

Keynote Perspective

Dorothee Gizenga, Executive Director of DDI International, interviews Joaquim Chissano



President of Mozambique, 1986 - 2005; inaugural recipient of the \$5 million Prize for Achievement in African Leadership awarded by the Mo Ibrahim Foundation

DG: Extractive Industries in Africa can be an engine for development. How can nations structure a regime that is fair and secure for the investors, and beneficial to people?

JC: The natural resources of Africa belong to Africa, and should first benefit the people of the continent. Governments should present investors

with clear conditions which establish fair prices for the resource and engender local development. Mining companies should provide community services that will last, even after companies close their operations. A balanced relationship of mutual interests has to be established, one that creates security for all.

DG: Diamonds can generate significant wealth for nations, yet they also attract criminals and they have fuelled wars. What measures can be taken to preserve the resource as an asset?

JC: A lot can be learned from measures used to prevent illicit drug trafficking and money laundering. Corporate Social Responsibility plays a big role in preserving the resource as an asset. During the civil war in Angola, companies were buying diamonds from UNITA because they feared that UNITA's selling of diamonds on the black market would lead to a price drop. Integrating the development dimension, while establishing regulations, is essential.

DG: Among your numerous awards is the *Prize for Achievement in African Leadership for Good Governance* from the Mo Ibrahim Foundation, what is the significance of the award to you?

JC: It has shown me that I was governing my country well. I cared about the people of Mozambique and always aimed to satisfy them.

Many had asked me to stay on. I did not know that the world was also watching. So, I was pleased to be recognized by outsiders. The success however, is not just my own. It is that of my collaborators and of the people.

DG: Is the Mo Ibrahim's Prize having an impact on the continent?

JC: Yes. It has created curiosity. People are talking about the award, and in doing so, they are talking about governance. The value of the award resides in that curiosity. It pushes leaders to consider better ways of governing. But if they make changes only to receive the prize, they will make mistakes and fail. The prize cannot be the goal.

DG: What is your message of hope for Africa?

JC: *Leadership.* I am encouraged by improvements in African leadership. There is greater cooperation among African nations and with the world. This helps in resolving conflict. There is also greater political will for economic integration at regional and continental levels. This recognizes the interdependence of nations, especially in dealing with impact on Africa of the financial crisis in powerful nations, and with the impact on African agriculture of climate change caused by big countries.

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DDI Expressions

Child's Play

By Ian Smillie

A recent US Department of Labor report found that worldwide, over 200 million children are at work, often in dangerous circumstances, contravening the laws of their own countries, half a dozen UN conventions and basic human decency. A lot mine diamonds.

Children work for many reasons. Poverty is one, exploitation another. DDI International has held

discussions with the International Labour Organization on the subject, and is developing a project in the Democratic Republic of the Congo which will test various incentives with both parents and their children, aimed at getting kids back into school. If it can work with diamonds, perhaps it can work with gold and coltan and other artisanally mined minerals. And if it works in the DRC, perhaps it will work in other countries. It won't be easy, and there is a lot to learn.

But it occurs to me that there is something else worth considering. If artisanal diamond mining were demonstrably profitable,

children would soon be pushed out. They are there because it is marginal work and the most exploitable are pushed or drawn into it for the marginal returns it provides. With better geological knowledge, better technology, better organization, and better market intelligence, artisanal miners would earn more, and adults would soon take the place of children. This would be a win-win situation if combined with opportunities for dropouts to return to school. This is the wider aim of DDI International.

Ian Smillie, Chair of DDI International, is a development consultant and writer with years of Kimberley Process experience. His most recent book is Freedom from Want.

Feature Article – Gold & Diamonds

By Shawn Blore

Gold and Diamonds: The two go together, in poetry, in rings and jewellery, often even in the earth itself. One such magic place where the two are found close together in the ground, lies in the eastern Democratic Republic of the Congo (DRC), in the watersheds south and east of the town of Isiro.

Artisanal miners from the region bring both into Isiro for sale. And there a curious thing happens. Most diamonds travel west to the capital Kinshasa, where government taxes are paid and the diamonds are legally exported. Much of the gold takes a different route. Stuffed inside sacks of rice it gets smuggled east, traversing borders illegally on its way from the DRC to Uganda and Dubai.

Why the difference? For those looking to staunch the illegal flow of valuable minerals from the eastern Congo, that is the 64 million dollar question.

A key difference is that diamond exports are regulated via an international certification system, the Kimberley Process (KP). For all its myriad faults,

the KP does make it difficult for anyone to simply sell rough diamonds on international markets. For that kind of transaction, a government KP certificate is required, and this also allows the government to collect taxes. This difference is leading some in the DRC government and the international community to conclude that a regional certification of origin scheme is the way to force all precious minerals back into legal channels.

The significantly higher license fees for diamond comptoirs also support the case. Their annual fees are \$250,000, while until recently fees for a gold comptoir were \$50,000. Seeing their gold haemorrhage east, DRC officials have slashed annual taxes and fees for gold comptoirs, where the annual license is now a mere \$13,000.

But lowering license fees may not be enough to lure the Congo's gold back, because the gold isn't simply being smuggled. It's being used as a medium of exchange – a reliable international currency in a land devoid of banks – to facilitate the flow of trade goods into

eastern DRC. The gold smugglers may well be less interested in avoiding the mineral taxes than they are in evading customs duties and government scrutiny into their perhaps shady financial dealings.

Would lower fees and a new network of comptoirs stem gold's eastward flow? Should a certification of origin be implemented? The uncontrolled illegal flow of gold and the results of the KP Certification Scheme for rough diamonds have convinced various authorities that the answer is yes. Gold and diamonds may thus soon have one more thing in common – a certificate of origin in order to be traded internationally.

Any solution, however, must include effective cross-border controls, reliable customs collection, and a functioning banking system. In the eastern DRC, these things are years away.

Shawn Blore is an award-winning journalist, researcher and broadcaster, with years of experience tracking diamonds flows in Africa and South America. He lives in Rio de Janeiro.

Development Outlook

Homeward Bound: Helping Sierra Leone's Diamond Diggers out of the Pits

By Joan Baxter

If there were any doubt that Sierra Leone's artisanal diamond diggers are among the truly wretched of the earth, it is quickly dispelled by a day in the artisanal mines of Kono District. The sun is merciless. The digging is arduous. There are no minimum wages, no safety standards or environmental rehabilitation rules. Most of the young men toiling in the pits are at the mercy of license-holders who pay them a dollar or two a day. If they find a diamond, the license-holder decides what to pay them.

Trouble is, many of the estimated 100,000 to 200,000 diggers never find a diamond. Asked about their work and prospects, the diggers use words like "slavery" and "suffering", and almost unanimously agree, paradoxically, that diamonds are the source of all their woes. They don't even know what diamonds are for. "All we know," says Abdullaye Freeman, known as Uroy, "is that white man pays plenty for them, so they have value."

Now a resettlement project offers diamond

diggers and their families the opportunity and support they need to escape the mining pits and return home to farm. An estimated two million people were displaced by Sierra Leone's decade-long civil war; many of them are in the diamond fields, breeding grounds for crime, disease, political and social volatility. At the same time, in rural communities in the east of the country — hit hard by the war — there is a serious lack of able-bodied youth for farming and community projects. Palm oil, cocoa, coffee farms and rice swamps have been left untended. All it took was a catalyst, in the form of the GTZ (German Technical Cooperation) Resettlement and Reintegration Project. The project offers the diggers and their families the basic support they need to head home, providing them with transport, basic foodstuffs, utensils, farming tools, seeds, and brick moulds for house-building.

To prepare the groundwork in the villages, project staff negotiate with elders and local authorities, offering them similar start-up kits and ensuring

also that their youth will be welcomed and provided land to farm and build.

Solomon Fayiah, happily resettled to his native Kissi Town, says, "I would never go back to mining. Life is better for me now. All my children are in school and I have a healthy new baby. If one day my son came to me and said he wanted to become a diamond digger, I would tell him that if he wants to suffer and die, the mines are the place for that."

To date, the GTZ project has resettled over 1,500 individuals. Not one has returned to the diamond mines, and the project aims to resettle up to 30,000 more in the next five years.

Joan Baxter is a journalist and an award-winning renowned author who has conducted research on mining and development issues for many years in Africa. Her latest book is Dust from Our Eyes – An unblinkered look at Africa.

A Word from the Industry – India: Keeping the Idea of Diamonds Alive

By Vinod Kuriyan

Diamonds are valuable only as long as consumers think they are. That idea alone sustains everyone involved with diamonds, from the artisanal miner with a shovel and sieve, through the big mining companies, the cutting and polishing industry as well as jewellery manufacturers and the big global diamond jewellery brands. Consumer perception is the single most important thing for diamonds.

Up until now, the world diamond industry has ridden on the coattails of the global generic promotion of diamonds to consumers by De Beers. The famous “a diamond is forever” slogan among others, while connoting something timeless and enduring, took just another gemstone and turned it into a symbol of undying love.

Being the stone to express in material terms, all nebulous, ethereal emotions and feelings that defined the relationship between men and women has made the diamond unique among gemstones. It increased its value significantly above not only other gemstones, but many other luxury products as well.

Now that De Beers has withdrawn from generic promotions, diamonds have lost a lot of steam in the race to remain among the luxury items consumers find

most desirable. More importantly, without a defining idea for the consumer to hold on to, diamonds run the risk of losing relevance altogether in the consumer's perception of luxury.

Recognizing this, the global diamond industry recently formed the International Diamond Board, to take up generic promotions where De Beers left off. In India, the diamond processing, jewellery manufacturing and retailing industries have launched the Indian Diamond Jewellery Promotion (IDJP) initiative on their own. Using a film star as the face of diamond jewellery, the woman-centered campaign moves away from emotional space to appreciating her value and offering the diamond as a symbol that defines it.

Slated to kick off over the all-important Diwali festival season in October, which accounts for 67 percent of annual jewellery sales in India, the IDJP, wholly funded by participants, aimed to raise the visibility of diamonds and make them more desirable. As one of the biggest emerging consumer markets, India is important to the future of any luxury product and diamonds in particular. Much of the future of diamonds, therefore, will be defined by how well the IDJP campaign performs.

Vinod Kuriyan is the Editor of Solitaire International, the magazine of India's Gem & Jewellery Export Promotion Council. He has been covering the Indian and international gem and jewellery industry for 22 years.

World Economy: Is There a Recovery?

By Rob Bates

The world economy may be finally recovering from the “Great Recession.” But no one's popping the champagne corks yet; all indications are this recovery will be slow and long.

For the diamond industry, the U.S. economy remains an unsettling question mark. Even after this recession, the American market is still by far the most important in this business, accounting for more than 50% of demand. Yet, jewelry sales fell off pretty spectacularly last Christmas, with many major retailers reporting declines of 20% or more.

While trade sentiment has improved markedly since then, there is still considerable nervousness about Christmas 2009. The International Council of Shopping Centers recently predicted that sales will only increase one percent this year. That's a rise, but not what people were hoping for, given that last year's sales were among the worst in modern retail history.

Michael MacNamara, of Master Card SpendingPulse, said his calculations show U.S. jewelry sales rose 1.2 percent in September. “But that is still about 5 percent lower than in September 2007 and about 10 percent lower than in

September 2006,” he told the *New York Times*. “In some respects the sector has turned the clock back to 2005.”

National Retail Federation spokeswoman Kathy Grannif was a little more upbeat, telling JCK magazine: “Jewelry will play an important role in this holiday season. If people have paid down enough of their credit cards they may look at jewelry as a nice treat. People won't be as frugal as last year, but that is not saying they are going to splurge.”

It may take until next year before the U.S. economy gets back to something resembling normal. For now, the diamond industry is basing much of its hopes on Asia, which is currently leading the world out of recession.

It's certainly the hope of the luxury sector; the *New York Times*, in an article on Asia's new prominence as a luxury market, noted that a 101-carat Shizuka diamond was recently sold in Hong Kong. That stone “would have been offered in New York or Geneva just a few short years ago,” the head of Christie's Jewelry department told the *Times*.

Rob Bates covers the diamond and jewelry industry for JCK magazine and JCKonline. See his blog, “Cutting Remarks,” at JCKonline: www.jckonline.com/blog/Cutting_Remarks

Making a Difference...

The Diamond Empowerment Fund®

D.E.F.'s mission is to raise money to support education initiatives that develop and empower economically disadvantaged people in African nations where diamonds are a natural resource.

A New York-based Non-profit organization, D.E.F. was founded by **Russell Simmons**, along with others committed to the empowerment of Africa. Key supporters for D.E.F. within the diamond jewelry industry include De Beers, Zale Corp, and Steinmetz. The Simmons Jewelry Co.'s *Green Bracelet* is the symbol of the cause. www.diamondempowerment.org.



Program Beneficiaries

D.E.F.'s first beneficiary is the **Community and Individual Development Association (CIDA) City Campus**, launched in Johannesburg, South Africa as Africa's first virtually free college to provide opportunity for the huge numbers of students who had no way of furthering their education. Founded in 2000, CIDA currently serves nearly 1,000 students of great financial need who are benefiting from full scholarship in pursuit of business degrees. www.cida.co.za.



In 2009, D.E.F. selected a second beneficiary organization, the **African Leadership Academy (ALA)**. Founded in the belief that ethical leadership is the key to transforming the African continent by developing, connecting and supporting its future leaders, the ALA is based in Johannesburg, but it has a truly Pan-African approach. It is an innovative two-year college-prep school, with a student population drawn from all 54 African countries. The ALA has a unique focus on leadership, entrepreneurship and African studies, all designed to prepare students for a lifetime of leadership on the continent. www.africanleadershipacademy.org.

D.E.F.'s Upcoming Events

Dallas Rocks:

Diamond Dinner and Pave 009 After-party on November 14, 2009 at Dallas' Historic Union Station. Hosted by Russell Simmons; special Performance by Smokey Robinson; and sponsored by Zales. www.dallasrocks.org

Diamonds Give Online Auction:

www.charitybuzz.com
November 4 to December 2, 2009.

What If? – Debt, Fragmentation and Transparency

By Charles Wyndham

The WWW group of companies had from at least early 2008 been arguing that the spiral in rough prices was unsustainable. We were so correct that it was well into the third quarter of the year that reality hit.

Those who were not over-laden with debt have come out best so far. Debt does seem to be the key issue. And debt revolves very much around the extraordinary practice of goods being sent on interminable memo [i.e. credit] in some desperate hope that the diamonds might actually be sold. This methodology, understandable from the point of the retailer, is really fool's gold or living on borrowed time.

Resolving this issue is of much greater significance to the industry and its structure than wondering what the world will be like after De Beers; that particular reality is already here.

As producers take more and more control over their own productions, the 'what ifs' in rough distribution will in

one way become more uncertain due to fragmentation. But if the market is allowed to intrude into the process rather than being dominated by a huge cartel, the uncertainty of its strange decision-making process will have been removed.

Because there is going to be more fragmentation, there is going to be more information flying around, and it would be pleasing to me if this forced the industry to become truly transparent and to actually welcome it and use it. The acceptance of greater transparency would, I believe, benefit all in the value chain right through to the consumer.

So much of our industry's behaviour is governed by the actual, implicit or attempted membership of some club, where the rules are deliberately opaque. The problem is, of course, that some of the current members of the club will not survive this new business model and therefore there is an ever-present reluctance to change.

So, what if the industry really embraced the spirit of transparency and some degree of common aims for the whole industry's long term benefit? It would at least remove the blot, for example, of how much of the diamond production from Zimbabwe is being used to support one of history's more unpleasant thugs.

As we seem to be entering a rerun in the diamond market of last year, I am sure that there will be many more 'What ifs' than we may care for.

Charles Wyndham was joint founder of WWW International Diamond Consultants which inter alia acts as the Government Diamond Valuers for both the Canadian Federal Government and the Ontario Government. He also was the founder of PolishedPrices.com.



Pop Culture: Diamonds, Not exactly a passing trend

By Gennifer Collins

Few trends can boast being around since, essentially, the beginning of recorded history. It's unlikely the Ancient Greeks could have predicted their 'tears of the Gods' would one day become a symbol of marriage and everlasting love. And one can only imagine the stunning metaphors Shakespeare could evoke today about P. Diddy's diamond-encrusted iPod. When Macbeth said "diamonds are the king of gems", he wasn't kidding.

Whatever our personal association with diamonds, we can't deny that history has been favourable to these stones. Once thought of as mystical and holy, diamonds then came to represent eternity, love, prosperity and

wealth. In a world where nothing lasts, diamonds are forever.

It was not until the 21st Century that popular culture introduced us to the term "Blood Diamond" and allowed us to call these stones into question. With the release of a mosaic of documentaries, Hollywood films and celebrity campaigns – conflict diamonds were suddenly a hot issue and, for the first time, presented a whole new metaphor: guilt...and people began to ask more questions of retailers.

The diamond industry has been commended for taking tremendous steps to reduce the trafficking of conflict diamonds. Today, greater public consciousness is increasing

accountability for both governments and the industry. Organizations and individuals are engaged in the ongoing struggle to promote ethical diamonds – making them a tool for development instead of a catalyst for conflict. This work is being done in realization that diamonds should not be associated with guilt for elegant diamond metaphors to ring true. What better symbol than that of the diamond, the beauty of which helped change the world?

Gennifer Collins has worked in Africa and Latin America as a journalist and as a Communications Officer for the United Nations in Namibia. She is now writing plays and is a full-time activist in her home town of Winnipeg, Manitoba.

dDiscourse, a periodic newsletter of the Diamond Development Initiative International, is made possible by in-kind expert contributions. It aims to bring a variety of news and views to the discussion about diamonds and development. Opinions expressed in the articles are those of the authors, and we invite feedback at comments@ddiglobal.org.

More information on DDI International can be found at www.ddiglobal.org, and we can be reached at enquiries@ddiglobal.org

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Executive Office
331 Cooper Street, Suite 600A
Ottawa, ON K2P 0G5, Canada

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