

Diamonds and Human Security ANNUAL REVIEW 2008

Why we write

Just as peace is not simply the absence of war, an end to conflict diamonds does not necessarily mean that diamonds will create prosperity or that human security will prevail in the areas where they are mined. The campaign to halt conflict diamonds has largely succeeded, although the phenomenon continues in Côte d'Ivoire, seemingly beyond the ingenuity and the powers of the 75 governments represented in the Kimberley Process (KP) and the world's entire diamond industry. But the KP challenge today is not just Côte d'Ivoire; the larger challenge is to ensure that diamonds are controlled and tracked in ways that prevent a return of the much more deadly diamond-fuelled wars of the past.

Diamonds are not just symbols of love, fidelity and purity, they are the most concentrated form of wealth on earth, and because of that, they attract problems. A raid on a Damiani showroom in Milan netted thieves as much as \$30 million in diamond jewellery in February. That was just one of many diamond heists. If you Google "diamond theft 2008" you will find more than five million articles. It stands to reason, therefore, that conflict diamonds could return to countries where development is stunted and governance weak. That is why organizations like the Diamond Development Initiative (DDI) are so important, and why efforts to bring greater transparency to the extractive sector need all the support they can get. The intergovernmental Extractive Industries Transparency Initiative and the NGO-led Publish What You Pay Campaign are key elements in this.

Partnership Africa Canada (PAC) has been a leader in the campaign against conflict diamonds since 1999. It has been, and remains an active member of all Kimberley Process meetings and working groups. We have produced several background studies on diamond-related issues, 17 occasional papers and a quarter-

Continued on page 2 →

TABLE OF CONTENTS

Democratic Republic of the Congo	2
Angola	10
Sierra Leone	15
Central African Republic	17
Brazil	18
Guyana	18
Venezuela	19
Côte d'Ivoire	20
Ghana	20
Guinea	21
Liberia	21
Kimberley Process Blues	22
Republic of Congo	23
Zimbabwe	23



→ Continued from page 1

ly newsletter, *Other Facets*. All are available on the PAC website (www.pacweb.org).

Starting in 2003, we began to publish stand-alone *Annual Reviews* of the Diamond Industry on Sierra Leone, the Democratic Republic of the Congo and Angola. The *Annual Reviews*, published in English (all), French (DRC) and Portuguese (Angola) aimed to provide governments, civil society and investors with information that would be helpful in the promotion of greater transparency and more positive developmental outcomes. The *Annual Reviews* have been widely quoted and have become documents of record on the diamond industries in those countries.

For 2008 we have taken a different approach, expanding the project to cover more countries, but producing one report rather than three. This report — *Diamonds and Human Security Annual Review 2008* — concentrates on the three countries most seriously affected by diamond-fuelled conflict — Angola, DRC and Sierra Leone — but we have also included articles on countries touched by those conflicts, or where internal controls over diamonds, and where development considerations, remain problematic.

DEMOCRATIC REPUBLIC OF THE CONGO

A Dangerous Malaise

The Democratic Republic of the Congo (DRC) is the world's largest artisanal diamond producer. Each year nearly a million Congolese artisanal diggers — *creuseurs* — armed with only the simplest of tools, dig out close to 30 million carats worth of diamonds, valued at over US\$600 million. The export taxes alone generate some US\$20 million for a government that is chronically strapped for revenue.

There can be few countries where failure to regulate the diamond industry exacts as high a price as in the DRC. While the DRC officially emerged from civil war in 2003, fighting in the eastern provinces has continued ever since, and the peace remains fragile even now. According to human rights groups and UN officials stationed in the eastern provinces, both government forces and many of the supposedly demobilized rebel groups are actively re-arming.

Though DRC's diamonds were never formally labelled as 'conflict diamonds' or subjected to a UN ban, they certainly exacerbated the civil war, providing funds for rebel armies and a financial incentive for foreign governments such as Rwanda and Zimbabwe to prolong their interventions.

Because of this history, the government of the DRC was an early and enthusiastic supporter of the Kimberley Process. In the year after its inauguration in 2003, DRC authorities established a reasonable level of scrutiny over the country's large buying-exporting houses, or *comptoirs*. The 2004 KP Review lauded the progress, and noted with approval the government's plans to extend its control down to the level of the artisanal producers. The tone was one of cautious optimism.

In the years since, by any measure of progress, the DRC has been travelling backwards. A registration program for artisanal diggers has stalled. SAESSCAM, the government's lead agency for



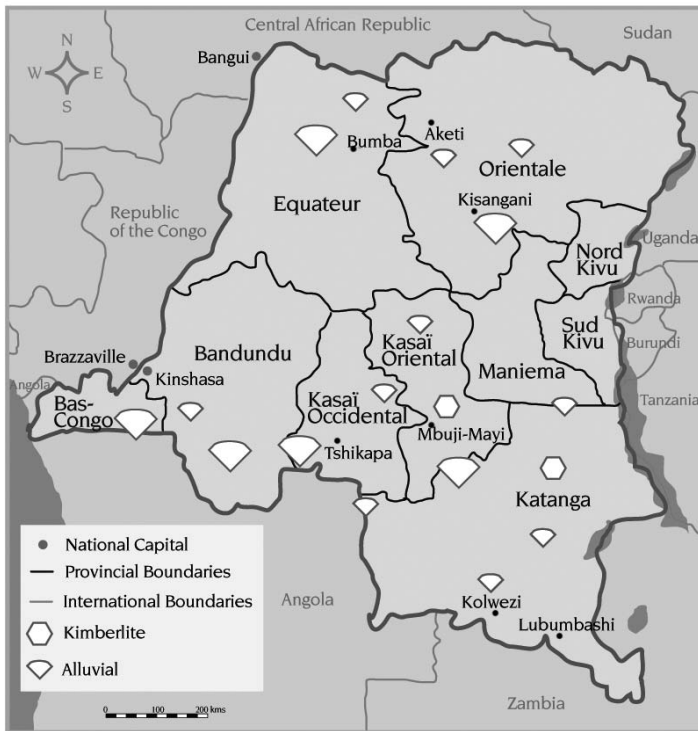
Table 1. 2007 Diamond Exports

(countries covered in this report)

Country	Volume (carats)	Value (US\$)	US\$/ct
Democratic Republic of the Congo	28,331,376	\$609,833,223	\$21.53
Angola	8,520,485	\$1,129,774,806	\$132.60
Guinea	1,009,732	\$50,197,581	\$49.71
Ghana	865,612	\$27,863,557	\$23.19
Sierra Leone	603,627	\$141,565,685	\$234.53
Zimbabwe	489,170	\$23,377,870	\$47.79
Central African Republic	417,710	\$59,857,870	\$143.30
Guyana	290,409	\$35,967,068	\$123.85
Brazil	168,070	\$18,017,143	\$107.20
Liberia	21,699	\$2,657,541	\$122.47
Republic of Congo	0	0	0
Venezuela	0	0	0

Note: The Republic of Congo was not a member of the KP during 2007. Venezuela reported that no diamonds had been exported during the year. Source: Kimberley Process Statistical Data Base.

Best prices paid here: a Congolese diamond dealer at work.



Democratic Republic of the Congo

bringing artisanal diggers into the formal sector, has thoroughly lost its way. Cooperatives begun under SAESSCAM's aegis have closed. The agency itself, entangled in a jurisdictional brawl with the governor of Kasai-oriental, has been barred from the country's most productive diamond province.

Export values for DRC diamonds are falling and tax revenues are decreasing, even as world prices for rough diamonds rise. Government oversight of the bulk of the diamond chain remains non-existent, and with it any

ability to prevent contraband or conflict diamonds from being laundered through the DRC. Out in the field where a million creuseurs dig, the ministry of mines is completely absent, and government control comes via armed men with guns – possibly police, though without uniforms or identification – who extort money and diamonds from miners and take orders from persons unknown.

While these failures certainly have implications for development, it is the implications for peace and security that should generate the greatest concern. Many of the underlying causes of the DRC's civil war remain unresolved, papered over by a fragile peace agreement. Congolese authorities should be working flat out to strengthen the government's presence in the diamond fields and to cement government controls on alluvial diamond flows. Instead, what is on display is complacency and growing indifference, on the part of both the DRC's various government agencies, and by the Kimberley Process itself.

This report examines three areas where reforms to the DRC diamond sector have stalled or gone off track: internal controls required by the Kimberley Process; the role of the government's diamond valuation agency, the Centre d'Evaluation, d'Expertise et de Certification (CEEC); and the state's failure to bring its vast population of diggers into the formal sector, or even to establish a legitimate presence in the diamond fields.

Valuing the Valuers – Problems in the CEEC

Government revenue from the diamond industry is falling, even as world demand remains strong and DRC production holds steady (see Figure 1). The problem lies squarely in the DRC's own valuation agency, the Centre d'Evaluation, d'Expertise et de Certification.

Figure 1: DRC Diamond Production by Sector, 2003-2007 Source: CEEC

(in millions of carats)

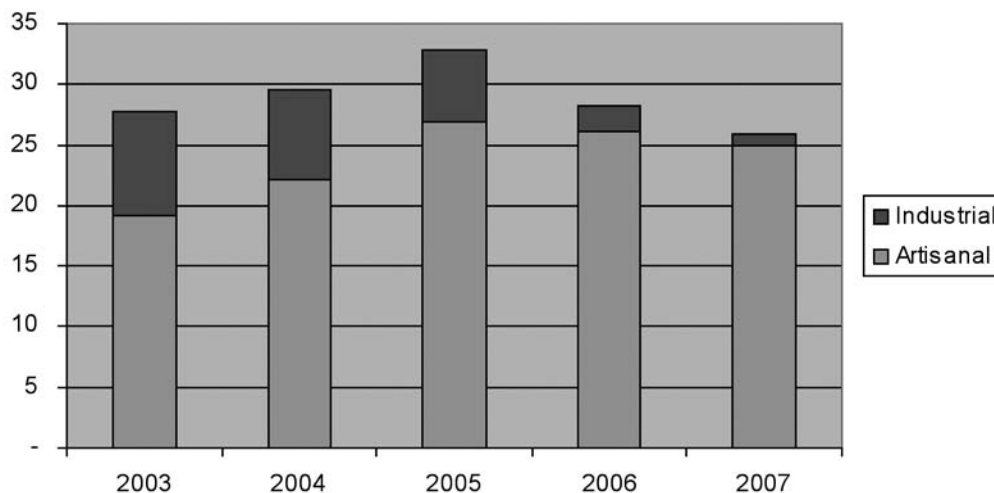
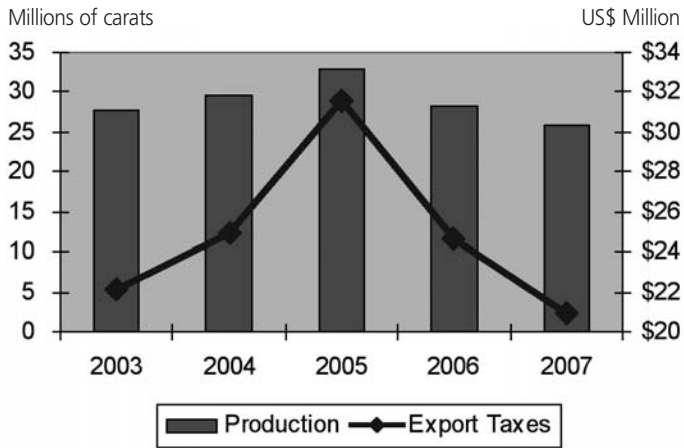


Figure 2: DRC Diamond Exports and Revenue from Export Taxes, 2003-2007 Source: CEEC



A government agency, the CEEC's role is to value every parcel of diamonds exported from DRC. The government's primary source of revenue from the diamond industry is a 4% export tax, based on this CEEC assessment.

In May, 2003, the CEEC contracted an international diamond valuer to provide an independent valuation on all export parcels. The valuer's contract ran through 2005, and was not renewed. These dates should be compared with all graphs and figures presented, starting with Figure 2, above.

On a 2008 field visit, the *Annual Review* arrived – apparently unexpectedly – at the CEEC's Kinshasa's headquarters and stumbled across a diamond exporter and a government valuer engaged in intense conversation over a stack of US currency. The exporter hurriedly shoved the bills in his pocket, and the two parties tried to dispel the impression that they had been engaged in an illicit negotiation. Intrigued, the *Annual Review* later spoke to a number of other exporters, some of whom said that in return for a suitable payment, CEEC valuers were willing to artificially reduce their valuations, thus saving the exporter on taxes, while costing the government revenue. One exporter said that valuers threaten excessively high valuations if exporters don't comply.

The government has ignored suggestions of undervaluing in the past, so this year the *Annual Review* presents numbers supporting the allegations. Figure 3 shows the average per carat value of rough exported from the DRC, as determined by the CEEC, for the years 2003-2007. The graph also shows total government revenue¹ per carat for the same period. The assessed value starts at US\$23.43 in the year the independent valuer began, climbs 15% to US\$26.99 the year the valuer's contract was terminated, and falls precipitously thereafter, to US\$21.83, nearly 7% below the 2003 starting point, and a full 20% below the peak achieved under the independent valuer.

Something is obviously amiss. The Ministry of Mines, in a yearly statistics report,² spreads the blame: a worldwide drop in gem prices; problems at the industrial MIBA mine; political events; excessive rainfall. In fact, however, world prices for gem-quality rough have held steady or risen in recent years; MIBA's production has indeed dropped precipitously, but MIBA is a low-value producer³ and its disappearance from the mix should push the overall per-carat average up, not down.

The most likely explanation – that CEEC valuers are systematically undervaluing – has so far not been accepted by Mines officials. Buttressing this possibility, however, is another set of numbers showing the mark-ups on the DRC's diamonds as they pass through Dubai. The *Annual Review* has obtained data for DRC diamond parcels entering and exiting the Dubai Diamond Exchange. This information makes it possible to track the value paid for diamonds as they leave the DRC for Dubai, and the price (and thus the mark-up) on those diamonds as they exit Dubai en route to their next buyer, typically in Belgium.⁴

The exporter hurriedly shoved the bills in his pocket, and the two parties tried to dispel the impression that they had been engaged in an illicit negotiation.

The results are summarized in Table 2 and Figure 4. They show modest, if healthy mark-ups for the two years when there was an independent valuer in the DRC, soaring to a mark-up of just over 50% in the first full year after the valuer's contract was terminated.

The *Annual Review* was able to track the mark-ups for individual DRC exporters over a three year period. They show that the lower the assessed export value was in DRC, the higher the mark-up in Dubai. The *comptoirs* with the greatest ability to achieve extraordinary mark-ups are Congo-Diam and Primo Gem. These two companies achieved mark-ups respectively in 2004 of 99% and 717%, in 2005 of 42% and 62%, and in 2006 of 100% and 327%.

Figure 3: Average Value of DRC Rough Diamonds at Export, and Government Revenue from Export Taxes, 2003-2007 Source: CEEC

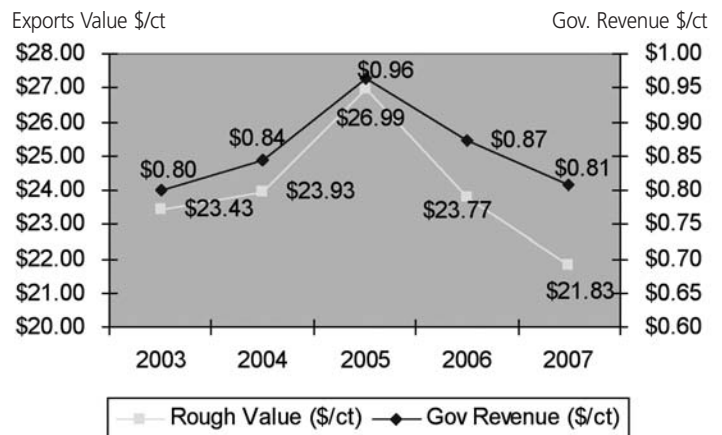


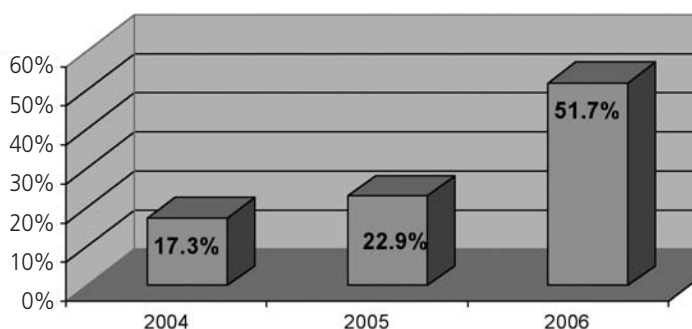
Table 2: Mark-up on Selected DRC Diamonds Transiting Dubai

Year	Volume (of diamonds tracked) (cts)	Avg Value (on arrival in UAE) (US\$/ct)	Average Mark-Up
2004	1,806,074.39	\$43.16	17.3%
2005	2,249,064.84	\$58.15	22.9%
2006	2,513,324.03	\$47.47	51.7%

Source: *Annual Review*

On individual shipments, the apparent undervaluing ranged from excessive to truly astounding. In allowing improper and inaccurate export valuations to continue, the government of the DRC is allowing a vast amount of tax revenue slip through its fingers.

Figure 4: Average Mark-up for Selected DRC Diamonds Exported Through UAE, 2004-2006 Source: *Annual Review*



Solutions

The solutions come easily to hand. The first step is to rehire a recognized independent valuer.

The second step is to install a state-of-the-art surveillance system in the valuing area of the CEEC's office in Kinshasa, with overhead cameras linked to a permanent video storage system. This may not prevent CEEC valuers from colluding with exporters, but at least it will stop them from doing so while seated at the valuing tables.

Finally, the CEEC needs to improve its understanding of the world prices being paid for DRC rough. To do this, the CEEC should itself begin buying and selling small quantities of rough in the Antwerp market, much as Angola's Sodiam currently does as a way of determining true market price.

Unfinished KP Structure – A Fragile Foundation for Peace

The current Kimberley Process internal controls in the DRC cannot, and do not prevent contraband or conflict diamonds from being laundered through the DRC's legitimate diamond stream. They cannot and do not prevent contraband diamonds from being smuggled out of the country. They do not meet KP minimum standards.

The foundations in place consist of reasonably good monitoring of the country's large buying houses, or *comptoirs*. Two government employees – one from the Ministry of Mines, the other from the CEEC – are on hand during business hours in every licensed *comptoir* to record each diamond purchase as it occurs. These records are compiled by the regional CEEC offices, and forwarded to Kinshasa on a monthly basis. The government thus has a month-by-month picture of diamonds entering the export stream. However, monitoring diamonds as they enter *comptoirs* is a long way from tracking diamonds from source.

The country's vast population of artisanal diggers remains largely uncounted, unregistered and unregulated. The same goes for the fairly large corps of small-time traders who buy diamonds from *creuseurs* at dig sites. The same goes for the hundreds of buyers who do a fierce trade in diamonds under fluorescent lamps at any of Mbuji-Mayi's night-time diamond bazaars. None of these buyers keeps records. Diamonds thus pass from artisanal digger to mine-site buyer to a larger buyer in town, without any government knowledge whatsoever.

Above this level there exists another class of Congolese trader, buyers who work out of their own shops, who buy diamonds on their own account, and who have often built up a substantial amount of operating capital. These buyers generally do take the trouble to register and obtain a yearly US\$500 trader's license. However they rarely keep transaction records. What's more, these better-off buyers will often assemble packages of diamonds from many sources and transport them for sale to a *comptoir* in the capital. This is completely legal, but also serves to mask where the diamonds have come from. The first record the CEEC and DRC authorities may have of a parcel of these diamonds is when it shows up in a *comptoir* in Kinshasa, origin unknown.

The 2004 KP Review expected that DRC authorities would soon take measures to address these shortfalls. As a start, the KP Review recommended that DRC authorities enumerate and register the country's million or so artisanal diggers. The KP Review also suggested that the Cadastre Minier (CAMI) develop a system for recording the GPS coordinates of major artisanal digs, and the Ministry of Mines develop a system for recording the volume of diamonds being produced at such sites. This data would allow authorities to compare production volumes with *comptoir* volumes, and provide a check on smuggling.

The Ministry of Mines made a brief attempt to register artisanal diggers, but according to Ministry of Mines KP Coordinator Mabolia Yenga, the effort ground to a halt some two years ago, due to a problem printing

the I.D. cards. While the printing glitch is likely surmountable, the program itself seems to have been in trouble from the start. The registration fee, at \$25 – some 7% to 10% of a digger's yearly income - was simply set too high. Rather than adjust the program – perhaps by charging less and offering more – the Ministry of Mines appears content to let this key part of the KP system simply die.

The Ministry's failure in winning the trust and cooperation of artisanal miners stands in marked contrast to the efforts of civil society, notably the small Mbuji-Mayi-based NGO GAERN (Groupe d'Appui aux Exploitants des Ressources Naturelles), which has managed to organize diggers into functioning associations. Although still in their early stages, they match anything accomplished by government authorities. When the Ministry of Mines again turns – as it must – to the task of registering artisanal miners, it would do well to engage in dialogue with civil society organizations like GAERN.

The KP's habit of noting things during a Review and then disappearing for four years is no way to advance reform or halt conflict diamonds.

Registering and mapping artisanal digging sites has been hampered by the DRC's own Mining Code, which, though re-written with World Bank guidance in 2002, pays scant attention to the artisanal sector. Artisanal mining takes up only three out of 140 pages in the code, even though artisanal production represents 90% of total diamond production. Aside from a provision for declaring artisanal exploitation zones (normally in areas that are unsuitable for any other kind of exploitation) there is nothing in the code regarding the registration of specific dig sites, nothing that would give a claimant security of tenure, nothing that would regulate the allocation of digging sites within an artisanal claim, or govern accepted working relationships or remuneration. All this is left to local custom.

Vice-minister of Mines Victor Kasongo has pointed out the many drawbacks in the code. A reform is envisioned, Kasongo says, but as yet few concrete steps have been taken, ostensibly because of World Bank-imposed constraints. (When the Ministry finally undertakes this process, it should engage in a broad consultation, both with policy-focussed civil society organizations such as CENADEP and NGOs doing work in the field such as GAERN, with traditional authorities and with *creuseurs* themselves.)

As for the task of tracking diamonds between dig site and comptoir, the KP Review and consecutive editions of the *Annual Review* have repeatedly recommended that Mines officers must enforce the requirement for Congolese diamond traders to register, to keep transaction records, and to submit these records at regular intervals to the ministry. Tracking diamond flows through the smaller Congolese trading shops would bring the monitoring one step closer to producers, and would serve as another check on contraband.

The Ministry of Mines, however, creates the impression of a bureaucracy somewhat adrift. Further evidence of complacency can be found in a growing discrepancy between the DRC's diamond export figures on record at the Ministry of Mines, and those submitted to the Kimberley Process (see *Growing Discrepancies*).

Growing Discrepancies:

What appears to be a general malaise in the DRC Ministry of Mines is perhaps reflected numerically in a growing discrepancy between the country's diamond export figures as recorded by the CEEC, and those submitted to the Kimberley Process.

Those figures, reproduced in Table 3 and Figure 5, show that the discrepancy between two official tallies grew from a negligible 150,000 carats in 2005 to a significant 2.4 million carats in 2007.

The reason is unclear. If the DRC could actually measure production, a difference between production and exports might indicate smuggling. However, the DRC can only measure exports, so the discrepancy might just reflect a general sloppiness that seems to have crept in to the administration of the diamond sector.

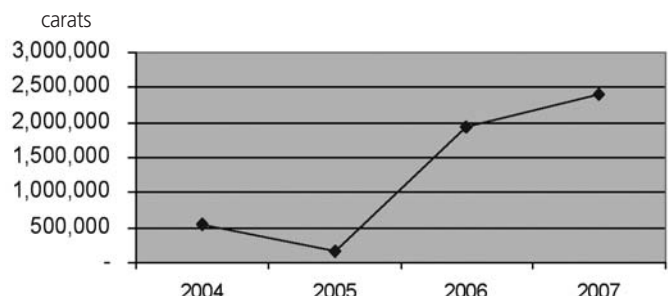
Table 3: Difference between Yearly DRC Exports as Reported by the KP and the DRC Ministry of Mines

Source: CEEC

Year	KP Figures Volume (ct)	Ministry of Mines Volume (ct)	Difference Volume (ct)
2003	N/A	27,752,626.92	N/A
2004	30,162,413.26	29,609,872.15	552,541.11
2005	32,949,849.29	32,795,555.40	154,293.89
2006	30,177,839.65	28,253,571.15	1,924,268.50
2007	28,331,376.35	25,928,301.48	2,403,074.87

Figure 5: Difference between DRC Exports as Recorded by Ministry of Mines and the Figures Kept by the Kimberley Process

Source: Kimberley Process Statistical Data Base



A Dangerous Complacency

This complacency might be forgivable if the DRC were a country at peace, in a peaceful part of the world, with solid KP controls on its alluvial diamonds. But the DRC's Kimberley system is completely incapable of keeping out contraband or conflict diamonds. And while neighbouring producers such as Angola are now fairly stable, the DRC itself is not.

During the last round of fighting, diamonds from the eastern part of the country were funnelled out through Rwanda, and to a lesser extent through Tanzania and Zimbabwe. Were fighting to resume, those routes would likely be reactivated. If, however, through some miracle of concerted international action these channels were shut down, the diamonds could easily be certified through the government's own inept system, financing its own enemies.

Faced with a porous KP system, weak control of the diamond fields and an uncertain peace, DRC authorities should be working flat out to extend the system of internal controls all the way down to the producer level, and to extend their own legal control of the artisanal producers and producing areas.

The Kimberley Process, which first said this was a necessity in 2004, should be following up on its own recommendations, pushing the DRC to implement the controls that both the KP and the DRC agreed were essential. The KP's habit of noting things during a Review and then disappearing for four years is no way to advance reform or halt conflict diamonds.

Government Control over Artisanal Diamond Areas: The Right Way and the Armed Way

SAESSCAM

One of the DRC's prime agencies for formalizing its vast population of artisanal diggers is SAESSCAM, the Service d'Assistance et d'Encadrement du Small Scale Mining. It too exhibits symptoms of the malaise affecting most of DRC's efforts to regulate the artisanal diamond sector. SAESSCAM's mandate is to draw diggers into the formal sector – preferably through cooperatives – by offering access to better equipment, training and know-how. With the *creuseurs* in cooperatives, SAESSCAM would then be able to facilitate the monitoring of diamond flows from the artisanal sector, as well as the collection of government taxes.

In 2004 and 2005, the *Annual Review* noted with approval SAESSCAM's initial projects with cooperatives in the Tshikapa area, and its plans to branch out nationwide. However, in the years since, SAESSCAM appears to have lost its way. The 2007 *Annual Review* noted that SAESSCAM seemed to have abandoned any thought of tracking production or enumerating diggers. By 2008, the Tshikapa cooperative had folded, according to Baudouin Itheta, General Coordinator of SAESSCAM, along with newer diamond cooperatives in Mbuji-Mayi and Kisangani.

SAESSCAM has also become embroiled in a dispute with the powerful governor of Kasai-oriental. According to SAESSCAM in Mbuji-Mayi,

Armed and ununiformed "police" run a protection racket in the diamond fields of DRC.



Governor Alphonse Ngoyi Kasanji has banned SAESSCAM from engaging in any further work in his province. Before his election as governor in 2007, Kasanji was one of the province's most successful diamond dealers. The governor's legal advisor, Maitre Hanania Mutombo Ndambuyi, denies any commercial motivation – and the ban itself. SAESSCAM has complete freedom to work anywhere in the province, according to Ndambuyi, provided it remains within its mandate to work with artisanal producers. The governor's objections were to SAESSCAM's attempts to move higher up the diamond chain and begin working with diamond traders and buyers. Whatever the facts, SAESSCAM has now ceased nearly all activity in Kasai-oriental – one of DRC's key diamond provinces.

The Police, the Army, the Miners, the Money

In the vacuum left by SAESSCAM's failure, other authorities have moved to assert control of the diamond fields; some are benign, others less so. Traditional chiefs and traditional systems of land tenure have long governed who can dig and who profits in the Congolese countryside. More recently, some elements of the country's security forces appear to have moved in on mining operations.

The government should require the army to protect MIBA instead of robbing its tormentors.

At many of the larger artisanal digs visited by the *Annual Review*, both in the Mbuji-Mayi area and in the environs of Tshikapa, there were usually two or three young men armed with assault rifles (normally Kalashnikovs) but lacking either uniforms or identification. The men invariably claimed they were police, there to provide protection for the miners. This was not, however, a free service. The men with guns were extracting payment from the miners in return for protection. At the large, unmechanized sites, the fee was 20% of production. At three mechanized semi-industrial operations, the quota was 5% of production.

It is true that Congolese diamond fields can be dangerous places. However, nowhere in the DRC legal code is there any provision allowing the police to extort funds from the miners they are supposedly protecting. The only place seemingly free of police 'protection' is the MIBA polygon, and that is surrounded by a cordon of soldiers from the FARDC who extort 100 Congolese francs (about US 25¢) from illicit creuseurs as they pass through the cordon each night on their way into the concession. This money, too, is shared up through the ranks.

The likelihood is that a large segment of the country's artisanal miners are involuntarily sharing a significant percentage of their diamond earnings with police, military and paramilitary forces that may or may not be under the control of the central government. In case it needs emphasizing, this is not very different from the situations that prevailed in Angola and the

Table 4. The World's Top Diamond Producing Countries in 2007
(by volume)

Country	Carats	% of World Total
Russian Federation	38,291,200	23%
Botswana	33,638,000	20%
Democratic Republic of the Congo	28,452,469	17%
Australia	18,538,645	11%
Canada	17,007,850	10%
Other	32,041,588	19%
Total	168,198,857	100%

Source: Kimberley Process Statistical Data Base.

Table 5. The World's Top Diamond Producing Countries in 2007
(by value)

Country	Value US\$	% of World Total
Botswana	\$2,960,144,000	24%
Russia	\$2,625,100,500	22%
Canada	\$1,657,014,734	14%
South Africa	\$1,417,331,400	12%
Angola	\$1,271,955,353	11%
Other	\$2,013,076,706	17%
Total	\$12,106,550,822	100%

Source: Kimberley Process Statistical Data Base.

Table 6. The World's Top Diamond Importing Countries in 2007
(by value)

Country	Value US\$	% of World Total
European Community	\$14,426,509,817	36%
India	\$9,664,344,752	24%
Israel	\$5,858,193,455	15%
People's Republic of China	\$2,230,128,415	6%
South Africa	\$2,113,894,527	5%
Other	\$5,779,209,766	14%
Total	\$40,072,280,734	100%

Note: Imports appear to exceed global production figures by a factor of more than three because rough diamonds imported to the EC, for example, are re-exported to other countries. There is, therefore, significant double counting. These figures are mainly indicative of the level of commercial interest a country has in rough diamonds. Source: Kimberley Process Statistical Data Base

DRC during their respective civil wars. The DRC may have returned to something approaching peace, but even in peaceful Kasai-oriental, something very close to the funding mechanism for conflict diamonds remains firmly in place.

From a peace and security perspective, this is not a good thing. From a development perspective, it isn't much better. Miners are being forced to give up a significant percentage of their income for a service – security – that the government should provide free of charge, as part of its basic duty to its own citizenry.

DRC Recommendations

The Government of the DRC should:

1. Ensure that units of the national police cease extorting money from artisanal diamond miners.
2. Regarding army extortion around the MIBA mine site, there are no easy solutions. The most reasonable and obvious recommendation is that the government should require the army to protect MIBA instead of robbing its tormentors. If it cannot do that much, then the army should be withdrawn and MIBA thrown to the wind. That way, at least hardworking miners and their families will not have to subsidize the Congolese army and its penchant for extortion.
3. Consider a shake-up in the management of SAESSCAM.
4. Intervene to reconcile the dispute between SAESSCAM and the governor of Kasai-oriental

The Ministry of Mines should:

1. Re-start the process of registering artisanal diggers. The ministry should lower the annual registration fee to something more affordable. The ministry should also look for civil society partners with a track record of working with diggers.
2. In cooperation with CAMI, develop techniques for mapping and estimating the productivity of the country's artisanal dig sites.
3. Begin enforcing the requirement for registered diamond traders to keep and regularly submit transaction records. The min-

istry should further develop procedures to collate and computerize this data.

4. Develop and implement a plan to ensure that even low-level diamond traders are registered. (This could involve developing a second class of license for small field traders to distinguish small and larger traders).
5. Begin a dialogue with civil society, artisanal diggers and local authorities regarding reforms to the mining code to better reflect the needs of the artisanal sector. Reforms should include a procedure for registering a claim or title to an artisanal digging area.

The Cadastre Minier should:

1. Begin mapping artisanal diamond areas. The mapping should include GPS coordinates of major artisanal dig sites, with an estimate of productivity for each (either in carats or in number of workers).

The CEEC should:

1. Hire a recognized independent valuer to provide independent valuations of all diamonds exported through the CEEC.
2. Strengthen security and surveillance systems in the CEEC. Ensure an outside agency reviews these security recordings at regular intervals.
3. Begin to buy and sell small quantities of DRC rough on the international market, as a way of accurately determining world prices (the DRC authorities could consult Sodiam in Angola on their experience.)

SAESSCAM should:

1. Refocus existing programs geared towards formalizing artisanal miners. SAESSCAM must provide benefits to artisanal producers, leaving revenue generation from diggers for later, when more of the sector is formalized. As this will require greater operating funds, SAESSCAM should begin actively soliciting assistance from outside donors.
2. Prepare and publish an annual report on its activities, complete with budget information on monies received and spent.

The KP should:

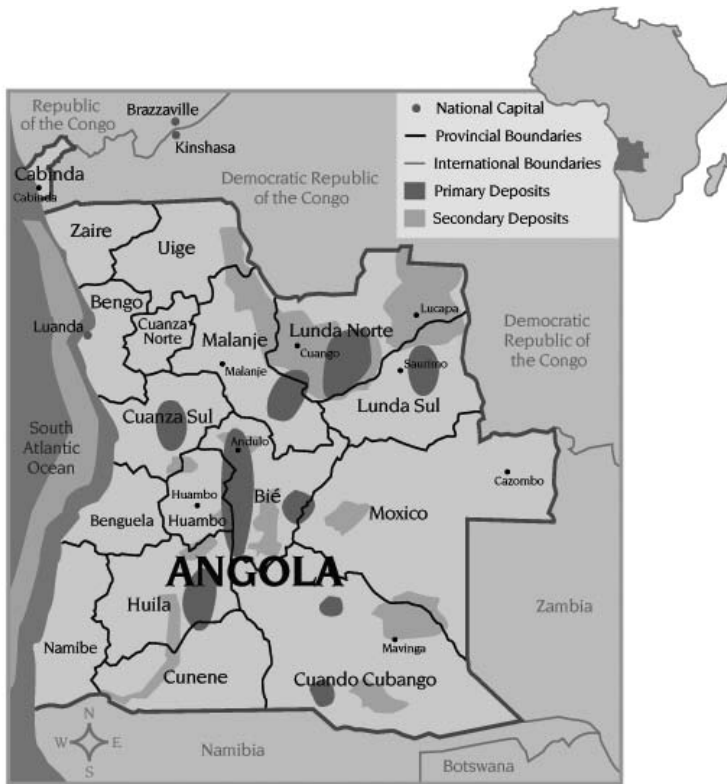
1. Institute a system of follow-up on the recommendations made during Review Visits. Review Visit recommendations for each participant should be re-tabled at plenary and intersessional meetings of Monitoring Working Group. Participants should be required to report every six months on progress.

International Civil Society should:

1. Form or deepen partnerships with DRC NGOs working with artisanal producers.
2. Press outside funding agencies to partner with DRC civil society or government entities working to formalize the country's artisanal diamond sector, bearing in mind the diamond sector's important role in the peace and security of the country.

ANGOLA

Diamond Production



Angola’s diamond production continues apace, in the industrial sector (both alluvial and kimberlite mines – what Endiama used to call formal production) and the artisanal sector (previously known as the informal sector). The production figures for 2005-2007 are provided in Table 7.

Growing kimberlite production and re-investment in alluvial projects has increased industrial production from 5.8 million carats in 2005 to close to 8.6 million carats in 2007, a growth of nearly 47%. In 2007, industrial production represented fully 89% of Angola’s total.

Artisanal production, meanwhile – despite the ongoing expulsion of artisanal miners or *garimpeiros* by Angolan police and army – has remained steady at around 1.1 million carats per year. Although artisanal production now represents just 11% of the Angolan total by volume, the vastly higher quality of artisanally-produced stones – averaging US\$305/ct as opposed to US\$109/ct for industrially produced diamonds – means that artisanal production carried much greater weight in accounts of production by value. Here, artisanal production accounted for 26% of total Angolan diamond revenues for 2007, or just over US\$336 million in total.

Despite its strong performance and its significant economic contribution, the artisanal sector is still seen as an unwanted aberration by Angolan authorities. A high level government committee known by the acronym CIPRED (see *CIPRED*, page 12) has spent much of the past year studying ways and means of drastically curtailing artisanal sector activity.

This would clearly result in a major reduction in national output – as much as 26% if all artisanal mining were to stop. Angolan officials talk of replacing artisanal diggers with formal industrial projects, but these take years of planning, which can’t even begin until the expulsion process is complete.

The practice of giving away percentages of these joint ventures to politically connected Angolan companies continues.

If the Angola government is truly serious about this endeavour, and if it actually succeeds this time (previous large scale mobilizations of police, army and security services failed to even dent artisanal production) then the industry should anticipate a multi-year decline in Angolan diamond revenue – as much as US\$300 million per year.

Table 7: Diamond Production in Angola 2005-2007

Production by Volume 2005-2007

		2005	2006	2007
Industrial	cts	5,866,461	8,267,340	8,599,511
	% of Total	83%	88%	89%
Artisanal	cts	1,226,805	1,180,038	1,102,198
	% of Total	17%	12%	11%
Total		7,093,266	9,447,378	9,701,709

Production by Value 2005-2007

		2005	2006	2007
Industrial	US\$	\$ 722,657,350	\$ 879,998,946	\$ 935,841,365
	\$/ct	\$ 123.18	\$ 106.44	\$ 108.82
	% of Total	66%	73%	74%
Artisanal	US\$	\$ 366,513,606	\$ 329,453,742	\$ 336,113,989
	\$/ct	\$ 298.75	\$ 279.19	\$ 304.95
	% of Total	34%	27%	26%
Total	US\$	\$ 1,089,170,956	\$ 1,209,452,688	\$ 1,271,955,354
	\$/ct	\$ 153.55	\$ 128.02	\$ 131.11

Source: Endiama

New Joint Ventures: More for Insiders, Less for the Public

Investment and research activity continues apace in the Angolan diamond fields, with no apparent shortage of foreign companies looking to invest in joint ventures. In the period from April 2007 to April 2008, some 20 new joint ventures were signed and formalized, representing total foreign investment of just over US\$100 million.

The practice of giving away percentages of these joint ventures to politically connected Angolan companies continues. By contract, these companies provide nothing, in return for which they are gifted with a significant percentage of a diamond joint venture. The 2007 *Annual Review* highlighted this practice for the first time, and included a detailed analysis of the cost to Angola's citizens. For just one company, Lumanhe, the price tag reaches hundreds of millions of dollars.

The percentages given away to insiders seem to be growing. In previous years, the percentage was held to between 10% and 15% of a joint venture. For the 20 contracts signed between April 2007 and April 2008, the insiders' percentage has grown to between 25% and 40% of the overall project.

The increase has not been at the expense of the foreign companies, which have held the line at around 35-45% of the joint venture. Instead, the insider's share is coming from the portion previously allotted to the government diamond company Endiama. Where Endiama previously held an outright majority, or at the very least the largest single parcel of shares, in recent contracts Endiama has seen its percentage reduced to lows of 28%, 26%, and in one case only 13%. As the Angolan diamond industry matures, the public seems to be earning less and less, and connected political insiders ever more.

Engaging Civil Society

The 2007 *Angola Annual Review* noted a number of shortcomings in the country's alluvial diamond sector, including a porous system of KP controls, an absence of environmental management, and a questionable commitment to human rights. In response to these criticisms, the Angolan government proposed a meeting between civil society and the organs of the Angolan government responsible for managing the country's diamond industry.

As a basis for discussion, Partnership Africa Canada proposed five topics:

1. Developing credible Kimberley Process controls for the informal sector;
2. Working towards legalizing the informal sector of artisanal miners;
3. Creating transparency for Angola's diamond institutions through the regular publication of statistics and reports;
4. Fostering dialogue about the diamond sector between the Angolan government and Angolan civil society; and

5. Beginning a process of environmental remediation and mitigation for both the formal and informal sectors.

The Angolan authorities accepted this proposal, and a week-long working visit, which included representatives of PAC, the Diamond Development Initiative and the Foundation for Environmental Security and Sustainability, took place in late May, 2008. Angolan civil society organizations were included in the meetings.

The invitation seemed like a promising sign that the Angolan government was beginning to see the benefits of engaging its critics. However, the visit was disappointing for the NGOs. A field visit to the producing provinces, proposed by the civil society team and accepted by the Angolans was cancelled with little explanation. And the authorities attempted to disqualify the participation of some of the Angolan civil society organizations.

The agenda called for the civil society team to visit most of the agencies charged with administering Angola's diamond sector, a welcome chance to see the Angolan system up close. Discussions were held with the Ministry of Mines, Endiama, Sodiam, Customs, the Corpo de Seguranca de Diamantes, and the National Police. It became clear, however, that substantive discussions were not really on the menu. Serious discussion about improving the current system was something for which the agencies were either not prepared, or not very interested.

The problem appeared to stem from the fact that a high-powered government commission called CIPRED (see page 12) had very recently been through the various diamond institutions on a fact finding mission. The understanding among officials was that CIPRED had already considered many of the concerns raised by civil society, and would soon be issuing recommendations that would in turn very likely be transformed into new legislation. The CIPRED report, however, remained – and continues to remain at the time of our publication – confidential.

While unseen, the CIPRED report's presence loomed over the visit. The attitude among Angolan managers seemed to be that, pending whatever changes might be mandated by CIPRED, further discussions with civil society were somewhat pointless. A notable exception was that of the police and security services, where the lack of any desire for discussion stemmed from a conviction that nothing was amiss in their comportment, despite the damage they continue to inflict on Angola's reputation in the wider world.

Not all the consultations proved disheartening. On the topic of creating greater transparency for Angola's diamond institutions through the regular publication of statistics and reports, both the government diamond company Endiama, and its charitable arm Fundação Brilhante agreed with the need to issue timely, accurate and detailed reports.

The principle hardly needs debating. Endiama is a state corporation, the public trustee of the nation's diamond wealth. Endiama officials seemed to agree. Indeed, Endiama went one further, claiming that a full suite of production and financial returns was already at the printers, and only a technical glitch had prevented its publication in time for the visit.

Fundação Brilhante, though less advanced in its planning, expressed a similar desire to bring its accounting and public reporting procedures up to the international standards of a publicly funded charitable foundation.

Encouraging as this sounds, the 2007 *Annual Review* noted that Endiama was claiming then that a comprehensive statistical profile of the company would be available within a matter of months. It never appeared. Nor, in the months since the May 2008 visit has the apparent printer's glitch been cleared up. Responsible, open reporting remains an unfulfilled promise.

In the environmental arena, the visiting team was informed that Endiama had expanded its environmental division, hiring some ten new environmental specialists. As well, in late 2007, an environmental workshop was held in Dundo, Lunda Norte, with Endiama, the Ministry of Geology and Mines and most of the companies involved in diamond mining joint ventures. This looks like an encouraging start, but in the most recent 2008 joint venture agreements, the clauses covering environmental management remain the same highly-generalized statements of principle as in the past. The civil society team pointed out to officials that their focus on the physical aspects of environmental impact tends to ignore the more critical human aspects.

As for the other three points raised by PAC, Angola's Kimberley Process controls for the informal artisanal sector remain as ineffective and open to abuse as ever; artisanal mining remains an illegal and highly dangerous activity (see *The Killing of Belito Mendes*, page 13), with artisanal miners subject to exploitation and violence, chiefly at the hands of the Angolan National Police (see *Murder, Pillage and Rape*, page 13). Angolan authorities show little inclination to begin a dialogue with Angolan civil society on these and other issues.

Deeds, not words, are the coin in which reform is measured. The *Annual Review* can only hope that should the opportunity for discussions again arise, Angolan authorities will offer the hard currency of accomplishments, and not just words and vague intentions.

CIPRED: Uncertainty Remains

In July 2007, Angola's president established CIPRED,⁵ a high-level inter-ministerial committee charged with creating a complete inventory of the country's artisanal diamond mining areas. The committee was further charged with developing plans for expelling *garimpeiros*, repatriating foreign nationals found in the diamond zones, and strengthening control of Angola's borders.

CIPRED membership comprised senior officials in most of the top-line ministries; the army adjunct-chief-of-staff; the attorney general, the head of the police investigation service (DNIC), Sodiam, Endiama, the Diamond Security Corps (CSD) and the SME (foreigner and migration police), as well as the president's Economic Advisor.

The committee was also to look into ways of re-integrating former miners, possibly through the creation of cooperatives for agriculture and arts and crafts. Finally, the committee was tasked with creating a pilot project for regulating artisanal production, first by demarcating areas for artisanal exploitation, and then by establishing a phased-in registration process for artisanal miners. The committee was instructed to work closely with a specialist technical committee on mining legislation, a sign that CIPRED's recommendations would be translated quickly into law.

Taking up a recommendation made in the 2007 *Annual Review*, CIPRED opted to study how artisanal miners are licensed and managed in other countries, sending delegations of CIPRED members on field trips to Liberia and Brazil. What CIPRED has recommended remains, however, months later, behind closed doors.

Problems with Angola's Kimberley Process Controls

There are serious problems with Angola's system of internal controls on diamond flows, in particular the controls that are supposed to – but do not – track the flows of diamonds in the informal sector. These problems remain exactly as they were when first identified in the report of the

Table 8. African Diamond Producers in 2007
(by value)

Country	Value US\$	% of World Total
Botswana	\$2,960,144,000	24.5%
South Africa	\$1,417,331,400	11.7%
Angola	\$1,271,955,353	10.5%
Namibia	\$748,052,673	6.2%
Democratic Republic of the Congo	\$609,833,233	5.0%
Lesotho	\$164,073,484	1.4%
Sierra Leone	\$141,565,685	1.17%
Central African Republic	\$59,857,870	0.5%
Guinea	\$50,197,581	0.41%
Tanzania	\$28,496,515	0.24%
Ghana	\$27,863,557	0.23%
Zimbabwe	\$23,377,870	0.2%
Liberia	\$2,657,541	0.02%
Togo	\$1,242,952	0.01%
Total	\$7,506,649,714	62.08%

Source: Kimberley Process Statistical Data Base.

Kimberley Process Review Team in 2005, and as noted and re-identified in the 2007 *Annual Review*.

The 2005 KP Review made a series of recommendations for reforming Angola's controls in the informal artisanal sector. The 2007 *Annual Review* noted that two years later nothing had been done to address these concerns, and reiterated the need for Angola to take action. So far, Angola has not done so.

The 2005 Kimberley Process Review Team made the following recommendations:

1. Angola should submit to the Kimberley Process a comprehensive report on internal controls in the artisanal alluvial mining sector;
2. Angola should ensure that diamond-buying offices purchase rough diamonds only from individuals with credentials, and that all records of transactions are kept regularly, including the provenance of diamonds;
3. Angola is called upon to invite a follow-up review visit in due course and provide access to artisanal alluvial diamond producing areas to ensure compliance with the established control mechanisms in that sector.

Murder, Pillage and Rape: Standard Operating Procedure?

The 2007 *Annual Review* lauded the fact that Angolan authorities had moved to curb the excesses committed by private security companies in the diamond producing provinces, particularly the Lundas, and to replace those companies with the regular Angola National Police. As the *Annual Review* noted, "The next challenge facing Angolan authorities will be bringing public accountability to the Angolan National Police."

The cases presented below show how far the Angolan National Police is from becoming the responsible, disciplined institution one expects of a nation based on the rule of law. It also shows how dangerous it is to be a miner, even if you're Angolan; even if you've served your country as a soldier.

Police Accountability – The Killing of Belito Mendes

On Saturday, May 12, 2007 around 9pm, three *garimpeiros* attempting to cross the bridge at Pone were stopped at the police checkpoint known as Ponte Zero. The three paid the 400 kwanzas (US\$5) bribe that is the accepted toll for *garimpeiros* crossing the bridge. Notwithstanding this *gasosa*, the police detail searched the three men, looking for diamonds. They found none, but on 28 year-old Belito Mendes they found a small amount of money, 1400 kwanzas (US\$17.50) in total. The police officer in charge – a sub-lieutenant with three stars on his shoulder boards – demanded that Mendes hand the money over. Mendes refused. The officer smacked Mendes twice across the face. Mendes still refused.

"I'm Angolan" he reportedly said. "I was in the army. What right do you have to hit me?" The police forced Mendes to 'kiss the ground' and told his two companions – Develino Fernando and Bebush Dizal – to move along. As the two hurriedly left the scene they could see the police beating Mendes with truncheons

Deeds, not words, are the coin in which reform is measured.

The two crossed the bridge and continued to the village of Pone about two kilometres away, where they stopped to await their companion. Some 15 minutes later a Hilux pickup truck arrived with Mendes in the back, badly beaten, semi-conscious, blood dripping from his ears and mouth. His companions rushed him to Cafunfo hospital, where he died of his injuries. He left a wife and two young children.

That same evening his companions proceeded to Cafunfo police station to lodge a complaint. A detachment was sent to the bridge, and the officer in charge of the Ponte Zero checkpoint was brought back to Cafunfo.

The *Annual Review* arrived in Cafunfo a few days after this incident, and recorded these details directly from the two eye witnesses. The *Annual Review* then worked to confirm the details, and to determine what action the authorities had taken. At Cafunfo hospital, the attending physician confirmed that Mendes had been brought to the hospital, had arrived badly beaten but alive, and had died some minutes later of blunt force trauma to the head and thorax.

At the Cafunfo police station, an officer of the investigation department confirmed that some of his men had gone to the bridge and brought the policemen stationed there back to Cafunfo. These men had subsequently been transferred back to their home department in Xa-Muteba, some 100 kilometres away. The officer to whom we spoke refused to confirm whether any charges had been laid, to confirm the names of the officers involved, or indeed to confirm even his own name. When contacted by the *Annual Review*, the police station in Xa-Muteba similarly refused to answer any questions concerning the incident.

Mendes' widow received no further news regarding her husband's killers. When interviewed by the *Annual Review*, her only hope was for some compensation from the police to help pay Mendes' funeral expenses. That too, was not forthcoming.

Such incidents are hardly the exception in the diamond-bearing provinces of Lunda Norte and Lunda Sul. During a discussion with the *Annual Review* of police conduct during Operation Brillhante – the large-scale expulsion of Congolese and other foreign miners from Angola – Angolan National Police General Paulo Gaspar de Almeida was asked about discipline procedures for incidents where officers might have used excessive force.

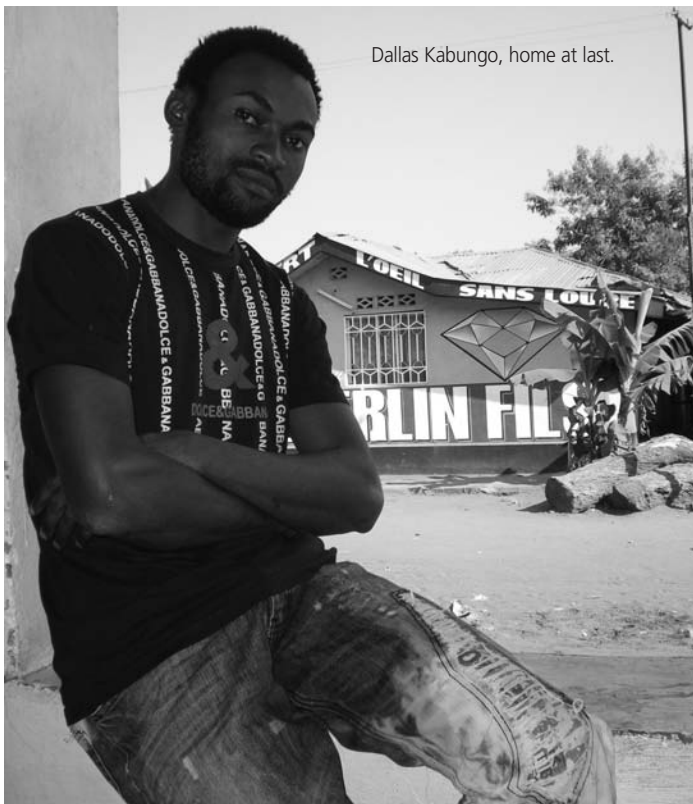
"We have a law of discipline and a code of discipline," the general said. "All those who violate the code are disciplined according to this law."

General de Almeida was not forthcoming with details, specifics, or actual cases.

The death of Belito Mendes shows how far the general's theory is from reality in the field. Far from aggressively pursuing and punishing those officers who abuse their authority, the Angola National Police Force acts quickly to cover up wrongdoing, and uses intimidation to discourage further inquiries. This incident was perpetrated against an Angolan citizen, a veteran of the Angolan armed forces. The treatment meted out to foreign nationals, with no legal status or recourse, can be much worse.

Congolese Expulsions Continue

The road north from the Congolese border town of Kamoko barely merits the name; a narrow rutted track, impassable save by toughest 4x4, clogged in early June this year by a tired stream of people flooding north from Angola. It was here that the *Annual Review* encountered 28-year-old Dallas Kabungo.



Dallas Kabungo, home at last.

He had no money, few clothes, and nothing but flip-flops on his feet. He had no idea where to find his wife and child. He'd been walking that road, and others like it on the Angolan side of the border, for over five days, since the night the Angolan police and army surrounded his encampment at Tchiamba, near the town of Lucapa in Lunda Norte. They began by firing shots in the air. Everyone was rounded up, and those without Angolan papers were searched down to their underwear. Anything of value was confiscated. Kabungo lost his spare clothes, a radio, and US\$600. "You came to this country with nothing," the soldiers told him, "you will leave with nothing."

Those who resisted the search were beaten, or whipped with belts.

The *Annual Review* met and interviewed two dozen artisanal diamond miners like Dallas Kabungo over a two-day period on the borderlands. Their stories varied only in the names of the mining camps where they had been apprehended and evicted – some came from Ferme Tshikapa,⁶ others from Dundo, or Luchilo, or Saurimo, Tchiamba, or Lucapa – and in their tallies of the money and goods taken from them.

Jean Kabasubabo had US\$250 taken, his life savings. Norbert Kiba lost a radio, three carats worth of diamonds and his house when the police knocked it down. Dilando Ilunga lost his shoes, clothes, radio and a bundled roll of US\$200. Adam Kabasele had US\$400 seized. Mutumbo Mayen lost US\$450, 'stolen', he says 'by the police'. After they were robbed, the miners were set out on the road and told to walk back to DRC.

According to Congolese immigration officials, close to 30,000 refugees crossed over the border in the final weeks of May and first weeks of June, 2008. Evidence for this comes not just from Congolese officials and these two dozen *Annual Review* refugee interviews, but from reports carried by the BBC and other media, and from numerous human rights organizations including Médecins sans Frontières.⁷ The evidence suggests that the treatment received by Kabungo and the other Congolese refugees is standard operating procedure.

Such behaviour is a violation of international human rights norms, and contravenes international and regional agreements to which Angola is a signatory. In response, senior Angolan police officials have stated that all *garimpeiros* are breaking the law, that Congolese miners are in Angola illegally, and that harsh measures are required to deal with their destabilizing 'invasion'.

While it is certainly true that Angolan law enforcement has the right to apprehend and expel those in the country illegally, there is nothing in Angolan domestic law that gives police the authority to kill artisanal miners who refuse to pay bribes, or to engage in widespread looting and pillage as part of the expulsion process.

Angolan authorities, of course, deny that any of these well-documented abuses have ever taken place. Angolan National Police General Paulo Gaspar de Almeida told the *Annual Review*, "We believe there is a political motivation behind these reports, but we can't comment on what that is."

Meanwhile, after waiting a week in the Congolese border town of Kamoko, Dallas Kabungo was finally re-united with his wife, Chantal, and their three year-old daughter. Soldiers had arrived at the house in Lucapa that Kabungo had bought for her with his diamond earnings. They looted the furniture, took her radio and money, and set her on the road north. It had taken her days of walking in the heat and dust to reach the border.

Their reunion was a bittersweet affair. Kabungo learned that his wife, coming over the border crossing at Myanda, had been raped repeatedly by Angolan border guards. Among his Baluba tribe, he said, it's believed that if a woman engages in adultery, her children soon fall sick and die. He's not sure if the curse works when the woman has been raped.

SIERRA LEONE

The Hopes of a New Government: Can it Deliver?

For ten years, Sierra Leone was a muddle of instability and war, due largely to the quest for its diamonds. With that war over, a model is what the new government and its international partners say they want to become. With six years since the war ended, the clock is ticking fast, but progress is not.

The government, which came to power in September 2007, is to review the licenses of all mining companies in December this year. The new Minister of Mineral Resources, Alhaji Abubakarr Jalloh, says some of the existing companies were awarded contracts "in a manner that left so much to be desired". He says that his government's emphasis will be on "linking mineral resource development with infrastructural growth so as to avoid the mistakes of the past".

Those mistakes included laws that were seen by many not to be in the interest of Sierra Leoneans, especially those living in mining areas. Kono is the country's bedrock of diamonds. But "its poverty level is scandalously high" says journalist James Tamba Lebbie, who hails from the district. He laments the poor state of the roads, schools and health facilities, which are "the worst in the country".

It is feelings like this that fuelled riots in Kono District in December last year, by affected property owners and locals demonstrating against the country's largest diamond miner, Koidu Holdings. The protests, which left two civilians dead, were aimed at forcing the company to stop its kimberlite blasting which people say causes danger and sleepless nights. Property owners also wanted to be relocated from the neighbourhood because their homes were being damaged, an allegation the company denies. That notwithstanding, the company started relocating property owners even before the riots, albeit slowly and, in the eyes of those affected, inadequately.

Following the bloody demonstration, the company's activity was suspended for nearly six months while a five-member panel looked into the issues. The panel, headed by lawyer Jenkins Johnston, made far-reaching recommendations, all of which were approved by the government in a subsequent White Paper. The recommendations call for an "urgent" amendment of the Mines and Minerals Act of 1994 which stripped local authorities of their ownership of minerals. Referring to this as "a long standing injustice", the panel thinks this has caused "resentment and discontent" among people in mining communities, leading to the events of last December. That recommendation was not accepted by the White Paper; rather it was referred to a Presidential Task Force that is currently reviewing all current licenses.

The report imposes some restrictions on KHL restricting its blasting within a certain radius. The ban on the company was lifted immediately following a meeting between President Ernest Bai Koroma and the sole shareholder of the company, Israeli businessman, Beny Steinmetz. A coalition of national and international NGOs denounced the move. The National Advocacy

Coalition on the Extractives referred to it as a "mysterious u-turn" on the issue and an "embarrassment" to Sierra Leoneans. They argue that the ban should be lifted only after the review of all mining licences which, according to Ministry of Mines officials, should soon be complete.

DFID policy advisor Luqman Ahmad says the review will "right a lot of wrongs" and serve both the interest of the people and the companies. He warns, however, that when the review does begin, transparency will be needed, with "secret deals not replaced by secret deals". He admits there is corruption in the mines, adding that the investment climate cannot be referred to as "great and good." If and when the review happens, it will be spearheaded by a task force whose composition, according to Cecelia Mattia, a mining activist, "is as unknown as its terms of reference are suspect".

Following the bloody demonstration, the company's activity was suspended for nearly six months.

A review of mining licenses is particularly welcomed because Sierra Leone should soon be joining the Extractive Industries Transparency Initiative (EITI). Luqman believes this is "a good thing for government, rooted in a fundamentally sound process." Despite, or perhaps because of the fact that the EITI will open the books of both companies and government, threatening to curtail corruption, the Minister of Mines says no one has yet been identified to lead the process. Abu Bakarr Jalloh also believes the process should be redefined. In particular, he is concerned that companies will import machines and other tools, and inflate their prices with middle-man companies, simply transferring prices and doing the country no good. He worries that some companies will "hide under the cloak of the EITI, acquire licenses and use the resources to go to the stock exchange to raise money but their real interests will be elsewhere."

The minister himself agrees there is corruption in the mining sector. He blames police and customs officials saying "they are all guilty". He wants them to do more, adding that an anti-smuggling campaign will soon be launched.

Mining remains the priority in Sierra Leone with other areas getting little attention, especially from investors. Minister Jalloh, however, says that his government plans to embark on a "policy to de-emphasise mining". There is so far little sign of that, with agriculture getting a little over 1% of the annual budget.

To enhance his government's efficiency and determination, Jalloh says, there are likely to be changes at the top in the ministry. He believes such changes will strengthen the struggle against "such vices as smuggling across our porous borders and the appointment of governing party stalwarts", but he agrees that funding is a problem in realizing some of the government's objectives. If he has his way, mining companies will very soon start to do their secondary processing in the country, but this will require some policy changes.

To achieve that and other aspirations of the new government, the country's Law Reform Commission has drafted a series of amendments to the existing Mining Policy which it hopes will serve the interest of Sierra Leoneans. The draft is yet to be publicised but civil society leaders are already critical of it, and are demanding changes before it reaches parliament.

It is hoped that the new policy will help end the paradox of a country endowed with huge mineral deposits, but one that remains at the bottom of the UN Development Index. The new government has a lot of work ahead of it if it expects to turn things around.

MINING OR SLAVERY?

Mohamed Sheriff is between 25 and 27 years old. He hails from the north of Sierra Leone and came to the eastern town of Tongo Fields some six years ago in search of a quick fortune in the diamond mines. Sitting in the sun eating groundnuts, a hungry-looking Sheriff recounts how much he regrets every day of those years, years which he now realizes might have been spent in the classroom had his parents been able to afford it. As his explanation becomes more emotive, he uses his mud-covered undershirt to wipe away tears. Sheriff is one of tens of thousands of diggers who end up being eaten by the mines where – ironically – they had hoped to hit it big and change their lives.

Eastern Sierra Leone was source of the 969-carat Star of Sierra Leone, the third largest diamond of all time. And yet inhabitants of the area see it the most neglected part of the country. Miners say that Tongo Fields is “a slave field” in all but name. Many believe the country has little or nothing to show for its huge mineral resources – among them rutile, iron ore and the all-too-familiar gemstone. The eastern part of the country, however, has endured long decades of deprivation and near collapse. Tongo, rich in diamonds, is poor in almost every other thing.

What was once forest and farmland is now a vast stretch of lakes – pits dug in search of diamonds. The roads leading to the town from the south and the north are almost impassable. “While mansions have been built in other places with resources from here, we live in squalor, with the basics being anything but basic,” laments Emmanuel Murray, a digger who is also a native of the town. A local chief, Joseph Samuka, watching over his dig-

gers and fearing that they may spring a fast one on him, says there is hardly any functional medical facility in the town of 30,000 inhabitants. “This must change now,” he says. The point is underscored by Mary Turay, a mines and gender activist in the town who says this “poor state of affairs has left pregnant women giving birth on motorbikes” as they are taken to the nearest hospital at Panguma, miles away.

The Diamond Area Community Development Fund (DACDF) was supposed to plough diamond tax money back into the development of the community. The fund comprises one quarter of the 3% diamond export royalty, returned to the community a diamond comes from. At least in theory. The Chairman of the Lower Bambara Chiefdom Mining Committee, James Bockarie Farmar, points to his office and says it was built thanks to the DACDF. But many others in the town dismiss the fund, saying that diamonds are little more than a curse.

Digger David Thullah laments his many colleagues who have died of cold or cold-related illnesses “because their masters failed to care for them”. “Master” is the term given to a digger's direct sponsor. Thullah says his seven year stay at the mines has brought him nothing but regrets. He says they are given Le 1,500 (about 50 cents US) to eat during the day, but some days are spent without any food at all. Despite the reduced circumstances under which they live, diggers say they get less than 10% of the value of a diamond when one is found. If they refuse to accept the “inhuman price” as they call it, the master will sell it openly at an undervalued price, paying one third to the diggers and

taking two thirds for himself. Later he will quietly collect the rest of the gem's real value from the buyer.

Diggers say they sleep on the bare floor in crowded, leaky rooms. Others sleep in market stalls. This has led some of them to set up what is known as *gado*, a gang of miners who fund themselves and sell to whomever they want, at whatever price pleases them. Mustapha Kanu is one such miner. He calls the masters “inhuman”. But with times biting so hard in Tongo, 24-year-old Mustapha says it is tough to look after themselves when businessmen “use us as slaves”.

For some, there is a third “option” known as *jagaja*. Here diggers are paid Le 5,000 a day (less than US\$2) to mine for someone. This is their payment even if they find US\$1 million worth of diamonds. Such is the level of poverty that some have come to accept this option simply in order to eat.

The masters have their own tale. They blame diggers for “dishonesty”. They say diggers steal diamonds. They also say that artisanal mining does not produce many gems, and so the turnover is slow and the profits are small. They say they spend a lot on the diggers before fortune smiles.

Sheriff, who picks up his groundnuts again, takes aim at the hard life in the mines. “Artisanal mining in Tongo is one of the most wasteful enterprises of our time,” he says, adding that this has been the toughest time in his life. He cannot wait for the day he can return to his home in the north, with something else to do. But most diggers, it seems, are resigned to their fate.

New Kids on the Mining Block

Sierra Leone may be known mostly for diamonds, but it sits on one the world's largest deposits of rutile – titanium oxide, a brilliant white pigment used in paints, plastics, paper and foods. Sierra Leone also has a great deal of bauxite. However, newspaper headlines in Sierra Leone today are dominated by stories about two new mining companies – this time exploring for iron ore.

African Minerals Ltd. is one of them, and it comes with baggage. It began as a Canadian company, African Diamond Holdings, premised on the idea that the true source of Sierra Leone's diamonds has not yet been discovered. After the war the company undertook an extensive aeromagnetic geological survey of large parts of Sierra Leone, in the process attracting new investors and a new name – Sierra Leone Diamond Mining Co. Ltd. – and graduating from Canada to the AIM London Stock Exchange.

For Musa Alie Bangura, company Logistics Manager and spokesman, the name change makes sense. The reconnaissance flights and exploration proved that there is a huge iron ore deposit in northern Tonkolili District, he says. This is in addition to older known deposits in and around Marampa in Port Loko District. Bangura says they have shed their diamond colours for ore, and have injected hundreds of staff and labourers into Simbili and Numbara in Tonkolili in hopes of starting to mine in two or three years.

The company says it is ready to build a new railway to transport ore from the new mining sites to Peppel harbour, some 140 miles away. This is a massive project that is bound to change the area in many ways, but the company believes it is up to the task with about US\$500 million at its disposal for investment in the country. The company is also carrying out exploration in Marampa. Bangura puts a conservative start-up date there at early 2010. But another company, London Mining, is laying claim to the Marampa area, saying it also has an exploration licence.

The government's Director of Mines, Usman Boie Kamara agrees that "there is some small overlap", placing an emphasis on companies that are in Sierra Leone to stay. An official of London Mining, who would not be named, says there has been "favouritism emanating from unorthodox transactions". He says that London Mining is a credible company with international experience. "We are investing in Sierra Leone with business and the people of the country at heart," he says, giving as an example, a bridge the company built linking for the first time the seaport island of Peppel with the rest of the district. The bridge was opened recently by newly elected President Ernest Bai Koroma.

The truth is that both African Minerals and London Mining are young companies that have grown rapidly over the past 24 months, both operating at a significant loss. Whether either of them has the investment capital they advertise remains to be seen. Iron mining ended in Marampa in the mid-1980s. The rickety railway and the long-disused island port are a reminder to locals of how much the once-booming business centre has collapsed. With campaigners still struggling to ensure that diamonds provide some benefits to the people in districts where they are found, new minerals, new companies, new prospects and new problems seem not far from the horizon.

CENTRAL AFRICAN REPUBLIC

Simmering Conflict, Far from the Headlines

Elections in 2005 marked the end of a generalized conflict, following a 2003 coup d'état. Since then the Central African Republic (CAR) has slowly been recovering. Real GDP grew by 4.1 percent in 2006, compared with 1.3 percent in 2004. Private consumption and investment have picked up, along with diamond and timber exports. In fact, annual diamond production has increased by about 35% since 2004, from 350,000 carats, to approximately 470,000 carats in 2007.

The CAR is a mid-size diamond exporter, its output almost entirely produced by artisanal methods. The CAR is well known for its high proportion of gem quality production. Diamonds currently constitute the country's most important export, accounting for 40-55% of export revenues. Diamond smuggling, however, is said to be high, representing a significant loss to the country in foreign exchange and tax revenue.

Table 9. CAR Official Diamond Exports

Year	Exports		
	Volume - cts	Value - US\$	US\$ / ct
2004	349,450.60	51,592,358.80	147.64
2005	382,756.32	60,572,403.27	158.25
2006	415,526.46	59,066,866.33	142.15
2007	417,710.53	59,857,870.53	143.30

Source: Kimberley Process

The CAR is no stranger to conflict. In August there was increased violence in the country's north-east region, threatening a May 2008 ceasefire and peace accord between General Bozize's government, the Union of Democratic Forces for Unity (UFDR) and the Popular Army for the Restoration of Democracy (APRD). Increasing violence and rebel-led attacks make the Central African Republic particularly vulnerable to an outbreak of conflict diamonds.

BRAZIL

Day of the Garimpeiro

Brazil's small diamond sector has seen some positive developments since the 2006 scandal that led to the arrest of a dozen people, among them three diamond exporters and one high official from the National Department of Mineral Production (DNPM), Brazil's lead Kimberley agency. In response to the revelations of a Federal Police investigation, Brazil's KP system was shut down for six months while Ministry of Mines and DNPM officials reformed the controls on dealers and exporters, and tightened the requirements for a KP certificate.

Key elements of Brazil's new system include an Internet-based diamond transactions registry, on which all traders must record their diamond purchases and sales on a weekly basis. In processing KP certificates, the DNPM also now requires that the mineral claim from which the diamonds originate must have been inspected within the six months preceding export. Most of the frauds afflicting previous Brazilian KP certificates involved large volumes of diamonds sourced from mining claims that, while legally registered, had never produced diamonds.

These new regulations are certainly improvements. That said, the *Annual Review* has been unable to view any of these export applications, or verify that on-the-ground inspections are taking place. According to the DNPM, special permission is required to view these files, which could not be obtained by the *Annual Review* before press time. It is thus not clear how detailed these inspection reports are, or how rigorously the requirement is being followed.

Brazil's KP system was shut down for six months while Ministry of Mines and DNPM officials reformed the controls on dealers and exporters,

In another measure of progress, two of Brazil's *garimpeiro* cooperatives took part in the 2007 KP plenary in Brussels at the invitation of Partnership Africa Canada. Their attendance was part of an effort designed to broaden civil society participation in the KP. Lauded by the KP chair Karel Kovanda in his final address, their participation evidently also impressed Brazilian authorities. Upon their return to Brazil, members of the two cooperatives (plus a third who had attended the plenary on his own initiative) were invited to join the Brazilian Kimberley Process Forum, a newly formed group made up of representatives from the Ministry of Mines, DNPM, and Federal Police, along with un-indicted diamond exporters and *garimpeiro* representatives themselves.

The Brazilian government's acceptance of the *garimpeiro* role in managing the KP system is encouraging. However, it is unclear yet what the new

KP Forum will do. According to Alberto Pinho, head of COOPERGADI, the Diamantina *garimpeiros'* cooperative, the forum has held more or less monthly meetings over the past half-year, but has not yet discussed much of substance. "At the next meeting, we [*garimpeiro* leaders] are going to start demanding some results," said Pinho.

On June 6, 2008, Brazil's federal government enacted a new, long-awaited *Garimpeiro* Law. *Garimpeiro* leaders were disappointed to see that the new law does nothing to advance the promise, contained in Brazil's constitution, of giving preferential subsoil access to *garimpeiros* organized in cooperatives. However, the law does contain some improvements. For cooperatives that wish to dig in areas previously worked by mining companies, the process of transferring title from company to coop has been greatly simplified. The new law also makes it legal for *garimpeiros* or cooperatives to work in areas claimed under a research or extraction permit, provided they can obtain written permission of the claim holder. Finally, the new law declares June 21 to be Brazil's National Day of the *Garimpeiro*.

It is unclear, so far, what the new law will mean for mining operations on the Cinta Larga Indian reservation, where illicit digging continues. And Brazil has a new area to consider: the Raposa Serra do Sol Indian reserve – which covers almost one quarter of the state of Roraima – where *garimpeiro* diamond operations have recently commenced.

GUYANA

Allegations of Corruption

On paper, Guyana's system for tracking diamonds remains among the best in the world, but in practice, lax enforcement by front-line mines officers, reports of corruption among Guyana's Geology and Mines Commission (GGMC) personnel, and the determination of Guyana's diamond exporters to illegally launder large volumes of Venezuelan diamonds have combined to drag Guyana's system of internal Kimberley Process controls to the brink of meaninglessness. The system can still be salvaged, but only if Guyana's Prime Minister and Mines Commissioner take concerted and determined action.

As detailed in the 2006 PAC report *Triple Jeopardy*, Guyana's diamond controls are based on a production sheet, on which the operator of each dredge is supposed to record weekly production of diamonds. A copy of the sheet then travels with the diamonds as they are purchased by field buyers and re-sold to exporters in the capital, Georgetown.

The problems begin in the field, where dredge operators often don't have, or can't be bothered to fill out their production sheets. Mines officers are supposed to make regular inspections to ensure that working

dredges are correctly filling out their sheets, but in practice mines officers rarely visit, and when they do they are more often interested in extracting a pay-off (usually on the order of G\$50,000/US\$250). The result is that the production sheet has largely gone out of circulation in the diamond mining interior.

The separate customs service and GGMC checkpoints at Georgetown's small Ogle Airport should theoretically be able to catch diamonds coming in without production sheets, but they do not. In April this year, a diamond trader on the same plane as a PAC researcher said he paid G\$3,000 (US\$15) each to the customs officer, the GGMC inspector, and the narcotics unit inspector at Ogle, in order to ensure that no search was made for undocumented diamonds. Such payments, traders say, are standard.

At GGMC headquarters in Georgetown, however, valid, signed production sheets for every single carat of diamonds are still required in order to obtain an export permit and Kimberley Certificate. To fill this need, a thriving market in black-market sheets has sprung up, with exporters paying between 75¢ and US\$1 per carat for signed and dated production sheets. Rigorous cross checks at GGMC headquarters might be able to catch this fraud, and it appears that the GGMC has been subjecting some exporters to closer scrutiny. Allegations persist, however, that the increased rigour is directed towards those unwilling to grease the bureaucratic machinery.

To restore confidence in Guyana's KP system, authorities in Guyana must take steps to enforce the system as it was designed. The Prime Minister should confirm a permanent Mines Commissioner, and provide him or her with the government's full backing. The Mines Commissioner should hire a dozen more mines officers, and deploy them in the field with the resources to allow them to make regular inspections.

Cleaning up Ogle Airport should also be a priority. Closed circuit cameras in the Customs and GGMC inspection rooms should make the current system of casual payoffs more difficult, if not impossible. Properly implemented, these measures may not hold back the flood of Venezuelan contraband, but they would be a start.

VENEZUELA

The Impact of an Ineffectual KP

The internecine battle between Venezuela's government and its artisanal diamond miners continues. As they did earlier at La Paragua, the Venezuelan armed forces in late 2007 surrounded, invested, and forced the evacuation of the mining encampment at Chiguao (described in the PAC report *The Lost World*), this time reportedly with the loss of only one

miner's life. In January, 2008, the army general in command of Theatre of Operations 5 – also known as Bolivar State – cut off the fuel supply to seven mining cooperatives in southern Bolivar State.

Mining continues in these areas, however, especially in the environs of Santa Elena de Uairén and Icabarú, albeit with more expensive black market fuel (US\$290 per 200 litre barrel, as opposed to US\$9.5 per 200 litres for government sanctioned fuel). Little of this production has been making it into Venezuela's legitimate diamond export channels. Only 642 carats were legally declared in southern Bolivar state in March 2008, an amount a local Ministry of Mines and Basic Industry (Miban) official said represented perhaps 10% of local production. What happened even to those diamonds remains a mystery, as Venezuela has not issued any Kimberley Certificates since January, 2005.

With no legal exit, Venezuela's diamonds – perhaps some 200,000 carats per year – flow out of the country as contraband, most traversing the border of Brazil on their way to Guyana's capital of Georgetown, where exporters mix them with Guyanese diamonds, passing the mixed parcels off as legitimate domestic production. To facilitate this contraband trade, several Georgetown exporters employ mid-level buyers in Venezuela, most of whom operate openly out of a dozen street-front diamond buying offices in the border town of Santa Elena.

For all intents and purposes, Venezuela has for the past three years been operating as a diamond outlaw state. Unfortunately, in the 18 months after PAC brought the issue of Venezuela's non-compliance to the attention of the Kimberley Process, the KP was unable to bring about any meaningful change in the situation.

The volume of Venezuelan diamond production may be low by industry standards, but the impact of KP ineffectiveness is not. Government officials in several other small KP countries have understandably used the situation in Venezuela as an ad hominem response to questions about gaps in their own KP controls. Establishing a working system of internal controls requires money, personnel and political will, all of which can be in short supply in a developing country. If Venezuela can thumb its nose at the KP and suffer no consequence, why should other developing nations waste their time and effort on their own internal diamond controls?

A partial solution was offered at the June 2008 KP Intersessional Meeting in New Delhi, when Venezuela announced a two-year "separation" from the KPCS while it gets its diamond house in order. This has only confused the situation further, as some have interpreted it to mean that Venezuela can continue to import industrial diamonds as a KP participant, while being absolved of all requirements for internal and export control. The KP remained mired in ineffective diplomatic posturing.

On the ground in Venezuela, however, miners continue to dig up diamonds, and dealers continue to smuggle across international borders to Guyana, Brazil and other KP countries. That's a problem the KP hasn't solved. In fact it has barely acknowledged the problem at all.

CÔTE D'IVOIRE

The High Cost of Conflict Diamonds



Côte d'Ivoire is the only country where the phenomenon of conflict diamonds officially exists today. Despite a UN embargo on diamonds from Côte d'Ivoire since 2005, despite several Kimberley Process missions to the country and despite investigative reports by NGOs and by a UN Security Council Group of Experts that has roamed the region for more than three years, Ivorian diamonds continue to find their way onto the open market.

A mission undertaken jointly by the UN Expert Panel and the Kimberley Process in April this year, aided by aerial time-lapse photography, showed that diamonds continue to be mined in areas that remain under the control of the rebel Forces Nouvelles. The UN Expert Panel reported in April on Ivorian diamonds moving through the United Arab Emirates, and earlier an Antwerp company was indicted by a Belgian prosecutor for the illegal import of \$20 million worth of Ivorian diamonds via Ghana. In December 2007, Customs authorities in Mali seized rough diamonds said to be of Ivorian origin.

Clearly, while the arrests and seizures show that some of the controls are working, they also suggest that a larger volume of diamonds is finding its way out of Côte d'Ivoire and onto the open market. Estimates of the smuggling range between \$9 and \$23 million annually – not a lot by industry standards, but enough to buy a considerable volume of weapons and to help in sustaining a conflict that currently requires a peacekeeping force of more than 9000 with an annual budget through June 2009 of nearly half a billion dollars.

GHANA

Better Internal Controls: An Example for Others?

Two main issues have dominated Ghana's diamond sector over the past year. The first is Ghana's ongoing implementation of administrative measures to strengthen internal controls in accordance with the Kimberley Process Certification Scheme (KPCS). The need for these administrative measures followed Kimberley Process and United Nations reports in 2006 that conflict diamonds from Côte d'Ivoire were entering Ghana. The second issue relates to the halt of large-scale diamond mining by Ghana Consolidated Diamonds (GCD). After several months of unpaid staff wages and declining production, the government-run GCD suspended operations in September 2007.

Virtually all of Ghana's diamond tributors, dealers, and exporters are well aware of the need to report anyone who attempts to trade non-Ghanaian diamonds. Aside from some diggers, almost everyone in Ghana's diamond sector is aware of the KP and the collective effort required to ensure that Ivorian diamonds do not enter the country. In many ways, the government's campaign to educate all groups involved in the diamond sector has been successful so far. The Precious Minerals Marketing Company (PMMC) maintains an office in Akwatia (Ghana's principal diamond mining centre), near the town's main diamond trading area in order to process license applications, collect purchasing information from dealers, and conduct local sensitization programs and compliance spot-checks.

Other internal controls include pre-export examination and photographing of all diamond shipments by the main PMMC office in Accra. These photographs are sent to the export destination via email along with shipment information as per KPCS requirements. A preliminary exercise has issued free, numbered ID cards (containing the person's name and photograph) of approximately 3,000 diamond diggers and 100 tributors. This exercise is continuing with financial assistance from the European Union.

Although efforts to strengthen Ghana's internal controls have noble intentions, the effects have caused considerable upheaval in the country's diamond sector because of the added costs involved. This higher cost of buying and selling diamonds is magnified by the increasing cost of extracting rough diamonds. A common theme is that although the country likely has healthy diamond reserves, known sources of easily extracted diamonds are in short supply. When GCD was in operation, small-scale diggers and tributors could either mine the company's tailings or take over diamond pits that were deemed too expensive to exploit by large-scale mining methods. Tributors are also becoming increasingly reluctant to risk clearing virgin territory when they do not know what the soil may contain. The United States Geological Survey (USGS) was expected to conduct a detailed survey of several promising diamondiferous areas in

September 2008. Prompt dissemination of the survey information will be crucial in reviving the country's flagging diamond production.

Almost everyone in Ghana's diamond sector is aware of the KP and the collective effort required to ensure that Ivorian diamonds do not enter the country.

One of the main requirements under Ghana's implementation of stronger internal controls was to track and calculate diamond export *and* production figures (previously, only the former was being recorded). In 2007, Ghana produced 894,783.20 carats and exported 865,612.78 carats. Despite the closure of GCD and the rise in trade and production costs, the PMMC expects that export and production figures will remain about the same in 2008 and exceed 900,000 carats in 2009. These optimistic predictions are based on the expectation that the GCD will resume operations under private ownership and that unspecified forms of government 'encouragement' for increased activity by small-scale miners will be successful.

GUINEA

State of Confusion

As a mid-size diamond producing country with three neighbours that have suffered the ravages of conflict diamonds, Guinea should be a country that takes the issue of diamond controls and the Kimberley Process seriously. It is not clear that this is the case. Guinea's diamond areas are almost a thousand kilometres from the capital, Conakry, and government control and reporting mechanisms are understaffed and under-equipped. Systems exist, but there are gaps, and in fact there is virtually no way of tracing artisanally produced diamonds that show up at Conakry comptoirs for export. Comptoirs themselves complain of problems, notably inappropriate requests from the Brigade Anti-fraude des Matières Précieuses.

Political tensions and uncertainty abound. President Lansana Conté has appointed six different prime ministers since 2004. One ran away and four were sacked. In July a completely new structure was announced for the government's oversight of the mining and extractive sectors, but the following month there was another change. No reason was given in August for the unexpected dismissal of Mines Minister Ahmed Kante, who had launched a large-scale review of mining contracts in the world's biggest exporter of aluminium ore bauxite, and a potentially large supplier of iron ore. An army mutiny in May and a police strike in June complement general unrest in the labour sector, and contribute to a situation that could turn into the Kimberley Process's next big nightmare.

Table 10. Guinea: Official Diamond Exports

Year	Exports		
	Volume - cts	Value - US\$	US\$ / ct
2004	692,995	\$47,206,000	68.12
2005	523,774	\$55,768,000	106.48
2006	468,122	\$42,916,000	91.68
2007	1,009,732	\$50,197,000	49.71

Source: Kimberley Process

There may or may not be much cross-border diamond traffic in Guinea right now: there is little evidence one way or the other. Export volumes, however, (see Table 10) fluctuate wildly, along with per carat average prices. The reality is that few really know what is going on, least of all the Kimberley Process, which sent a review team to Guinea in August, one of the largest in its history. And yet the team's nine members spent less than half a day outside of Conakry. Not much of a "review" for a country directly bordering Côte d'Ivoire, home of the world's last officially identified conflict diamonds.

LIBERIA

Still a Long Way to Go

The government of Liberia, struggling to rebuild a shattered economy, hopes and expects to improve its revenues from the production of rough diamonds. To do this, it must meet standards set by the United Nations, the Kimberley Process and a wide cross section of donors and observers.

2008 thus presents Liberia with an opportunity, and with challenges to demonstrate good governance by supporting those who labour in the extractive sector. And the country must work toward the total lifting of sanctions by convincing the UN Security Council on December 1, 2008, through its Panel of Experts, that it no longer poses a threat to regional peace and security.

The formal diamond sector has attracted several foreign investors in recent years, including Mano River Resources, Petra Diamonds, Trans Hex, BHP, First Clearing LTD of Liberia, and Diamond Fields International. Artisanal mining, however, remains the most widespread form of diamond mining in the country. Recently, and largely as a result of advocacy campaigns by Liberian civil society, the government has come to recognize the positive economic impact of artisanal and small-scale mining, notably its huge employment potential in reviving economic life, largely dominated by ex-fighters and "downsized" civil servants.

Continued on page 23 →

KIMBERLEY PROCESS BLUES

The Kimberley Process came on stream in January 2003, and since then it has accomplished a great deal. It cannot claim to have ended the wars in Sierra Leone, Angola and the DRC, because these ended before the official start-up of the Kimberley Process Certification Scheme (KPCS). But the very fact of the KP negotiations, which began in 2000, shone a very bright light on the industry and certainly helped to dry up marketing channels for UNITA, the RUF, Liberia's warlord president, Charles Taylor, and rebels in DRC.

The Kimberley process has done something else. In casting a wide net for conflict diamonds, the KPCS cannot avoid catching other kinds of fish. Without explicitly meaning to do so, it has driven the dark fringes of the world's diamond industry into the light, making it much more difficult for smugglers, money launderers and tax evaders to ply their trade with diamonds. Angolan exports rose 54% between 2000 and 2007. This was not just because there was more production. A lot of it had to do with greater transparency in the diamond industry and the wider demand for "clean" diamonds. This side of the Kimberley impact can be seen more clearly in the DRC, where official exports after 2003 were more than double what they had been in any year over the previous two decades, and in Sierra Leone, where diamond exports rose from \$26 million in 2001 to \$141 million last year.

The Kimberley Process can claim other victories. In 2003, the Central African Republic was suspended from the Kimberley Process Certification Scheme (KPCS) following a bloody coup during which the offices of diamond dealers had been attacked. The KP's newly minted peer review mechanism served the KP well in that instance, and the Central African Republic was reinstated once the appropriate reassurances had been put in place. Also in 2003, the Republic of Congo (ROC) was expelled from the KPCS, or rather it was "dropped from the list of participating countries" – KP-speak for being drummed out of the club. This followed a KP review which found that ROC could not explain where the diamonds it was exporting had actually been mined. After meeting a series of rigorous KP-agreed conditions, ROC was finally readmitted at the end of 2007.

Almost every participating country in the KP has been reviewed once, and several are now receiving a second round of reviews. The KP has created the world's most complete and up-to-date statistical data base on the production of, and trade in rough diamonds. And the KP remains a vibrant forum for discussions that include governments, civil society and industry representatives, meeting, if not as equals, at least as people who act and treat each other as equals.

Now the Bad News

But there are problems. When PAC exposed serious levels of diamond fraud in Brazil in 2005, the government of Brazil denied the charges and the KP did nothing. It was only a year later, when Brazilian federal police arrested people named in PAC reports, that Brazil decided to suspend shipments and revamp its internal controls. And it was only later that the KP finally got around to a review visit.

During 2006, NGOs exposed holes in Ghana's internal control system that were big enough to drive a truckload of conflict diamonds through. A KP review that year ignored the charge, and it was only when a UN Expert Panel repeated the NGO accusations that the KP took the problem seriously.

The trustworthiness and reputation of the world's entire diamond industry should not depend on the willingness of NGOs to act as its watchdog.

PAC exposed a wide array of problems in Venezuela in November 2006, but the Kimberley Process did nothing about it for more than 18 months, apart from sending letters and e-mails to Venezuela. The problem was "solved" not by the KP, but by Venezuela, when it "separated" from the KP in June 2008.

Each of these cases has shown that internal controls remain a problem in several countries. They have also shown that the Kimberley Process is

incapable of discovering even the most serious problems on its own. And that when a serious problem is exposed by others, the KP will act only when the problem has been turned into a public media crisis. Worse, the "disappearance" of Venezuela's entire diamond production, the continued leakage of conflict diamonds from Côte d'Ivoire and a variety of unsolved diamond "mysteries" in other places indicate that there is still a flourishing underground trade in rough diamonds. In other words, an unknown but very worrying volume of rough diamonds is circumventing the process designed to end – and prevent the recurrence of – conflict diamonds.

What needs to be done? The answers are clear enough. First, the Kimberley Process needs its own pro-active research capacity. The trustworthiness and reputation of the world's entire diamond industry should not depend on the willingness of NGOs to act as its watchdog.

Second, the KP has to get tougher on participants over their internal controls. Excuses about "porous borders" are the last refuge of tyrants and ineffectual bureaucrats. There may not be an easy solution to smuggling, but Ghana has shown over the past 18 months that a lot can be done. And the United States has shown that better internal controls are possible in industrialized countries. For starters, KP review teams can start getting a lot tougher in their critiques, and they must insist on follow-up on what they recommend.

Third, the KP badly needs interim measures between full membership and expulsion, measures that will demonstrate to laggardly participants that the KP means business. Three years of discussion on this important point have led to precisely nothing. Whatever is proposed, someone doesn't like it, and so nothing happens.

And finally, when a very serious problem surfaces, as in the cases of Brazil, Ghana and Venezuela, the KP has to act effectively, and it has to act quickly. The Kimberley Process should not be driven by NGOs, the media or timid bureaucrats; it should be driven by its central objective: to protect people and an industry that many rely upon for income and development from the all too evident predators.

→ Continued from page 21

As of mid 2008, the Government Diamond Office (GDO) had certified 39 diamond exports covering 40,000 carats valued at \$5.4 million. Liberia collected \$164,000 in export duties (at three per cent) on these shipments. Without large new diamond finds, government diamond revenues are likely to remain low. The main value of the diamond industry under these circumstances will be in its income generation potential for artisanal miners.

In April and May 2008, a KP Review Team visited Liberia. It found that there has been "some progress" on implementing KP controls, but that "there is still a long way to go." According to Liberian civil society, several basic issues require urgent attention:

- the establishment of effective state control over the diamond sector;
- assurance that diamonds from Liberia are legitimately processed and exported;
- recognition of the importance of artisanal mining;
- the active participation of civil society to help with public outreach programs, public scrutiny and verification in the awarding of licenses, environmental management and good overall implementation of KP minimum standards;
- ensuring, as a matter of urgency, an independent, transparent, participatory and comprehensive review of current mining concessions in line with the 2000 mining law and subsequent regulations.

Such actions would be a laudable step in enhancing both compliance and revenue collection in the mining sector. This can only be achieved, however, with significant changes on the part of all stakeholders. According to Liberian civil society, the government of Liberia and other stakeholders must avoid a path that dismantles a centralized tyranny and recreates it at the local level through the empowerment of local elites who misleadingly present themselves as leaders in the sector. Steps should be taken to encourage the government to turn a new page by empowering artisanal and small-scale miners.

REPUBLIC OF CONGO

Welcome Back

The expulsion of the Republic of Congo (ROC) from the Kimberley Process in 2004 marked a coming of age for the certification scheme, which was at the time less than two years old. The issues were straightforward enough. The Republic of Congo was exporting large volumes of diamonds whose origin could not be explained. A KP review team visited the country in 2004 and went so far as to charter an aircraft to survey the areas where diamonds were said to be mined. There was little evidence to support the volumes being exported, and there were no official imports. In fact, diamonds had been flowing with impunity across the river from the Democratic Republic of the Congo, and were no doubt

helping to sustain conflicts in both countries.

The ROC was thus "dropped from the list" – KP-speak for expulsion, and it was agreed that in addition to evidence of better internal controls, a precondition for readmission would be an independent assessment of the country actual rough diamond production capacity, as a reference point for future exports. During 2005, shipments of diamonds from ROC overshadowed Lebanon's application for admission to the Kimberley Process.

It took two years for ROC to reorganize its internal controls and to arrange for the independent study of production capacity. In 2007 a special KP review team visited the country again, and in November the Republic of Congo was officially readmitted to the Kimberley Process. Estimated production during the last quarter of 2007 was 22,000 carats and during the first quarter of this year, 40,000 carats. Oddly, however, as of mid 2008, there had been no official exports.

The ROC was once one of Africa's largest oil producers, but production has declined in recent years. The country was wracked by three civil wars between 1993 and 1999. The conflict ended in a 2003 peace accord, but the calm remains tenuous and refugees continue to represent a humanitarian crisis.

ZIMBABWE

Another Fine Mess

Historically, Zimbabwe has not been a major diamond producer. When a Kimberley Process review team visited in September 2004, there were no diamonds being produced at all, apart from some accidental finds. Hopes were high, however, and they were not misplaced. Rio Tinto was set to begin mining at Murowa; River Ranch in the south was going into production, and in 2006 there was a discovery at Marange in the east. The Marange find led to a frantic diamond rush, which saw an influx of illegal buyers as well as some 15-20,000 diggers. It took the government several months to close the operation down, arresting, inter alia, dealers from Britain, the DRC, Gambia, Zambia and one en route to Dubai.

By 2007, rumours were flying: Diamonds were being smuggled to South Africa "by the truckload". Zimbabwe was laundering diamonds from the DRC. Zimbabwe was trading diamonds for Libyan oil and for Chinese weapons.

At the same time, a company called Buby Minerals sought to freeze funding to River Ranch, a company reportedly owned by retired army general Solomon Mujuru, husband of vice president Joyce Mujuru, while investigations on allegations of illegal diamond smuggling by the company were being carried out. The River Ranch mine was at the centre of an ownership dispute in which its directors were accused of seizing the mine from Buby Minerals and renaming it.

Table 11. Zimbabwe: Production & Export Figures

Year	Production (carats)	Exports (US\$)
2004	44,454	\$3,582,088
2005	248,264	\$39,428,724
2006	1,046,025	\$30,057,636
2007	695,015	\$23,377,870

Source: KP statistical data base.

A Kimberley Process review team visited Zimbabwe in May and June 2007 in order to make what sense it could of the mess. By then, the Marange area had been brought under government control and the illegal diggers and buyers had been arrested or chased away. The KP team included a diamond mining geologist and senior diamond officials from Russia and South Africa, a representative of the government of Norway, and knowledgeable individuals representing civil society and the diamond industry. The team visited all of Zimbabwe's contentious mining sites, and discussed the country's regulatory framework with the Ministry of Mines and Mining Development, the Minerals Marketing Corporation of Zimbabwe and the Zimbabwe Revenue Authority. It looked at existing and potential diamond production, and in the end it con-

cluded that Zimbabwean diamond controls were working satisfactorily, and that the country met KP minimum standards.

Howls of protest ensued. Human rights activists denounced the Kimberley Process, and one company in Zimbabwe announced that it was planning to sue individual KP review team members for trillions of Zimbabwe dollars. Once the dust settled, a few home truths began to sink in. The role of the Kimberley Process is not to resolve ownership disputes. It has absolutely no mandate to investigate or make pronouncements on human rights abuse, democracy or the governance of a country, abhorrent as it may be. Its job is to assess a country's ability to control, track and record its diamond production, its imports and exports, and to make sure that these all tally. In 2007, all of these things seemed to be in reasonable working order in Zimbabwe, despite the diamond confusion of the previous year.

In August this year, however, things were not so rosy. Reserve Bank of Zimbabwe governor Gideon Gono told a conference of exporters that more than 10,000 people from all over the world were visiting the eastern border town of Mutare every month for illegal activities involving diamonds. Gono said that there were over 2,000 syndicates in the town smuggling diamonds out of the country.



Artisanal mining: a risky business.

Notes

- 1 Export taxes are 3.75% for artisanal diamonds, but only 2% for industrial production from MIBA
- 2 *Statistiques des Exportations du Diamant, 2000-2007*, Commission Ministerielle d'Assistance de d'Apui du Ministre des Mines dans l'Application et le Suivi du Programme International du Processus Kimberley en RDC
- 3 The five-year average for MIBA rough is US\$14.45/ct, as opposed to a five-year average of US\$26.31/ct for the artisanal sector as a whole
- 4 The United Arab Emirates has much lower tax rates than Belgium, and Dubai has much less rigorous checks on diamond values than Antwerp. For this reason, exporters often ship first to Dubai where they can take their first profit and bring the diamonds close to world market prices, thus avoiding unwanted Belgian scrutiny.
- 5 *Comissão Interministerial para a Protecção dos Recursos Diamantíferos*
- 6 These place names are the colloquial ones, as known to Congolese diggers. The Angolan names often have variant spellings.
- 7 <http://www.msf.ca/news/news-updates/2008/07/angola-expelled-congolese-face-violence-and-degradation/>

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