



PARTNERSHIP AFRICA CANADA

# FROM **CONFLICT** TO **ILLCIT**

MAPPING THE DIAMOND TRADE FROM  
CENTRAL AFRICAN REPUBLIC TO CAMEROON



# From Conflict to Illicit: Mapping the Diamond Trade from Central African Republic to Cameroon

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**Cover photo:** *A refugee from the Central African Republic works as an artisanal miner at the Bombe Bakari mine site in East region Cameroon. He uses locally designed equipment from basic materials to search for diamonds.*

**Photos by** Offah Obale/Partnership Africa Canada

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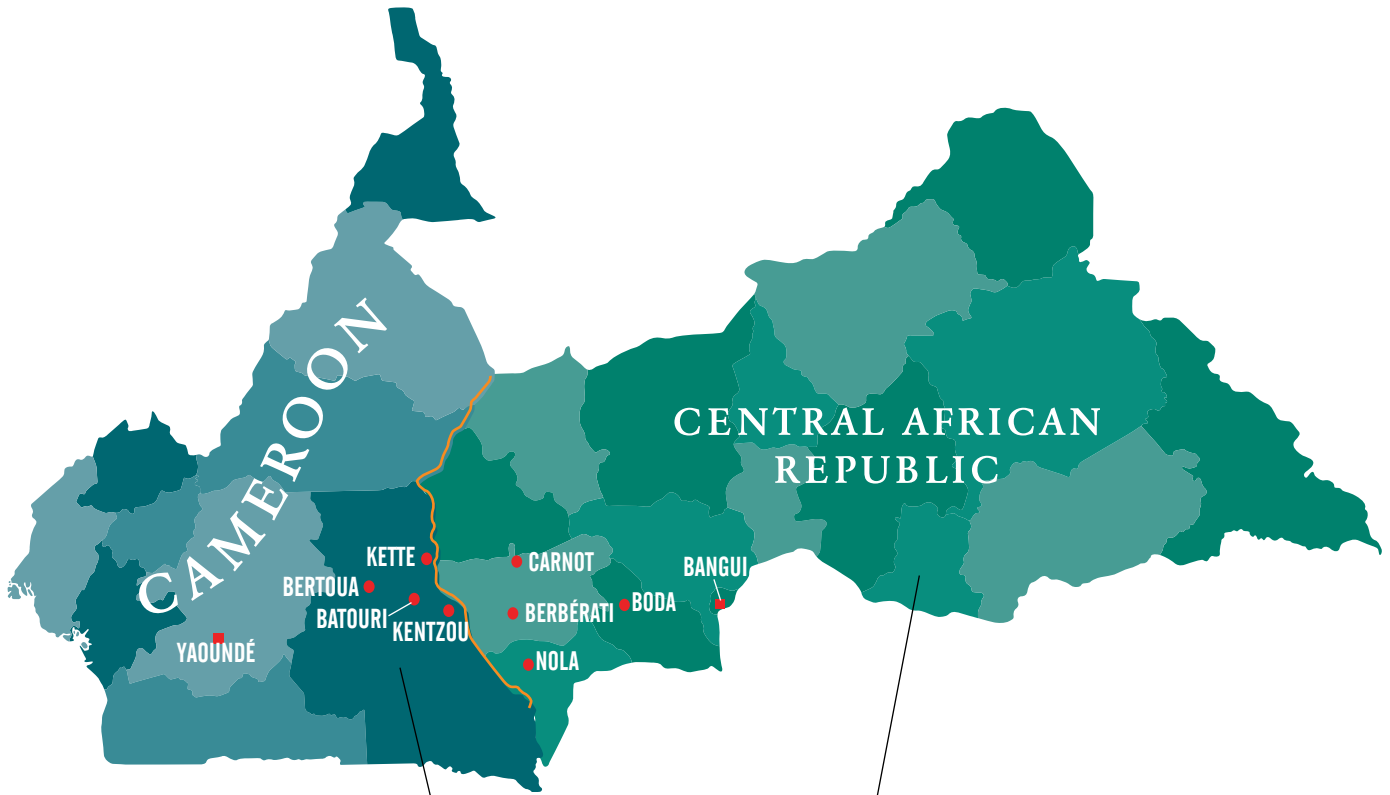
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Traceability of diamonds between Cameroon and the Central African Republic is a joke. If the Americans with drones and advanced technologies have not been able to control the flow of illicit drugs between Mexico and the USA, what makes you think the Kimberley Process can control the illicit trade of diamonds between Cameroon and the Central African Republic?

— Sachab Hayssam, diamond buyer for GEMS Africa, Batouri, Cameroon.<sup>1</sup>

## INTRODUCTION

The Central African Republic (CAR) is the only source of traditionally defined conflict diamonds in the world today. Since May 2013, exports of its diamonds have been under international embargo by both the United Nations and the Kimberley Process (KP), the initiative that regulates the production and trade of rough diamonds.

CAR was suspended from the KP after a March 2013 coup d'état that sparked widespread civil unrest in the country. The coup was the inevitable outcome of years of political instability forged by a coalition of rebel groups, known as Séléka, who attacked the government and incrementally seized territory, including the strategic diamond-mining town of Bria.<sup>2</sup> On March 24, 2013 Séléka captured the capital city of Bangui and overthrew the government, initiating a bitter internal conflict that continues to fester to this day.

The civil war and regime change forced the United Nations and the international community to impose economic sanctions on CAR. Not only were all diamond exports prohibited, the KP urged diamond-trading countries to exercise enhanced vigilance and ensure that diamonds produced in CAR were seized and not allowed to circulate in legitimate trade.<sup>3</sup>

While the ban on CAR's exports was partially lifted in 2016 from regions deemed to be KP compliant, that has not stopped the flow of CAR's conflict diamonds to international markets—while it was under full embargo or regions still prevented from trading today.

This report examines the smuggling of diamonds from the Central African Republic into Cameroon. Further, it focuses on the impact this illicit trade has on Cameroon's internal controls as well as the broader integrity of the diamond supply chain. The report describes the methods used and the key actors involved in this illicit trade. It concludes that the KP and frontline countries like Cameroon need to do more to interrupt the illicit trade of conflict diamonds from CAR and support each other in taking action.



*In Batouri, East region Cameroon, a sign in the centre of the town spotlights its proximity to CAR. Berbérati, a diamond producing hub in CAR, is only 200 km away.*

1 Sachab Hayssam, GEMS Africa diamond buyer. Interview with PAC. Batouri, Cameroon, March 7, 2016.

2 Omayra Bermúdez-Lugo, "The Mineral Industry of the Central African Republic", 2013 Minerals Yearbook: Central African Republic [Advanced Release]. U.S. Geological Survey, 2013.

3 "2014 Administrative Decision on the Central African Republic", Kimberley Process, June, 2014, <https://www.kimberleyprocess.com/en/2014-administrative-decision-car>.

# KEY FINDINGS

## CAMEROON AS A TRANSIT HUB

The report makes several key findings. The first is that Cameroon is undoubtedly the main transit country for the illicit trade of conflict diamonds from the Central African Republic into the legitimate diamond market. As one of the newest members of the KP, Cameroon does not have the capacity to uphold KP minimum standards or authoritatively eliminate the presence of conflict diamonds from its territory. This is exacerbated by the fact that Cameroon has weak law enforcement capacity. Cameroon has yet to implement enhanced vigilance measures despite being on the frontline of the illicit trade from CAR. Partnership Africa Canada also discovered that the contraband trade is aided and abetted by Cameroonian officials tasked with implementing the Kimberley Process.

## SMUGGLING AND FAKE CERTIFICATES

This report also identifies two kinds of illicit diamond trade. In the first instance, conflict diamonds from CAR illegally enter the global market via Cameroon after receiving valid Kimberley Process certificates issued by relevant Cameroonian government authorities. In this instance, conflict diamonds are “legally” exported as if the goods had been sourced in Cameroon. Corruption does play a role here and non-existent due diligence measures neuter the ability of government to offer any assurances on the provenance of its diamonds or safeguard against smuggled diamonds.

The second form of smuggling poses a significantly greater challenge to the efficacy of the Kimberley Process and implicates many other KP participants. In this instance, Cameroon serves solely as a transit point for large-scale flows of entirely undeclared and uncertified CAR diamond shipments. Cameroon’s unrealistically high export tax of 24.5%— a figure eight times greater than that of most other African governments—is the main driver of this trade. Smugglers use Cameroon simply as a gateway to other countries where they can launder diamonds at a more advantageous tax rate. This largely explains why the added “production” is not reflected in official trade statistics. Other African countries, especially the Democratic Republic of Congo and Côte d’Ivoire, appear to act as possible exit points for these embargoed CAR diamonds.

Of the two countries, CAR’s production dwarfs that of Cameroon. In 2012, the last official production statistics on record, CAR produced 365,917 carats.<sup>4</sup> At the time it was the world’s 10th largest diamond producer by value.<sup>5</sup> Conversely, Cameroon’s official total production between 2013 and 2016 averaged 3,000 carats per year.<sup>6</sup> While the CAR diamond embargo has not translated into any discernable increase in either Cameroon’s production or exports, one fake Kimberley Process certificate from Cameroon attests to the scale of the illicit trade. Intercepted in the first half of 2016 and notified to the KP, the forged certificate attempted to launder 4,523 carats<sup>7</sup>—an amount far in excess of the entire annual production of the country.

## IMPUNITY FOR SMUGGLERS

The report further finds that individuals named by the UN Group of Experts for their involvement in the trade of Central African conflict diamonds continue to purchase and export diamonds with impunity. One such individual is Patrick Ayandho, who manages the biggest diamond buying house in Kentzou in the East region of Cameroon. This is indicative of the current lack of political will to combat smuggling in Cameroon.

## INACCURATE DATA

The report also finds that production statistics collected by Cameroonian KP officials are inaccurate and do not meet Kimberley Process minimum requirements. Due to the informal nature of the diamond sector, production numbers in Cameroon are rather purchase figures. These figures represent the geographic location of the diamond buying house where the rough diamond was first purchased for export, and thus brought into the formal economy and recorded in the ledgers of the National Permanent Secretariat for the Kimberley Process. Instead of tracking where diamonds are mined, KP officials rather track where diamonds are purchased. This is a break in traceability which is supposed to be mine site level documentation.

Cameroon collects statistics on legal diamond exports in place of genuine production figures. These legal export figures serve as the best available stand-in for diamond production. However, as will be shown in this report, legal exports represent only a fraction of the total diamond production and trade in the country.

## REFUGEES AND THE ILLICIT TRADE

The report also finds that Central African refugees in the East region of Cameroon serve as a conduit for the illegal cross-border flow of conflict diamonds. Cameroon is the largest host of refugees from CAR, with more than 252,000 refugees residing in the East and Adamawa regions at the end of 2015.<sup>8</sup> A large number of these refugees work either as artisanal miners in Cameroon, or as financiers for artisanal diamond mining in CAR. This report does not seek to stigmatize the refugees for this role but rather encourage the government of Cameroon and the KP to consider this fact when designing policy responses.

4 “Kimberley Process Rough Diamond Statistics”, accessed June 11, 2016, <https://kimberleyprocesstatistics.org>.

5 Ilya Gridneff, “Smugglers Defy Conflict-Diamonds Ban in Central African Republic”, *Bloomberg*, March 22, 2015, <http://www.bloomberg.com/news/articles/2015-03-22/smugglers-defy-conflict-diamonds-ban-in-central-african-republic>.

6 “Kimberley Process Rough Diamond Statistics”, accessed June 11, 2016, <https://kimberleyprocesstatistics.org>.

7 Davi Brummer, “KP Calls for Vigilance Over Fake Cameroon Certificates”, *IDEX Online*, March 31, 2016, <http://www.idexonline.com/FullArticle?Id=41821>.

8 “People of Concern: Cameroon 2015 Year End Report”, United Nations High Commissioner for Refugees, [http://reporting.unhcr.org/node/2525#\\_ga=1.185418604.496891805.1468269996](http://reporting.unhcr.org/node/2525#_ga=1.185418604.496891805.1468269996).



## **LACK OF FORMALIZATION**

Lastly the report highlights the intersection between the developmental aspects of the artisanal mining sector (ASM) and its lack of formalization and how this impacts the traceability of minerals from the mine site to the point of export. The lack of formalization and weak traceability in Cameroon, as in many African countries, contributes to the ability of people to smuggle and take advantage of weak internal controls. Developmental challenges like this serve as the first step for conflict affected diamonds to pass through the entire diamond chain, from leading trading hubs, to manufacturing shops and finally to retailers worldwide.

## RECOMMENDATIONS

**T**his report suggests that international concerns about conflict diamonds and more regional concerns about illicit cross-border diamond traffic should actually be seen as part of the same problem. The illicit cross-border trafficking of diamonds strikes at the very core of the Kimberley Process mandate to stem the flow of conflict diamonds. Failure to address illicit trading means a failure to address the flow of conflict diamonds.

### TO THE KIMBERLEY PROCESS:

Place Cameroon under Special Measures and require Cameroon to tighten its internal controls within a three-month period, during which no diamonds would be exported without expert, external oversight.<sup>9</sup>

Be more vigilant, insistent, and ready to take action to ensure that its standards and requirements are enforced by participating countries so that conflict diamonds do not enter the legal supply chain.

Create and enforce a blacklist of individuals and companies who are part of the illicit trade that is bringing conflict diamonds from CAR to Cameroon, and further to international markets.

Pursue a Regional Approach to KP Compliance due to the transactional nature of diamond mining and smuggling, the loss of economic revenues to State treasuries and the security implications of CAR's instability and refugee crisis. This approach should be modeled after the one that is currently in development among Mano River Union countries in West Africa. In addition to CAR and Cameroon, the initiative should include Angola, Congo-Brazzaville, and the Democratic Republic of Congo.

### TO THE GOVERNMENT OF CAMEROON:

Develop and share an enhanced vigilance plan as required by the 2013 Kimberley Process Administrative Decision on the Central African Republic.

Revoke the trading licenses and immigration status of individuals or companies involved in the illicit trade of CAR diamonds. Bring to account those actors who until now, have been able to operate with impunity.

<sup>9</sup> There is precedence for this at the Kimberley Process. When a 2006 UN Security Council report stated that Ghana had been certifying conflict diamonds from Côte d'Ivoire, the Kimberley Process took action, requiring Ghana to tighten its internal controls within a three month period, during which no diamonds would be exported without expert, external oversight. A special follow-up Kimberley Review Mission was put in place to visit Ghana in three months to review progress. Regular follow-up visits by KP experts to Ghana monitored and measured progress. See "Final Communiqué of Kimberley Process Plenary November 6-9, 2006 Gaborone, Botswana", Kimberley Process, November 9, 2006, [http://www.diamondfacts.org/pdfs/media/news/2006\\_11\\_9\\_KPCommunique.pdf](http://www.diamondfacts.org/pdfs/media/news/2006_11_9_KPCommunique.pdf).

Carry out detailed geological surveys of potential and actual production capacities in mining areas, as well as put in place a functioning cadastre system to maintain accurate and up-to-date information on production areas and mining licenses granted. Feed into and cross-check the information gathered from cadaster entries against production reports.

Enforce the legal requirement for license and mining titleholders to submit regular reports, demonstrating the production data and number of miners on their site. Enforcing reporting requirements would provide important information on artisanal miners and artisanal production, as well as create the conditions for traceability.

Develop a network of field officers in mining areas with the capacity to perform regular field visits to all of the artisanal sites in their geographic areas. This is a critical element of a successful internal controls system.

Organize frequent community-based dialogues in communities hosting refugees from CAR, as well as undertake security assessments of cross-border threats with the aim to foster social cohesion to prevent conflict and address resource governance issues.

Revise tax provisions governing diamond exports to be in line with regional partners to create a disincentive to smuggling. This would require lowering the export tax from 24.5% to 3%, in harmony with CAR's neighbours.

Coordinate with CAR on regional policy, sharing information, and strengthening border controls in order to tackle illicit cross-border trade in diamonds. Cameroon and CAR should cooperate to concentrate enforcement on border zones and at the international airports of the region, in particular Bangui, Douala and Yaoundé. These border zones and airports serve as chokepoints for diamond exports from the region.

## **TO THE DIAMOND INDUSTRY:**

Formally explore with the Organization for Economic Co-operation and Development (OECD), the creation of a Supplement on Diamonds as part of the Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Since the implementation of the KP in 2003, the World Diamond Council has relied on a System of Warranties to supplement the KP certificate and provide consumers with added assurances that purchases are "conflict-free." The ease with which conflict diamonds from CAR enter the legal market, underscores the hollowness of the System of Warranties and lack of due diligence that exists within the diamond industry, pointing to the need for greater third party oversight. Crucially, an OECD Supplement would also serve to balance responsibility for diamond governance more equally between private sector actors and governments—who currently bear all the burden of meeting compliance with Kimberley Process standards.

## METHODOLOGY

This report is based on the findings of a field visit by Partnership Africa Canada researchers to Bertoua, Batouri, Kentzou, and Kette, the diamond producing zones in the East region of Cameroon, to shed light on the illicit trade in diamonds along the border with the Central African Republic. The report relies on evidence gained from interviews and on-site observations, including photographs wherever possible, as well as reviewing Kimberley Process data and documents on the import and export of diamonds.

In total, Partnership Africa Canada interviewed over 40 people involved in the diamond industry in Cameroon. Interviewees included KP officials in the East region and in Yaoundé, artisanal miners, diamond traders, refugees, local authorities and members of civil society organizations.

This report is divided into four sections. The first provides context for the illicit trade of conflict diamonds to Cameroon. The second explores the vulnerabilities of Cameroon's diamond system through the actions and experiences of key actors along the domestic supply chain, including diamond miners, traders, exporters and government officials. The third section provides an overview to the country's internal control measures. The fourth looks at policy options that could support Cameroon's internal controls and the credibility of the international diamond trade. This includes legally requiring the private sector to carry out due diligence as per the OECD Guidance and by creating enabling conditions for the formalization of the ASM sector.

# SECTION I

## THE CONTEXT

The KP is a regulatory body designed to halt the phenomenon of conflict diamonds. Conflict diamonds are defined as rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments.<sup>10</sup> The traceability of diamonds from mining sites to the point of export and other rigorous internal control measures are the bedrock of the KP's effectiveness and credibility. The illicit cross-border trafficking of diamonds from CAR to Cameroon strikes at the very core of the KP mandate: the failure to address illicit trading means a failure to address the flow of conflict diamonds.

When a country joins the KP, it must abide by certain compulsory requirements known as KP minimum standards. Governments are required to establish a system of internal controls designed to eliminate the presence of conflict diamonds from shipments of rough diamonds imported into and exported from its territory.<sup>11</sup> Governments are also required to amend or enact appropriate laws or regulations to implement and enforce the Kimberley Process Certification Scheme and to maintain dissuasive and proportional penalties for transgressions.

Each member state is required to issue its own Kimberley Certificate for every parcel of rough diamonds exported from its territory. The certificate is a government guarantee that the diamonds in the parcel are conflict-free. Further, the certificate implies that the government has an auditable system of internal controls to track diamonds to the place where they were mined or to the point of import. A government is unable to give a diamond reliable certification without clear knowledge of where it is mined or how it entered a country. Effective internal controls, therefore, are a cornerstone of the KP.

Under the Kimberley Process, Cameroon is required to establish and enforce internal controls to prevent conflict diamonds from entering the international supply chain. Additionally, as a neighboring country to CAR, Cameroon is expected to exercise enhanced vigilance measures to interrupt the flow of conflict diamonds entering the international supply chain by rebel groups.

In 2015 the KP established a Monitoring Team and a framework to review and assess CAR's reintegration back into the KP. In June 2016 the KP agreed to partially lift the embargo on diamond exports from the Central African Republic to allow for resumption of trade in rough diamonds from compliant zones, a geographical administrative division where diamond production has been determined to meet KP minimum requirements.<sup>12</sup> Berbérati was confirmed as a compliant zone and the export of rough diamonds from the area resumed. In September 2016, additional areas of Boda, Carnot and Nola were also ruled compliant.

10 "Kimberley Process Certification Scheme Core Document", Kimberley Process, November 5, 2002, p. 3, <http://www.kimberleyprocess.com/en/kpcs-core-document>.

11 Ibid, p. 7.

12 "Annex: Operational framework for resumption of exports of rough diamonds from the Central African Republic", Kimberley Process, May 2015, p. 2, <https://www.kimberleyprocess.com/en/2015-administrative-decision-car-annex>.

Nonetheless, the illegal diamond trade continues to fuel violence, particularly in areas outside government control. In October 2014 the UN Group of Experts raised concerns about the illicit traffic of Central African diamonds, which, despite the embargo, were exported by armed groups to Cameroon. According to the Group of Experts, diamond collectors in Berbérati and Bangui acknowledge that a large share of diamonds produced in western CAR are trafficked through Gamboula and Gbiti (Mambéré-Kadeï Province, CAR) to Kentzou and Kette (East Region, Cameroon). The diamonds are then sent further on to Batouri, Bertoua, Yaoundé and Douala and eventually to international markets. It estimated that between May 2013 and October 2014, around 140,000 carats (worth \$24 million USD) were exported from CAR illegally.<sup>13</sup>

Cameroon's total diamond production is derived from a handful of towns in the eastern region of the country located along 900 km of shared border with CAR.<sup>14</sup> Cameroon's diamond economy is based exclusively on informal alluvial diamond production and relies on the work force of an estimated 30,000 to 50,000 artisanal miners.<sup>15</sup> Artisanal licensing is a provincial responsibility, so there is no central registry of artisanal miners from which to obtain exact figures.

Of all of CAR's direct neighbours, Cameroon is the easiest entry point into the legal market. It is relatively stable and the border between the countries is extremely porous. The indigenous populations along the border share religious, cultural and linguistic affinities. Issues such as the lack of formalization of the sector and weak traceability in Cameroon only contribute to its attraction as a smuggling route.

13 "Final report of the Panel of Experts on the Central African Republic established pursuant to Security Council resolution 2127 (2013)", United Nations Security Council, October 29, 2014, p. 3, paragraph 1, [http://www.securitycouncilreport.org/atf/cf/%7B65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2014\\_762.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2014_762.pdf).

14 Alluvial mining is the extraction of diamonds from riverbed, sea floor, or beach deposits. Unlike kimberlitic mines which are smaller in terms of geographical area and are much easier to secure, alluvial mines spread across huge geographical areas which cannot be isolated. Kimberlitic mines are also highly mechanized with strict controls, while alluvial deposits (mainly artisanal) are more difficult to control because the diamonds can be extracted without large industrial machinery.

15 There are more than 6000 authorized artisanal mining exploitations in Cameroon with an average of 10 to 20 miners per site. See Momha Mbock, "Exploitation minière artisanale au Cameroun: Le gouvernement remet de l'ordre et renforce le rôle du CAPAM dans la gestion du secteur", Cadre d'Appui et de Promotion de l'Artisanat Minier (CAPAM), accessed July 9, 2016, <http://www.capam.info/?q=fr/node/112>.



## KEY TRADE ROUTES

## SECTION II

### THE KEY PLAYERS

The Central African Republic's conflict diamonds have commanded the attention of the international community. But while the UN and the KP have focused on CAR's diamond supply chain, there has been no scrutiny of Cameroon, nor its long unpatrolled border with CAR. The booming trade of CAR diamonds has been ongoing—and remains—in plain sight.

### THE SITE MANAGER

The village of Bombe Bakari is located deep in the heart of the dense rain forest in the East region of Cameroon. It is situated along the banks of the Bombe River, which is a natural boundary between Cameroon and CAR. Bombe Bakari is one of a handful of villages and small towns along the border with CAR, where Cameroon's total diamond production is derived. The border has always been an area of extensive trade in goods and of movement of people owing to the living and trading practices of communities on both sides.

At the Bombe Bakari mine site, Ibrahim Saidou\*, the Site Manager (*chef de chantier*) busily directs and oversees the operations of as many as 50 artisanal miners chipping away at rocks along the Bombe River hoping to find a rough diamond. Among these miners are 27 refugees from CAR. With rudimentary tools and pumps and little knowledge of safety practices, the work is hard, dirty and dangerous. Much of a miner's day is spent standing in stagnant water washing gravel to find gems.



Women artisanal miners at the Bombe Bakari diamond mine site in East region, Cameroon.

\* Name has been changed to protect anonymity of the source.



## LICENSING MINERS

Cameroon's Mining Code, in accordance with KP requirements, calls for all artisanal diamond miners to be licensed and only registered persons are allowed to mine diamonds.<sup>17</sup> In Cameroon, regional delegates in charge of mines are granted the power to license artisanal miners by issuing artisanal mining licenses (*cartes de prospecteur pour artisan minier*) to any person over the age of 18 years who is a Cameroon national wishing to engage in mining.<sup>18</sup> However less than 10% of artisanal miners are registered, indicating a high degree of informality,<sup>19</sup> and presenting a significant challenge for the successful implementation of the KP in Cameroon.

There are many factors that contribute to this. Firstly, artisanal miners are very mobile and have few incentives to formalize. According to the Ministry of Mines, the cost of an artisanal mining card is FCFA 5,000 (\$10 USD), valid for two years, while a renewal costs FCFA 10,000 (\$20 USD). Equally the distances to the regional offices where the card is issued are far. Finally, many artisanal miners feel they have no stake in the system.

As a result, artisanal miners operate in a shadow economy and remain vulnerable.<sup>20</sup> The government collects no fees or taxes from them and has no idea of the origins of the diamonds presented for export in Yaoundé.

Saidou claims a large percentage of the miners' output because he supplies the mining equipment and fuel for the pumps.<sup>16</sup> He also feeds the miners and pays them a small daily sum, even when the rough diamonds prove elusive to find. Saidou in turn relies on diamond buying houses (*bureaux d'achat*) for pre-financing who, in return, demand the exclusive right to purchase the mine's production.

The production at Saidou's site is small, so he also buys diamonds from other artisanal miners. These miners paddle their canoes every Thursday across the Bombe River from CAR to sell their diamonds for a better price at the weekly Bombe Bakari village market. Saidou purchases new diamonds every week and his trade continues to flourish. Saidou's major client is a diamond buying house based in Kentzou, the biggest diamond trading centre in the region.

Saidou's business represents an early link in a chain of rough diamonds smuggled from the conflict zones of CAR through Cameroon to major trading hubs around the world. When asked by Partnership Africa Canada, neither he nor the miners working on his site have ever heard of the Kimberley Process.

16 Ibrahim Saidou, site manager. Interview with PAC. Bombe Bakari, Cameroon, March 3, 2016

17 "Annex II: Recommendations as provided for in Section IV, paragraph (f)", Kimberley Process Certification Scheme, p. 13, paragraph 9, <https://www.kimberleyprocess.com/en/kpcs-core-document>.

18 "Loi n° 001 du 16 Avril 2001 portant code minier", Cameroon, April 16, 2001, Article 24, <http://www.lafmc.cm/documents/code-minier.pdf>.

19 Instead of getting licensed officially, artisanal miners tend to ask traditional local chiefs to allow them to exploit a parcel within the village chief's authority, in exchange of a symbolic donation and usually one third of the value of their first production. See Van Bockstael and Koen Vlassenroot, *A farmer's best friend? Artisanal diamond mining and rural chance in west and Central Africa* (Gent: Academia Press, 2012), p. 82.

20 Ian Smillie, *Diamonds* (Polity Press, 2014).

While Saidou possesses a mining license, none of the miners working in his site, including the refugees from CAR, are registered.

The KP requires countries with artisanal diamond production to carry out periodic spot checks at mine sites to verify that all miners are licensed.<sup>21</sup> These spot checks are conducted by KP Focal Points—the KP National Permanent Secretariat’s local representatives. This does not happen in Saidou’s mine site partly because of the limited number of KP Focal Points responsible for enforcing this regulation. There are only four Focal Points responsible for KP infringements in the administrative department of Kadey in the East region of Cameroon, which covers the towns of Batouri, Bombe, Kentzou, Kette, Mbang and Ndelele, an area the size of 15,884 square km. The number of Focal Points is inadequate compared to the number of sites.



*Diamond miners at the Bombe Bakari mine site in East region, Cameroon. The Bombe River is a natural boundary between Cameroon and CAR, with the left bank of the river being territory of CAR.*

Meanwhile Saidou’s business continues to thrive with the help of unlicensed artisanal miners and refugees from CAR, who he deems to have a higher level of expertise in artisanal diamond mining than their Cameroonian peers.

21 “Administrative Decision Improving implementation of internal controls in the KPCS”, Kimberley Process, November 2006, [https://www.kimberleyprocess.com/en/system/files/documents/2006%20Administrative%20Decision%20on%20Internal%20Controls\\_0.pdf](https://www.kimberleyprocess.com/en/system/files/documents/2006%20Administrative%20Decision%20on%20Internal%20Controls_0.pdf).

## THE MINER FROM CENTRAL AFRICAN REPUBLIC

Mbile I is a village of about 17,000 inhabitants in the East region of Cameroon.<sup>22</sup> The village hosts about 10,000 refugees from Central African Republic, according to Geremy Mbassa, the chief of the village.<sup>23</sup> A significant number of these refugees share ethnic affinities with the communities along the Cameroonian border and are active in the chain of production and sale of rough diamonds.

Partnership Africa Canada visited three mining sites and observed an average of 25 refugees working per mine site. The participation of refugees in the diamond production chain presents a challenge to Cameroon's internal controls. It is impossible to channel the diamonds produced by Central African refugees into the formal supply chain given that the refugees are not registered and thus not part of the system of internal controls.<sup>24</sup> Therefore they continue to operate in the informal economy and fuel the illicit trade of diamonds.

Partnership Africa Canada also observed refugees in the border towns pre-financing diamonds production in CAR and serving as conduits for illicit diamonds entering into Cameroon.<sup>25</sup>



*A refugee camp in Mbile I, a town which hosts 10,000 refugees from the Central African Republic.*

Multiple sources told researchers, which was supported by the Final Report on the UN Panel of Experts on CAR, that conflict diamonds smuggled into Cameroon move almost exclusively by land through porous borders in Kentzou, then to Bertoua and eventually to Douala and Yaoundé airports from where they are flown to the international market.<sup>26</sup>

22 Geremy Mbassa, Chief of Mbile I. Interview with PAC. Mbile I, Cameroon, March 5, 2016.

23 Ibid.

24 According to the Cameroon Mining Code, artisanal mining is reserved only for Cameroonian nationals. See "Loi n° 001 du 16 Avril 2001 portant code minier", Cameroon, April 16, 2001, Article 24, <http://www.lafmc.cm/documents/code-minier.pdf>.

25 Zéphirin Mogba, "Les facteurs de la dynamique transfrontalière du commerce illicite de diamant en Centrafrique" (presentation at the Central African Regional Meeting of Ministers of Mines, Bangui, Central African Republic, August 3-4 2016).

26 "Final report of the Panel of Experts on the Central African Republic established pursuant to Security Council resolution 2127 (2013)", United Nations Security Council, October 29, 2014, [http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2014\\_762.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2014_762.pdf).

At the end of 2015, Cameroon was the largest host of CAR refugees, with more than 252,000 refugees residing in the East and Adamawa regions.<sup>27</sup> Competition over control and access to natural resources threatens peaceful coexistence between refugees and host communities along the entire eastern border, including in and around Mbile I. There are also considerable security challenges owing to a highly volatile environment caused by cross-border incursions and looting by armed groups from CAR.<sup>28</sup>

As a response, the Cameroon government has deployed troops along a section of its eastern border, while also contributing to the peace-keeping mission in CAR.<sup>29</sup> A rebel attack in June 2016 by Séléka on the town of Ngaoundaye close with the border with Cameroon,<sup>30</sup> further emphasized the ongoing need to stabilize the region before refugees can return home.



*Refugees from CAR find work as artisanal diamond miners at the Bombe Bakari mine site.*

27 "People of Concern: Cameroon 2015 Year End Report", United Nations High Commissioner for Refugees, [http://reporting.unhcr.org/node/2525#\\_ga=1.185418604.496891805.1468269996](http://reporting.unhcr.org/node/2525#_ga=1.185418604.496891805.1468269996).

28 In September 2013, Abdoulaye Miskine leader of the FDPC, an ex-Séléka faction, was arrested in Bertoua. In October 2014, FDPC rebels attempted to free Miskine and abducted more than a dozen civilians. During an FDPC raid in eastern Cameroon in April 2015, the rebels abducted several traditional leaders and one mayor. Violent clashes also erupted in Ngaoundaye in June 2016 between Séléka and anti-Balaka militiamen. Many houses were burned and at least four civilians were killed and a dozen wounded. Incidents of kidnappings have increased in the region.

29 Thierry Vircoulon, "Cameroon: Africa's Pivot", *World Policy Journal* (Summer 2015), <http://www.worldpolicy.org/journal/summer2015/cameroon-africas-pivot>.

30 Benedykt Paćzka, "Bain de sang et représailles dans le silence au nord-ouest de la Centrafrique", *The Observers*, June 20, 2016, <http://observers.france24.com/fr/20160620-images-bain-sang-silence-centrafrique-ngaoundaye-Séléka-anti-balaka>.

## DIAMONDS FUELING TERRORISM

A 2013 report by the Financial Action Taskforce (FATF) highlights the considerable vulnerabilities and risks in the diamond industry, including money laundering and possible terrorist financing.<sup>31</sup> The diamond trade is considered an ideal opportunity for criminal financing because of their high value and low volume ratio. Cameroon's proximity to CAR's conflict and the ease to smuggle minerals across its border, coupled with the lack of formalization of its artisanal mining sector, make the diamond industry vulnerable to financing criminal activity. This is especially problematic given the presence of the terrorist group Boko Haram in the Northern part of Cameroon.<sup>32</sup> From July 2015 to July 2016 the group conducted at least 200 attacks, including nearly 40 suicide bombings in the Far North region of Cameroon, killing at least 480 people.<sup>33</sup>

While Partnership Africa Canada found no evidence of Boko Haram being involved in Cameroon's diamond trade, the threat of terrorist networks funding their activities with illicit diamonds is one that government officials and the KP need to take seriously.

## THE DIAMOND TRADER

Diamond traders (*collecteurs*) in Cameroon are required by law to be registered. Once registered they are issued a diamond trading license (*cartes de prospecteur pour collecteur*). Diamond traders are considered the middle men and connect artisanal miners to the diamond buying houses. Their license gives them the right to buy and sell diamonds anywhere within the borders of Cameroon. The diamond traders operate independently, or in association with diamond buying houses and they can be found stationed at the edge of the mining sites throughout the East region. The traders buy from artisanal miners, buy and sell to each other, and sell to diamond buying houses.

Cameroonian diamond trader Mohamed Abba\* is intimately acquainted with the clandestine diamond trade. He openly told Partnership Africa Canada that he sources diamonds from the various mining sites around Kentzou, buying from both the artisanal miners as well as from refugees coming in from CAR. Occasionally he travels to Bangui to buy diamonds. This is in contravention of Cameroon's Mining Code—a diamond trader is not allowed to export or import diamonds.

\* Name has been changed to protect anonymity of the source.

31 Money Laundering and Terrorist Financing through Trade in Diamonds. Paris: Financial Action Task Force, October 2013, <http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf>.

32 Boko Haram is an Islamic extremist group based in north-eastern Nigeria, also active in Chad, Niger and northern Cameroon. It was ranked the world's deadliest terror group by the Global Terrorism Index 2014. See Global Terrorism Index 2014. New York: Institute for Economics and Peace, 2014, <http://economicsandpeace.org/wp-content/uploads/2015/06/Global-Terrorism-Index-Report-2014.pdf>.

33 "Cameroon: Boko Haram attack brings total killed to nearly 500 in a year", Amnesty International, June 30, 2016, <https://www.amnesty.org/en/latest/news/2016/06/cameroon-boko-haram-attack-brings-total-killed-to-nearly-500-in-a-year/>.

In order for Abba to make the trip to Bangui, he must obtain a document issued by national security officers which states his purpose of travel. Abba showed a copy of this document to Partnership Africa Canada—his purpose of travel was listed as visiting family in Bangui. Inadequate controls and extremely porous borders facilitate his trade. Additionally, Cameroon’s diamond traders who are often Muslims like Abba, expanded their networks throughout CAR thanks to a shared language and religion.



*The border crossing at Kentzou is the only secured crossing in an almost 200km stretch.*

Upon his return to Kentzou, Abba sells his diamonds to a diamond buying house. The diamond buying house does not require proof of origin of Abba’s diamonds, other than the origin declared by Abba on the purchase receipt (*bordereau d’achat*). The purchase receipt is a document on which the diamond trader reports all purchase of diamonds as well as all sales to the diamond buying houses. It indicates the name of the trader, license number, carat weight, value and origin of the rough diamond.

The system of internal controls as implemented on the ground in Cameroon is thus a self-declarative process. Once Abba’s diamonds, irrespective of their origin, are purchased by a licensed diamond buying house, they become legitimate Cameroonian production. It is through these buying houses that the diamonds enter the legitimate supply chain. Conflict diamonds also illicitly enter the legitimate global market with valid Kimberley Process Certificates issued by the Government of Cameroon through this process.

On other occasions, diamonds are not declared at all and are smuggled without valid Kimberley Process certificates directly to the international market or to other jurisdictions with lower tax rates. Higher value diamonds are usually smuggled out of Cameroon through this method. Two factors drive this kind of illicit trade. Firstly, the comparatively higher export tax rate in Cameroon of 24.5% provides an incentive for smugglers not to declare the diamonds.<sup>34</sup> According to Abba, the high export tax has pushed the diamond buying houses into illegality. As he asked rhetorically, “Why would a diamond buying house pay 24.5% tax when the same buying house has a branch in Côte D’Ivoire where the export tax is 3%?”<sup>35</sup>

Secondly, corruption plays a role in driving this illicit trade. Abba told Partnership Africa Canada that diamond traders can smuggle diamonds through the Douala airport by paying off airport security officials.<sup>36</sup>

## THE KIMBERLEY PROCESS FOCAL POINT

Partnership Africa Canada learned that the Kimberley Process Focal Point based in the East region city of Bertoua is complicit in keeping diamond production out of official channels in order to extract bribes from traders.

Partnership Africa Canada undertook an investigation in the town of Kentzou and was approached by an individual interested in selling rough diamonds. When asked about the origin, the trader informed Partnership Africa Canada that he had an arrangement with Safana Mbita, the regional Kimberley Process Focal Point, who could issue the valid documentation needed to export the diamonds. The trader was also in possession of a purchase booklet on which potential buyers could self-declare that the diamonds were of Cameroonian origin and from a specific mine site. The availability of these documents demonstrate the ease with which conflict diamonds from CAR can enter the international supply chain with legitimate Kimberley Process certificates.

During an investigation in the town Bertoua, Partnership Africa Canada discovered traders working for the established diamond dealer Abou Panger, had just arrived from CAR with 12 carats. Smugglers associated with the traders attempted to arrange a transaction for PAC researchers to purchase the diamonds. They left to retrieve the gems but never returned. Partnership Africa Canada was later informed that the smugglers were tipped off by the KP Focal Point about the investigation. When Partnership Africa Canada questioned Mbita about his ties to diamond smugglers and presented the findings of the investigation, the KP Focal Point denied all allegations.

34 See Decision N°0003/MINMIDT/CAB. Government of Cameroon, January 15, 2013; Law N°2014/026. Government of Cameroon, December 23, 2014.

35 Mohamed Abba, diamond trader. Interview with PAC. Batouri, Cameroon, March 7, 2016.

36 Ibid.

## THE EXPORTER

Diamond buying houses are at the top of the diamond supply chain in Cameroon. Since Cameroon's first KP-compliant export in January 2013, thirty-six buying houses have been licensed to export rough diamonds.<sup>37</sup> This is an unusually high number for such a small producer. By way of comparison, CAR which has a substantially bigger production only has eight buying houses.<sup>38</sup>

Patrick Ayandho operates the biggest diamond buying house in Kentzou. According to the UN Group of Experts on the Central African Republic, Ayandho was previously associated with the buying house ADR in Bangui and worked closely with Socrate Bozizé, the son of former President Bozizé.<sup>39</sup> The UN Panel of Experts found that in August 2014 Ayandho purchased diamonds from the Berbérati area in CAR, even though the country was still under Kimberley Process sanctions and Berbérati had not yet been declared a compliant zone.

Ayandho told Partnership Africa Canada that he has no systematic way of keeping sales records and that he could not trace the diamonds he buys back to their source.<sup>40</sup> His buying house is a sub-office of the Cameroonian buying house GEMS Africa. All diamonds he purchases are simply transported to the GEMS Africa office in Batouri—the largest diamond buying house in the East region.

Sachab Hayssam runs the Batouri office of GEMS Africa. He acknowledges the existence of the illicit trade of CAR diamonds through Cameroon, but denies the involvement of his company. When Partnership Africa Canada asked him if GEMS Africa bought conflict diamonds from CAR, Hayssam said he purchases from anyone possessing a valid purchase slip, and since he is not an enforcement official, he is under no obligation to demand extra proof of the source of the diamonds. He admitted he does not know where the traders find the diamonds they bring to sell to him and which he then exports to global trading hubs.<sup>41</sup>

According to official shipment documents viewed by researchers, on March 25, 2015, GEMS Africa officially exported 359.46 carats of rough diamonds valued at \$36,291.11 USD to Dubai. Over the course of a meeting between Partnership Africa Canada and GEMS Africa in March 2016, GEMS Africa was simultaneously finalizing procedures to export a further 2000 carats to Dubai—an amount equal to two thirds of Cameroon's annual official domestic production.

37 Joel Tawabo, National Permanent Secretariat for the Kimberley Process. Email exchange with PAC. Yaoundé, Cameroon, August 11, 2016.

38 Sylvain Marius N'Gbatouka, "*Fraude et contraband transfrontaliere de diamants bruts de la Republique Centrafricaine*" (presentation at the Central African Regional Meeting of Ministers of Mines, Bangui, Central African Republic, August 3-4 2016).

39 "Final report of the Panel of Experts on the Central African Republic established pursuant to Security Council resolution 2127 (2013)", United Nations Security Council, October 29, 2014, p. 34, paragraph 133, [http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s\\_2014\\_762.pdf](http://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2014_762.pdf).

40 Patrick Ayandho, diamond buyer. Interview with PAC. Kentzou, Cameroon, March 6, 2016

41 Sachab Hayssam, GEMS Africa diamond buyer. Interview with PAC. Batouri, Cameroon, March 7, 2016.



All the traceability documents filled by GEMS Africa for Kimberley Process certification indicate that the diamonds originate from mining sites in the East region of Cameroon. Other than the declaration made by the artisanal miners and diamond traders, there is no guarantee that the diamonds presented for sale at GEMS Africa are in fact mined in Cameroon.

According to KP requirements, authorities in countries with artisanal production should verify buying licenses on a regular basis; ensure that daily buying records are kept and are regularly submitted to the appropriate authorities; undertake spot checks to ensure that diamond traders and diamond buying houses are able to account for the origin of all rough diamonds sold; and undertake spot checks to ensure that licence numbers given on purchase receipts correspond to the actual origin of the diamonds.

The researchers did not see any evidence of national Kimberley Process Focal Points performing origin or chain of custody check on the diamonds at GEMS Africa.

Exports such as those mentioned above, coupled with the general lack of traceability of diamond purchases, underscore the lack of preparedness and political will by industry and KP officials in Cameroon to respond to conflict diamonds from CAR infiltrating the legitimate diamond supply chain.



*Rough diamonds smuggled from CAR that will be exported through Cameroon.*

## SECTION III

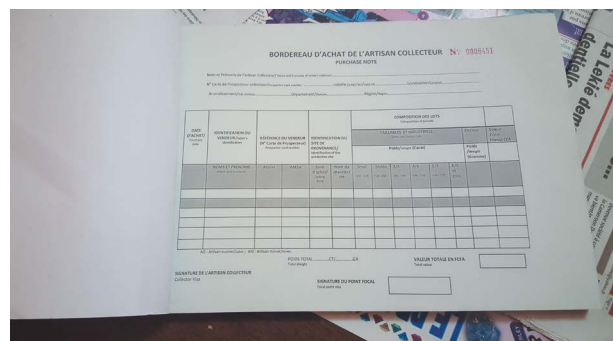
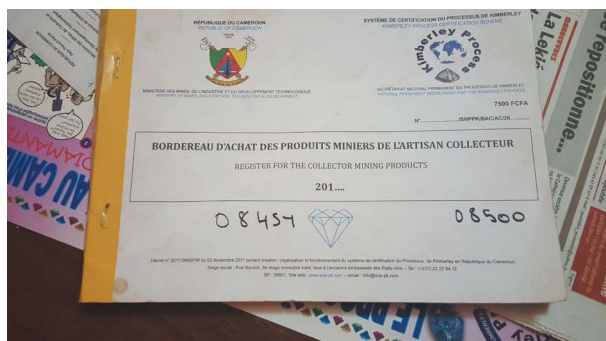
### THE INTERNAL CONTROLS

Cameroon gained membership into the KP in 2012, allowing the country's diamonds to be sold on the international market the following year. A Ministerial Decree in 2011 mandated a system of Kimberley Process required internal controls to be created in the country that would account for diamond production and trade.<sup>42</sup>

The National Permanent Secretariat for the Kimberley Process is the agency charged with the traceability of diamonds from the mine site to the point of export and the national implementation of the KP in Cameroon.<sup>43</sup> The Minister of Mines oversees the National Permanent Secretariat.

The Office of Valuation and Expertise of Rough Diamonds operates under the authority of the National Permanent Secretary and is tasked with the valuation of rough diamonds destined for export. The issuance of a Kimberley Process certificate, which bears the signatures of the Minister of Mines and the National Permanent Secretary, depends on this valuation of the rough diamonds parcel.

The National Permanent Secretariat has local representatives on the ground known as Kimberley Process Focal Points. Their mission includes locating, verifying and inspecting all production sites and trading points, and validating reported information, especially concerning the characteristics of the diamonds produced and sold. The various traceability documents including the artisanal diamond miner's production and sales register, the diamond traders' and buying houses' purchase slips must be stamped and signed by the Focal Point whose area of jurisdiction is concerned with the transactions.



*A sample of a sales register for diamond traders in Cameroon.*

42 Decree N°2011/3666/PM on the creation, organization and functioning of the Kimberley Process Certification Scheme in the Republic of Cameroon. Government of Cameroon, November 2, 2011.

43 Prime Minister's decree N° 2011/3666/PM. Government of Cameroon, Section 3, Chapter 3, articles 19, 20, 21 and 23; Order N°002102/02/MINMIDT/CAB. Government of Cameroon, Article 6, June 14, 2012.

The artisanal miner is required to record all production in the production and sales register.<sup>44</sup> When a diamond is sold to a trader or a diamond buying house, a duplicate receipt is furnished with copies retained by the seller, the buyer and for validation by the KP Focal Point.

When the exporter submits a request to export his parcel, the National Permanent Secretariat head office in Yaoundé authenticates its origin by checking the traceability documents. Then, following approval by the National Permanent Secretary, the parcel is sent to the Office of Valuation and Expertise of Rough Diamonds for classification, screening and appraisal. Finally, after payment of all dues and taxes by the exporter, the National Permanent Secretary issues and signs the tamper-proof KP certificate along with the Minister of Mines. Parcels are then shipped in a sealed container to the international market.

Cameroon's internal controls attempt to create a reliable and up-to-date database on diamond production as well as a chain of custody whereby every parcel of rough diamonds presented for Kimberley Process certification can be traced back to the diamond trader and ultimately, to the mine site of origin.

The facts on the ground tell another story.

KP Focal Points are responsible for tracking diamond production and reporting monthly production figures to the National Permanent Secretariat for the Kimberley Process in Yaoundé.<sup>45</sup> However in the East region, these internal control measures are not implemented by the KP Focal Points.

Focal Points told Partnership Africa Canada that a gap exists between production statistics reported from the mine sites and export statistics reported by the National Permanent Secretariat for the KP.<sup>46</sup> This gap is caused by traders and diamond buying houses that stockpile diamonds and do not send their diamonds to export at the same time KP Focal Points report on production statistics to the National Permanent Secretariat.<sup>47</sup> In order to avoid inconsistencies in production and export statistics, the Focal Points simply stopped reporting on production numbers.

In order to ensure data is captured, the production figures as provided by the KP National Permanent Secretariat represent "purchase figures" based on the licensed buying house where the diamond was first purchased and brought into the formal economy and recorded in the ledgers of the Kimberley Process National Permanent Secretariat. In Cameroon, what is reported as production statistics are in fact the export statistics captured at the Kimberley Process National Permanent Secretariat.

44 The production and sales register is purchased by the artisanal miner for 5000 FCFA (\$10 USD) from the Cameroon Ministry of Mines.

45 Service note N°0003/SNP/CJ/2013, National Permanent Secretariat of the Kimberley Process.

46 Mohamad Moctar, Kimberley Process Focal Point. Interview with PAC. Batouri, Cameroon, March 7, 2016.

47 Ibid.

## PRODUCTION DATA

Official total production averages 3,000 carats per year over the last three years (see table below). Between January 2013 and the first quarter of 2016, Cameroon exported 7974.46 carats of rough diamonds to the value of \$1.6 million USD.<sup>48</sup> South Korea and the United Arab Emirates (UAE) are major trading partners for exports from Cameroon accounting for 559.43 and 596.72 carats respectively in 2015.<sup>49</sup>

| COUNTRY  | DATE            | CARATS (CT) | VALUE (\$ USD) |
|----------|-----------------|-------------|----------------|
| Cameroon | Jan - Jun, 2013 | 944.40      | 228,327.58     |
| Cameroon | Jul - Dec, 2013 | 1777.54     | 413,722.43     |
| Cameroon | Jan - Jun, 2014 | 1633.50     | 353,193.50     |
| Cameroon | Jul - Dec, 2014 | 2084.66     | 289,371.65     |
| Cameroon | Jan - Jun, 2015 | 1176.88     | 229,491.60     |
| Cameroon | Jul - Dec, 2012 | 798.51      | 193,055.76     |
| Cameroon | Jul - Dec, 2015 | 1067.73     | 269,379.49     |

Source: Kimberley Process rough diamonds statistics<sup>50</sup>

Limited capacity and resources devoted to the implementation of the KP in Cameroon further hampers the ability to collect actual production statistics. Registering and overseeing a huge number of mobile miners and traders spread out over a vast number of artisanal mining sites throughout a region with limited infrastructure, communications and transportation links presents another significant challenge. As was noted earlier in the report, there are only four KP Focal Points responsible for collecting production statistics in Kadey, an area of 15,884 km square. Therefore, the collection and reporting of statistics on artisanal production has a limited geographical reach and does not cover all individual miners.

48 "Kimberley Process Rough Diamond Statistics" accessed August 12, 2016, <https://kimberleyprocessstatistics.org>.

49 2015 Annual Report. National Permanent Secretariat for the Kimberley Process in Cameroon, p. 6.

50 "Kimberley Process Rough Diamond Statistics" accessed August 12, 2016, <https://kimberleyprocessstatistics.org>.

A reliable and up-to-date database on diamond production and trade is essential to the triangulation and verification of diamond shipments. In the KP, each member must submit quarterly trade data and semi-annual production data and details of in and outbound shipments by country. In addition, production figures should correlate with a country's known production capacity and trading history. However, production figures reported to the KP by Cameroon do not by any measure relate to actual production statistics for the simple reason that the country does not know its actual diamond production statistics.

The inability to capture accurate mine-level data underscores the frailty of Cameroon's government to enforce internal control measures on the ground. Without adequate and consistent field enforcement, no regulatory system can hope to eliminate the illicit trade in rough diamonds. In such a situation, it becomes impossible for both the Government of Cameroon and the KP to detect and query major anomalies in their supply chain.

Given the influx of illicit Central African diamonds into Cameroon, one would expect to see a substantial spike in either production or exports. However, we see neither. This leads to the conclusion that many CAR diamonds are completely bypassing Cameroon's official controls entirely, and eventually penetrating the leading trade and manufacture hubs, namely India, Belgium and the UAE.<sup>51</sup> The number of fake Kimberley Process certificates from Cameroon presented abroad attests to this point. In the first half of 2016, a total of 4,523 carats worth of fake Kimberley Process certificates from Cameroon were presented abroad. This far outpaces Cameroon's total reported "official" annual production and trade data.

51 Christian Locka, "A trail of blood from CAR to Cameroon: The 'business' of laundering conflict diamonds", *Mail and Guardian Africa*, September 7, 2016, <http://mgafrica.com/article/2016-09-07-00-washed-clean-its-just-business-to-launders-conflict-diamonds-on-to-world-markets>.

## SECTION IV

### THE POLICY OPTIONS: ENHANCED VIGILANCE, DUE DILIGENCE AND FORMALIZATION

Clearly, existing KP standards have failed to stop conflict diamonds from the Central African Republic entering the legal market, despite the best efforts of the KP monitoring team's work with CAR authorities. While their efforts have had success to quarantine the export of diamonds from Bangui, the same level of scrutiny and oversight has not extended to diamonds exiting over the border to Cameroon.

Policy options, however, do exist for the government of Cameroon, the Kimberley Process and the international diamond industry.

According to the 2014 KP Administrative Decision on CAR, all participants, and especially neighbouring countries and key trading hubs like Antwerp and Dubai, were required to have an enhanced vigilance system in place to offer credible due diligence on diamonds emanating from areas under KP or UN supervision.<sup>52</sup>

The reasons for Cameroon's failure to implement enhanced vigilance measures are undoubtedly due to the frailty of its internal controls and a lack of political will. If implemented, vigilance measures could include a range of activities such as providing added detail and scrutiny of production and trade information, closer observation of the trading patterns of exporters, more regular mine site and border monitoring by government, analysis of statistical data, the use and sharing of digital photographs of all diamond shipments and collaboration or requests for financial and technical assistance from key KP partners. Counteracting the trade of illicit diamonds is not the purview of one country and information sharing, particularly between producer states and trading hubs like Antwerp and Dubai, is critical to interrupting and containing the illegality.

Cameroon and the Central African Republic should implement or formally ask for assistance from the Kimberley Process and the donor community to create such a vigilance system. Cameroon's experience also lends itself well to discussions surrounding the need for the diamond industry and governments to add additional due diligence to the diamond supply chain through the adherence of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.<sup>53</sup> Doing so would foster greater transparency and oversight of supply chains of diamonds and other minerals produced in the country as well as require greater corporate responsibility by industry actors—something that neither the Kimberley Process or the World Diamond Council's System of Warranties currently do. Requiring industry members to carry out auditable, third party due diligence

52 "2014 Administrative Decision on the Central African Republic", Kimberley Process, June, 2014, <https://www.kimberleyprocess.com/en/2014-administrative-decision-car>.

53 The five-step framework includes requirements that companies should (1) Establish strong company management systems; (2) Identify and assess risk in the supply chain; (3) Design and implement a strategy to respond to identified risks; (4) Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain; and (5) Report on supply chain due diligence. See OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Second Edition. OECD Publishing, 2013, <https://www.oecd.org/corporate/mne/GuidanceEdition2.pdf>.

on its supply chain, from mine site to an industry member's final receipt of a particular shipment of rough diamonds, would add greater ethical assurances to consumers of the conflict-free status of the supply chain.

Implementing the OECD Due Diligence Guidance including the development of a Supplement on Diamonds would provide numerous other benefits. More traceable diamond flows would help lower the role of rough diamonds in conflict financing and bring revenue to government coffers. It would also help establish the artisanal mining sector as an official contributor to economic activity, employment and government revenue.

The lack of formalization in the artisanal mining sector negatively impacts traceability. As such the Government of Cameroon must prioritize greater formalization of the diamond sector, such as gathering relevant and reliable technical information including the identification of all diamond production sites, registering and legalizing artisanal diamond producers and improving methods of recording production and production capacity at mine sites. This is currently not the case, as the preceding sections have shown.

In order to strengthen internal controls in countries with significant artisanal diamond sectors, the KP adopted the Washington Declaration on Integrating Development of Artisanal and Small Scale Diamond Mining with Kimberley Process Implementation in 2012.<sup>54</sup> The Washington Declaration contains a series of recommendations seeking to regulate and formalize artisanal mining and the trade in alluvial diamonds and encourage artisanal miners to move into the formal economy. It also calls on KP members to strengthen property rights through clarification, demarcation, and documentation of land and mining rights, as well as to expand artisanal miners' access to mining inputs. This strategy can be effective in encouraging artisanal producers to formally register themselves while providing a means to overcome capital constraints.

The principal intent of the Washington Declaration is to improve internal controls in countries with significant artisanal mining sectors and to create enabling conditions, including the business case for producers, within a larger development context for the artisanal diamond mining sector. KP members have to examine ways to leverage the work of the development community to reduce the informal and precarious nature of artisanal and small-scale mining. While better traceability, regulation, and enforcement are absolutely necessary for internal controls, greater economic security and sustainable development are equally important goals if rough diamonds are to be brought into legitimate chains of custody and artisanal miners are to move into the formal economy.<sup>55</sup>

54 "Washington Declaration on Integrating Development of Artisanal and Small Scale Diamond Mining with Kimberley Process Implementation", Kimberley Process, November 29, 2012, <https://www.kimberleyprocess.com/en/2012-washington-declarationcompendium>.

55 Ibid.

However, no African government has moved to implement the Washington Declaration in any significant way since its adoption. By not doing so, they prevent themselves from taking proactive and preventive action on vulnerabilities, including those found in Cameroon.

At a minimum, diamonds could be the generator of decent incomes for thousands of families rather than the unsafe, unhealthy and badly paid piecework that it is. Globally, artisanal mines employ ten times as many people as industrial ones.<sup>56</sup> Large foreign mining firms tend to retrench quickly when markets turn down while small local miners tend to keep digging. Also, small miners' earnings tend to be spent locally. For instance in central Mozambique increased legalization of formerly illicit gold mining over a decade has led to a farming renaissance in many villages, alongside booms in construction and trade.<sup>57</sup>

Benefits for a country with a formalized artisanal diamond mining sector are: increased taxation revenues, rationalization of the sector, an increase in transparency in the diamond supply chain and finally, enlarging the debate around diamonds to include issues pertaining to labour practices, the environment and human rights more broadly.<sup>58</sup>

From a government perspective, the case for formalization should be straightforward and compelling. However, in order for any such effort to succeed, artisanal miners must also be persuaded of the benefits of formalization. For artisanal miners, the increase in taxes and licensing fees are costs that come with formalization. Where these costs are the only concomitants of formalization, artisanal diamond producers tend to evade or avoid government formalization efforts.<sup>59</sup>

Moreover, formalization efforts to date in Cameroon have focused only on the registration of individual miners. The problem with this approach is that individual miners are too mobile and have too little stake in the system for this approach ever to have much chance of success. The government should consider establishing policies that give artisanal miners greater incentives to formalize their operations.<sup>60</sup>

The largest single benefit a government can bestow is security of mining tenure. Strong property rights are a necessary condition to bring many forms of economic activity into the formal sector.

In Cameroon, a licensed artisanal miner can get a mining title to an area not larger than four hectares. This is known as the artisanal exploitation authorization. It is subject to a fee of FCFA 30,000 (\$60 USD) and valid for two years. The artisanal exploitation authorization costs FCFA 50,000 (\$100 USD) to renew it.

56 "In praise of small miners: A boom in artisanal mining offers lessons in development", *The Economist*, May 7, 2016, [http://www.economist.com/news/middle-east-and-africa/21698262-boom-artisanal-mining-offers-lessons-development-praise-small-miners?fsrc=email\\_to\\_a\\_friend](http://www.economist.com/news/middle-east-and-africa/21698262-boom-artisanal-mining-offers-lessons-development-praise-small-miners?fsrc=email_to_a_friend).

57 Ibid.

58 Ibid.

59 Shawn Blore, "Trading tenure for formalization: a new approach to the licensing of artisanal diamond mining in the DRC", in *A farmer's best friend? Artisanal diamond mining and rural chance in west and Central Africa*, ed. Van Bockstael and Koen Vlassenroot (Gent: Academia Press, 2012), p. 35.

60 Ibid.



The promulgation of the right to a mining title on an artisanal mining area has unfortunately had little effect on the ground. 40% of 6,000 mining permits in the country are in foreign hands as a result of cash-strapped Cameroonian artisanal miners reselling their licenses to foreigners.<sup>61</sup>

In addition the artisanal mine sites should be registered and mapped. Once this is done, Cameroon authorities can require diamond traders and buying houses to record the mining title number of the artisanal mine site that produced the diamonds. By collecting this data, Cameroon would have the beginnings of a chain of custody system, one that allows for the tracking of diamonds from their source (in a registered artisanal mine site) to a trader (who records the mine site of origin when he purchases the diamonds) to a buying house (who records the name of the trader who sold the diamond). This would enable government authorities to monitor and determine where mine sites are located.

The government of Cameroon is increasingly aware of the importance of the artisanal and small scale mining sector in terms of employment and government revenues. In 2003, it created the Small Scale Mining Support Mechanism (CAPAM). CAPAM is the government agency charged with disseminating information on administrative resources, technical training, and the commercialization of outputs of artisanal miners. However CAPAM's work on formalization is limited to nascent attempts at organizing mineworkers to form common initiative groups known as 'gicamines'.

61 Emmanuel Tumanjong, "Cameroon Suspends 38 Mining Contracts to Combat Smuggling", *The Wall Street Journal*, July 31, 2014, <http://blogs.wsj.com/frontiers/2014/07/31/cameroon-suspends-38-mining-contracts-to-combat-smuggling/>.

## CONCLUSION

**D**iamond smuggling is a cross-border phenomenon, and diamonds, being high value, low volume items, are particularly easy to smuggle. Cameroon does not have the capacity to authoritatively eliminate the presence of conflict diamonds originating from the Central African Republic from its exports. It is unlikely that all diamonds exported from the country can be definitely traced back to the mine sites of origin.

Cameroon is not doing enough to interrupt this illicit trade. The majority of mine sites are exploited without authorization, or any serious repercussions, thereby fostering a sense of impunity for smugglers and undermining traceability. The high degree of informality of diamond mining operations makes it difficult for the government to effectively monitor and regulate the sector.

It is time for the KP and Cameroon to take enhanced vigilance seriously. The KP can only continue to be a relevant regime for regulating the rough diamond trade if it articulates and resolves the problems resulting from the illicit trade in diamonds. This illicit cross-border trafficking of diamonds strikes at the very core of the Kimberley Process mandate to stem the flow of conflict diamonds. Failure to address illicit trading means a failure to address the flow of conflict diamonds.




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