Executive Summary

The project aims to build greater African civil society capacity for policy analysis and dialogue on extractive industries; to share lessons with other organizations, governments and the private sector on resource-based conflict and the management of resources in ways that prevent conflict and benefit local societies; and to engage the diamond industry on issues of corporate social responsibility, with a particular emphasis on conflict prevention. Partner organizations in Africa coordinate community mobilization and education programs related to mining issues, engage in dialogue with relevant government officials and research and monitor developments in the extractive sector. PAC coordinates research activities, publishing the results in reports which are widely available in print and electronically for use by governments, civil society, academia and the diamond industry. PAC has observer status at the Kimberley Process and is an active member of several working groups which ensure the effective implementation of the Kimberley Process Certification Scheme for rough diamonds.
**Project Overview**

Conflict diamonds – used by rebel armies to pay for weapons – have been a major international human security problem. They have contributed to the deaths of hundreds of thousands of people over the past decade, mainly in Angola, Sierra Leone and the Democratic Republic of the Congo (DRC), but also in Guinea, Liberia and elsewhere. NGO and UN reports in the late 1990’s/early 2000 brought the issue of conflict diamonds to the world’s attention (including a report by PAC – *The Heart of the Matter – Sierra Leone, Diamonds and Human Security*). Governments and the UN responded by imposing sanctions or conditionalities against diamonds from certain countries affected by conflict diamonds and by negotiating an international agreement – the Kimberley Process Certification Scheme (KPSC) – which aims to break the link between the illicit trade in rough diamonds and armed conflicts that affect international peace and security. At the October 2003 meeting of the Kimberley Process, participants agreed to a voluntary review process of member country’s diamond control mechanisms. This represents a partial solution to an outstanding issue which NGOs (including PAC, NMJD and CENADEP) had advocated for consistently throughout the negotiation process – the need for a regular system of effective and credible third party monitoring of national diamond control mechanisms. As a result, there is not a need to pilot “monitoring” missions as initially planned (Component 1). Rather, PAC, in collaboration with Global Witness and partners in Africa, have ensured that there is a trained roster of civil society participants who can participate in the voluntary review missions.

Peace agreements have been signed in Sierra Leone, DRC and Angola. All three countries are members of the KPCS, having met the minimum standards for internal control mechanisms of their diamond industry, as set out by the KPCS. However, there are a number of problems with implementation and compliance which need to be monitored and redressed – including government capacity to monitor and regulate alluvial production, implementation of effective “chains of custody” to track diamonds from mine to market and various technical issues related to statistics, databases and extranets. More broadly within the diamond sector and other extractive sectors, there are a number of issues which need to be addressed to ensure that the extraction of diamonds and other mineral resources contribute to development – rather than fostering conflict and exploitation. Issues include transparency in the use of revenues from extractive industries, community participation in granting of mining licenses, community participation in environmental impact assessments, providing alternatives to child labour in mining, environmental rehabilitation, issues of fraud and corruption at various stages in the diamond pipeline. The project has undertaken research on a number of these emerging issues and has prepared reports with recommendations for action required by governments and/or industry. Partners in Africa are expanding their community sensitization programs to address these emerging issues.
Purpose of the project and expected outcomes

The project aims to:

- ensure greater transparency in the diamond industry, over and above the minimum standards set out in the Kimberley Process Certification Scheme for rough diamonds, especially in countries most afflicted by the diamond wars;
- work with the diamond industry and affected countries on „development diamond’ strategies – i.e. strategies which would provide for more formal and more developmentally sound mining and trading regimes that provide better economic benefits for miners and greater security and tax benefits for governments and that could assure buyers that the diamonds on offer are “clean”;
- increase public awareness of and engagement in mining issues within mining communities in Sierra Leone, DRC and Angola through education and advocacy programs;
- increase government and community control over natural resources, with adequate and effective extractive industry policies in place and being adhered to so that revenues from diamonds (and other extractive resources) cannot be used by subversive elements in society to foment conflict and threaten the security of the country and of individual citizens.

The project has facilitated the emergence of civil society networks in Sierra Leone, DRC and Angola which, for the first time, provide a vehicle for civil society engagement in mining issues within their countries. Mining communities are aware of mining legislation, are gaining increased access to the benefits of mining (for example through the Diamond Areas Community Development Fund in Sierra Leone) and are engaged in policy dialogue with decision-makers. The African networks are linked into a broader international network of northern NGOs involved in advocacy work on mining issues. The project has also facilitated information sharing amongst African civil society organizations (i.e. between countries) and for their participation in various international fora. We have had initial contact with civil society organizations in Guinea and the Republic of Congo where there is potential for the creation of a similar civil society network on mining issues.

Project Activities supported by IDRC

Annual Reviews of the Diamond Industry in Conflict Countries

Objectives:

- document the status of the diamond industry in the three countries most affected by conflict diamonds (Sierra Leone, the Democratic Republic of the Congo and Angola);
- establish benchmarks on the status of the diamond industry which can be reviewed from year to year to gauge process (or not) in moving from conflict diamonds to diamonds for development and which will allow for comparisons between countries which have been affected by conflict diamonds;
identify how effectively the diamond sector is being managed within the context of the Kimberley Process Certification Scheme for Rough Diamonds;

examine how the sector in contributing to development and not contributing to conflict and corruption.

Activities

Each of the three Annual Reviews described below has been written by experts in the field, in close collaboration with local civil society organizations. Each Annual Review has also been subjected to a rigorous vetting process by readers knowledgeable about the diamond industry and development issues in each country.

Sierra Leone 2004: Lansana Gberie, Research Associate with Partnership Africa Canada, is the primary researcher for this publication. He made two visits to Sierra Leone to research issues related to the diamond industry in the country and to work with local researchers who have contributed to the review. Two staff members from Network Movement for Justice and Development (NMJD), as well as several external researchers contributed sections for the Annual Review. A Canadian PhD candidate also prepared a section on the application of the Kimberley Process in Sierra Leone – research which is also part of his thesis preparation. The report was printed in both Canada and Sierra Leone and was released in March 2004. It was published in English.

The Sierra Leone Annual Review is 12 pages in length and includes articles on:

- History and Size of the Diamond Industry
- Mining & the Miners
- DiamondWorks – a new face
- The Dealers
- The Exporters
- Beneficiation
- Kono Peace Diamond Alliance
- The Problem of Child Labour
- An Environmentalist’s Nightmare
- Governance: an uphill struggle
- Kimberley Process Compliance
- Campaign for Just Mining

Democratic Republic of the Congo 2004: Christian Dietrich is the primary researcher for this publication. He was assisted by two Congolese researchers who were identified by CENADEP, our partner in DRC. Staff representatives from PAC and CENADEP and Mr. Dietrich met with appropriate ministry officials in preparing the report. The Ministry of Mines contributed information about a new cooperative scheme for small-scale miners. The report was printed in both Canada and DRC and was released May 2004. It was published in both French and English.
The DR Congo Annual Review is 12 pages in length and includes articles on:

- The Peace Process: Intermissions or Transition?
- Overview of the Congolese Diamond Economy
- The Industrial Diamond Mining Sector
- Sengamines’ Exports on the Rise
- The Artisanal Sector: A Casino Economy
- The Workforce: Get Rich Quick – or Never
- SAESSCAM: Something New?
- The Semi-Industrial Sector
- The Exporters
- Central Africa: A Bad Neighbourhood for Diamonds
- Transformation of the Kisangani Diamond Market
- Kimberley Process Compliance in the DRC
- Civil Society Efforts

Angola 2004: Christine Gordon is the primary researcher for this report. She undertook the research the in Angola, assisted by Angolan civil society organizations, led by Grémio ABC. The Annual Review of the Diamond Industry in Angola was printed in Canada and was released in August 2004. It was published in both English and Portuguese.

The Angola Annual Review is 12 pages in length and includes articles on:

- Major Challenges Ahead
- Geology of Angola
- The UN: Peacekeeping and Sanctions
- Structure of the Industry
- Mining Projects and International Companies
- Angolan Mining Companies
- Projects in the Pipeline
- Artisanal Mining
- Expulsion of Congolese Miners
- Mining Companies and Social Responsibility
- Environmental Issues
- Smuggling
- Transparency and Corruption in the Diamond Sector
- The Kimberley Process: Compliance in Angola

Outcomes

The Annual Reviews have been widely circulated in each of the three African countries by PAC’s partners and PAC has circulated them internationally and have been well received by different players: government, the private sector and civil society organizations. The Annual Reviews were printed in Sierra Leone and DR Congo to ensure that there is wide distribution of the reports to those groups and individuals most affected by the diamond industry – i.e.
the mining communities, government officials and industry representatives in Sierra Leone, DRC and Angola. They are available in the official language of the target countries. PAC distributed them to government officials, NGOs, universities and the diamond industry in North America, Europe and other countries in Africa.

The Annual Reviews constitute an important resource for civil society and government partners. In particular, they help increase public awareness of and engagement in mining issues within mining communities in Sierra Leone, DRC and Angola and help encourage greater transparency in the diamond industry.

The civil society natural resource networks in each country are better able to dialogue with government and diamond industry stakeholders and lobby on issues of human and economic rights for the communities involved in and affected by mining.

**Research Projects**

During the period, PAC undertook two main pieces of research related to alluvial diamond mining:

- a study of the social and economic benefits and problems in the artisanal diamond mining sector in several African countries, and
- a special study of the diamond sector in Liberia.

A third area – the artisanal mining industry in Brazil and its impact on the Kimberley Process – is in progress.

**Objectives**

- document the fundamental structure of the artisanal diamond mining sector, the people in it and the income flows within the sector;
- increase our understanding of the microeconomic and the social aspects of artisanal diamond mining in countries which have endured or are still enduring conflict (Sierra Leone, Liberia, DRC, Angola);
- identify lessons learned from artisanal mining activities in other countries and for other minerals (e.g. gold, emeralds);
- develop recommendations regarding the possibility of reform of the sector to enable it to move from an activity of chaos and anarchy to a more formalized economic, social and development sector.

**Activities**

**Artisanal Diamond Mining – “Development Diamonds”**

The study examined the potential and actual problems associated with alluvial diamond production, the implications of ascertaining the “cleanness” of alluvial diamonds and more specifically whether alluvial diamonds could be an engine for development in their countries
of production. The issue of “cleanness” is important for miners and those who sell their product. Because alluvial diamonds provide a livelihood for a million miners and their families, alluvial production is a development challenge, requiring specific approaches to make the diamond economy stable and beneficial to its agents.

The Development Diamonds study was carried out in Angola, DR Congo and Sierra Leone. Research was also carried out on gold mining in Guinea to draw lessons that may be adaptable to the diamond mining industry. The research was undertaken in collaboration with Global Witness and PAC’s partners in each of Sierra Leone, DR Congo and Angola.

The report, Rich Man, Poor Man - Development Diamonds and Poverty Diamonds: the Potential for Change in the Artisanal Alluvial Diamond Fields of Africa, was co-published with Global Witness and was presented at the Kimberley Process Plenary meeting held in Gatineau in October 2004. The report deals with twin issues of governance and development in relation to the diamond economies of Sierra Leone, Angola and DR Congo. The study examines the real economic potential of alluvial diamonds.

Outcomes

PAC is confident that the report will become the basis for dialogue on the alluvial diamond economy and approaches for development with various national and international actors. There is now greater understanding of socio-economic factors in alluvial diamond production and there is potential for improvement in the lives of the one million miners through the engagement of various stakeholders. In addition, increased stability in the diamond economy will strengthen national and regional peacebuilding throughout Africa, and with a reduction in smuggling the Kimberley Process will be more effective.

The report generated considerable interest at the Kimberley Process plenary meeting, which encouraged PAC to propose a follow-up exploratory meeting of interested organizations. In January 2005, PAC co-hosted (with Global Witness and De Beers) a meeting in London with key stakeholders (governments, the private sector, NGOs, the World Bank and others) to explore options. There is considerable interest with these stakeholders in taking the dialogue forward and it is likely that an international conference on this question will occur some time in 2005. PAC will play a central role in this process.

Liberia Report

The UN Security Council had imposed sanctions on Liberia’s trade in diamonds in 2001 because of Liberia’s role in the conflict in neighbouring Sierra Leone. With the establishment of the Transitional Government of Liberia in December 2003, the latter subsequently asked the UN Security Council to lift the sanctions. At this point PAC realized the importance of undertaking some additional research on Liberia’s diamond production and trade with a view to feeding the results of the research into the UN Security Council’s deliberations.
Research was carried out in Liberia and Sierra Leone in March and April 2004 by Lansana Gberie, in collaboration with Liberian and Sierra Leonean civil society organizations. The subsequent report, *Diamond without Maps: Liberia, the UN Sanctions and the Kimberley Process*, was published and released in June 2004 and was distributed to the UN Security members in advance of the debate on Liberia sanctions. The report argued strongly that sanctions should not be lifted, for the government of Liberia had absolutely no control over the alluvial diamond trade. Indeed, little had changed since President Taylor’s days.

**Outcomes**

The UN Security Council voted to maintain the sanctions, whilst at the same time arguing that Liberia should work with the Kimberley Process to try and develop the necessary legislation and administrative regulations that would enable it to join the Kimberley Process.

In February 2005, a delegation representing the Kimberley Process will visit Liberia and review conditions there. It will subsequently make a report to the UN Security Council. Partnership Africa Canada will participate in the Kimberley Process delegation.

**Perspectives for the future of the Diamonds and Human Security project**

- The Annual Reviews are planned for three consecutive years. New research for the 2005 Annual Reviews began in September 2004 for Sierra Leone and in November 2004 in both Angola and DR Congo. In accordance with our goal of assisting our partners to fully assume responsibility for the Annual Reviews within three years, they will assume a greater role in this second round in preparing the publications.

- In the context of undertaking research at the international level on issues and areas of direct relevance and significant importance to the Kimberley Process, PAC has begun thematic research on artisanal diamond mining in Brazil.

- PAC will increase the focus on benefits to communities and economic agents, such as diggers in the alluvial artisanal diamond sector. It is likely that a major conference on this issue will take place in 2005, in which PAC will be fully involved.

- PAC will work to strengthen networks of civil society organizations working in the field of natural resources and will extend its support in 2005-06 to networks in Guinea and the republic of Congo.

**Lessons Learned**

Non-governmental organizations can engage effectively with governments and resource industries to develop protocols and systems to manage a natural resource for the benefit of the countries and population of regions where mining occurs. This type of collaboration is not without challenges and difficulties and does not necessarily result in full agreement. NGOs can also be effective in providing policy advice to decision-makers on areas of expertise.
We are learning the importance of regional considerations and approaches so that the work of African civil society organizations in different countries is reinforced by collaboration with others.

The Annual Reviews are to be a process as much as a product, involving national organizations and governments wherever possible. Through our partners in Sierra Leone, DR Congo and Angola, we identified researchers who were contracted to produce specific sections of the review. We had difficulty receiving good quality, analytical articles within the specified time period. We undertook a review of the process with our partners in Sierra Leone, DR Congo and Angola to assess the partnership relationship for preparing the Annual Reviews and to determine how we can improve our collaboration and the quality of the research. Our intent is to devolve responsibilities to partner organizations through the life of the project.

It is a challenge working with civil society organizations in countries emerging from conflict. These organizations often have limited or stretched capacity to implement programmes. Some of the capacity problems are due to lack of financial resources - they don’t have funds to pay their personnel, so work is done on a voluntary basis and “staff” can be diverted when a paying opportunity is offered. This is the case with partner organizations in Angola. Another factor is the economic distortion created by the arrival of a large number of international NGOs which are able to pay higher salaries than national NGOs and thus “poach” staff from national organizations. This happened twice in the past year with our partner in Sierra Leone - a project officer hired to work on the Campaign for Just Mining left after less than a month because he was offered a higher salary by another organization; the finance officer left for similar reasons. In addition, organizations that establish themselves as credible voices of civil society able to engage on key development issues can become the victims of their own success - international organizations are eager to partner with these organizations and the national NGO can over-extend itself, becoming involved in the many development issues that need to be addressed in a post-conflict context.

It is important that national NGOs be able to secure institutional or core funding. With funding often available on a “project” basis, the organization is not able to invest in its infrastructure costs that would allow it to better implement its programmes. These infrastructure costs include both human resources (having an adequate finance department to manage donor contracts) and material infrastructure (vehicles to allow access to remote areas of the country). We attempt to support our partners as best we can with the resources available, but are not able to meet all their expectations.

We need to accommodate our culture of “instant communications” with the realities and culture of our African partners. Due to technical difficulties (limited e-mail service and regular disruptions), we need to establish more realistic timelines for receiving reports and budget for increased phone communications to receive the necessary information.
Other Comments

While the post-conflict period is still fragile in countries like the Democratic Republic of the Congo and Angola and is slowly consolidating in Sierra Leone, the effective management of the diamond industry (and more broadly of the extractive sector) remains of critical importance so that revenues from the sale of diamonds and other extractive resources can contribute to development efforts. As previously indicated, in 2003, government revenues in Sierra Leone and Congo from the sale of diamonds increased significantly. This is a direct result of the creation of the KPCS and greater public attention to the diamond industry, not just internationally, but locally is needed. This increase in exports would have translated into increased government revenues from taxes, licenses and duties. It is important to monitor how these revenues are used and who benefits from a country’s natural resources.