

The Diamond Development Initiative aims to address the political, social and economic challenges facing the artisanal diamond mining sector.

PROJECT ENGAGE

# A **DIFFERENT KIND** of Diamond Mining

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This paper is about alluvial diamond mining and the unique developmental problems faced by the diamond diggers (called artisanal miners) who recover these stones. The Diamond Development Initiative (DDI) is a collaborative, multi-sector effort created to address those problems and improve the conditions under which the very poorest in the diamond trade labor. Alluvial diamonds are a unique part of the diamond pipeline - and a sector that is not dominated by the industry's largest diamond mining companies, namely De Beers, Debswana, BHP Billiton, Alrosa and Rio Tinto. The artisanal diamond miners of Africa and South America, who recover alluvial diamonds, produce about 15 per cent of the world's gem diamonds in a year, and number in the vicinity of 1.5 million individuals, making them – by population – one of the largest parts of the industry.

## What Are Alluvial Diamonds?

Diamonds, the purest form of carbon, are formed from a marriage of great heat and immense pressure occurring in particular kinds of rock 75 to 125 miles below the earth's surface. Most diamonds were formed not millions of years ago, but a billion or more. Much, much later, some made their way to the surface in gassy eruptions pushing their way through the earth's crust to its surface. These small volcanoes last occurred 50 million years ago, producing carrot-shaped "pipes" of grey-green rock called "kimberlite." The biggest, at Fort à la Corne in Saskatchewan, is a kilometre across, while the smallest ones are only meters from one side to the other.

Alluvial diamonds are not found within kimberlite pipes. They began life in the same way as those found in kimberlite pipes, but over time, the tops of the pipes that contained them were worn away by erosion. The soft kimberlite, exposed to millions of winters, summers and rainy seasons, crumbled and washed away down countless streams and rivers, whose course has changed time and again over the eons. Glaciers may have pushed the kimberlite gravel a hundred miles or a thousand miles away from its source, sometimes into oceans, or what became oceans. Diamonds found in one country today may have their source in another. Or the precise source may not actually be known. These alluvial diamonds are usually found within a few feet of the earth's surface and may be scattered in varying degrees of concentration over hundreds of square miles. Alluvial diamonds are more accessible to labour-intensive digging methods, and the vast areas over which they are scattered are much more difficult to control - unlike kimberlite mines, which require heavy equipment and which can be readily policed.

While the kimberlite mines of Botswana, Canada and Russia can be fenced, protected and regulated alluvial diamonds present a very difficult regulatory problem in the modern world. This is especially true in the Democratic Republic of the Congo (DRC), Sierra Leone and Angola, but it is also true of Guinea, Liberia, Côte d'Ivoire, Ghana, Central African Republic, Brazil, Guyana and elsewhere.

In the past, the colonial regimes in Angola and the Congo exercised control over natural resources in a particularly harsh manner. But after independence, both countries descended into political chaos. Warfare followed and recovery continues to be slow. Resources such as diamonds, which might have been an asset for development, never had a chance.

In Sierra Leone the colonial regime was less harsh, but the democracy inherited at independence was veneer-thin. Diamonds in particular had never been well controlled, and were the subject of massive (and failed) crackdowns before and after independence. To make matters worse in Angola, the DRC and Sierra Leone, the alluvial diamond fields have acted as a magnet for hundreds of thousands of young men who, in each case, eventually became recruits for, or slaves of, rebel forces.

## The Diamond Wars and the Kimberley Process

The cost of Africa's diamond-fuelled wars has been enormous. Infrastructure has been destroyed, countries have collapsed and hundreds of thousands of people have died as a direct result of the fighting. The well-respected New York-based International Rescue Committee found in a detailed survey that nearly four million people have died from war-related causes in the Democratic Republic of Congo since 1998 – the largest documented death toll in a conflict since World War II.

NGOs like the one I work with, Partnership Africa Canada (PAC), became involved in the conflict diamond issue because of the wars. We had no particular interest in diamonds, and we had no interest in harming the diamond industry. We are well aware that it is a lifeline for countries like Botswana, Namibia and South Africa. We know how important it is for Russia and Canada and Israel and India. Our concern – and the concern of the Kimberley Process – was the human conflict that was being fuelled by diamonds and other natural resources.

PAC has been involved in the Kimberley Process discussions since the very first meeting in Kimberley, in May 2000. We have participated in every Kimberley Meeting since then, and we serve on Kimberley Process working groups: the monitoring group, the statistics group, the membership committee and the committee that managed an evaluation of the whole system after three years of operation.

We believe that the Kimberley Process is a success. It is a success because although there are still pockets of conflict diamonds in Côte d'Ivoire and the DRC, the worst of the wars fuelled by conflict diamonds have now ended. It is also a success because it has forced a huge volume of illicit diamonds to the surface and out of the trade. Sierra Leone, which officially exported only \$1 million worth of diamonds in 2000, exported \$142 million in 2005. And the DRC had its

best export year since the discovery of diamonds 100 years ago. Those are two important results. One of the reasons for the success of the Kimberley Process Certification Scheme (KPCS), now acknowledged by everyone involved, is that it was a process, not a formula imposed from outside, and it was a *process* that involved governments, industry and civil society organizations like PAC.

That is the good news. The KPCS has helped to consolidate the peace in several African countries, but it is a *regulatory* system; it is not a tool for development. In the rush to congratulate, we are in danger of forgetting some of those

## THE DIAMOND INDUSTRY—IN BRIEF

Anyone with experience of “the diamond industry” knows that the phrase is almost meaningless. At one end of the diamond pipeline are the exploration companies and geologists who roam the planet searching for diamond indicator minerals, G10 garnets and other signs that the elusive gem may be near. At the other are the glittering showrooms of Cartier, Tiffany and Harry Winston. Between these two worlds there are many others.

There is a vast network of dealers and traders in diamond producing countries, and an even larger network of small companies in Antwerp, India, Israel and the United States who buy and sort diamonds for onward transmission to the cutting and polishing industry. The cutting and polishing side of the industry is enormous, employing over a million people in India alone, where polished diamonds have become the country's largest export. Tens of thousands more turn rough diamonds into finished stones in China, Thailand, Israel, and places as seemingly unlikely as Armenia, Mauritius and Bulgaria.

The incorporation of polished stones into jewelry represents another large part of the pipeline before diamonds finally reach the retail end of the industry, where discount chains and big box stores like Wal-Mart vie for public attention along with the most exclusive jewelry shops in the world.

Service industries play an important role in the diamond industry. ABN AMRO, the Antwerp Diamond Bank and others provide specialty financial services to the industry. Google the names of two top security transfer companies together – “Brink's and Malca Amit” – and you will find that most of the entries for the first several pages refer only to diamonds. The annual cost of rough diamond production is estimated at \$2 billion. A significant amount is also spent marketing diamonds – anecdotal evidence suggest this figure could be as high as \$1 billion with DeBeers and its small number of sightholders leading the advertising charge.

who suffered most in the diamond wars – the diggers, and their communities.

## Rich Man, Poor Man

Conflict diamonds were a product of vast alluvial diamond areas in Africa where diamonds are mined by artisans, or diggers. There are as many as 120,000 diggers in Sierra Leone, 800,000 in the DRC and many tens of thousands in Angola, Liberia Brazil, and elsewhere. Research by PAC and Global Witness in 2004 revealed the desperate nature of alluvial diamond digging. It's a hard, dangerous casino economy in which diggers remain poor, while buyers, exporters, processors and retailers all make respectable – and sometimes unrespectable – profits.

The PAC/Global Witness report, *Rich Man, Poor Man* ([http://www.pacweb.org/e/images/stories/documents/rich\\_engv2.pdf](http://www.pacweb.org/e/images/stories/documents/rich_engv2.pdf)), called on governments, NGOs and the private sector to come together to find ways in which some of the poorest people in Africa – people who produce great wealth for others – could obtain a fairer share. This is a human security issue; it is about development at its most basic; and it is about justice. Diggers, many of them children, face appalling working conditions. Residents of mining areas complain of environmental degradation, water pollution, and the influx of migrant labour, with high rates of prostitution and HIV/AIDS and too often family and societal violence follow.

Most diamond diggers lead hard, insecure, dangerous and unhealthy lives. With average earnings of less than a dollar a day they fall squarely into the broad category of “absolute poverty.” Strangely, the diamond areas of Sierra Leone, the DRC and Angola are the very poorest in those already poorest of countries. Education and health services are worse than elsewhere, and child mortality is higher. Until these problems are fixed, diamonds will continue to be a source of insecurity. Conversely, real change could produce significantly better lives for diggers and their communities.

The peace that the KPCS has helped to bring about is fragile. And it is supported by large United Nations peacekeeping operations in Liberia, Côte d'Ivoire and the DRC. These three peacekeeping operations have a combined troop strength of 38,000, with annual budgets to the end of June 2006 totalling \$2.3 billion.

This level of intervention is completely unsustainable. Something has to take the place of high-cost UN peacekeepers,

the casino diamond economy, and the vulnerability of diamond diggers to the predators who eagerly await a return to what used to pass as “normal.”

## The Diamond Development Initiative (DDI)

The DDI mission statement says that “the DDI aims to gather all interested parties into a process that will address, in a comprehensive way, the political, social and economic challenges facing the artisanal diamond mining sector, in order to optimize the beneficial development impact of artisanal diamond mining to miners and their communities.”

After a year of preliminary discussions, DDI was formally launched at a meeting in Accra, Ghana, in October 2005. Those at the meeting, which included a good cross-section of industry, NGOs, governments, labour and academics, said that the DDI’s basic challenge is to encourage better work environments and better prices for diggers. This will involve education for artisanal miners; access to credit and basic mining equipment such as shovels, sieves and small pumps; training in diamond valuation, government intervention to help streamline marketing; and improved labour laws.

The DDI’s activities, which aim to introduce positive change to the alluvial diamond mining sector in Africa, include:

- Research into revenue flows from mine to export, in other words “who exactly earns what.” Knowledge of who benefits most from current arrangements is important to changing them to favour diggers. The first revealing study was published in March 2006 – *Dealing for Development: the Dynamics of Diamond Marketing and Pricing in Sierra Leone*. Similar research will be undertaken in the DRC;
- Basic educational material for artisanal diggers: simple pamphlets on diamond valuation, with details on fair market prices, in French, English and local languages. These will be tested and then “work-shopped” with local and international NGOs in Africa, in order to draw more development actors into diamond producing areas. (Many development organizations shy away from extractive industries, especially artisanal mining, because of the difficult social and economic dynamics. This project is aimed in part to give organizations the tools needed for entry-level interventions);
- A campaign on the problem of child miners in the diamond fields;
- Creating ‘best practice’ guidelines with respect to working with artisanal miners – for local and international NGOs, bilateral and multilateral agencies, governments, exploration and mining firms and international diamond buyers. In some way, if only by their absence, all are part of the current problems; all must be part of the solution.

The DDI is considering a number of other projects, including environmental “remediation” to restore agricultural land despoiled by diamond digging. And a DDI website is under development. We hope and expect that in time there will be fully registered DDI affiliates in the United States, Canada, Europe and Africa.

Key players in the Diamond Development Initiative include Partnership Africa Canada, the Foundation for Environmental Sustainability and Security, Global Witness, De Beers, the Rapaport Group, the International Diamond Manufacturers Association (IDMA) and the Communities and Small-Scale Mining (CASM) Secretariat of the World Bank. This small group will give way in 2007 to a broader group of companies, NGOs and governments. The DDI has been endorsed by the governments of Sierra Leone, Guinea, the DRC and others, and has received start-up project funding from Canada’s Department of Foreign Affairs.

The DDI has huge potential. If it works, if it gets the kind of support it needs, if we can excite the world’s development agencies – USAID, DFID, CIDA and others – this could be one of the biggest development initiatives in Africa.

In June 2005, a friend of mine named Ted Jackson, who is a professor and an international development consultant in Ottawa, held a fundraising benefit for PAC on the occasion of his 55th birthday. He wanted the fundraising to go towards the DDI. He invited 130 friends. He and his wife organized musicians, catering and a venue at Ottawa’s City Hall. They paid for everything, and they asked me to tell the story of the Diamond Development Initiative. I did. I told them what is written here and I told them that we need support for the DDI. The guests were not wealthy business people; they were ordinary middle class Canadians, whose closest brush with a diamond is likely an engagement ring. But that night 130 people dug into their pockets and gave us \$10,000 for the DDI.

I tell that story for two reasons. The first is because the DDI will need a lot more than \$10,000 if it is going to work. But I tell it for another reason: ordinary Canadians, Americans and Europeans care about the plight of Africa, and they want intelligent, understandable solutions to the conflict and confusion that comes across on the news on our television screens.

The DDI is intelligent and understandable, and it can help. It can build on what the Kimberley Process has done. It can bring governments and industry and civil society together in common cause, and it can do something meaningful for Africa’s artisanal alluvial diamond mining communities. It will not be easy, but it is the right thing to do.

**Partnership Africa Canada** is a Canadian nongovernmental organization that has been involved in efforts to halt the trade in conflict diamonds since 1999. Information about PAC can be found at [www.pacweb.org](http://www.pacweb.org)

**project engage** is a project of the Sustainable Markets Foundation that brings together practitioners and theorists working on real-life natural resource issues and conflicts, in real-time. **project engage** seeks to actively explore and develop cross-sector solutions to complex environmental, social, human rights and other public policy issues.

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