



Conflict Diamonds & Kimberley Process

Online Resources & USAID Experience (August 2005)

Online Resources

Kimberley Process web site: <http://www.kimberleyprocess.com:8080/site/>

Clean Diamond Trade Act: <http://thomas.loc.gov/cgi-bin/query/z?c108:H.R.1584>

<http://www.census.gov/foreign-trade/regulations/fedregnotices/fedreg-05162005.txt>

“Requirement for Reporting the Kimberley Process Certificate Number for Exports and Reexports of Rough Diamonds” (May 16, 2005)

<http://www.treas.gov/offices/enforcement/ofac/sanctions/t11diam.pdf>

Diamond Trading: An Overview of the Rough Diamonds Control Regulations -- Title 31 Part 592 of the U.S. Code of Federal Regulations

(U.S. Dept. of Treasury, Nov 2004)

Countries participating in the Kimberley Process Certification Scheme for rough diamonds ("KPCS") are expected to prohibit the importation of rough diamonds from, and the exportation of rough diamonds to, non-Participants and to require that shipments of rough diamonds from or to a Participant be controlled through the KPCS.

<http://www.state.gov/e/eb/c9981.htm>

State Department, Bureau of Economic and Business Affairs

Conflict Diamonds

The EB/ESC conflict diamonds team, as part of the [Energy, Sanctions, and Commodities](#) (ESC) deputation, participates in the Kimberley Process – a group of key rough diamond producing, trading, and processing countries and entities, the diamond industry, and concerned non-governmental organizations seeking to stop the use of diamonds to finance conflict. On January 1, 2003, the Kimberley Process launched a rough diamond certification scheme as a means of excluding conflict diamonds from the legitimate trade. The conflict diamonds team also leads the interagency team in implementing rough diamond certification in the United States through the Clean Diamond Trade Act, which was passed by Congress and signed by President George W. Bush in April 2003.

To contact the U.S. Kimberley Process Authority (which issues rough diamond export certificates) call Cecilia Gardner, Director, General Counsel (212) 997-2002. For further Department of State information concerning this issue, please call (202) 647-1713.

<http://www.gao.gov/new.items/d02678.pdf>

Report to Congress: Critical Issues Remain in Deterring Conflict Diamond Trade

(June 2002) GAO-02-678

GAO's assessment of the Kimberley Process's proposal for an international diamond certification scheme found it incorporated some elements of accountability. However, the scheme is not based on a risk assessment, and some activities experts deem high risk are subject only to "recommended" controls. Also, the period after rough diamonds enter the first foreign port until the final point of sale is covered by a system of voluntary industry participation and self-regulated monitoring and enforcement. These and other shortcomings provide significant challenges in creating an effective scheme to deter trade in conflict diamonds. Discusses: Angola, DRC, Liberia, Sierra Leone.

<http://www.gao.gov/new.items/d02425t.pdf>

Testimony: Significant Challenges Remain in Deterring Trade in Conflict Diamonds
(Feb 2002) GAO-02-425T

<http://www.globalwitness.org/reports/download.php/00228.pdf>

Implementing the Kimberley Process: 5 years on – how effective is the Kimberley Process and what more needs to be done?

(Global Witness and Partnership Africa Canada, June 2005)

The five-year anniversary of the Kimberley Process marks an important time to assess how the Kimberley Process is working to prevent the trade in conflict diamonds, and what more needs to be done to ensure that the process is credible and effective. This briefing document reflects on some of the accomplishments of the Kimberley Process while highlighting that much more work remains to be done to ensure that it is effectively implemented and strengthened to prevent diamonds from ever again fuelling conflict. It is hoped that these key challenges will be addressed by the Kimberley Process Plenary in 2005 and that the Russian Federation, as the chair of the Kimberley Process in 2005, will take a leadership role in addressing these issues.

<http://www.globalwitness.org/reports/show.php/en.00063.html>

The Key to Kimberley: Internal Diamond Controls, Seven Case Studies

(Global Witness and Partnership Africa Canada, October 2004)

This report describes weaknesses in U.S. Government oversight of the Kimberley Process, and problems with statistics reporting which have the potential to undermine the system's credibility if they are not rectified.

USAID Experience

USAID Sierra Leone web site: www.usaid.gov/gn/sierraleone/index.htm

USAID Sierra Leone Activity Summary (Lydia Hall, AFR/WA, June 2005)

Sierra Leone Diamond Sector Reform and Anti-Corruption: USAID's involvement in diamond sector reform is driven by the need to strengthen democratic practices and transparency in public sector management at the national and local levels by promoting economic, political and social equity; citizen's involvement in decision making; representation; accountability; and anti-corruption. In FY 2004, USAID provided significant technical assistance and training to the Ministry of Mineral Resources, civil society organizations, and miners/diggers in monitoring and surveillance techniques, advocacy, cooperative management and small stone valuation skills. A public-private initiative also strengthened the Peace Diamond Alliance (PDA), an increasingly meaningful forum with members from the private and public sector, businesses, government representatives, citizens, and other key diamond sector stakeholders. The alliance was used to successfully leverage and influence proceedings related to the Kimberly Process, and establish national and international laws and policies. With USAID funding and leadership to support **Sierra Leone's adherence to the Kimberly process legal export earnings from diamonds has grown exponentially from a little over \$1 million in FY 1999 to over \$120 million during the past fiscal year.**

Sierra Leone Annual Report (Dec 2004)

Program Component: Promote And Support Anti-Corruption Reforms

Through the formation of local committees, USAID promoted effective community and government surveillance and control of the country's diamond resources in on-going anti-corruption efforts in the sector. The unfair and inequitable distribution of proceeds from the country's most valuable natural resource was one of the

fundamental causes of the decade-long armed conflict. Building on its innovative decision to return a portion of tax revenues to communities (the result of previous USAID-led reform initiatives), the GOSL now returns a proportion of diamond revenues to diamond-producing communities. This approach has begun to alter an incentive structure that fostered diamond smuggling into one that ensures that local people enjoy greater benefit from legal mining and marketing so that they develop a commitment to a transparent, legal diamond industry.

As a result of USAID's intervention, in FY 2004 local diamond mining communities continued to receive direct financial benefits in proportion to legal mining taking place within their chiefdoms as provided for by Diamond Area Community Development Fund (DACDF). Revenues to diamond-producing communities rose from \$510,569 in FY2003 to \$815,592 in FY 2004. These sums are not insignificant to communities, which have received virtually nothing from the central government in the past. In FY 2004, legal mining netted about \$120 million, a 76% increase over legal diamond export figures of \$68 million in FY2003, due substantially to USAID-funded activities, which encourage miners to get licensed and monitor illegal mining activities. In FY 2004, 2318 licenses for artisanal mining were issued compared to 2000 in FY 2003. This was below the target of 2700 licenses even though there was a 76% increase in legal revenues from diamond exports. The result implies that illicit mining is still substantial and this is especially true of new mining communities in the northern province of the country, where there are no USAID programs in place. A UNAMSIL report indicates high levels of illicit mining remains. The report mentions Kono - a key USAID targeted area - as showing the lowest percentage of illicit mining, thus providing third-party evidence of USAID program success.

In FY 2004, USAID's media project used the radio air-waves to expose the corrupt practices of traditional chiefs in managing DACDF receipts and even succeeded in recouping monies that had been previously squandered. This gave communities a trump card to demand transparency and accountability in the use of DACDF. The USAID initiative to work in collaboration with the DACDF Coalition comprised of civil society organizations, local authorities, government, non-governmental organizations and the Anti-Corruption Commission (ACC), have made communities more aware of the benefits of legal mining and encouraged them to participate in decisions relating to the use of their share of the DACDF revenues. As the result of on-going USAID funded radio/media program efforts in providing oversight, a community survey report a 90% satisfaction rating in the implementation of community projects funded by DACDF receipts.

At the local level, the Peace Diamond Alliance (PDA) - a Public/ Private Alliance - is addressing smuggling and exploitation by providing vital information to communities in two of the country's major diamond producing areas. In FY 2004 USAID expanded the PDA to Tongo Fields, the second largest mining area in Sierra Leone. The PDA provides its constituent members with small stones valuation training to help indigenous miners and dealers to more accurately assess the true value of rough diamonds. The PDA helps communities advocate for their rights and reclaim mining-damaged lands. In one example, residents affected by the explosive-based Kimberlite diamond mining in Kono have been assisted by the PDA to form the Affected Property Owners Association to directly negotiate with Government and the mining company for a proper relocation package. In another example, the Coalition effectively campaigned against environmental degradation of lands close to a township and succeeded in leveraging funds from the government to rehabilitate a mined-out area at Kaisambo. Finally, in another region, women members of the Peace Diamond Alliance are rehabilitating mined-out areas by cultivating rice, the country's staple food, on a 10-acre plot of land provided by the chiefdom authorities.

Indicator: Number of artisanal mining licenses issued.										
Baseline	2001 Actual	2002 Target	2002 Actual	2003 Target	2003 Actual	2004 Target	2004 Actual	2005 Target	Weight	Progress
789.00	0.00	789.00	783.00	850.00	2,000.00	2,700.00	2,318.00	0.00	4	Up
Indicator: Revenues allocated to diamond producing communities from diamond funds (\$US)										
Baseline	2001 Actual	2002 Target	2002 Actual	2003 Target	2003 Actual	2004 Target	2004 Actual	2005 Target	Weight	Progress
145,117.00	0.00	0.00	279,948.00	337,500.00	510,569.00	675,000.00	815,592.00	897,151.00	5	Up

“Replacing Conflict Diamonds with Peace Diamonds in Sierra Leone”

(USAID in Africa, Summer 2003)

The Kono Peace Diamond Alliance hopes to help change the image of Sierra Leonean diamonds from one of fueling a brutal war to one of benefiting local communities. Funded by the USAID Global Development

Alliance, the Diamond Alliance is an organization that seeks to improve the management capacity of Sierra Leone's diamond resources and ensure that more benefits from the mining and sale of the gems flow back to local communities. It also attempts to prove to Sierra Leoneans and the world that words often associated with Sierra Leone's diamond industry in the past—exploitation, corruption, abuse, and conflict—do not have to be part of its future.

Accomplishing these difficult goals requires the combined efforts of private and public sector actors, as well as the involvement of local communities and watchdog agencies. Management Systems International, USAID's implementing partner, brought together more than 80 national and international attendees for the two-day inaugural meeting of the Diamond Alliance in December 2002. They identified key constraints and problems—such as too few benefits at local levels, exploitation of labor, and illegal export (smuggling)—and possible solutions.

The attendees then committed to instituting these solutions. For instance, local organizations pledged to establish an information outreach hub to ensure that community input reaches the Diamond Alliance and that important information reaches every village. The Government of Sierra Leone pledged to work with the alliance members to improve mining-sector policies and monitor the flows of royalties and fees. Representatives of the international private sector such as DeBeers and Branch Energy pledged to build knowledge and skills among regulators, dealers, and miners, and to finance the training of local people in agriculture skills. The British Department for International Development (DfID) pledged to disseminate technical information. And USAID pledged to provide technical assistance and equipment to the Ministry of Mineral Resources, to strengthen the capacity of interested community-based organizations in Kono, and to conduct feasibility work for a credit scheme.

USAID's democracy and governance programs have improved diamond-sector management by assisting the Government of Sierra Leone and local communities in monitoring the mining sector. For the first time, USAID technical assistance and policy dialogue made it possible for local diamond mining communities to receive direct financial benefits in proportion to the legal mining taking place within their chiefdoms. In 2002, legal exports increased from \$25 million to \$37 million, and proceeds to mining communities nearly doubled. The challenge will be to contain corruption and to nurture well-meaning and dedicated stakeholders from both the public and private sector to continue the positive momentum.

As a follow-on action, DfID, with support from USAID, conducted a major mining policy workshop in Freetown in March 2003, at which several key points were discussed. For example, there are still many gaps in public awareness—or at least acknowledgment—of the scope of illegal diamond-related activities. This indicates the need to develop appropriate strategies for disseminating more information about the industry. Also, the Lebanese community, which is active in the buying and selling of diamonds in Sierra Leone, must be part of the diamond reform process. Finally, mining of commercial kimberlite, ore that contains diamonds, will be underway in Kono by August 2003, necessitating the formulation of a strategy to ensure wider community participation in the benefits of such commercial mining activities.

One of the main contributions of the March workshop was to let all players know that the diamond mining business in Sierra Leone is important to the outside world, and that the old "business as usual" will no longer be possible. However, the enormity of the task the Diamond Alliance faces cannot be overstated. Kono District—the major diamond-mining area in Sierra Leone—and Koidu town were nearly totally destroyed during the war and must be rebuilt. Confidence and trust come with time, and the alliance has recognized that local residents need to feel that they are both benefiting from and have a stake in the development of the local diamond industry. In a country in which a brutal war is now spoken of in the past tense, the Diamond Alliance hopes to introduce "peace diamonds" from Sierra Leone to the rest of the world.

“Kimberley Process Aims to Eliminate the Trade of Conflict Diamonds”

(USAID in Africa, Summer 2003)

The United States has worked together with over 30 governments, the European Union, the diamond industry, and civil society groups for more than two years to control the trade of conflict diamonds while protecting legitimate producers through the Kimberley Process. The Kimberley Process calls on

participating countries to set up national certification schemes to control the trade in rough diamonds. On November 5, 2002, the Kimberley Process Certification Scheme was launched at a ministerial meeting held in Switzerland. The process is named after the town of Kimberley, South Africa, where the concept for this certification scheme was created in May 2000. Countries participating in the Kimberley Process agreed that as of January 1, 2003, they would not allow the import or export of rough diamonds to or from nonparticipating countries in an effort to keep conflict diamonds from entering legitimate diamond trade channels.

Less than 4 percent of the world's diamonds are considered to be "conflict diamonds," however these diamonds have had a significant impact in fostering and prolonging armed conflict and instability in countries across Africa, including Angola, Sierra Leone, Liberia, and the Democratic Republic of Congo. Diamond-fueled conflicts in these four countries have resulted in more than 4 million deaths and the displacement of millions of people from their homes.

The Kimberley certification process includes forgery-resistant certificates, tamper-proof shipping containers, internal controls, and effective enforcement to ensure that rough diamonds are traded through legitimate channels, with tax revenue returning to exporting countries. USAID has provided assistance to the Government of Sierra Leone to develop a certification system that provides a secure, legitimate channel for diamonds to be exported in accordance with the Kimberley Process. USAID has also worked with Sierra Leone to improve the capacities of local communities and the private sector to effectively manage the diamond sector, including helping local diamond-mining communities recover some of the revenue generated by diamonds for local development.

On April 25 of this year, President Bush signed the Clean Diamond Trade Act, which bans the import of illegally mined or traded diamonds into the United States, in support of the Kimberley Process. The United States imports more than half of the finished diamonds sold worldwide, but only a small portion of the world's rough diamonds.

Issues and challenges for the successful implementation of the Kimberley Process include legislation in participating countries, a system for independent monitoring, and the collection of trade and production statistics. But by keeping conflict diamonds out of the global diamond marketplace, the significant wealth that legitimate mining and trade of diamonds generates can be used to improve the economic and social development of diamond-producing countries in Africa, rather than to fund rebel movements, purchase illicit arms, and prolong wars and conflicts.

USAID Reports

http://www.dec.org/pdf_docs/PNADB147.pdf

Potential diamond anti-smuggling activities for consideration in Sierra Leone (Oct 2004)

http://www.dec.org/pdf_docs/PNADB142.pdf

Report on sustainability workshop with Peace Diamond Alliance executive committees of Kono and Tongo Fields [Sierra Leone, September 27, 2004]

http://www.dec.org/pdf_docs/PNADB143.pdf

Report of the second annual general meeting of the Peace Diamond Alliance : 29-30 September 2004, Koidu Town, Sierra Leone (Sep 2004)

http://www.dec.org/pdf_docs/PNADB146.pdf

Institutional assessment of Alluvial Diamond and Gold Miners' Association of Kono District (ADAGMAK), coordinators of miners and dealers (Sep 2004)

http://www.dec.org/pdf_docs/PDACA869.pdf

DIPAM (diamond policy and management) project : third semi-annual report, 1 November 2003 to April 30, 2004

http://www.dec.org/pdf_docs/PDACA868.pdf

Peace diamond alliance (PDA) : second semi-annual report (through 29 February 2004)

http://www.dec.org/pdf_docs/PDACA867.pdf

First semi-annual report for the peace diamond alliance (PDA) project : CA # 636-A-00-03-00038[-00]

http://www.dec.org/pdf_docs/PDACA866.pdf

DIPAM (diamond policy and management) project : CA # 636-A-00-93-00003[-00] - second semi-annual report, 1 May through 31 October 2003

http://www.dec.org/pdf_docs/PNACU151.pdf

Sierra Leone diamond sector financial policy constraints (June 2003)

http://www.dec.org/pdf_docs/PNADB144.pdf

Feasibility of establishing a formal credit delivery mechanism for small-scale diamond miners in Kono District, Sierra Leone (May 2003)

http://www.dec.org/pdf_docs/PDACA865.pdf

DIPAM (diamond policy and management) project : CA # 636-A-00-93-00003[-00] - first semi-annual report (through 30 April 2003)

http://www.dec.org/pdf_docs/pdabt690.pdf

Sierra Leone : 'conflict' diamonds -- progress report on diamond policy and development program (Mar 2001)