release, 9 August 2010.

<sup>71</sup> For these and other reasons, the World Bank ranked the CAR 182nd of 183 countries in its assessment of the ease of doing business around the world. "Doing Business 2011", November 2010.

<sup>72</sup> The drop in diamond prices was a major reason for the withdrawal of Gem Diamonds and Pangea DiamondFields. Crisis Group interview, Gem Diamonds, Bangui, 5 September 2010. Loni Prinsloo, "Pangea DiamondFields exits Central African Republic", *miningweekly.com*, 9 March 2010.

<sup>73</sup> The 2009 mining code stipulates that the government has the right to at least a 15 per cent share in the mining company and

The authorities have reason to be wary of foreign companies seeking to take advantage of the CAR's weak controls, but their demands are so great they often outweigh potential profits and incentives in the mining code such as tax holidays on imports.

The greatest disincentive for mining companies is the government's demand for a signing bonus, the size of which the mining code does not specify.<sup>74</sup> In 2005 one company reportedly agreed to pay \$750,000 each year for the first two years of exploration and \$500,000 for the following three.<sup>75</sup> In 2008 another reportedly had to pay, in addition to regular fees, 100 million CFA francs (\$200,000) plus vehicles and computers for its exploration permit.<sup>76</sup> Axmin applied for a mining permit in March 2009 but only received it in August 2010 after agreeing to an \$11 million signing bonus, plus three four-wheel-drive vehicles. The government took this up-front payment even though it could very likely have earned more through taxes had it requested that the company give up its tax holiday.<sup>77</sup>

To attract industrial mining companies by improving the data available on the country's mineral wealth, the government created in March 2010 the Office for Geological Research and Mining (Office de recherches géologiques et d'exploitation minière, ORGEM). It is right to underline the need for more comprehensive geological information. French surveys from the early 1960s and one carried out by the World Bank in 1995 are incomplete and do not provide the level of detail required by potential miners. But such an undertaking is technically difficult and very expensive, and ORGEM does not have the expertise or the money.

## C. THE POVERTY TRAP OF INFORMAL ARTISANAL MINING

The inability of artisanal miners to escape poverty holds back development in mining areas and increases the risk of young men and women joining rebel groups in the hope of better alternatives. Artisanal mining provides employment to an estimated 80,000-100,000 miners across the

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private Central Africans another 5 per cent. The government also has the right to 15 per cent of the company's raw production. "Loi n°9-005", op. cit., Article 52, p. 24.

<sup>74</sup> See *ibid*, Articles 7 and 52.

<sup>75</sup> "Central African Republic: a commitment bonus or no deal", *Africa Mining Intelligence*, no. 184, 23 July 2008.

<sup>76</sup> Crisis Group interview, former mining company employee, Bangui, 4 September 2010.

<sup>77</sup> Crisis Group interview, Axmin staff, Bangui, 21 September 2010.

country, who support at least 600,000 family members.<sup>78</sup> It thus has a significant economic and social impact on much of the estimated 4.8 million population.<sup>79</sup> Limited production and earnings, low education levels and constant health risks make it very difficult for miners to expand operations, increase profits and lift themselves and their families out of precarious working and living conditions.

Formalisation of artisanal mining would enable the government to better understand and address the challenges miners face, but monitoring, controlling and promoting the activity is hard due to the size and inaccessibility of mining zones. Furthermore, unsupportive legal and tax regimes and predatory local mining authorities make miners reluctant to buy a licence and inclined to stay away from the state and closer to illegal networks.

The government also has a policy preference for industrial mining, as reflected in the mining code.<sup>80</sup> It is still debated whether industrial mining or formalised artisanal mining is more beneficial to development.<sup>81</sup> Some argue the ability of mining companies to pay more tax, be monitored more easily and provide social services and build infrastructure in the zones where they work make them a greater asset.<sup>82</sup> However, in the CAR the exclusive presence of alluvial diamonds reduces the feasibility of industrial mining, and weak governance at the highest levels means greater revenues do not necessarily translate into greater benefits for the most needy, the rural poor. Low levels of development in mining areas and ongoing low-intensity conflict make job creation a priority. Therefore, in the interests of development and peacebuilding, the government should prioritise the promotion of artisanal mining.<sup>83</sup>

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<sup>78</sup> Crisis Group interview, Property Rights and Artisanal Diamond Development (PRADD) project, Bangui, 2 September 2010.

<sup>79</sup> "CIA World Factbook", U.S. Central Intelligence Agency, 2010.

<sup>80</sup> Article 64 gives artisanal miners the right to apply for an authorisation to mine only in zones where "the technical and economic characteristics of certain deposits of precious and semi-precious stones and metals or any other mineral substance does not allow for an industrial or semi-mechanised extraction". "Loi n°9-005", op. cit.

<sup>81</sup> See Vlassenroot and Van Bockstael (eds.), op. cit.

<sup>82</sup> In September 2010, Areva launched socio-economic projects in the town of Bakouma, near its mine, including an agricultural project, the installation of ten drinking-water pumps, a three-year basic education program and construction of a sports facility. "RCA: Communiqué de presse d'AREVA", 12 September 2010.

<sup>83</sup> For further analysis of the importance of artisanal mining in peacebuilding, see Phillippe Le Billon and Estelle Levin, "Development and Peacebuilding: Artisanal and Industrial Diamond Exploitation in 'Post-Conflict' Countries", in Vlassenroot and Van Bockstael (eds.), op. cit., pp. 190-208.

Artisanal miners' production is slow, because their lack of geological knowledge makes finding diamond-rich sites almost a matter of trial and error, and most can only afford basic tools: picks, shovels and metal sieves or baskets with which to collect gravel from river beds.<sup>84</sup> During the rainy season from June to November, mines fill with water, making digging impossible unless miners can afford a pump and the petrol to run it. Insecurity in the form of bandits or rebels also forces miners to abandon work.

Earnings are limited, primarily because miners are mostly ignorant of a diamond's real value and, even if they know it, they are obliged to sell at the price offered, sometimes by written contract, to the collector who financed the work. A collector might buy a one-carat diamond from a miner at 80,000 CFA francs (\$160) and sell it to a buying office for 200,000 to 300,000 CFA francs (\$400 to \$600).<sup>85</sup> If the miner has hired equipment from the collector, a water pump for example, the fee is deducted from the miner's earnings. The remainder is divided, typically 50 per cent for the miner who started the mine (*chef de chantier*) and the rest for the team of five to ten diggers. The money does not last long when there are large families to feed.<sup>86</sup> Due to low education and hand-to-mouth living, miners tend to spend any surplus on food, drink and goods instead of saving it or investing in better equipment. With no banks in most mining towns, there is no reliable way of saving even if miners wanted to.<sup>87</sup>

The hazardous conditions in which artisanal miners live and work make earning money all the more difficult. The hard physical labour causes hernias and exhaustion, and injuries are common. Miners die under collapsed pit walls, and divers sometimes do not resurface. Many miners and their families leave their villages to live in makeshift camps near the mines, where they are even more vulnerable to malaria and often contract parasites by drinking from streams dirtied by their own excrement. Prostitution at mine sites leads to higher rates of HIV/AIDS.<sup>88</sup> Education suffers, because parents encourage their children as young as eleven to dig or sieve instead of going to school.<sup>89</sup>

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<sup>84</sup> Miners decide where to dig by looking for minerals that typically accompany diamonds and striking a metal rod into the ground to feel for gravel under the surface. Crisis Group interview, artisanal miner, Berberati, 9 September 2010.

<sup>85</sup> Crisis Group interview, artisanal miner, Berberati, 10 September 2010.

<sup>86</sup> The average number of children per family in the CAR is five. Email communication, UN Office for the Coordination of Humanitarian Affairs (OCHA), Bangui, 16 November 2010.

<sup>87</sup> In late 2010, there were no banks in Boda, Nola, Carnot, Bria or Sam Ouandja.

<sup>88</sup> Crisis Group interviews, nurse, artisanal miners, Berberati, 10 September 2010; PRADD project, Bangui, 2 September 2010.

<sup>89</sup> Crisis Group interviews, teachers, Bria, 3 June 2010.

Although buying offices and collectors inject significant capital – the lifeblood of the system – into the production chain, little stays in mining communities long enough or in sufficient quantity to fuel development. It accumulates instead in the hands of buying offices and collectors. Official collectors number about 190.<sup>90</sup> Some marry Central Africans and settle in mining towns, but most move around the country, send money home and eventually leave the CAR.<sup>91</sup> Buying offices and collectors sometimes contribute to public works in mining towns, but this is irregular and depends on relationships with local authorities.<sup>92</sup>

Few miners become collectors, because that requires capital and expertise, both of which are hard for them to acquire. Almost entirely Central African Christians, they face the added challenge of breaking into a profession dominated by foreigners and Muslims. Shared language and religion play an important role in fostering trust among collectors and between collectors and buying office agents. They also create a closed trading network with few openings for Central Africans.

The government's legal and fiscal regime for artisanal mining creates extra costs for miners, and high charges give local officials opportunity to exploit those who cannot pay. To stay within the law under the 2009 mining regulations, an artisanal miner must pay the state 258,850 CFA francs (about \$518) for the first year of mining and 158,850 CFA francs (about \$318) for the second. This includes fees for a licence that is only valid until the end of the calendar year in which it is bought and authorisations to prospect and mine in a given area.<sup>93</sup> Only an estimated

5 per cent of artisanal miners have a licence, and even fewer have authorisations, both because the charges are high relative to earnings and because they have no reason to believe that the state would use the money in ways beneficial to them.<sup>94</sup> Provincial tax authorities send 55 per cent of the taxes miners and other businessmen pay locally to the treasury in Bangui; the mayor's office incorporates the rest into the budget for the commune, the large majority of which typically goes towards the salaries of his staff and his own expenses.<sup>95</sup>

The government's claim to mining fees is based on the principle that the state owns the national territory and natural resources, but in rural areas, where there is little state presence let alone support for miners,<sup>96</sup> the customary land rights of individuals are much more widely accepted. The only incentive for miners to pay licence fees is to avoid being caught mining illegally by the mining brigade, having their diamonds confiscated and paying a fine. But deep in the bush the risk is slim.

In the provinces, the mining authorities comprise four regional directors (at Berberati and Bouar in the west and Bria and Bangassou in the east) and a mining brigade numbering just over 100 police and gendarmes. They are too few and poorly equipped to control vast areas.<sup>97</sup> Mining brigade officers often borrow cars or motorbikes,

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worker's cards. Crisis Group interview, PRADD staff, Bangui, 2 September 2010.

<sup>94</sup> Artisanal miners' earnings vary widely between miners and over time, because so much luck is involved in finding diamonds. However, a study on the Sangha Tri-National Park that spans Cameroon and the CAR estimated average annual earnings at 368,084 CFA francs (about \$735). T.J. Chupezi, V. Ingram, and J. Schure, "Study on impacts of artisanal gold and diamond mining on livelihoods and the environment in the Sangha Tri-National Park (TNS) landscape, Congo Basin", Centre for International Forestry Research (CIFOR) and International Union for Conservation of Nature (IUCN), June 2009.

<sup>95</sup> Crisis Group interviews, local tax authorities, Boda, 25 May 2010; Bria, 2 June 2010; Berberati, 10 September 2010.

<sup>96</sup> Within the mines ministry, the department for support to mining production (la Direction d'appui à la production minière, DAPM) is responsible for promoting the training of artisanal miners and distributing material and technical assistance, but no money is set aside for the purpose. One twelfth of the tax that buying offices pay each time they export diamonds goes into a Mining Development Fund, but 60 per cent of that money goes to the treasury, 20 per cent to BECDOR valuers and 20 per cent to the staff of the General Directorate of Mines. Crisis Group email communication, PRADD, 10 October 2010.

<sup>97</sup> The mining brigade consists of twelve units, of which ten are deployed in the provinces and two in Bangui (one in town, one at the airport). In September 2010, there were only seven mining brigade officers at each of Nola, Carnot and Boda and nine at Berberati. Crisis Group interview, regional director of mines for the south west, Bangui, 7 September 2010.

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<sup>90</sup> "Rapport final: Validation de l'Initiative de Transparence des Industries Extractives de la République centrafricaine", Good Corporation, 11 November 2010, p. 37.

<sup>91</sup> Crisis Group interviews, collectors, Boda and Bria, June 2010; Berberati and Sam Ouandja, September 2010. Western Union and Moneygram offices in Berberati allow collectors there to send money home cheaply and at no risk.

<sup>92</sup> In Sam Ouandja, collectors funded the construction of a school building, and in Boda, buying offices and collectors paid for the reconstruction of the sous-prefet's residence after it burnt down in a fire and have contributed to road repairs. No such collaboration takes place in Bria or Berberati. Crisis Group interviews, collectors and local authorities, Boda and Bria, June 2010; Berberati and Sam Ouandja, September 2010.

<sup>93</sup> An artisanal miner who by law must employ a team of at least five diggers must pay 46,850 CFA francs (about \$90) for a licence (*patente*) valid for one year, 2,000 CFA francs (\$4) for a production book (*cahier de production*) and five worker's cards (*cartes d'ouvrier*) at 2,000 CFA francs (\$4) each. In strict legality, an artisanal miner is also expected to pay 100,000 CFA francs (\$200) for a one-year authorisation to prospect and another 100,000 CFA francs (\$200) for a two-year authorisation to mine the land he has chosen. In practice, because so few have authorisations to prospect and mine, the mining brigade only insists miners have their licence, production book and five

usually from collectors or buying offices, and rely heavily on informants to report theft or trafficking.<sup>98</sup>

Local authorities, including the regional directors and the mining brigade, abuse their positions to benefit from diamonds.<sup>99</sup> The temptation is great, because their salaries, often paid elsewhere,<sup>100</sup> are negligible compared to the money they can make through corrupt practices and selling diamonds. They target buying offices, collectors and artisanal miners alike, but corruption affects the latter most, because they have the least to lose. Regional directors who sell artisanal miners their production book and workers' cards inflate the price and pocket the difference.<sup>101</sup> Mining brigade officers send only some of the diamonds they seize to Bangui and sell the rest to local buying offices.<sup>102</sup>

The mining authorities in Bangui are fully aware of corruption in the mining brigade but say the most they can do is send offenders back to their regular units, because gendarmes and police are under the authority of the defence and internal security ministries, where the higher ranks choose not to punish corrupt agents because they too benefit from illegal takings.<sup>103</sup> The mines ministry has decided to tackle the problem by replacing the mining brigade with a Special Anti-Fraud Unit (Unité spéciale anti-fraude, USAF) under its own authority. The 2009 mining code provides the legal basis, but 3 billion CFA francs (\$6 million) are still needed to set it up and train recruits.<sup>104</sup> The new force is unlikely to be more honest or effective unless it has a multi-ethnic, multi-regional composition

and is accountable to an inter-ministerial body including the mines, internal security and defence ministries.

The government seeks to support miners by encouraging them to form cooperatives. In principle this offers a way to increase production and earnings. Together they can pool resources to invest in better tools, mitigate the risk of not finding diamonds in some mines and gain the right to export diamonds and sell at better prices to overseas buyers.<sup>105</sup> By signing a contract with an external partner willing to invest in the cooperative and buy its stones, miners can free themselves from being dependent on collectors. In 2004, the government created and pledged to support the National Union of Central African Mining Cooperatives (Union nationale des coopératives minières de Centrafrique, UNCMCA), an umbrella organisation that represents the country's some 150 officially registered cooperatives to the ministry.

But the majority of cooperatives never take off. Success in diamond mining relies so much on a miner's own luck that individuals are unwilling to share the rewards of their gamble and prefer not to carry anybody else's risk. In addition, miners must find 800,000 CFA francs (\$1,600) to start a cooperative, including joining and membership fees for the national union.<sup>106</sup> Without the means to travel abroad, finding an outsider willing to invest is very difficult. Only ten to fifteen cooperatives are working with foreign backers.<sup>107</sup> The union has also proved ineffective at defending miners' interests against the government, partly because it depends on money from the ministry to supplement cooperatives' contributions<sup>108</sup> and partly because of internal leadership disputes over allegations of embezzlement.<sup>109</sup>

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<sup>98</sup> Informants are entitled to 1 per cent of the value of the diamonds that they help the mining brigade seize. Crisis Group interview, mines ministry official, Bangui, 3 September 2010. This incentive fosters suspicion and mistrust within mining communities, holding back the formation of cooperatives and encouraging clandestine mining.

<sup>99</sup> Crisis Group interview, former policeman, Bangui, 6 September 2010.

<sup>100</sup> There are no banks in Boda, Nola, Carnot, Bria or Sam Ouandja at which salaries can be paid. Local authorities in Bria have to send someone to Bambari, about 170km away, to collect their salaries. Crisis Group interview, regional director of mines, Bria, 1 June 2010.

<sup>101</sup> Crisis Group interviews, permanent secretariat of the Kimberley Process, Bangui, 31 May 2010; artisanal miners, Bria, June 2010. A mining brigade officer quoted total fees for an artisanal miner's licence, production book and workers' cards at 80,000 CFA francs (\$160). The official price is 58,850 CFA francs (about \$115). Crisis Group interview, Boda, 23 May 2010.

<sup>102</sup> Crisis Group interview, artisanal miner, Berberati, 10 September 2010.

<sup>103</sup> Crisis Group interviews, director general of mines, Bangui, 27 May 2010; director general of ORGEM, Bangui, 31 May 2010.

<sup>104</sup> Crisis Group interview, planning ministry official, Bangui, 4 September 2010. "Loi n°9-005", op. cit., Article 180.

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<sup>105</sup> A cooperative has the right to export a shipment of diamonds worth at least 20 million CFA francs (\$40,000). "Décret d'application du code minier de la République centrafricaine 2009", Article 274.

<sup>106</sup> It costs 60,000 CFA francs (\$120) for a cooperative to become a member of the union; annual membership is 30,000 CFA francs (\$60). Crisis Group email communication. PRADD project, 16 November 2010.

<sup>107</sup> Crisis Group interview, former UNCMCA officer, Bangui, 20 September 2010. In 2009, cooperatives exported just four times. The diamonds amounted to 184 carats worth \$188,833, 6 per cent of the year's total. "2009 Annual Report on Implementation of KPCS for CAR", Kimberley Process.

<sup>108</sup> The government gave the union 8 million CFA francs (\$16,000) in 2005 to help it set up an office and 25 million CFA francs (\$50,000) in 2008. Crisis Group interview, UNCMCA secretary general, Bangui, 26 May 2010.

<sup>109</sup> Crisis Group interview, union official, Bangui, 13 September 2010.



## D. A STAGE SET FOR SMUGGLERS

There is a high level of illegal diamond mining and trading in the CAR because there are strong economic incentives and little risk. This arises from the stark contrast between the severe laws that apply to the sector and the weakness of the institutions responsible for enforcing them. High taxes on exporting diamonds and high licence fees for miners and collectors in particular create a powerful incentive to mine and trade illegally, while poverty in mining zones drives miners to seek more profit through illegal means. The mining authorities have so few and poor quality human and material resources that they are nearly powerless. State revenues suffer accordingly.

The legal framework for diamond mining is rigorous. In 2007-2008, the World Bank provided two consultants to help revise the 2004 mining code and create conditions conducive for foreign investment and local enterprise. The government had an incentive to cooperate, because publishing a new mining code was one of the reforms necessary to reach the completion point under the enhanced initiative for Heavily Indebted Poor Countries (HIPC). The national assembly promulgated the new code in April 2009, and the World Bank and International Monetary Fund (IMF) announced the CAR had reached the completion point in June, entitling it to some \$800 million in debt relief.<sup>110</sup> However, the government and a special committee of the national assembly altered the draft the consultants had prepared. The version that became law displays, even more than the 2004 code, a lack of state flexibility that makes it difficult for entrepreneurship to take root within legal bounds.

Buying offices must meet stringent financial conditions and obligations to be eligible to work in the CAR.<sup>111</sup> They must also pay 12 per cent tax on the value of the diamonds they export, of which collectors pay 3 per cent.<sup>112</sup> This in

effect encourages traders to smuggle diamonds to neighbouring countries, where export taxes are considerably lower.<sup>113</sup> State-employed experts at the Office for the Evaluation and Control of Diamonds and Gold (Bureau d'évaluation et de contrôle de diamant et d'or, BECDOR) who value stones for export and calculate tax receive 0.2 per cent of the total value, so have a personal interest in inflating their worth.<sup>114</sup> This guards against buying offices bribing BECDOR experts to undervalue diamonds, as in the past,<sup>115</sup> but it means they are likely to pay excessive tax on a regular basis.

To boost tax revenues from buying offices, Bozizé in 2008 recycled a Patassé strategy and established an export quota. He decreed that buying offices older than five years must export at least \$2 million of diamonds per month and those younger at least \$1 million or pay fines.<sup>116</sup> The idea is to reduce smuggling by making sure buying offices export all their diamonds through official channels. The reasoning is sound, but the quota is so unrealistic that buying offices would have to smuggle diamonds into the country to meet it.<sup>117</sup> The Kimberley Process protested, but the quota remains in force. To avoid the penalty, buying offices overvalue their diamonds and pay more tax than they should. A further point of contention is that one buying office allegedly fails to meet the quota, but is not fined, ostensibly because it is the only one owned and run by Central Africans.<sup>118</sup>

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email communication, PRADD, 10 October 2010. Buying offices used to pay export taxes to the treasury, but because civil servants were embezzling a significant portion, the government in early 2010 made it possible for buying offices to deposit taxes directly at the bank. Crisis Group telephone interview, buying office staff, 15 November 2010.

<sup>113</sup>The Democratic Republic of Congo asks for 3.25 per cent and the Republic of Congo 5 per cent. "Arrêté interministériel n°0533/CAB.MIN/MINES", DRC government, 2 December 2008. "Rapport de la visite d'examen en République centrafricaine, 2-6 avril 2008", Kimberley Process, p. 14.

<sup>114</sup>Of the 1 per cent of the diamonds' total value set aside for the mining development fund, one fifth goes to BECDOR experts.

<sup>115</sup>Crisis Group interview, Kimberley Process permanent secretariat, Bangui, 8 September 2010.

<sup>116</sup>If at the end of three months a buying office older than five years has not exported diamonds worth \$6 million, it must pay a fine of \$600,000 plus the amount by which it fell short. Crisis Group interview, buying office agent, Bangui, 6 September 2010.

<sup>117</sup>The Kimberley Process estimates the CAR's annual production capacity is 600,000 carats and the average price \$140 per carat. Total annual value at full capacity would, therefore, be \$84 million. If five buying offices (there were eleven in 2008) exported \$2 million each per month, that would total \$120 million per year, \$36 million more than the current annual capacity.

<sup>118</sup>Crisis Group interviews, buying offices, Bangui, September 2010.

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<sup>110</sup>"IMF, World Bank cancel Central African Republic debt", Reuters, 1 July 2009.

<sup>111</sup>The 2009 code stipulates buying offices must have a share capital of at least 50 million CFA francs (\$100,000), put a deposit of another 50 million CFA francs in the treasury and within three years invest at least 350 million CFA francs (\$700,000) in property "for the profit of the state or local authorities". It adds that within five years, the buying office must have invested 150 million CFA francs (\$300,000) in a head office and within one year must have five branches in the provinces. "Loi n°9-005", op. cit., Article 154.

<sup>112</sup>The 12 per cent breaks down as follows: exit dues (*droit de sortie*) 4 per cent; minimum inclusive tax (*impôt minimum forfaitaire*, IMF) 3 per cent; tax payable by collectors 3 per cent; tax for the Kimberley Process Certification Scheme 0.5 per cent; mining development fund (*Fond de promotion minière*, FDM) 1 per cent; fees for computer equipment (*redevance d'équipement informatique*, REIF) 0.5 per cent. Crisis Group

With institutional capacity so low, the mining authorities rely largely on the Kimberley Process Certification Scheme to guard against illicit trading and smuggling. Members of the Kimberley initiative – a coalition of governments, diamond companies and civil society – agree that participating countries may only export diamonds to or import them from other participating countries, and all shipments should be accompanied by a certificate guaranteeing they contain no conflict diamonds. But the guarantee is only as strong as the internal controls of exporting countries that aim to trace diamonds from mine to export. If internal tracing and exporting procedures do not meet Kimberley Process minimum standards, the country risks being suspended and losing access to the world market.<sup>119</sup>

The CAR has been a participant since the scheme began, with only one stain on its record.<sup>120</sup> Its tracing system relies on miners and traders keeping a record of all the diamonds they find or buy, while BECDOR checks that buying offices have the necessary receipts before printing a certificate for each shipment.<sup>121</sup> The Kimberley Process' two assessment teams that visited in June 2003 and April 2008 were generally satisfied with the internal controls, though they noted technical irregularities, the mining authorities' incomplete coverage of mining areas and risks linked to porous borders and the proximity of rebel groups

to diamond zones.<sup>122</sup> For these reasons, the CAR "occupies a particular place ... in the fight against conflict diamonds".<sup>123</sup> Such a diplomatic approach and the Kimberley Process' competing priorities – Zimbabwe in particular – have allowed the weakness of the CAR's internal controls to escape international scrutiny and consequences.<sup>124</sup>

Individuals smuggle diamonds either through Bangui airport or overland across largely uncontrolled borders.<sup>125</sup> At the airport, mining brigade officers have little hope of finding such small stones, and the mines ministry suspects some are complicit with smugglers,<sup>126</sup> who range from small-scale opportunists looking to supplement their legal income to professionals. Members of the diaspora, many in France, make regular trips home to see family, buy diamonds illegally and smuggle them.<sup>127</sup> Reports circulate in Bangui and elsewhere of smuggling also by the political elite.<sup>128</sup>

Foreigners of diverse nationality – including French, Lebanese, Chinese and Indian – visit Bangui with the sole purpose of buying diamonds illegally. They use intermediaries to contact legal and illegal collectors, who typically come to a house in a residential suburb to sell.<sup>129</sup> Alternatively, foreign buyers order rough and cut diamonds from abroad and pay Central African middlemen to buy and run the risk of smuggling them out.<sup>130</sup> The recent in-

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<sup>119</sup> In November 2010, 48 countries and the European Union (EU) were participating in the Kimberley Process, including all major diamond producing countries, those where trading, cutting and polishing take place and the major consumer markets.  
<sup>120</sup> Following Bozizé's March 2003 coup, the Kimberley Process suspended the CAR on suspicion that he had used diamonds to fund his rebellion. At the April 2003 plenary session in Johannesburg, the CAR defended itself, and participants decided to send a review mission, the Kimberley Process's first, to assess internal controls. The team carried out investigations on 8-15 June and concluded Bozizé was in the clear and internal controls satisfactory. The CAR was duly reinstated. See Clive Wright, "Tackling Conflict Diamonds: The Kimberley Process Certification Scheme", *International Peacekeeping*, vol. 11, no. 4 (2004), p. 704.

<sup>121</sup> A miner records the diamond he finds in his production book (*cahier de production*). When a collector buys a diamond, he gives the miner a receipt (*bordereau*) detailing the purchase; buying offices do the same for collectors. Copies of the receipts are sent to BECDOR. Before export, buying offices bring the shipment to BECDOR, with receipts for all purchases from collectors (not for purchases from miners). BECDOR experts check the shipment's actual weight against what is recorded on the receipts and value the diamonds. After the buying office has paid the necessary taxes, they seal a Kimberley Process certificate with a unique number in a tamper-proof bag with the diamonds. The government informs both the Kimberley Process and the importing country of the export, and the latter in turn confirms receipt of the shipment.

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<sup>122</sup> In June 2003 and in April 2008, investigating teams noted the CAR was not printing Kimberley Process certificates on secure paper, which "made it possible to issue two certificates bearing the same number but not the same information and relating to different consignments, constituting a risk of error or even fraud". "Report of the review mission", op. cit., p. 7; "Rapport de la visite d'examen", op. cit., p. 8.

<sup>123</sup> "Rapport de la visite d'examen", op. cit., p. 2.

<sup>124</sup> In November 2009, the Kimberley Process banned Zimbabwe from exporting diamonds from its Marange fields, where security forces were committing widespread human rights abuses. Fraught negotiations over the resumption of exports have preoccupied the Kimberley Process since; see "Time to Rethink the Kimberley Process: The Zimbabwe Case", 4 November 2010 on Crisis Group's blog, "On the African Peacebuilding Agenda", [www.crisisgroup.org/en/publication-type/blogs.aspx](http://www.crisisgroup.org/en/publication-type/blogs.aspx).

<sup>125</sup> The scale of smuggling is hard to judge given the trade's secrecy, but CAR authorities estimate 30 per cent of official exports leave the country secretly. "Rapport de la visite d'examen", op. cit., p. 17.

<sup>126</sup> Crisis Group interview, director general of mines, Bangui, 27 May 2010.

<sup>127</sup> Crisis Group interview, artisanal miner, Bangui, 26 September 2010.

<sup>128</sup> Crisis Group interviews, diamond traders, Bangui, September 2010; collectors, Sam Ouandja, 16 September 2010.

<sup>129</sup> Crisis Group interviews, collectors, Sam Ouandja, 16 September 2010.

<sup>130</sup> There is only one legal cutter and polisher in Bangui, *Taillerie Internationale de Bangui*, but to benefit from the black market

crease in airlines servicing Bangui allows smugglers to sell diamonds more easily in Europe and many African capitals, particularly in the Francophone west, including Douala, Brazzaville, Ouagadougou, Abidjan, Cotonou and Lomé.<sup>131</sup>

Most diamonds smuggled overland cross the western border into Cameroon, where there is a strong illegal market.<sup>132</sup> Smugglers include Central Africans and Cameroonians who ply the Douala-Bangui route, bringing goods to the CAR and taking diamonds out on the return journey. Merchants from Cameroon cross into the country on well-established routes through the bush to buy mainly gold but also diamonds direct from the mines.<sup>133</sup> Authorities in western mining towns also sell diamonds to foreign buyers in Cameroonian towns close to the border,<sup>134</sup> and the markets at Kentzou and Gbiti are well-known gold and diamond trading hubs.<sup>135</sup> Cameroon has its own diamond deposits and reportedly very large untapped reserves, notably in the east near the CAR border, but is not yet a member of the Kimberley Process. All its exports, therefore, reach the international market through illegal middlemen.<sup>136</sup>

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demand for cut diamonds, many cut and polish diamonds illegally.

<sup>131</sup> Crisis Group interview, diamond smuggler, Bangui, 8 September 2010.

<sup>132</sup> Crisis Group interview, Kimberley Process secretariat, Bangui, 8 September 2010.

<sup>133</sup> Cameroonians cross the border at Molaye to buy gold at mines around Sosso-Nakombo, at Gbiti to buy from the Amada-gaza area and at Toktoyo to buy gold around Abba. They can buy a gram of gold for 12,000 CFA francs (\$24) in the CAR and sell it for 15,000 CFA francs (\$30) on the Cameroon side and as much as 17,000 CFA francs (\$34) in Douala. Crisis Group interviews, artisanal miner, Berberati, 10 September 2010; buying office staff, Berberati, 12 September 2010.

<sup>134</sup> Crisis Group interview, former policeman from Berberati, Bangui, 27 September 2010.

<sup>135</sup> Crisis Group interview, diamond trader, Berberati, 12 September 2010.

<sup>136</sup> In 2003, the Cameroon government created the Framework for the Support and Promotion of Artisanal Mining (Cadre d'appui et de promotion de l'artisanat minier, CAPAM) to formalise artisanal mining, support miners with training and counter smuggling by buying gold and diamonds from miners and selling itself on the international market. Paul Ntep Gweth (CAPAM coordinator), "Le secteur minier artisanal camerounais – le programme CAPAM", presentation to mining forum, Yaoundé, 27-28 May 2009. CAPAM still only controls some 10 per cent of the artisanal sector, and miners say its agents use their positions for personal profit. See "Les chercheurs d'or et de diamants dans l'état des exploitants", *Libération*, 25 July 2008.

Smugglers likewise sell diamonds in Sudan, mostly in Nyala, the capital of South Darfur.<sup>137</sup> The largely Muslim north east has much stronger cultural and commercial links to Sudan than to Bangui, especially in the rainy season when roads to the capital become impassable. Sudanese traders make the journey regularly to smuggle out an estimated 30 per cent of diamonds from Sam Ouandja in Haute-Kotto prefecture.<sup>138</sup> Chadian collectors also smuggle diamonds back home.<sup>139</sup> CAR diamonds are smuggled in smaller quantities to the Republic of Congo and the DRC, where export tax is significantly lower, and there is little risk of detection because the stones look much the same as local ones.<sup>140</sup>

Illegal exports from the CAR continue because inadequate controls elsewhere allow smugglers to sell the diamonds back into legal channels, either in producing countries where they are indistinguishable from local ones or in places where diamonds are cut, polished or traded, especially in the Near and Far East.<sup>141</sup> Diamonds smuggled out of the CAR often find their way to Dubai, Bombay, Beirut or Tel Aviv.<sup>142</sup> As soon as they are cut, they are no longer subject to the Kimberley Process, and all trace of origin is lost.

The ability of smugglers to make more money than legal buying offices and therefore offer higher prices fuels illegal trading in the CAR all the way down the production chain. To earn more, legal collectors sell only some of their diamonds to buying offices and the rest to politicians, businessmen and foreign buyers in Bangui.<sup>143</sup> For poorer collectors facing high licence fees and charges from corrupt officials, selling illegally is the only way to stay afloat.<sup>144</sup> Illegal collectors (*débrouillards*) buy direct from the mines at higher prices and sell them to both registered and illegal buyers. Because *débrouillards* pay more, artisanal miners are happy to do business with them and even protect them from the mining brigade.<sup>145</sup> Miners who do not have a licence also prefer to sell at the mine

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<sup>137</sup> Crisis Group interviews, collectors, Sam Ouandja, September 2010.

<sup>138</sup> Crisis Group interview, collector, Sam Ouandja, 15 September 2010.

<sup>139</sup> Crisis Group interview, Chadian collector, Bangui, 3 September 2010.

<sup>140</sup> Crisis Group interview, collector, Sam Ouandja, 15 September 2010.

<sup>141</sup> Crisis Group telephone conversation, Kimberley Process diamond expert, 26 July 2010.

<sup>142</sup> Crisis Group interview, buying office agent, Berberati, 9 September 2010.

<sup>143</sup> Crisis Group interview, collector, Sam Ouandja, 15 September 2010.

<sup>144</sup> Ibid.

<sup>145</sup> Crisis Group interview, mines ministry official, Bangui, 3 September 2010.

instead of going to a nearby town, where the mining brigade could seize their diamonds.

The weakness of law enforcement agencies is a blessing for illegal miners and traders but also means there is little protection when diamond crime turns dangerous. Until 2006, armed bandits (*coupeurs de route*) posed a constant threat in the south west, either stopping miners and traders at roadblocks or raiding the mines. The problem there has largely subsided, since a special unit from Bangui alongside local youth launched an operation to dispel them.<sup>146</sup> In the east, however, bandits continue to steal money and diamonds. Rebels use the same criminal means to profit from diamonds but put civilians at even greater risk by clashing with government forces or other armed groups.

### III. DIAMONDS AND CONFLICT

The regime's exploitation of the mining sector, as of the state in general, has fed the jealousy of marginalised individuals and factions and moved some to take up arms. Poverty in mining communities means miners are quick to join rebel ranks to improve their living conditions.<sup>147</sup> The prevalence of illegal diamond trading and smuggling networks and the weakness of the mining brigade make it easy for armed groups to profit by mining and selling the precious stones illegally. Profits, individual and collective, are used to perpetuate armed struggle and are a strong incentive for fighters not to disarm.

There is no correlation between the diamond mining zones and where rebellions have formed. In 2005, rebels took up arms in the north west, where there are no diamonds, and there has been no insurgent activity in the diamond-rich south west. However, there are two rebel groups active in the eastern diamond zone.<sup>148</sup> The availability of diamond profits is by no means the only reason why rebels take up arms and does not inevitably lead to conflict,<sup>149</sup> but it is a contributing factor and one that makes ending rebellion a great deal more difficult.

The Union of Democratic Forces for Unity (Union des forces démocratiques pour le rassemblement, UFDR) emerged in late 2006 in north-eastern Vakaga prefecture, signed peace agreements with the government in April 2007 and June 2008 but has still not disarmed. The Convention of Patriots for Justice and Peace (Convention des patriotes pour la justice et la paix, CPJP) formed in late 2008 in north-eastern Bamingui-Bangoran prefecture and is still in open rebellion. The presence of these two armed groups make the east a dangerous place to live and move around, thus rendering the holding of the elections set for 23 January 2011 very difficult there.

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<sup>147</sup> Rebellion in the CAR has little to do with political agendas but rather is a means for opportunists to force the president to buy them off. It gives credence to the theory, championed by Paul Collier, that greed motivates civil war. For the rank-and-file, however, the need to escape miserable living conditions is an equally strong motivation. See Paul Collier, Anke Hoeffler, "Greed and Grievance", Policy Research Working Paper 2355 (2000), World Bank Development Research Group.

<sup>148</sup> See Appendix B for a map showing rebel activity in the east in 2010.

<sup>149</sup> For more on the diverse factors underlying conflict in the CAR, see "Mapping Conflict Motives: Central African Republic", International Peace Information Service (IPIS), 17 February 2009; and Marielle Debos, "Fluid Loyalties in a Regional Crisis: Chadian 'Ex-liberators' in the Central African Republic", *African Affairs*, 107/427 (2008), pp. 225-241.

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<sup>146</sup> Crisis Group interview, tax officer, Berberati, 10 September 2010.

## A. THE UNION OF DEMOCRATIC FORCES FOR UNITY (UFDR)

In late 2006, the UFDR took control of Birao and Ndélé, the capitals of Vakaga and Bamingui-Bangoran prefectures, and began to advance south, collecting new recruits. It claimed to be fighting for greater government investment in the neglected north east,<sup>150</sup> but its leaders, Abakar Sabone and Michel Djotodia, aimed at least to threaten Bangui, so Bozizé would be forced to offer them lucrative government posts in return for a ceasefire.<sup>151</sup>

In November 2006, the UFDR advanced on Sam Ouandja in Haute-Kotto prefecture, a small village surrounded by diamond mines.<sup>152</sup> Most collectors and local authorities, including the mining brigade, fled at the group's approach. On arrival, the UFDR commander, Captain Yao, joined with Oumar Younnous, then a local buying office agent, who is Sabone's brother-in-law.<sup>153</sup> Together they collected money from local businessmen. Each collector was forced to pay one million CFA francs (\$2,000) initially, then a monthly 20,000 CFA francs (\$40) tax that is still levied.<sup>154</sup>

The UFDR, promising jobs in Bangui when it took power, gained some 600 new recruits in Sam Ouandja.<sup>155</sup> Many were young miners seeking a better alternative to earning meagre amounts in perilous conditions. Recruits soon learned to use their weapons for more immediate gain by extorting diamonds from miners and collectors and money

from villagers, local traders and those travelling the Bangui-Sudan trade route.<sup>156</sup>

In early 2007, the rebels continued south. In the diamond mining area around Bria, they robbed collectors of money and diamonds but did not take control of the mines.<sup>157</sup> In March, the combined efforts of French and CAR troops halted the advance at Mouka, 80km north of Bria, and forced the rebels from Birao.<sup>158</sup> Sabone and Djotodia had been in prison in Benin since November 2006, so Zacharia Damane, the operational commander, took over.<sup>159</sup> He opened negotiations with the government and in return for a presidential adviser's salary and control of the UFDR zones including Sam Ouandja, signed the Birao Accord on 13 April. Sabone and Djotodia refused to recognise this as more than a ceasefire, but the UFDR ended its rebellion.<sup>160</sup> While the rebels await a disarmament, demobilisation and reintegration (DDR) process, civilians in the zones they control continue to suffer their exploitative rule.

The UFDR was always dominated by one ethnic group, the Gula, but originally included many from other ethnic groups in the north east. Damane, a Gula, has allowed abuses against other tribes to go unchecked, however, and the movement has in effect become a Gula militia. In 2009, clashes with an armed group of Kara ethnicity in Birao left at least 27 dead and 60 per cent of houses burned down.<sup>161</sup> On 6 September 2010, the government organised a reconciliation ceremony there for north-eastern ethnic groups, but one meeting is not enough to wash away mutual mistrust and blood grievances. The UFDR has repeatedly postponed disarmament by presenting new pre-conditions.<sup>162</sup> Neither its leaders nor rank-and-file are

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<sup>150</sup> See "Mapping Conflict Motives", op. cit., p. 11.

<sup>151</sup> Abakar Sabone was an officer in the Chadian army before helping Bozizé take power in March 2003. When Bozizé refused to pay him, he returned to Ndjamena. After eight months in prison there, he created the UFDR with Michel Djotodia, previously the CAR consul in Nyala, Sudan who had his own rebel group, the Patriotic Action Group for the Liberation of the CAR (Groupe d'action patriotique pour la libération de Centrafrique, GAPLC). Crisis Group interview, Sabone, Bangui, 24 November 2010.

<sup>152</sup> The village's name is derived from a colonial-era diamond mining company, Société anonyme minière (SAM). Crisis Group interview, mayor of Sam Ouandja, Sam Ouandja, 14 September 2010.

<sup>153</sup> Oumar Younnous, a member of the Falatah tribe, comes from Tullus in southern Darfur (Sudan). He started his career as a driver for a buying office but learned the diamond trade and became a buyer in 1989. He worked successfully at Nzacko, Bria and Sam Ouandja but was fired in 2006 when he joined the rebels. Crisis Group interviews, buying office staff, Bangui, 6 September 2010; presidential adviser on armed groups, Bangui, 8 September 2010.

<sup>154</sup> Crisis Group interview, collector, Sam Ouandja, 16 September 2010.

<sup>155</sup> Ibid.

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<sup>156</sup> Crisis Group interview, collector, Sam Ouandja, 14 September 2010.

<sup>157</sup> Crisis Group interview, Catholic priest, Bria, 2 June 2010.

<sup>158</sup> For more details of the French intervention, see Crisis Group Report, *Anatomy of a Phantom State*, op. cit., pp. 27-28.

<sup>159</sup> Damane, a Gula, was an artisanal miner in the east, including at Damalango near Bria, before gaining military training as a park ranger. Crisis Group interview, collector, Sam Ouandja, 16 September 2010.

<sup>160</sup> Sabone continued to lead his own rebel group, the Movement of Central African Liberators for Justice (Mouvement des libérateurs Centrafricains pour la justice, MLCJ), and signed a separate peace agreement with the government to gain from the financial benefits of disarmament.

<sup>161</sup> In February 2009, tensions escalated, when the Kara accused the Gula of killing a Kara youth; in April, the UFDR entered Birao, the Kara's ancestral home. On 6 and 21 June, some 60 Kara, with support from Sudanese clansmen, attacked the town, targeting the UFDR base. "Update briefing to the Security Council by SRSF Victor Da Silva Angelo", SC/9718, 28 July 2009.

<sup>162</sup> Crisis Group interview, DDR steering committee member, Bangui, 2 September 2010. The UFDR agreed to a disarmament process when it signed the Global Peace Agreement at

willing to disarm, because other ethnic groups, the Kara in particular, still pose a threat, and it would lose power to extort money from civilians and access to diamonds.

The UFDR denies its fighters work in the mines around Sam Ouandja.<sup>163</sup> However, since the group's arrival, rebels and other Gula have been profiting from diamonds through various illicit means. When a rebel hears that miners have begun to find diamonds, he sometimes works with them and claims a share of the profits. More often, he forces the miners to hand over diamonds at gunpoint or drives them out and pays others to mine for him. A head miner (*chef de chantier*) typically pays his team 2,000 CFA francs (\$4) each per week and provides food. UFDR rebels pay even less and buy diamonds at far below normal prices. A head miner might pay 80,000 to 90,000 CFA francs (\$160-\$180) for a good quality one-carat diamond, a rebel 25,000 CFA francs (\$50) or less. If a rebel decides to finance a team of diggers, other Gula or armed UFDR will watch over the mine to ensure diggers do not steal diamonds.<sup>164</sup>

The rebels sell their diamonds into both legal and illegal channels. Like other miners, they sell to registered collectors in Sam Ouandja, and some even ask for a receipt (*bordereau*), while favouring the one Gula collector who gives them better prices. For fear of being raided, all buying offices pulled out of Sam Ouandja when the rebellion began, but every month or two buying office staff fly there to supply their collectors with cash (about 20 million to 30 million CFA francs (\$40,000-60,000) per month, less in the rainy season) and take diamonds back to Bangui.<sup>165</sup>

Rebels also sell diamonds to illegal buyers, who smuggle them to Bangui or more often Nyala, Sudan. Much of the illegal traffic from Sam Ouandja likely goes with Sudanese traders, who invest in mining and regularly go home to resupply with goods. Oumar Younnous, a general in the UFDR since late 2009, has continued to mine and trade diamonds and has been back and forth between Sam Ouandja and Sudan.<sup>166</sup> The rebels keep what they earn

from mining and selling diamonds as personal profit, but the regular levies from local businessmen, including the monthly 20,000 CFA francs (\$40) from collectors, is for the benefit of the group.

In January 2010, the arrival in Sam Ouandja of 200 Ugandan soldiers in pursuit of Joseph Kony's notorious Lord's Resistance Army (LRA) severely restricted the UFDR's ability to profit from diamonds.<sup>167</sup> The Ugandans prohibited extortion from civilians and reduced UFDR control of the mines. Miners who had left because of the group's predation began to return, and business in general picked up. In July, however, Bozizé demanded the Ugandans withdraw from the CAR, so his army could benefit more from international support for the fight against the LRA. In mid-August the Ugandans left Sam Ouandja, and following LRA attacks in the area, the UFDR took the lead in repelling and pursuing its fighters. This new threat is yet another reason for the UFDR to postpone disarmament.<sup>168</sup> When the Ugandans left, the UFDR resumed illicit profiteering and in September were running half of Sam Ouandja's mines.<sup>169</sup>

As long as the UFDR is armed, it will continue to profit illegally by mining and trading Sam Ouandja's diamonds. These cannot strictly be labelled "conflict diamonds" as

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danese and Gula. With Damane's approval, he reinstalled himself as head of the UFDR in Sam Ouandja and gave himself the rank of general. He continued to mine diamonds – he ran a productive mine at Koumou, 110km from Sam Ouandja – and buy from other miners. In mid-2010, he left again for Sudan, taking his diamonds with him. Crisis Group interviews, miners and collectors, Sam Ouandja, September 2010.

<sup>167</sup> The Ugandan-led military campaign against the LRA, Operation Lightening Thunder, began in December 2008 with an aerial and ground assault on Kony's camps in north-eastern DRC. It caused the LRA to scatter across north-eastern Congo and into South Sudan. In May 2009, groups of LRA fighters entered south-eastern CAR. Some moved west, others north. The Ugandans deployed to Sam Ouandja to try to prevent the LRA entering Sudan. See Crisis Group Africa Report N°157, *LRA: A Regional Strategy beyond Killing Kony*, 28 April 2010.

<sup>168</sup> On 3 September 2010, LRA fighters attacked three villages next to diamond mines: Soungou, Aftaina and Kpengbele (85km, 50km and 25km north of Sam Ouandja respectively). They took food, clothes and 42 prisoners. They demanded diamonds but did not find any. On 5 September, LRA fighters attacked Ouanda Djallé, killing two and burning about 100 houses. Crisis Group interviews, villagers taken prisoner by the LRA who later escaped, Sam Ouandja, 16 September 2010. The LRA attacked Kombal village on 27 September, Tiringoulou on 30 September and Birao on 10 October, all Vakaga prefecture. In late September 2010, the government sent the UFDR ammunition with which to fight the LRA. Crisis Group telephone conversation, UFDR spokesman, 1 October 2010.

<sup>169</sup> Crisis Group interview, collector, Sam Ouandja, 16 September 2010.

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Libreville on 21 June 2008 and reaffirmed its commitment at the Inclusive Political Dialogue in December the same year.

<sup>163</sup> Crisis Group interview, UFDR spokesman, Sam Ouandja, 15 September 2010.

<sup>164</sup> Crisis Group interviews, miners and collectors, Sam Ouandja, September 2010.

<sup>165</sup> Ibid. Buying offices can export these diamonds legally, because when BECDOR experts examine the buying offices' purchase receipts, they make no objection to diamonds from Sam Ouandja. Buying offices only have to present the receipts of purchases from collectors, not those from artisanal miners.

<sup>166</sup> Younnous left Sam Ouandja for Sudan in early 2007, when there was a rumour the village was to be bombed. He returned in November 2009 with his own armed group, a mixture of Su-

defined by the Kimberley Process, because the group is no longer in open rebellion.<sup>170</sup> However, diamond profits enable it to maintain its strength, exploit non-Gula ethnic groups and, if tensions again boil over, would help it finance inter-ethnic violence.

## **B. THE CONVENTION OF PATRIOTS FOR JUSTICE AND PEACE (CPJP)**

The CPJP began as a reaction to the UFDR's brutality against non-Gula tribes. By mid-2008, Damane had consolidated his leadership of the UFDR which had become almost exclusively Gula and extended its reach to the diamond mining areas around Bria.<sup>171</sup> It forced many local Runga out of the mines and at the end of the year assassinated a well-known Runga collector at Bangana, near Yalinga. The Runga rioted against the UFDR in Bria, forcing the CAR army to intervene.<sup>172</sup> Runga youth, including former UFDR, moved north to their home area near Ndélé and began to arm. Attacks on government positions began in December 2008 and continued with no explanation until the CPJP announced its existence, created its own website and set up an operational headquarters at Akoursoulbak, north east of Ndélé.<sup>173</sup>

The territory around Ndélé, in particular to the south, is a diamond mining zone; buying offices and collectors used to operate in the town until the CPJP's skirmishes with the army made it too dangerous.<sup>174</sup> In early 2009 the new group played on the Runga youth's sense of ethnic solidarity and poverty by reportedly offering them 10,000 to 100,000 CFA francs (\$20-\$200) to work in the mines.<sup>175</sup>

As the CPJP has solidified as a rebel entity, its political representation has changed but remains contested.<sup>176</sup> Its ground commanders include at least two with extensive experience in diamond mining and trading. Abdoulaye Hissène, who calls himself the group's president and commands ground operations, is based at Sikikede, Vakaga prefecture. He was a successful collector at Ndélé, Nzacko and Sam Ouandja until his luck changed, and he ran into debt. He went to Chad to avoid paying, but, seeing an opportunity to regain his losses, returned to join the CPJP.<sup>177</sup> Abdoulaye Youssouf, a Runga, was an artisanal miner and collector in Sam Ouandja for many years. Having lost his office of second deputy mayor when the regime changed in 2003, he joined the UFDR but went over to the CPJP in protest at the Gula's ethnic targeting.<sup>178</sup>

In May 2010, CPJP rebels began moving back towards Bria, extorting money and supplies from villagers, offering up to 100,000 CFA francs (\$200) to new recruits and taking over diamond mining areas, including around Sangba, some 90km south east of Ndélé.<sup>179</sup> By September, miners and farmers did not dare go further than 20km from Bria. They called the aggressors CPJP but did not know whether they were rebels or bandits.<sup>180</sup> Insecurity in the mining areas has caused whole villages to seek safety in Bria. The local economy has been badly hit, and there is a grave risk of food shortages.<sup>181</sup>

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<sup>170</sup> The Kimberley Process defines conflict diamonds as "rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments". Kimberley Process Certification Scheme founding document, 2003, p. 3.

<sup>171</sup> Damane had Captain Yao, a Hausa, killed in March 2007. The UFDR said he died in a dispute over a woman. Others said the two disagreed over whether to negotiate with the government. Crisis Group interviews, UFDR representative, Bangui, 11 November 2009; artisanal miners, Sam Ouandja, September 2010.

<sup>172</sup> Crisis Group interviews, artisanal miner, Bria, 2 June 2010; collector, Sam Ouandja, 16 September 2010.

<sup>173</sup> "Ndélé attaquée par des rebelles", *Le Confident*, 20 January 2009. The CPJP's first communiqué claims the group came into being on 27 December 2008. See <http://cpjp.centrafrique.over-blog.org>.

<sup>174</sup> Crisis Group interview, buying office agent, Bangui, 6 September 2010.

<sup>175</sup> Crisis Group interview, artisanal miner, Bangui, 7 September 2010.

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<sup>176</sup> In 2009, Charles Massi, a former minister under Patassé and Bozizé and briefly in 2007 UFDR coordinator, agreed to act as the CPJP's political figurehead as a means to negotiate his way back into government. The government denies security forces arrested him in December 2009, locked him in Bossebéle prison and after torture killed him, as his late wife and supporters have claimed. Dr Bevarrah Lala, education minister in 2003-2004 who fell out with Bozizé, moved to Canada and since early 2010 lives in France, claims to speak on behalf of the CPJP and be in contact with fighters on the ground. Those editing the CPJP blog, however, deny his representation. "Note de protestation et d'indignation à l'attention de messieurs Lala Bevara et Neyris", <http://cpjp.centrafrique.over-blog.org>, 11 October 2010.

<sup>177</sup> Crisis Group interviews, mines ministry official, Bangui, 3 September 2010; buying office agent, Berberati, 9 September 2010. In 2000, Primo lodged a complaint in court against Hissène for unpaid debts. Crisis Group interview, Primo staff, Bangui, 27 September 2010.

<sup>178</sup> Crisis Group interview, collector, Sam Ouandja, 15 September 2010.

<sup>179</sup> Crisis Group interviews, mines ministry official, Bangui, 3 September 2010; humanitarian worker, Bangui, 7 September 2010.

<sup>180</sup> Crisis Group interview, artisanal miner from Bria, Bangui, 28 September 2010.

<sup>181</sup> "Exode massif à Bria à cause de l'insécurité à l'est de la RCA", Radio Ndéké Luka, 13 October 2010.

A group of local youth had been raiding villages and stealing from miners in the Bakouma area since July but only claimed to be CPJP when they attacked the mining town Nzacko at the end of August.<sup>182</sup> Its leader, Mahamat Sallé, is a collector well known in the area and Bangui.<sup>183</sup> The same group installed itself at Yalinga, another mining town in southern Haute-Kotto prefecture, on 18 September, apparently hoping to benefit from the diamond trade there as the UFDR does in Sam Ouandja. However, lacking military capacity, it left on 4 October, when the army approached.<sup>184</sup>

Following other small reportedly CPJP attacks,<sup>185</sup> the group joined forces with Chadian rebels and took control of Birao on 24 November. This collaboration provoked the Chadian army to bomb rebel positions and on 30 November launch a ground offensive that forced the rebels to evacuate.<sup>186</sup> According to the government, the fighting left at least six CAR soldiers and 65 rebels dead.<sup>187</sup> Reports of impressive weaponry and good uniforms suggest the CPJP leadership's claims of an external backer may be true and/or that it is doing well from diamonds.<sup>188</sup>

Though the mines ministry denies it,<sup>189</sup> UFDR rebels are profiting from diamonds, and given the background of the CPJP's leadership, the group's location in mining zones and certain reports, its members very likely are as well. In the CPJP case, further investigation is needed to assess whether the group is benefiting from "conflict diamonds" as defined by the Kimberley Process.

The Kimberley Process itself has shown a lack of rigour with regard to the CAR. The last team to visit, in April 2008, assessed the system of controls in Bangui and Nola in the south west but did not venture to the north east because of insecurity. It noted "with concern" that in late 2006 and 2007 incursions by armed groups briefly reached the diamond zones of Sam Ouandja but concluded that their presence was too short to allow them to mine diamonds.<sup>190</sup>

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<sup>182</sup> "La ville de Nzacko attaquée par la CPJP", Radio Ndéké Luka, 30 August 2010.

<sup>183</sup> Thanks to his father's success in the diamond trade, Mahamat Sallé was able to operate as an independent artisanal miner and collector. Crisis Group interview, mines ministry official, Bangui, 3 September 2010.

<sup>184</sup> "C. African army retakes rebel-held town: military", Agence France-Presse, 7 October 2010.

<sup>185</sup> In October 2010, the CPJP reportedly attacked the towns of Ippy and Bakala, Ouaka prefecture, Mingala, Basse-Kotto prefecture, and Kpata, Haute-Kotto prefecture. "Bulletin 156, 12/10/10-26/10/10" and "Bulletin 157, 26/10/10-09/11/10", CAR Humanitarian and Development Partnership Team.

<sup>186</sup> "Chadian army takes Central African town from rebels", Agence France-Presse, 30 November 2010.

<sup>187</sup> "Centrafrique: 71 tués à Birao dont 65 rebelles mais aucun civil, selon le gouvernement", Agence France-Presse, 2 December 2010.

<sup>188</sup> Crisis Group interview, humanitarian worker, Bangui, 7 September 2010.

<sup>189</sup> Crisis Group interview, director general of mines, Bangui, 6 September 2010. Officials in the mines ministry speaking more openly identified rebels with a history in the diamond business and mining areas under rebel control. Crisis Group interview, Bangui, 3 September 2010.

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<sup>190</sup> "Rapport de la visite d'examen", op. cit., p. 18.



## **IV. MINING REFORM AS A PEACEBUILDING PRIORITY**

Reform of the diamond sector is imperative as a core part of both the CAR's economic development and its peacebuilding project. To address the root problems underlying poverty and conflict in mining zones, the government and international partners must push further up the reform agenda the need to (a) improve governance of the mining sector; (b) stop armed groups using diamonds to prolong conflict; and (c) boost development in mining zones. They have a double opportunity. The CAR's Poverty Reduction Strategy Paper for 2011-2013 is currently in drafting stage. It should incorporate a concrete strategy for improving governance of the mining sector and supporting artisanal miners. The government should also ensure that its urgently needed plan for returning rebels to civilian life within the disarmament, demobilisation and reintegration (DDR) process addresses the need to substitute diamond profits with alternative livelihoods.

The Strategic Framework for 2009-2011 of the UN Peacebuilding Commission (PBC) considers governance and the rule of law as one of its three strategic priorities and highlights the need to eradicate corruption in the management of natural resources.<sup>191</sup> The PBC should help the government organise a donors conference in 2011 to mobilise funds for implementing the Poverty Reduction Strategy Paper 2011-2013, including specific funds dedicated to mining sector reform.

### **A. IMPROVE GOVERNANCE**

The government has made a start at improving governance of the mining sector, including within the framework of the earlier Poverty Reduction Strategy Paper (2008-2010), but its efforts need to be reinforced both in quantity and quality. Technical changes that encourage greater transparency and capacity-building are important, but genuine reform that reorients governance towards benefiting the population, not just a small privileged elite, can only come from restructuring political control of the sector. Responsibility, therefore, lies squarely with the government. Only once it has demonstrated the will to maximise benefits for the Central African people should the international community step up capacity-building support. There are four strategic priorities for improving governance of the mining sector.

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<sup>191</sup> The other two strategic priorities are security sector reform (including disarmament, demobilisation and reintegration) and the development poles project. "Strategic Framework for Peacebuilding in the Central African Republic 2009-2011", UN Peacebuilding Commission, 9 June 2009, p. 9.

### **1. Increasing democratic control**

The mining code needs to be modified so that power over revenues is distributed among a larger and more diverse group, and processes are opened to public scrutiny. The power to grant contracts and agreements for buying offices should be transferred from the presidency to the mines ministry. The minister should make draft contracts, including signing bonuses, publicly available in appropriate ways, notably to a parliamentary group with major opposition party representation for debate and comment. The minister should sign contracts only with the cabinet's approval.

To ensure personal interests do not influence management of the sector, the government should make particular efforts to enforce Article 48 of the mining code, which prohibits the involvement of state agents in mining and trading minerals.<sup>192</sup> When members of the government and state employees are appointed, they should make a compulsory disclosure of their financial and commercial interests, to be verified by a parliamentary commission. Conflicts of interest should be penalised.

### **2. Enhancing transparency**

Greater transparency is crucial to more efficient mining management, because opacity enables embezzlement with impunity. Donors should make financial and technical support conditional on greater national and international oversight, in particular insisting that the government:

- ❑ cooperate fully with and adhere to the Extractive Industries Transparency Initiative (EITI); and
- ❑ request accession to the World Bank's EITI++ project.

The EITI promotes good governance in extractive industries by calling for the publication of what mining and exporting companies pay governments and the revenues governments receive. The CAR joined the scheme in November 2008, and donors, the World Bank in particular, have provided financial assistance for its participation.<sup>193</sup> External auditors have written two reports that compare

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<sup>192</sup> The article reads: "No member of government, member of parliament, civil or military administrative authority, civil servant or acting soldier can engage in the exploration, research, mining, collection, holding, transport or trading of mineral substances nor participate in a company that does". "Loi n°9-005", *op. cit.*

<sup>193</sup> France also contributed funds towards establishing sixteen prefectural EITI committees. "Signature d'une convention France-RCA pour la mise en œuvre de l'Initiative pour la Transparence des Industries Extractives", Agence de Presse Africaine (APA), 29 June 2010.

government revenues with mining company and buying office payments from 2006 to 2009.<sup>194</sup>

For these reports to improve governance, the national assembly should form a group dedicated to oversight of the mining sector and comprising representatives of all major political parties. It and the CAR's national EITI council, of which civil society organisations are members, should rigorously investigate discrepancies between revenues and payments. If not, the EITI in the CAR risks becoming merely a means for bureaucrats to enjoy comfortable salaries and foreign travel.<sup>195</sup> Going forward, the same parliamentary group should oversee the collection and distribution of mining revenues.

The government is waiting for the EITI International Board to decide whether it has fulfilled the criteria to transition the CAR from a candidate to a compliant country.<sup>196</sup> If it achieves that status, the mining sector will only be subject to external audit every five years. This is not sufficient, however, to maintain transparent practices. To ensure transparency becomes engrained in mining sector practices, the CAR should follow Guinea and Mauritania and request accession to the World Bank's EITI++ project, which aims, through technical assistance, to improve transparency and quality in all stages of the mining process. Within this scheme, the government, in collaboration with international advisers and the multiparty parliamentary group, should review and make public current mining contracts and agreements with buying offices.

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<sup>194</sup>The first report on 2006 data, published in March 2009, identified multiple cases of the state having no record of mining company or buying office payments, but overall the state says it received 463,582,771 CFA francs (over \$900,000) more than mining companies and buying offices claim to have paid. While the independent auditor said the unavailability of information could account for this discrepancy, the EITI secretariat in Bangui put it down to embezzlement. "Premier Rapport de l'ITIE-RCA: Collecte et réconciliation des données statistiques du secteur minier, année 2006", 23 March 2009, available on the EITI-CAR website, [www.itierca.org](http://www.itierca.org). "L'ITIE dénonce des malversations financières dans le secteur des mines en Centrafrique", APA, 2 July 2009. The second report on data from 2007-2009 is due to be published in late 2010.

<sup>195</sup>In a year and a half, the head of CAR's EITI secretariat travelled to Yaounde, Douala, Berlin, Qatar and Washington for seminars and meetings. Crisis Group interview, EITI secretariat, Bangui, 7 June 2010.

<sup>196</sup>In November 2010, an independent validator published its report assessing the CAR's progress against the EITI's eighteen benchmarks and recommended that the EITI International Board declare it a compliant country. "Rapport final: Validation de l'Initiative de Transparence des Industries Extractives de la République centrafricaine", Good Corporation, 11 November 2010.

Independent assessors, in coordination with the National Committee for the Fight against Corruption (Comité national de lutte contre la corruption), should carry out a structural review of the mines ministry, so as to identify and subsequently investigate potential channels of corruption and ensure civil servants have the qualifications to fulfil their functions. If not, competent individuals should be recruited through an open selection process.

### 3. Building capacity

Donors are wary of funding the mining authorities, because governance of the sector is so politicised.<sup>197</sup> Once the government demonstrates commitment to more democratic control and greater transparency, financial and technical support should focus on:

- ❑ drawing up a comprehensive strategy for developing the mining sector based on the four priorities described in this section and the formalisation and support of artisanal mining. The mines and planning ministries should agree on this strategy and incorporate it into the Poverty Reduction Strategy Paper for 2011-2013;
- ❑ providing the mines ministry and the revenue office (Direction générale des impôts) the necessary computer-based financial management tools to fully monitor mining revenues and training officials in their use;
- ❑ updating the CAR's geological chart to better guide exploration and enable more productive industrial and artisanal mining; and
- ❑ creating the new Special Anti-Fraud Unit (Unité spéciale anti-fraude, USAF) to replace the mining brigade and incorporating it into the wider strategy for security sector reform and efforts to strengthen the customs authorities. International experts should train the new force and ensure it has a multi-ethnic, multi-regional composition and is accountable to a body including the mines, internal security and defence ministries.

### 4. Strengthening anti-smuggling measures

To ensure the state benefits as much as possible from diamond revenues and curtails the ability of rebel groups to profit from the precious stones, the government should step up efforts to tackle smuggling. Setting up the Special Anti-Fraud Unit and enhancing implementation of the Kimberley Process Certification Scheme as outlined below are important ways to strengthen law enforcement capacity. However, because smuggling is a regional problem, the CAR cannot overcome it alone. The World Customs Organisation (WCO), which in 2010 began analys-

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<sup>197</sup>Crisis Group interview, donor representative, Bangui, 7 June 2010.

ing the illicit trade in rough diamonds, should propose to the governments of the region, in particular those of the CAR, Cameroon, Chad and Sudan, that it lead and coordinate their customs authorities in investigating smuggling methods and routes, especially those that cross the CAR-Cameroon border. Findings should be pooled at its Regional Intelligence Liaison Office (RILO) in Douala and used by national and international actors to develop common mechanisms for intercepting smugglers.

To complement these enforcement measures, the government should make its fiscal regime more manageable for diamond traders, thus reducing the incentives to smuggle, by:

- ❑ harmonising the tax on diamond exports with the rates of neighbouring countries; and
- ❑ agreeing with buying offices on a reduced and realistic export quota.

## **B. STOP DIAMONDS PERPETUATING CONFLICT**

Preventing UFDR rebels using diamonds to continue their predation on non-Gula civilians is an important part of the larger reconciliation process. To minimise the risk of inter-ethnic conflict and ensure UFDR rebels are willing to disarm, the government needs to cut off this source of revenue and draw up a reintegration plan that provides them alternative sources of income and includes efforts to boost development in mining zones. This plan should be clearly communicated to and accepted by the UFDR. To make certain Gula domination of diamond mining in the Sam Ouandja area does not continue after disarmament, the government, in collaboration with development partners, needs to create job opportunities for the rebels elsewhere in the north east.

MICOPAX, the regional peacekeeping force in the country, is deployed in the north west to guarantee security while rebels there disarm.<sup>198</sup> The government needs to negotiate with the Economic Community of Central African States (ECCAS), the European Union (EU) and France for its reinforcement and deployment to the north east to protect civilians from ethnic conflict and LRA attacks and implement a mines monitoring program in coordination

with the mines ministry and the Special Anti-Fraud Unit.<sup>199</sup> This should include ground patrols to ensure neither UFDR nor CPJP rebels mine diamonds and to prevent clashes over the control of mines.

Meanwhile, the government should invite the Kimberley Process to carry out a review mission and advise on ways to improve implementation of the certification system. MICOPAX should ensure the review team's security in and around Sam Ouandja, as it ascertains to what extent the UFDR is profiting from diamonds and how those profits are used.<sup>200</sup> The team should also investigate areas where the CPJP is active – around Ndélé and Bria in particular – to verify its involvement in mining and selling diamonds.

In Bangui, the team should advise BECDOR on how to guard against buying offices exporting rebel-sold diamonds. BECDOR should compile a public blacklist of individuals in rebel groups or with links to them and check the names of miners and collectors on purchase receipts against it. The UN Development Programme (UNDP), once it has verified UFDR fighters in the disarmament process, should make its list available for that purpose.

## **C. BOOST DEVELOPMENT IN MINING AREAS**

The formalisation and promotion of artisanal mining can not only lift the living standards of miners and their families but also reduce the risk that youths in mining areas join armed groups. To this end the government should:

- ❑ lower the price of artisanal mining licences, allow miners to pay in several instalments and make the licence valid for one year from the time of purchase, rather than until the end of the calendar year. This would enable more miners to register, reducing their need to sell to illegal buyers; increased registration could also enable the government to collect greater net revenues;
- ❑ reduce the cost of starting a cooperative and increase transparency in the management of the National Union of Central African Mining Cooperatives. The government should also initiate vocational training programs for cooperatives, including on literacy, mining techniques and financial management; and
- ❑ enable miners to better cope with shocks to the diamond market and reduce their dependency on collectors by educating them on the need to diversify their

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<sup>198</sup> The Mission for the Consolidation of Peace in the CAR (Mission de consolidation de la paix en Centrafrique, MICOPAX) is a multi-country African force under the auspices of the Economic Community of Central African States (ECCAS) and funded by the European Union and France.

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<sup>199</sup> MICOPAX is currently building barracks at Ndélé, Bamingui-Bangoran prefecture but needs the financial backing to set up bases in Vakaga and Haute-Kotto prefectures.

<sup>200</sup> The Kimberley Process carried out an investigation in Côte d'Ivoire under the protection of the UN peacekeeping mission there, Opération des Nations Unies en Côte d'Ivoire, ONUCI.

economic activities, including into agriculture and pisciculture.

To ensure formalisation takes off, it is crucial to foster ownership of the process by artisanal miners themselves. To help them understand that it is in their interests, the government should:

- put a portion of export taxes into a community mining development fund for local development projects and training schemes on diamond valuation and mining methods; and create local committees, including heads of mining cooperatives, representatives of collectors and buying offices, local authorities and provincial mining authorities, to administer the money in a collective and transparent way.<sup>201</sup>

The Property Rights and Artisanal Diamond Development (PRADD) scheme funded by the U.S. Agency for International Development (USAID) runs two projects, in Boda and Nola in the south west, aimed at boosting local development by training miners and emphasising the need to diversify their activities. It also tries to enhance the traceability of diamonds by formalising miners' customary land rights and creating a database of mines and miners. The scheme is gaining support among artisanal miners and government, but for this sort of small-scale, bottom-up initiative to have a real impact on the ability of miners to earn more and thus stimulate development in mining communities, the local projects need to be enlarged and replicated in other areas. USAID should, therefore, increase funding to the project in 2011.

To improve miners' access to capital and free them from dependence on collectors, the U.S. and other development partners should also consider helping the government start microfinance schemes in mining areas and create banking systems (including mobile phone banking) that enable long-term saving.

## V. CONCLUSION

Diamonds are feeding cycles of poverty and conflict in the CAR in much the same way as they did in Sierra Leone and Liberia in the 1990s and early 2000s. The scale of the problem is smaller, because the CAR has fewer diamonds, and its armed groups are less organised, but the dynamics are identical and the human suffering just as real. Misguided governance of the mining sector, in part a legacy of decades of misrule and state fragility, rewards the lucky few, leaves thousands of artisanal miners and their families fighting for their livelihoods and encourages smuggling. Widespread poverty and well-oiled illicit trading networks enable armed groups to profit from diamonds, and weak security forces can do little to stop them. It is high time the government and international partners paid more attention to these interlinked issues and committed to genuine reform of the mining sector. The first step is to prise control of the sector from the regime's grip and open it to national and international scrutiny.

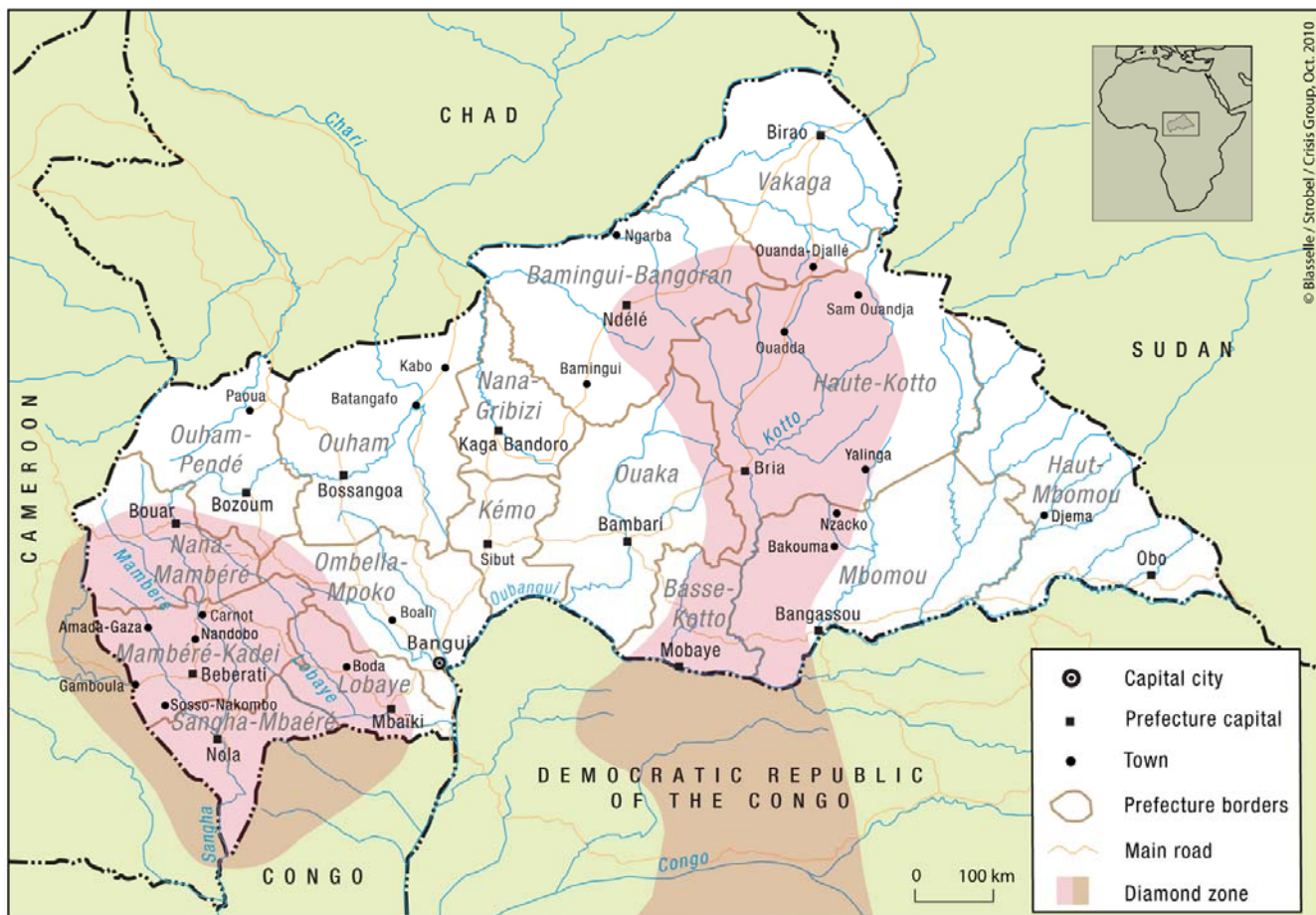
**Nairobi/Brussels, 16 December 2010**

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<sup>201</sup> Sierra Leone's Diamond Area Community Development Fund (DACDF), into which the government puts 25 per cent of diamond export taxes, is a good model but also highlights the need to build local capacity and effective accountability structures to ensure funds are well managed. "Sierra Leone at the Crossroads: Seizing the Chance to Benefit from Mining", National Advocacy Coalition on Extractives (NACE), March 2009, p. 34.

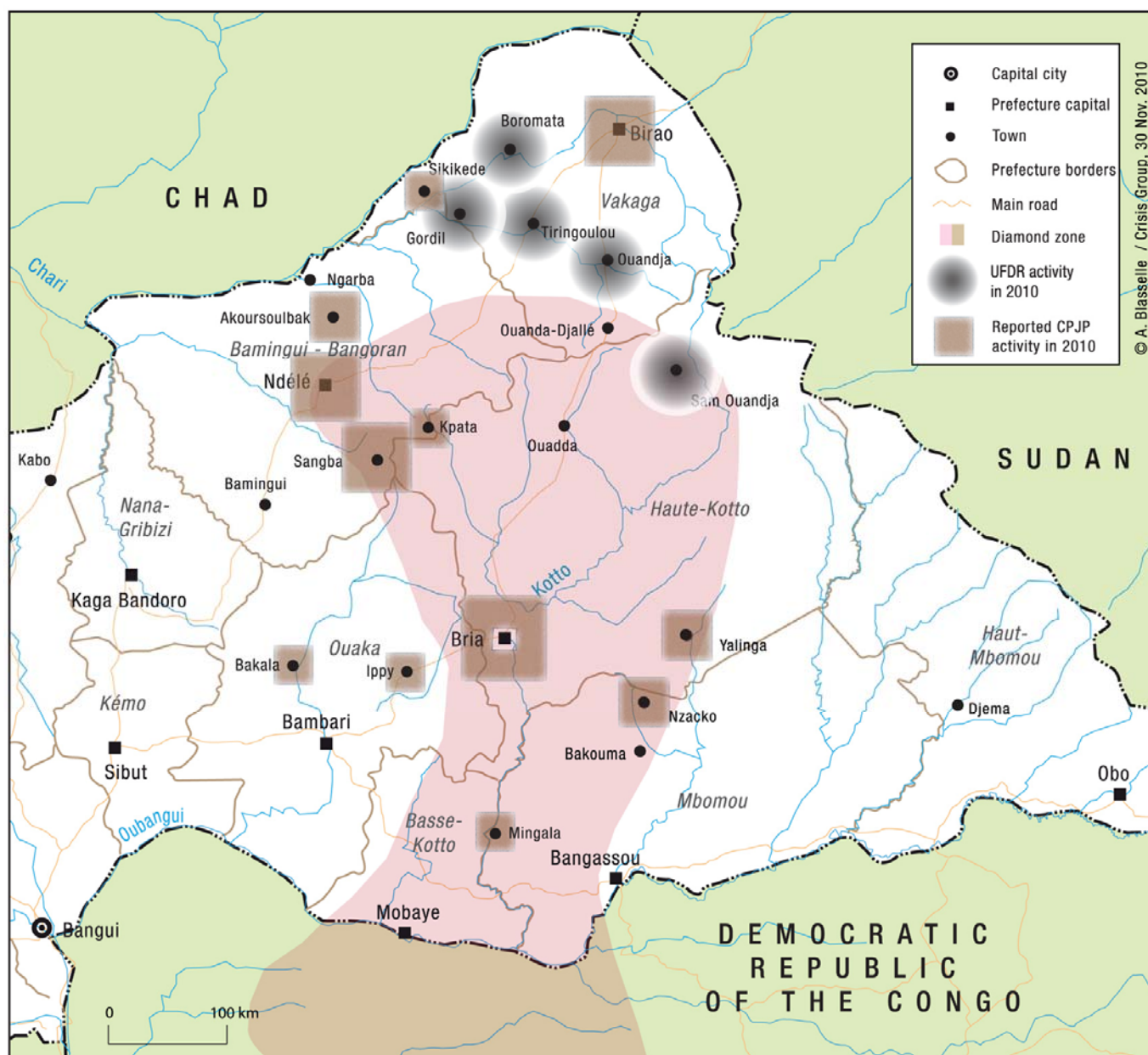
## APPENDIX A

### MAP OF DIAMOND MINING ZONES IN THE CAR



## APPENDIX B

### MAP OF REBEL ACTIVITY IN EASTERN CAR IN 2010



## APPENDIX C

### DIAMOND EXPORTS FROM THE CAR, 1990-2010

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Year	Exports (carats)
1990 <sup>202</sup>	415,834
1991	428,420
1992	414,053
1993	494,025
1994	530,992
1995	484,112
1996	487,145
1997	473,939
1998	420,048
1999	431,105
2000	460,991
2001	449,270
2002	414,788
2003	332,680
2004	354,200
2005	383,295
2006	415,529
2007	417,691
2008	377,210
2009	310,469

Jan-July 2010	185,912
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<sup>202</sup>Export data for the period 1990-2009 is from the Bank of Central African States (Banque des Etats de l'Afrique Centrale, BEAC). Export data for January to July 2010 is from CAR government records.



## APPENDIX D

### ABOUT THE INTERNATIONAL CRISIS GROUP

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The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 130 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

Crisis Group's reports and briefing papers are distributed widely by email and made available simultaneously on the website, [www.crisisgroup.org](http://www.crisisgroup.org). Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policy-makers around the world. Crisis Group is co-chaired by the former European Commissioner for External Relations Christopher Patten and former U.S. Ambassador Thomas Pickering. Its President and Chief Executive since July 2009 has been Louise Arbour, former UN High Commissioner for Human Rights and Chief Prosecutor for the International Criminal Tribunals for the former Yugoslavia and for Rwanda.

Crisis Group's international headquarters are in Brussels, with major advocacy offices in Washington DC (where it is based as a legal entity) and New York, a smaller one in London and liaison presences in Moscow and Beijing. The organisation currently operates nine regional offices (in Bishkek, Bogotá, Dakar, Islamabad, Istanbul, Jakarta, Nairobi, Pristina and Tbilisi) and has local field representation in fourteen additional locations (Baku, Bangkok, Beirut, Bujumbura, Damascus, Dili, Jerusalem, Kabul, Kathmandu, Kinshasa, Port-au-Prince, Pretoria, Sarajevo and Seoul). Crisis Group currently covers some 60 areas of actual or potential conflict across four continents. In Africa, this includes Burundi, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Democratic Republic of the Congo, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Nigeria, Rwanda, Sierra Leone, Somalia, Sudan, Uganda and Zimbabwe; in Asia, Afghanistan, Bangladesh,

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**December 2010**



## APPENDIX E

### CRISIS GROUP REPORTS AND BRIEFINGS ON AFRICA SINCE 2007

#### Central Africa

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