

# Diamond Industry Annual Review

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## Development Diamonds?

Editorial Comment

It is now two years since Sierra Leone's war formally ended. Fuelled largely by diamonds and corruption – the two were very closely linked – the decade-long conflict drew much-needed international attention to the processes of diamond mining and trading. Since their commercial exploitation began in the 1930s, diamonds have influenced Sierra Leone's fortunes in ways that no other economic activity has. Accounting for more than two-thirds of the nation's export earnings and a quarter of GDP for the early years of the post-colonial period, diamonds have been profoundly influential in shaping Sierra Leone's history and its social and political life, for good and ill. During the 1990s, the trajectory of the diamond industry in Sierra Leone was wholly negative: diamonds were implicated in the decade-long conflict which almost completely destroyed the country and led to the deaths of upwards of 75,000 of its citizens.

International attention, as a result, has until recently focused on how the gems are traded – their movement to the international market. The Kimberley Process, an international forum bringing together dozens of governments, representatives of the diamond industry and non-governmental organizations (NGOs), was initiated in May 2000 by the Government of South Africa to grapple with the problem of "conflict diamonds" – diamonds, traded by "rebel" armies, that were fuelling wars in Sierra Leone, Angola and the Democratic Republic of the Congo. In March 2002, an agreement on the principles and many of the details regarding an international certification system for the trade in rough diamonds was reached, and the system was officially launched in January 2003. Sierra Leone, which is part of the Kimberley Process, had been experimenting with a rough diamond certification regime, at the urging of the UN Security Council, since September 2000, a scheme that has substantially strengthened official control over the movement of diamonds from the country to the international market – if the huge leap in official exports, from almost nothing in 1999 to \$75 million in 2003, is accepted as the only measure of its efficacy.



National control mechanisms are, however, still extremely weak, and even government officials admit that diamond smuggling is still substantial, perhaps even bigger than the legitimate exports. This is as important in the post-war period as it was during the destructive "rebel war" decade. The international conscience may now well be assuaged by the end of the depravities of "rebel" violence, but for Sierra Leoneans, the problems of resource predation is a continuing nightmare. In a speech in August, 2003, President Tejan Kabbah delineated the "common and well-known problems associated with the diamond industry in Sierra Leone" as follows:

- illegal mining
- smuggling
- environmental damage
- poor working conditions, including child labour
- misuse of official positions and power

These corrupt practices, he noted, "destroy the economy of this country and may endanger the...security and image of Sierra Leone." There is a real danger, the President warned, of foreign "criminal elements" attempting to take over "diamond transactions" in the country for purposes

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like money laundering, and that in any case, the "average Sierra Leonean in the industry benefits very little from it."<sup>1</sup>

This first *Annual Review* of Sierra Leone's diamond industry attempts to describe the country's most important asset within the context of its history and its potential. It describes the diamond industry as it is today – warts and all – and it outlines what needs to be done to convert diamonds from a liability to a tool for development.

"Should I buy Sierra Leonean diamonds?" a New York diamantaire recently asked. "Are the NGOs now going to clobber me on environmental issues, or child labour or some other thing? Tell me, because I will just stay away." This report is critical of the way Sierra Leone's diamonds are currently being managed – on a variety of fronts. But great progress has been made, and the report's purpose is not to drive potential buyers or investors away from Sierra Leone. On the contrary, it aims to encourage a legitimate trade in diamonds. But it aims for more than that: it aims for an industry that is open, fair and clean, one that can advertise its diamonds as being not just free of conflict, but as genuine purveyors of positive development. The people and companies that buy Sierra Leone's diamonds can contribute to this process by encouraging transparency, by paying fair prices and legitimate taxes, and by adding volume to the voice of Sierra Leoneans who are working to ensure that diamonds really are a force for development.



## Smoke and Mirrors: The “1414” Stone

No recent smuggling rumour is more juicy and persistent than the case of a stone, said to weigh 1,414 carats, allegedly found in Kono District in April 2002 and quickly smuggled out. The story, first reported in Freetown’s *Peep! Magazine*, a satirical tabloid, goes like this: the diamond was found on April 22, 2002, in Tankoro chiefdom by a group of diggers excavating tailings from a former National Diamond Mining Company (NDMC) site. It was then sold to an “unidentified” buyer. Somehow, the diamond got into the hands of four well-known Freetown-based Lebanese exporters and a Gambian national. Apparently, it was the Gambian who purchased the diamond on behalf of the others, and who had it smuggled out. The diamond was subsequently cut into two pieces and sold in Antwerp for \$100 million.

A chief in Kono reportedly received \$30,000 to keep quiet about the diamond, which began life in the original stories as a 200 carat stone, growing to 400 carats and finally to 1,414 carats as the story passed, or is said to have passed, through the Ministry of Mineral Resources, the Government Gold and Diamond Office (GGDO), the President’s office, Interpol, and the front page of *Peep!*

It may be true that a large stone was found and smuggled out. Certainly smuggling focuses on the better gems – for tax evasion, money laundering, security reasons and because of the pathological secrecy that surrounds the industry. But a stone of 1,414 carats would be hard to conceal anywhere. There may well have been a big stone, but the Star of Sierra Leone, found in 1972, weighed only 969 carats. At the time, it was the third largest diamond ever found, and by far the largest alluvial diamond in history. The truth about the 1414 Stone may never be known, but if a very large, anonymous diamond appears for auction in the months ahead, it may well have started its journey in Sierra Leone.

## Diamonds: The Political Context

Sierra Leone’s rebel war officially ended in January 2002, in part because of the arrival of 17,000 UN peacekeepers, in part because of unilateral military action against the Revolutionary United Front (RUF) by British troops, in part because the diamonds-for-weapons pipeline through Liberia was choked by greater public attention to the issue and tighter UN sanctions against Liberia’s warlord president, Charles Taylor. Elections in May 2002 returned President Ahmad Tejan Kabbah to power.

During 2002 and 2003, three major events helped to consolidate the end of hostilities. The first was the disarming and demobilization of almost 46,000 ex-combatants. The second was the establishment of a Truth and Reconciliation Commission to create an impartial historical record of violations of human rights and international humanitarian law, from the beginning of the conflict in 1991 to the signing of the 1997 Lomé Peace Agreement. The third event was the establishment of a Special Court for Sierra Leone. The Court was created jointly by the Government of Sierra Leone and the United Nations. It is mandated to try those who bear the greatest responsibility for serious violations of international humanitarian and Sierra Leonean law committed in Sierra Leone since 30 November 1996. By the end of 2003, thirteen individuals from all three of the country’s former warring factions had been indicted by the Court, charged with war crimes, crimes against humanity, and other serious violations of international humanitarian law. These included former RUF leader Foday Sankoh, who died in prison during 2003 of natural causes, and his chief lieutenant, Sam Bockarie, who was killed in Liberia in April 2003. Former Liberian President Charles Taylor, also indicted by the Court, was given asylum in Nigeria in August 2003 in return for his resignation. He remains a wanted man. Meanwhile, the establishment of a 15,000 member UN peacekeeping force in Liberia has begun to offer hope that peace may be possible in that country, and throughout the region.

A major focus of attention in Sierra Leone in 2004 will be the decentralization of government responsibilities to elected district bodies. These will have greater oversight on the management and delivery of education and health, and on other government services.

## History and Size of the Diamond Industry

When a colonial Geological Survey team, led by J. D. Pollet, discovered diamonds in the Gbogbora Stream in the Nimikoro Chiefdom of Kono District in 1930, it changed the course of Sierra Leone’s history forever. Commercial exploitation of the gems began in the early 1930s. Soon after, full-scale prospecting was taken over by the Consolidated African Selection Trust (CAST), at the time one of the biggest mining conglomerates in the world. CAST later formed a subsidiary company, Sierra Leone Selection Trust (SLST), which was given a monopoly in 1935 “to prospect for, produce, and market all Sierra Leone diamonds.” In an attempt to stop widespread illicit mining and smuggling, the government changed this arrangement in 1955, and the company’s operations were confined to an area of 310 square miles in Kono and Kenema Districts. SLST was given £1,570,000 in compensation. The government then initiated an Alluvial Diamond Mining Scheme, issuing miners’ and dealers’ licenses to individuals and small companies. In 1956, the government entrusted the Diamond Corporation of Sierra Leone (DCSL), a subsidiary of De Beers, with diamond marketing rights. Illicit mining and smuggling, however, continued. Because the DCSL included a 10-12 per cent margin on the price of diamonds (thus reducing the price paid to diggers), the gems could fetch better prices outside of Sierra Leone.<sup>2</sup> Liberia thus became a ready conduit for Sierra Leone’s smuggled diamonds. As much as 55 per cent of the gems were smuggled out each year during the late 1950s.<sup>3</sup> This problem, partially contained through security operations in the 1960s, grew again after President Siaka Stevens effectively nationalized the lucrative SLST mines in 1970.

Diamond production peaked in the 1960s, with Sierra Leone officially exporting 1.7 million carats per annum by the end of the decade. Another 300,000 carats probably left the country illegally. For much of the 1960s and 1970s, diamonds accounted for approximately 70 per cent of Sierra Leone’s foreign exchange earnings. High-level official corruption and the collapse of much of the state’s infrastructure, however, compounded the age-old problem of smuggling, and by 1985, Sierra Leone was officially exporting a paltry 50,000 carats a year. The Revolutionary

United Front (RUF) war began in 1991, and for much of the 1990s, Sierra Leone's diamonds became associated with funding for a bloody war that devastated the country. UN investigators estimated in 2000 that the RUF was earning between \$25 and \$125 million annually from its diamond mining.

The Sierra Leone diamond fields cover an area of approximately 7,700 square miles, almost a quarter of the country in the south-eastern and eastern parts. The most important diamond production areas are concentrated in Kono and Kenema Districts, mainly in the drainage areas of the Baffin, Sewa, Woa, Mano and Moa Rivers. The introduction of the Alluvial Diamond Mining Scheme (ADMS) in 1955 encouraged new mining activities, resulting in a proliferation of artisanal mining activities in new mining districts such as Bonthe, Pujehun in the south-east, and Bombali and Tonkolili districts in the North. The RUF was credited with diamond discoveries in various parts of the north during the 1990s.<sup>4</sup>

Estimates of Sierra Leone's diamond potential at present are ambiguous, even mythical. De Beers experts have said that Sierra Leone diamonds are drying up and that the country is nearing the end of its productive life as a diamond exporter. A Canadian company, however, African Diamond Holdings, believes that the true source of Sierra Leone's diamonds may not have been found yet, and it is currently investing \$2 million in an aerial geological survey of large parts of the country. A 2002 British Department for International Development (DFID) study estimated diamond output "within 4-5 years" at "between 750,000 and 1 million carats a year", which means that the "value of exports will rise from around \$50 million in 2002 to as much as \$180 million by 2006."<sup>5</sup> Sierra Leone government officials believe the potential is even greater, but do not give a figure. Minister of Mineral Resources, Alhaji Mohamed Swarray Deen said in September 2003 that even discounting the kimberlite operations, which began in November 2003, Sierra Leone might export more than \$100 million in 2003. (The actual was closer to \$75 million.) The problem in getting at accurate numbers, he believes, is smuggling. This persists, he says, although on a reduced scale because of the Kimberley Process Certification Scheme.<sup>6</sup> A recent USAID-sponsored study is less restrained: it estimated the "actual market value" of Sierra Leone's diamond production in 2002 at \$320-\$400 million.

If true, this would place total production at nearly 2 million carats, a surprising volume, because kimberlite mining had not started when the report was written. The report further contends that close to 90 per cent of these diamonds were smuggled.<sup>7</sup>

Best guess? Current production figures are probably less than a million carats a year, worth something less than \$200 million. Of this, about half is being exported through official channels. But much more reliable production estimates are essential because they will provide an estimate of the industry's potential contribution to government revenue. And – to the extent that smuggling remains sizeable – they will provide a picture of the management and governance challenges required to contain it.

## The Miners

Outside of agriculture, which is a largely subsistence, non-commercial activity, Sierra Leone's diamond fields provide more work for unskilled labour than any other endeavour in the country. The vast majority of diamond miners are in the artisanal sector – mining without much more than hand-held equipment. They are often unregistered, and collectively they are largely unregulated. As of September 2003, 800 valid artisanal mining licenses had been issued. A license area cannot employ more than 50 miners legally, although Mines Monitoring Officers strive for a maximum of 30 miners per license area as a more manageable number. This would mean that at present – assuming that each license holder employs 30 workers – there could be as many as 24,000 legitimate artisanal miners in the country. In fact, however, because there is little government oversight, license holders tend to employ the legal limit of 50 or even more. And then there is the problem of illicit miners. Taking this into account, Minister Deen told the *Annual Review*, that "there may be 150,000 to 200,000 artisanal miners at the



moment." This number may be realistic, but if correct, it actually represents a significant decrease in the number of those in the artisanal sector. Before the war, well over 5,000 artisanal mining licenses were in existence, and the Ministry estimated that there were 500,000 artisanal miners in the country.

Artisanal mining is a depressing and largely unrewarding venture which one observer has described as "a system of debt bondage, which is monitored worldwide by the United Nations Commission on Human Rights and is classified as a contemporary form of slavery."<sup>8</sup> Artisanal miners are not paid a salary. They operate under a *tributor* system in which they are hired by a "supporter" (a mining license holder), and are provided with food and the simple mining implements needed for alluvial mining. They in turn must sell their finds to the supporter, who usually pays below-market prices for the diamonds, making sure he deducts the cost of his investments and more. The miners always feel cheated, but they are stuck because they lack the capital themselves to buy licenses and fund their own operations. The result is that theft among artisanal miners is common, and this consequently fuels the smuggling regime.

The 1994 Mines and Minerals Act restricts artisanal miners' licenses to Sierra Leoneans,



*DiamondWorks Operation in Kono*

and bans non-nationals from traveling to actual mining areas – well-intentioned measures rendered virtually useless by two facts. First, many non-indigenes wanting to participate in diamond mining have acquired Sierra Leonean passports without much difficulty. Second, they have more capital to start with. Even citizens holding miners' licenses often do so as proxies for non-nationals.

United Mines Workers Union President Hassan Barrie says that he favours an end to the tributary system. "It is at the root of corruption in the diamond industry," he says, "and it is inherently unfair and backward." Barrie advocates wages for all artisanal workers, but he himself contends that this is unrealistic at the moment. "Artisanal mining is a highly unregulated industry, and it is not very rewarding," he says. He suggests that "cooperative mining", with funding from the state or local authorities, "should be encouraged; it benefits workers more, and it is easier to regulate." Barrie's union, which has for a long time shied away from the unwieldy artisanal diamond sector, has now started registering miners, including artisanal miners, across the country. But with only 500 miners registered in Kono District, the diamond heartland, the union has a long way to go.

Corporate mining activity is restarting after a period of dormancy during the war. Of some 50 Exclusive Prospecting Licenses (EPLs) issued by the Government of Sierra Leone as of October 2003, thirty-one allow for diamond prospecting and 20 were issued after May 2002. Twelve of the twenty Exploration Licenses (EXPLs) were issued in the same time period, with eleven of the EXPLs allowing for diamond exploration. Branch Energy Ltd, a subsidiary of DiamondWorks, has the only Mining Lease for diamonds in Sierra Leone – one of six current Mining Leases covering all minerals in the country.

Several companies which trade on the Toronto Stock Exchange are involved in diamond prospecting and exploration in Sierra Leone. Mano River Resources, which operates through its subsidiary Golden Leo Resources in Sierra Leone, recommenced exploration in February 2002. In July 2003, Diamond Fields International acquired the rights to several properties licensed to Gondwana (Investment) SA. In September 2003, the company reported results of exploration activities that support the possibility of local kimberlite occurrences. Africa Diamond Holdings, a Calgary-based company which is undertaking the aerial survey mentioned above, has prospecting licenses in Bo and Kono District. Rex Diamond Mining Corporation, which had licenses in Tongo Field and Zimmi, had its licenses revoked in October 2003 by the Government for non-payment of fees.

One of the few mechanized alluvial diamond operations, with excavators, pumps and processing plant is Magna Egoli, operating in Zimmi on the Sewa River, between Bo and Kenema. Magna Egoli is controlled by Fauvilla Ltd. which took over the Rex mining leases and equipment in 2002 under an arrangement to sell its diamonds through Rex in Antwerp. Fauvilla has backing from Israeli lawyer and businessman Yigal Shapira. Rex's Interim Financial Statement posted to the web on November 28, 2003 states: "The first shipment to Rex Antwerp of Sierra Leone rough diamonds have been sold in Antwerp during the month of November. Sierra Leone sales were strong, with high prices obtained, as the diamond market is in short supply. Imports from Sierra Leone are expected to reach a sustained level of \$2 million per month within a year."

Branch Energy has three Exploration Licenses, as well as a Mining Lease for a property in Koidu. With most of its new equipment now installed in Kono, and with fully functioning offices in Freetown and Koidu, Branch Energy has 120 permanent (on-site) contract employees, and 70 casual workers hired on 7-day contract basis. The employees are paid well by Sierra Leonean standards. The highest paid Sierra Leonean staff receives \$2000 per month, and the lowest (general, unskilled laborers) \$150. In September 2003, the company was building housing for 70 on-site workers. It provides health facilities for its employees, and has built a canteen at its mining site to feed on-site workers. These conditions stand in stark contrast

to the conditions of most artisanal miners. Most of Branch Energy employees, except the supervisors, are members of the United Mine Workers Union.

## DiamondWorks : A New Face

In 2000, Partnership Africa Canada (PAC) published *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, which had a number of critical things to say about DiamondWorks, the Vancouver-based company described above. The company, PAC noted, "has been touched by international intrigue, and much of its activity has been shrouded in mystery...It has had its Angolan mines closed and staff killed by bandits, and it has been shut out of Sierra Leone because of military conflict. Correctly or incorrectly, DiamondWorks and its subsidiary, Branch Energy Ltd., have been linked to at least two international mercenary/security groups, two attempted coups, and many of the most important international mercenary...personalities of recent years." Not exactly a great résumé, even for an investment-hungry nation like Sierra Leone. A subsequent PAC report, *War and Peace in Sierra Leone* (Ottawa, 2002), noted that "many of DiamondWorks original principals have left the country. It is now headed by Antonio 'Tony' Teixeira, who has a chequered career where African diamonds are concerned." Teixeira's operations in the Central African Republic, the report noted, ended in confusion, with allegations of unpaid taxes and a partnership with the now deposed President of the country. It also noted that Teixeira had been named as one of those involved in busting UN sanctions against Angola's murderous UNITA rebels.

Teixeira remains head of the company, but in the case of its Sierra Leone operations, he appears to play a hands-off role. Or this is the picture painted by the company's Sierra Leone Country Manager, Jan Joubert. A rugged South African with previous DiamondWorks experience in Sierra Leone – including involvement with the Executive Outcomes mercenaries in the 1990s – Joubert now bills his company as a transparent and responsible corporate player. DiamondWorks' well-paid staff are overwhelmingly Sierra Leonean, 70% recruited in Kono District where its mines are located. "The average

household in the district has 10 people," Joubert told the *Annual Review*. "There is therefore direct interaction with at least 1,400 people in the community on a daily basis." He says that part of the company's proceeds, when it begins full operations, "will go the Agricultural Development Fund, and we have plans to build a clinic, skills training facilities and a primary school."

DiamondWorks' holdings in Kono, including the rich kimberlite deposits at Koidu, are estimated to be worth more than \$2 billion. In June 2002, it entered a joint venture agreement with Magma Diamond Resources Ltd. Magma is a newly formed company whose major purpose is equity and debt participation in diamond mining and exploration projects. Benny Steinmetz and the Steinmetz Diamond Group are majority shareholders.<sup>9</sup> In September, the two companies successfully concluded negotiations and reached agreement on the ownership and operation of the Koidu Diamond Project. Under the terms of the agreement, DiamondWorks and Magma were to establish a special purpose company (recently named "Koidu Holdings Ltd.") for the joint ownership and operation of the project. The DiamondWorks/Magma joint venture was expected to require capital and working costs of US\$6.2 million to achieve initial commercial production. In its Annual Report for 2003, DiamondWorks states that it has

*A 25-year renewable mining lease, which had been originally issued in July 1995, that grants the Company the exclusive right to carry out exploration and mining activities in respect of diamonds, gold and associated minerals in an area approximately four square kilometers in Kono district... the Company is required to pay an annual lease rent of \$200,000 (subject to inflation increases...), an annual surface rent of \$25 per acre, and royalties equal to 5% of diamond sales and 4% of precious metal sales.*

On paper, this looks like a very good deal for a cash-strapped and investment-starved country, and there can be little wonder that the government of Sierra Leone takes an active interest in the success of the company. When a fracas in Kono between the company and some local people occurred in July 2003, leading to the destruction of a company vehicle, a large government delegation, including the Minister of Mineral Resources, paid a flying visit to Kono to settle the matter. Apparently, corrupt

chiefs in the area had instigated local youths to cause trouble around the company's holdings in order to encourage the company to pay for protection that would keep the restive youth in check. Such volatility does not unnerve Joubert. "This is a country emerging from war, and that is why we have plans for a resettlement project for displaced residents returning," he said. "It is a passing difficulty... Sierra Leone has its unique challenges, none of which cannot be managed or overcome," he says. "Security companies such as Securicor, and SLSA offer essential services in accordance with international regulations and standards. These services make investment easier than before." DiamondWorks now has a contract with Gray Security, a subsidiary of Securicor, to provide security at its site.

## The Dealers

As of September 2003, 135 diamond dealers' licenses had been issued for the entire country, many of these to non-Sierra Leoneans. Citizens pay \$1000 per license, non-citizens from ECOWAS states (Economic Community of West Africa States) \$1500, and non-West Africans \$3000 per annum. Dealers provide the capital for artisanal mining ventures: they are the "supporters", who often bankroll the small-time mining license holder in a curious neo-feudal hierarchy which places the miner at the unrewarding bottom. Some dealers, often small Sierra Leonean players, have supporters themselves – usually a Lebanese or a Maraka trader from another West African country. Some dealers act as agents for exporters, often foreigners for whom the complex local dynamics are too Byzantine.

All dealers are subject to performance targets set by government, which are reviewed from time to time. Each dealer may employ not more than five buying agents who should all be Sierra Leoneans. Dealers must get approval and certificates for their buying agents. In Kenema, one of the country's most important diamond trading towns, there was a total of 66 diamond trading offices in mid 2003, only six of which were run by native Sierra Leonean dealers. The vast majority of the dealers were of Lebanese extraction.

## Two Dealers

Raof M. Mousa, 65, is a Lebanese-born diamond dealer. He arrived in Sierra Leone in 1953, and soon after apprenticed himself to a relative who was a diamond dealer. He became a licensed dealer himself in 1962. He has no formal training in diamond dealing. "Experience has taught me everything" he says. He now claims to be "fed-up" with the diamond trade because of the "dishonesty of miners", but every year he renews his dealer's license. His eldest son runs the shop, however. He has sent six of his children to Lebanon, he owns a well-furnished house and three expensive cars. Mousa insists there is a decline in the diamond trade. He claims that it has been "spoilt" by white foreign nationals, whom he accuses of over-valuing gems and paying too much to sellers.



Francis Kpullum, 30, is a Sierra Leonean dealer based in Bo. Kpullum joined the diamond business after leaving school in 1996. He got his incentive and his initial capital from his father, a mining license holder. Two years later, he became a licensed dealer. He has no formal training in diamond valuation, but like most dealers, he has scales, a loupe, and a book that a Belgian friend gave him to value gems. Apart from buying diamonds, Kpullum is also a "supporter", assisting miners across the country. He puts his yearly expenditure at thousands of dollars. He says the diamond business is still lucrative but he is wary of the foreign dominance of the industry, by which he means "Lebanese". He also complains about corruption among Mines Monitoring Officers, some of whom he claims are involved in mining themselves. Kpullum, a slight young man who lives simply, cannot, like many other dealers, state how much he is worth in hard cash.

## The Exporters

In September 2003, 39 individuals held diamond export licenses. On paper, an impressive number of these, 33, were Sierra Leonean indigenes. This is misleading, however. All were clustered under one export license. The June 2003 *Half Yearly Report* of the Government Gold and Diamond Office (GGDO), which values diamonds for export and levies an export tax on them, states that “foreign nationals out-performed the indigenous citizens and by a very wide margin, even though more indigenous citizens participated in the export process than last year.” Exports during the first half of the year totaled \$37 million. Of this, non-citizens accounted for \$29 million, or 78.4% of the total, while indigenous citizens exported only 21.6% of the total, or \$8 million.<sup>10</sup> A Lebanese-Sierra Leonean trader, Hisham Mackie, was the best performer, accounting for more than 40% of all diamond exports, while the best indigenous Sierra Leonean performer, Musa Kabia, handled 5.75% of the total.

Until recently, export license fees for Sierra Leonean citizens cost \$5,000 per annum, while foreigners paid \$30,000. The spread was intended to give otherwise disadvantaged citizens – especially those with limited access to capital – an edge over non-citizens. There was evidence, however, that the system was being misused. Some citizens holding export licenses

were suspected of acting merely as proxies for non-Sierra Leonean indigenes. Today, all exporters pay the same fee - \$30,000.

The GGDO, headed by Sierra Leonean diamond expert Laurence Ndola Myers, a former De Beers employee, values and imposes a 3% tax on all diamonds that are to be exported. After this, the diamonds are certified and placed in a Kimberley Process-approved tamper-proof package for export. An independent external valuator, Diamond Counsellor International, must also assess the value of the diamonds before they are exported. Despite the double checking, there are accusations of under-valuation at the GGDO, and critics are quick to point out two striking cases: the recording in 2003 of a 94-carat single by the GGDO as a “parcel of mixed stones” at an extremely low per-carat value. And there was an instance of high value gems reported as cheap industrials. The problem resulted in the former independent valuator being replaced. Since then, the average price of exports has risen by as much as 20%. The GGDO, which now operates under the National Revenue Agency (instead, as previously, under the Ministry of Mineral Resources), is extremely sensitive to such accusations, and in its *Half Year Report* speaks of remaining “dauntless in carrying out its official duties even in the face of accusations of diamond under-valuations and smuggling.” It notes that, “The public must be informed that diamond valuations at the

GGDO are done not behind closed doors but in the full view of Customs and Excise, a senior Mines Monitoring Officer and an International Diamond Consultant...who takes active part in the process.”



Among other incentives, GGDO management is given 0.03 % of the value of diamonds to be exported, which translates into thousands of dollars every year. The GGDO and Customs and Excise have in turn initiated a tax bonus for high-performing exporters: Sierra Leoneans who export more than \$1 million worth of diamonds get a 0.50 % tax break (which is to say, they pay only 2.5 % in export tax), while non-Sierra Leoneans must export more \$10 million a year to enjoy the bonus. In 2003, only Hisham Mackie enjoyed this bonus.

## Sierra Leone Diamond Export Data

### 2001 Export Data

Month	Export Amount (\$)	Carats	Price/Carat
Jan/01	1,991,774	13,486	\$ 147.69
Feb/01	1,909,276	15,385	\$ 124.10
Mar/01	2,685,335	20,056	\$ 133.89
Apr/01	1,821,327	14,441	\$ 126.12
May/01	2,156,755	16,997	\$ 126.89
June/01	2,154,917	15,652	\$ 137.68
July/01	2,154,669	18,161	\$ 118.64
Aug/01	2,280,402	16,510	\$ 138.13
Sept/01	2,194,349	29,707	\$ 73.87
Oct/01	2,488,445	24,098	\$ 103.23
Nov/01	2,152,523	21,359	\$ 100.78
Dec/01	2,032,708	16,669	\$ 121.94
<b>Total</b>	<b>26,022,480</b>	<b>222,521</b>	<b>\$ 116.94</b>

Value to DACDF \$195,169

### 2002 Export Data

Month	Export Amount (\$)	Carats	Price/Carat
Jan/02	1,436,570	20,891	\$ 68.77
Feb/02	1,782,849	16,989	\$ 104.94
Mar/02	1,590,820	13,281	\$ 119.78
Apr/02	3,772,768	25,762	\$ 146.45
May/02	3,241,944	29,781	\$ 108.86
June/02	4,196,749	29,660	\$ 141.49
July/02	4,920,889	37,480	\$ 131.29
Aug/02	4,311,833	32,250	\$ 133.70
Sept/02	5,265,133	49,460	\$ 106.45
Oct/02	3,770,189	29,450	\$ 128.02
Nov/02	3,753,079	33,687	\$ 111.41
Dec/02	3,689,308	33,169	\$ 111.23
<b>Total</b>	<b>41,732,130</b>	<b>351,859</b>	<b>\$ 118.60</b>

Value to DACDF \$312,991

### 2003 Export Data

Month	Export Amount (\$)	Carats	Price/Carat
Jan/03	4,612,174	37,853	\$ 121.84
Feb/03	7,087,005	40,612	\$ 174.51
Mar/03	4,827,357	29,566	\$ 163.27
Apr/03	7,363,137	45,259	\$ 162.69
May/03	5,526,897	41,334	\$ 133.71
Jun/03	7,673,862	56,612	\$ 135.55
Jul/03	5,417,475	37,191	\$ 145.67
Aug/03	7,527,192	49,182	\$ 153.05
Sep/03	6,828,932	50,068	\$ 136.39
Oct/03	6,789,034	44,032	\$ 154.18
Nov/03	5,868,077	35,121	\$ 167.08
Dec/03	n.a.	n.a.	n.a.
<b>Total</b>	<b>69,521,142</b>	<b>466,830</b>	<b>\$148.92</b>

Value to DACDF \$521,409

The Diamond Area Community Development Fund (DACDF) returns a small percentage of export proceeds to the communities where diamonds are mined.

## Hisham Mackie: Sierra Leone's Biggest Diamond Exporter

Hisham Mackie was born in Sierra Leone in 1969, part of a large Shi'ite Lebanese family which has been in the diamond business since the great diamond rush of the 1950s. He attended boarding school in England, and took a management course at King's College, University of London in the 1980s. His father, a second-generation Lebanese-Sierra Leonean, was among the first diamond dealers licensed in the country.

The young Mackie joined the diamond business four years ago as an export license holder. A week before the *Annual Review* met him at his office in Freetown in September 2003, Mackie had been apprehended by Belgian customs officials for carrying \$500,000 in cash. It was the same week that Belgian authorities arrested several Lebanese diamond traders on suspicion of diamond smuggling and money laundering. Mackie was released when he showed that the money was part of funds acquired through the legitimate sale of certified diamonds in Antwerp (some Belgian buyers pay in cash) which he was taking to Sierra Leone for more diamond transactions. He now says that he, like other exporters, will make bank transfers, something that government officials have always insisted on.

"It doesn't make sense to smuggle," Mackie said, when asked whether he has ever smuggled diamonds. "You can't sell diamonds without the certificates. It is as simple as that." It might not be that simple, however. Asked why smuggling persists, Mackie says, "It might be that some people want to conceal their wealth. Or they might have stolen the gems in the first place. It is difficult for me to understand otherwise."

Mackie thinks that the diamond exporting sector is now "more transparent and corruption-free," than it was, and he thinks that the focus on Lebanese bad practices and corruption is "unfair." He seethes at allegations that some Lebanese have been sponsors of international terror groups. "We have better things to do with our money." Mackie is an official of the Diamond Exporters Association, whose Chairman is Andre Hope, a Sierra Leonean lawyer.

## The Problem of Child Labour

In spite of widespread visible evidence of the phenomenon, government's attitude towards the problem of child miners has been, until recently, one of denial. Diamond mining, officials contend, is too hazardous and difficult for children. Children associated with mining, they contend, are employed in "support" roles, carrying tools and food for the adult miners. The head of a DFID project on diamond issues in Sierra Leone, Jan Ketelaar, shares this view. He says that people concerned with the problem of child mining in Sierra Leone should more appropriately tackle it in Bombay, where there are said to be thousands of children employed in the diamond cutting centres.<sup>11</sup>

In fact, hundreds, probably thousands, of children are employed at almost every stage of diamond mining in Sierra Leone, and it should be a matter of utmost concern to the authorities. A 2002 *World Vision* study, which surveyed 500 child miners in Kono District, notes that the children "usually got involved in mining at an early age; initially on a part time basis, but they eventually became fully engrossed into it thereby interfering with their education or any other option that promises a better future." There were, the report notes, "those who were doing well in school but had to abandon their educational pursuit to follow their peers who transiently became rich and admirable." 83% of the overwhelmingly male child miners surveyed (only 10% of those surveyed were females) said they were actually involved in mining activities, and 8.6% said they "went to the mining sites to prepare food for the miners but they spent all the day at the mining sites." Seventy-five per cent of those surveyed said they chose mining all on their own "to get money," 15.2% claimed they were engaged in mining because they had no alternative, 6.2% claimed they were influenced into joining by the friends, and 4% said that they were sent into mining by their parents.

Noting that the involvement of children in mining is a "contravention to Article 32 of the (UN) Convention of the Rights of the Child, and Article 15 of the African Charter of the Rights and Welfare of the Child", the report concludes with the pertinent observation that "like the issue of child combatants, the violations of the rights of the children involved in mining must be viewed as a serious national issue."

## An Environmentalist's Nightmare

Alluvial diamond mining – largely unregulated, under-funded and covering huge areas – poses grave challenges to the environment. Huge pits are left exposed, streams and rivers are muddied and polluted, rocks are sometimes blasted by dynamite, and large tracts of land are cleared and left barren. Without an environmental policy that is seriously enforced, the damage is in many cases not just long-lasting, it is permanent. In Sierra Leone today, nothing is more emblematic of this kind of problem than the Kaisambo "mine", right in the heart of Koidu Town. An environmentalists' nightmare, it is only the most visible of hundreds of such cases.



All over the country, diamond pits are often left uncovered, and there is little concern for conservation. The Mines and Minerals Act of 1994 states:

*In deciding whether or not to grant a mineral right, the Minister of Mines shall take into account the need to conserve the natural resources in, or the land over which the mineral right is sought, or in the neighborhood land. The Minister shall require environmental impact assessments as prescribed as a condition for granting a mining lease except in the case of leases for building and industrial minerals.*

The new 2003 Core Mineral Policy is even more explicit. The problem is implementation, however, especially in the case of artisanal miners whose operations, although small, are often chaotic. Typically, the size of an artisanal mining plot should not exceed 210 yards in length by 210 yards in width. In fact, however, small-scale mines often comprise a number of plots, which can cover as much as 5 and even 25 acres. These pose a substantial challenge where the environment is concerned. Government regulations also stipulate that an artisanal mining license holder must pay Le 100,000 (about US\$50) per year for environmental rehabilitation, but the amount is obviously too small to be meaningful.

The problem is compounded by the fact that little is done to raise awareness about the need for environmentally friendly mining operations.

As for the bigger mining companies, government regulations have been even more lax and discretionary. A 1970 Act regulating the operations of the National Diamond Mining Company stated merely that the company "may in its discretion dispose of its tailings dumps, in whole or in part, to persons approved by the government, which approval may be given by the Director of Mines for and on behalf of government." In addition, even where bigger mining companies face environmental demands, there is confusion about standards. As mining consultant Andrew Keili puts it, "issues related to environmental...affairs are the responsibility of many government departments and agencies, and it is often a slow and difficult trudge to obtain up-to-date versions of the relevant regulations."<sup>12</sup>



The Environmental Act of 2000 requires all medium and large-scale companies to prepare Environmental Impact Assessment (EIA) studies before they start mining. An EIA was carried out by DiamondWorks in 2002. The company has since created a "pond" to gather sludge and waste after processing diamond-bearing rocks. Monitoring the treatment of this waste will be a priority for government and environmentally conscious NGOs.

The government's new Core Mineral Policy aims to improve public knowledge of the environmental consequences of mining. It aims to improve, monitor and enforce laws and regulations on the closure, reclamation and rehabilitation of mines, and it aims to enforce the requirements for environmental impact assessments. Most importantly, it aims to strengthen the Environmental Monitoring Unit at the Ministry of Mineral Resources. These are excellent intentions; the proof of their usefulness will lie in the effectiveness of their application.

## Governance: An Uphill Struggle

Sierra Leone's diamond industry operates under the authority of the Ministry of Mineral Resources, which occupies offices on the fifth floor of the newly renovated Youyi Building in Freetown. The ministry is headed by Alhaji Mohamed Swarray Deen, who – as a mining engineer – has had a long-term interest in mining. As a politician he has developed a reputation for probity. His ministry, however, like many others after years of war, has been badly weakened. Although it has a few highly competent officials, there is a dearth of mining engineers, and the youngest is more than 40 years old. Over the years the ministry has attracted the disdain of foreign donor agencies, which all too quickly accuse it of corruption. But like other ministries, its main problem is its lack of capacity. Donor agencies tend to favour investments in "reports", rather than in building the capacity of the ministry.

Two exceptions in recent years are USAID and Britain's Department for International Development (DFID). USAID has funded several international gatherings, bringing diamond experts to Sierra Leone to consider diamond sector policy options. It has also been a primary supporter of the Peace Diamond Alliance (see pg. 11). DFID has provided diamond-related technical assistance to the government of Sierra Leone and has supported civil society organizations with funding for research, policy dialogue and participation in the Kimberley Process (see pg. 9).

The corruption of mines officials is a genuine problem. There is a serious shortage of competent Mines Monitoring Officers (MMOs) and Mines Wardens. Mines Monitors are not civil servants, and therefore do not enjoy much job protection. They are paid the equivalent of \$50 a month, and for that they monitor and evaluate the performance of diggers, miners, dealers and exporters. They can also check records and other documentation relating to the purchase and exportation of diamonds. Largely unskilled, poorly paid and handicapped by a lack of logistical support, they have their jobs cut out for them in a world of powerful diamond traders with money to burn. The important Kenema mines office, covering the entire district as well as Kailahun District, has six motor bikes and two mobile phones

(a great improvement over 2002, when there were none). Over all there are about 200 MMOs in the country, but this number has been growing as certain politicians promote their cronies and campaigners into the ministry as monitors.

A government incentive granting MMOs 40% of the value of any diamonds confiscated from an illicit miner, dealer or smuggler has had only limited impact. There are reports that the reward is often unpaid, or is subject to skimming elsewhere in the ministry. Under such circumstances, a vulnerable MMO may well feel that striking deals with illicit dealers and smugglers is a better option.

Mines Wardens, who *are* civil servants, have been little more effective. Before the war, there were 108 wardens covering the entire country; the figure is now 80. Wardens monitor mining and diamond trading, and ensure that taxes are paid to the government. Unlike the monitors, they are trained, and they are responsible for demarcating mining licenses plots, and for recommending the issuing of licenses. They have the power of arrest. It is not surprising that some wardens – who are also poorly paid – have been known to cut deals with illicit miners and dealers, and to charge extra amounts for licenses.

Then there are the Paramount Chiefs. Some, especially those in Kono District, provide protection for questionable characters in the industry, and have themselves taken an active part in the systematic plunder of their communities. The Kaisambo mining site, an environmentalists' nightmare in the heart of Koidu, is a case in point. Instead of working with rights-based groups to stop environmental damage caused by desperate miners, some chiefs actually joined the fray, acquiring mining plots for themselves. Paramount Chief Sengai Kiachikideh of Gbense Chiefdom even went so far as to tell a radio interviewer that unregulated mining, condemned by President Kabbah during a visit to Koidu, is a good thing because it helps to engage idle youth.

Reporting to the UN Security Council in June 2003, Secretary-General Kofi Annan said that there had been "commendable" progress on the part of the government in controlling diamond mining. He nevertheless urged rapid action to ensure more effective regulation, recommending the establishment of a computerized data bank on mining licenses, a review of the remuneration of mining ministry field staff, and the use of banking channels for all diamond



transactions as priorities. The ability of the national police to enforce diamond legislation was equally important, and the Secretary-General urged Member States to put forward qualified candidates for the post of diamond-mining police adviser.

Some knowledgeable insiders go further, recommending a specialist police unit operating in conjunction with an international security company. Intelligence gathering in both Antwerp and Sierra Leone could lead to the arrest of some of the more prominent couriers and the confiscation of their diamonds. A few high-profile successes would add to the cost of smuggling and could serve as a major deterrent.

## Kimberley Process Compliance

The Kimberley Process Certification Scheme (KPCS) for rough diamonds came into effect globally on January 1, 2003. Its purpose is to halt the flow of conflict diamonds, and to prevent their recurrence in the future. More than 50 diamond producing, trading and polishing countries are members. Under the KPCS, all member countries agree to certify that any rough diamonds being exported from their territory are conflict-free, and to disallow the import of any diamonds that are not accompanied by a similar certificate from another participating government. In other words, the United States, the EC, South Africa and all other participants, will refuse entry to any Sierra Leonean diamonds that are not accompanied by a certificate of origin from the Government of Sierra Leone. Under the KPCS, each participating government agrees to abide by a set of minimum standards, which underpin the certificate, creating confidence that the origin of any exported diamonds is known, and that they are conflict free.

The legacy of government corruption and conflict diamonds, combined with the importance of diamonds to the Sierra Leone economy, make the KPCS an extremely important tool in rebuilding international confidence in the country's diamond industry. Referring to the KPCS, Sierra Leone's Minister of Mineral Resources, Alhaji M. S. Deen, has said, "We expect that the impact of this process on the diamond trade, especially in Sierra Leone, will be spectacular." Sierra Leone was an early proponent



*Sample KPCS Certificate*

of the KPCS and remains an active participant in its evolution. As early as September 2000 (before its decade-long war came to an official close), Sierra Leone implemented a diamond exporting certification scheme, developed with the help of Belgium's Diamond High Council. While official diamond exports have risen consistently under Sierra Leone's national certification regime, tens of millions of dollars worth of diamonds continue to exit the country without any certification whatsoever. Approximately \$75 million in diamonds were exported through official Sierra Leonean government channels in 2003. While this is a sizeable increase over the official production numbers of US \$40.7 million in 2002, as much as half of the gemstones mined are still smuggled out of the country. This discrepancy leads to questions not just of how well the KPCS is being managed in Sierra Leone, but of how well it is being managed in the countries to which the stolen diamonds are smuggled.

Overall, Sierra Leone deserves a satisfactory grade for sincerity in terms of its participation in, as well as its management and implementation of the KPCS. Sierra Leone's national diamond certification scheme reflects much of the spirit of the KPCS, and it meets several of the "minimum standards" set out in the KPCS agreement. For instance, the Government Gold and Diamond Office (GGDO) maintains an up-to-date (with a one- to two-month lag) set of diamond export

statistics in terms of caratage and value, as well as a database containing the names, addresses, and license numbers (with date of granting) of all diamond exporters. Sierra Leone's export certificate along with the container, bag, and seal are what might be best described as forgery- and tamper-resistant (rather than forgery- and tamper-proof). Though not required by KP minimum standards, Sierra Leone's so-called "40-per-cent" law has enjoyed some success as an incentive to encourage individuals to report illicit diamond mining. Under this law, an informant receives 40 per cent of the value of the illicit diamonds that are seized by the authorities.

While the above efforts are laudable, Sierra Leone's national certification scheme does not meet all KPCS minimum standards. Perhaps the most glaring deficiency is the lack of a verifiable audit trail from diamond mine to market. According to KPCS minimum standards, a chain of custody that can be checked back from the GGDO to dealers and diggers is supposed to be in operation. While a detailed database of digger, dealer, and exporter licensees could be established, this is, in effect, not fully in place. In theory, there is a system of receipts and records that dealers must maintain to report on purchases and sales of diamonds. Copies of records are to be sent to the local Mining Office as well as to the Ministry of Mineral Resources in Freetown. MMOs are required to reconcile the record book tally with the receipts available in the dealers office.

However, due to lack of capacity on the part of MMOs and a desire for secrecy on the part of some license holders, this system does not function as effectively as it could. Without a verifiable, functioning chain of custody system, there is no way of tracking the diamonds in an export parcel back to the place of origin.

An important aspect of KP minimum standards is the ability of a member country and its government agencies to enforce its national certification scheme. In Sierra Leone, mines wardens and monitoring officers not only lack in-depth police training but also face logistical challenges to proper monitoring and the enforcement of diamond regulations due to poor infrastructure, including a lack of proper transportation and communication technologies. These challenges add to the already daunting task of policing a wide geographic area that is difficult to traverse. Rumours abound that bribery of mines wardens, monitoring officers, and customs officials is not uncommon. The meagre wages of those responsible for enforcing many of the rules and regulations of the diamond certification scheme contribute to the likelihood of asking for “tips” or even the acceptance of outright bribes.

These shortcomings need to be addressed in order to bring Sierra Leone’s national diamond certification scheme into line with the standards agreed under the KPCS. The challenges present in Sierra Leone’s certification scheme are not unique; they are applicable to other alluvial diamond producing countries, including Angola and the Democratic Republic of the Congo. The most pressing need for improvement will be the establishment of an audit trail from diamond

mine to market. This will require a substantive boost to the overall capacity of mines wardens and monitoring officers to oversee its implementation, including better training, transportation, communication, wages, and an increase in the number of personnel. Furthermore, a computerized database of “diamond footprints” for each mine or mining area in conjunction with a real-time data capturing computer system, and a secure extranet for trade notification will have to be established.

These suggested improvements in capacity-building and regulating Sierra Leone’s diamond certification scheme will incur significant cost. Perhaps more importantly, however, they will require a large commitment of political will by the Government of Sierra Leone, along with sustained financial and political support from the international donor community.

## Beneficiation

A recurring complaint about Sierra Leone’s diamond industry over the decades has been how little it has benefited ordinary Sierra Leoneans, not to mention the nation as a whole. In the past, the bulk of the diamonds have been smuggled out, depriving government of revenue in the form of taxes. Even where diamonds are legitimately exported, the proceeds are hardly visible in Sierra Leone’s banking system: the diamond business is entirely cash-based, and exporters usually bring in hard currency to make their purchases. And there is the problem of the parallel market. Export taxes, at 3%, are low, generating little revenue for government.

The GGDO, however, is upbeat about the benefits that the government derives from diamonds. “The 3% export duty is not the only benefit derived by government from the diamond industry,” it says in its *Half Yearly Report* published in June 2003. “In the area of job provision, thousands of Sierra Leoneans are involved in diverse ways in the diamond industry; miners, dealers and exporters. Besides the 3% duty, revenue is also obtained from royalties and license fees, including mining, dealing and exporting.” And the fact that \$100 million or more is injected into the economy, both legitimately and otherwise, is not unimportant.

But what about benefits to mining communities? Corporate mining bodies pay surface rent to chiefdom authorities plus 0.1% of selling price of the diamonds for agricultural development. Very little is known about how these funds are used in the mining communities. Many chiefs and corporate bodies keep the information secret, and there are hardly any projects to show for the use of these monies. Recently, however, an innovative scheme was introduced at the instigation of Sierra Leonean NGOs. The Diamond Area Community Development Fund was launched by government in January 2001. Twenty-five per cent of the 3% export tax on diamonds is now sent back to diamond mining communities in a calculation based on the number of mining licenses issued in a chiefdom as well as the value of diamonds it produces.

It was hoped that the scheme would stimulate small-scale development in mining communities and act as an incentive to locals to support the Mines Monitoring offices in their efforts to curb illicit mining activities. By June 30, 2003, a total of \$786,328 had been deposited by government into the DACDF account held at the Sierra Leone Commercial Bank. Dr. Richard Konteh, interim coordinator of the DACDF coalition, says that some chiefdoms have received as much as the US\$80,000 and have used the funds judiciously in undertaking development projects – such as the rehabilitation or construction of traditional courts and clinics. He cites the construction of a multi-purpose community complex at Panguma in Kenema district as an example.

Critics, however, charge that the money is often misdirected. Patrick Adu, chairman of the Eastern Regional Task Force for the Just Mining Campaign, observes that the DACDF has failed to ignite the development process in most of



the beneficiary chiefdoms mainly because it is controlled by paramount chiefs who, he says, are not "development oriented". Adu says that about 85% of all DACDF money received so far has been used for the construction or rehabilitation of facilities more useful to chiefs, hardly a showpiece of development activity.



*The Road to Kono*

## Peace Diamond Alliance Enters Second Year

A key to harnessing the economic power of Sierra Leone's alluvial diamond fields will lie in the ability of the government and the diamond trade at large to legitimize the work of the tens of thousands of young men who dig for diamonds, mostly without permission, and mostly without obtaining much benefit from their labours. In the past it was thought that illicit diggers could simply be driven away. Massive police and army raids would round up thousands of them, carting them miles away, only to see them reappear within a few days.

The Peace Diamond Alliance, launched in December 2002, takes a different approach. It aims to demonstrate that by supporting diggers with training and the provision of credit, and by giving them access to fair prices, the diamonds that come out of the earth will not go "underground" again. Funded by USAID and managed by a Washington-based consulting firm, Management Systems International, the Peace Diamond Alliance (PDA) has brought together an eclectic group of local and international NGOs, diamond buyers, mining companies and government officials. The PDA currently focuses its energy on Kono District, but has plans to extend its reach to Tongo Field in the future. By the time of its second general meeting at the

end of August 2003, the PDA had begun to take shape, establishing a formal membership, an executive committee and a proposed code of conduct for members.

The PDA's more difficult challenges relate directly to the problems of the diamond diggers themselves. Many are reliant on unscrupulous patrons who supply them with equipment and buy what they find at significantly deflated prices. The PDA plans to establish credit facilities that will make diggers more independent. It runs valuation training programs so that PDA members better understand both the market and the value of what they produce. A planned "earth to export" scheme aims to cut out some of the middlemen in the traditional pipeline, providing those who do the digging with better prices. Part of the plan will see the PDA taking members' diamonds for safekeeping and providing diggers with credit against later sales, to be held when the volume has reached commercial levels. If all goes well, tenders will be held for the diamonds in Kono District. It is hoped that at least three buyers will bid, against a confidential reserve set by an outside evaluator. The fact that the New York Diamond Cutters Association sent a representative to the August 2003 meeting is a sign that the project has promise. By cutting out middlemen, international buyers, too, stand to gain. Better prices for diggers and better prices for the cutting industry look like a win-win possibility.

The problems in organizing a model that can be taken to scale, however, cannot be overestimated. Corruption and vested interests have riddled the diamond economy of Sierra Leone for decades, and diggers – the last to benefit – are understandably suspicious and impatient. And there will inevitably be challenges from the middlemen that the project seeks to bypass. Nevertheless, the presence of the President of Sierra Leone, Ahmad Tejan Kabbah, at the August 2003 meeting was a sign that the project is being taken seriously at high levels. "We are gathered here today," he said, "to demonstrate the seriousness with which my government and our development partners attach to the need to clean up the diamond industry. This is necessary in order to ensure that this valuable asset benefits the people of this country and that the evil practices associated with the mining and sale of diamonds are eliminated."



## Campaign For Just Mining

The Campaign for Just Mining (CJM) is an NGO initiative, launched by the Network Movement for Justice and Development in January 2000 to promote sustainable development in Sierra Leone by advocating accountability, transparency and social responsibility within the mining sector. Its objective is to contribute to the consolidation of peace in the country. The Campaign has established Task Forces in each of the four regions of the country, whose members are representative of a broad sector of civil society organizations – women, youth, traditional leaders, labour. The Task Forces monitor developments within the mining sector in their region, and coordinate community-based educational programs to ensure that community members are aware of their rights and responsibilities under current mining legislation. The Campaign participates in regular radio and TV panel-discussion programs, debating issues such as the requirements of environmental impact assessments, child labour and the Kimberley Process. The CJM was instrumental in the establishment of the Diamond Area Community Development Fund and in ensuring that Community Development Committees were established and trained to manage the fund. Since mid-2003, members of the CJM meet with representatives of the Ministry of Mines and Mineral Resources for regular policy dialogue sessions in order to address current and emerging issues in the extractive sector. The Campaign for Just Mining has participated in several international forums related to responsible management of mineral resources, including the Kimberley Process.

## A Rights-Based Approach To Mining

The Campaign for Just Mining (CJM) in Sierra Leone advocates a rights-based approach to mining, arguing that mining and mining policies should be based on international human rights standards, ensuring the promotion of human security in and around mining operations. Of particular concern to the CJM are:

*The right to a sustainable livelihood:* The employment status of artisanal diamond diggers should be formalized. Currently, diggers working under the tributor system do not have contracts which set out their terms of employment.

Their income is based on the chance of finding a diamond, and their percentage of the diamond's sale price is at the discretion of the license holder.

*The right to basic services:* Artisanal miners need access to medical facilities and housing.

*The right to security:* Artisanal miners need improved safety conditions at mine sites. For corporate mining operations, there are concerns about the use of private security firms and the process for relocating communities within mining areas.

*Protection of the environment,* thus enhancing long-term human security. The use of agricultural land for diamond mining diverts land from agricultural production, contributing to food insecurity; without proper rehabilitation of old, mined-out diamond pits, land cannot not reclaimed for agricultural production. Diamond pits become breeding grounds for mosquitoes leading to increased incidence of malaria. The proper treatment of waste from commercial mining needs to be ensured.

*The right to participate* in local decision-making and national mining policy development.

## Notes

<sup>1</sup> President Kabbah, "Statement of His Excellency President Tejan Kabbah at the Launch of the Peace Diamond Alliance in Kono, 27 August 2003," found at: [www.statehouse-sl.org/speeches.html](http://www.statehouse-sl.org/speeches.html)

<sup>2</sup> Tani Pratt, "The Contribution of the Diamond Industry to the Economy of Sierra Leone," in *Sierra Leone: DFID Diamond Sector Workshop Report* (Freetown, March 2003), pp.37-38.

<sup>3</sup> Peter Greenhalgh, *West African Diamonds 1919-83*, Manchester University Press, 1985, pg. 39

<sup>4</sup> Interview with Femi Kamara, senior Ministry of Mineral Resources official. Freetown, September 2003.

<sup>5</sup> John Williams, Donald Sutherland, Kimberley Cartwright and Martin Byrnes, *Sierra Leone: Diamond Policy Study*, January 2002. The study can be found at: [www.dfid.gov.uk](http://www.dfid.gov.uk)

<sup>6</sup> Interview with author, Freetown September 2003.

<sup>7</sup> *Sierra Leone Diamond Sector Financial Policy Constraints*, (Management Systems International, Freetown/Washington, June 2003).

<sup>8</sup> Reese Moyers, "The Feasibility of Establishing a Formal Credit Delivery Mechanism for Small-Scale Diamond Miners in Kono District", Sierra Leone, MSI, May 2003.

<sup>9</sup> The Steinmetz Diamond Group specializes in diamond manufacturing and trading. It has offices worldwide, with its main diamond-cutting facility in South Africa.

<sup>10</sup> Lebanese traders, even those holding Sierra Leonean passports, are not considered "indigenous" citizens.

<sup>11</sup> In fact a 2002 PAC study found that child labour in the Indian diamond trade was largely a thing of the past. See *No Problems Here: Success, Complacency and Suspicion in the Indian Diamond Industry*, Vinod Kurian, December 2002, [www.pacweb.org](http://www.pacweb.org)

<sup>12</sup> Andrew Keili, "Environmental and Sustainable Development Challenges for Sierra Leone's Mining Industry, in *Sierra Leone, DFID Diamond Sector Workshop Report*, May 12, 2003

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Further information can be found at the following websites:

Partnership Africa Canada (PAC)  
[www.pacweb.org](http://www.pacweb.org)

Network Movement for Justice and Development  
[www.nmjd.org](http://www.nmjd.org)

Peace Diamond Alliance  
[www.peacediamonds.org](http://www.peacediamonds.org)

Africa Diamond Holdings  
[www.africadiamond.com](http://www.africadiamond.com)

Diamond Fields International  
[www.diamondfields.com](http://www.diamondfields.com)

DiamondWorks  
[www.diamondworks.com](http://www.diamondworks.com)

Mano River Resources  
[www.manoriver.com](http://www.manoriver.com)

Rex Diamond Mining Corporation  
[www.rexmining.com](http://www.rexmining.com)

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