

DDI INTERNATIONAL

# STANDARDS & GUIDELINES

for Sierra Leone's  
Artisanal Diamond  
Mining Sector



## About DDI International

DDI is an international, nonprofit, charitable organization that 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 within the countries in which the diamonds are mined.

A major objective is to draw development organizations and more developmentally sound investment into artisanal diamond mining areas, to find ways to make development programming more effective, and to help bring the informal diamond mining sector into the formal economy.

More information on DDI International can be found at [www.ddiglobal.org](http://www.ddiglobal.org), and we can be reached at [enquiries@ddiglobal.org](mailto:enquiries@ddiglobal.org).

## Table of contents

Standards & Guidelines for Government .....	3
About Government and Artisanal Mining.....	3
The Issues.....	5
Standards & Guidelines for Investors .....	13
Background .....	13
Taxes.....	15
Trade Unions .....	16
Land and Property Rights .....	17
The Environment.....	18
Money and Banking.....	19
The Kimberley Process .....	19
The Issues.....	20
Standards & Guidelines for Donors & Civil Society ....	24
Why Artisanal Mining is Important .....	24
The Issues .....	26
Ethical Questions.....	28
Lessons from Current and Past Initiatives.....	28
The Challenge.....	31
Conclusions .....	33

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Contact us at: [enquiries@ddiglobal.org](mailto:enquiries@ddiglobal.org)

[www.ddiglobal.org](http://www.ddiglobal.org)

International Head office

8110 Gatehouse Road, Suite 101W, Falls Church, VA 22042, USA

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## WHY STANDARDS & GUIDELINES?

The aim of this document is to provide practical information and guidance to officials, organizations and companies interested in the world of artisanal diamond mining. Communities are poorly informed about regulations, and there are few accessible information points to inform and guide them. Lessons are not learned, and best practices (and worst) are not remembered. As a result, projects carried out by government, business and civil society frequently fail. The informality, disruption and human insecurity that have surrounded artisanal diamond mining for half a century continues. By encouraging greater external involvement in artisanal mining areas, and by helping those who are interested to learn from experience, the DDI hopes that this guide will help to inform a better quality of investor, more educated interventions, and in the longer term, more development, better returns to the communities where diamonds are mined, and sustainable activities that engage with, and contribute to the country's formal economy.

The guide is divided into three main sections: *Standards and Guidelines for Government* make the case for a more coherent, whole-of-government approach to artisanal diamond mining, miners and investors – an approach going far beyond the Ministry of Mineral Resources. *Standards and Guidelines for Investors* tells exploration and mining companies, buyers and exporters what they need to know and what they need to consider when working in Sierra Leone's diamond industry. Section three, *Standards and Guidelines for Donors and Civil Society* makes the case for

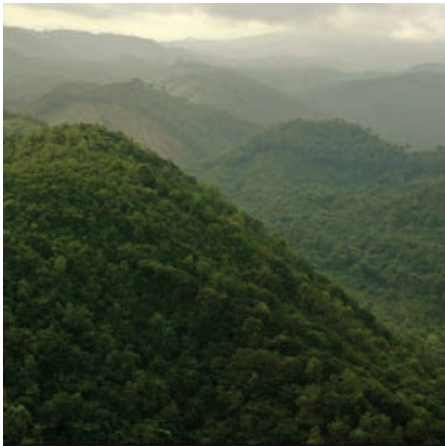
much greater involvement on the part of local and international development organizations in this important and challenging sector.

Each section is self-contained, and refers to specific parts of other sections where there is additional information on a particular subject. Users can therefore read the entire guide, or go directly to the section that interests them most, knowing that they will find references to further information where it is relevant.

The guide represents the beginning of a process rather than the end. It is short on specifics in some areas because so few actors have approached artisanal diamond mining and miners from a development point of view, and even fewer have recorded their experience. As a result, there remain as many questions as answers, but in posing them, we hope to challenge a wider cross section of government, business, civil society and development organizations to become more constructively engaged in the issue and with each other.

Investment and management in the extractive industries is subject to an increasing number of different international standards, guidelines, codes and recommendations. This is particularly true of the diamond industry, not just in Africa, but globally. Because of the luxury nature of diamonds and because of the conflicts that they have helped to fuel, this industry is perhaps more vulnerable to criticism than others. Conversely, much of the industry has embraced a constructive new approach to corporate social responsibility, one that deserves a concomitant quality of engagement from governments and from civil society organizations concerned about development and social justice.

Despite the wealth they generate, the artisanal diamond mining areas of Sierra Leone are less developed, have greater health problems, more illiteracy and greater poverty than others. As many as 120,000 diamond diggers subsist on less than a dollar a day, and yet after agriculture, diamond digging involves more people than any other form of work in the country. And diamonds, of course, were the focal point of the country's ten year civil war.



One reason for all of this is the informal nature of the diamond economy and the paucity of development organizations working in mining areas – both governmental and non-governmental. Diamond mining areas are difficult places to work: they are socially fractious, often violent, and standard community development approaches are rarely successful. New private sector investors also have limited success. In addition, there is a view among some donors that because so much wealth is generated from diamond mining areas, development assistance should

be directed elsewhere. This view is seriously mistaken, since the revenues are rarely invested in areas where the diamonds are mined – for the reasons stated above. Thus a vicious cycle of underdevelopment occurs without anyone appearing to notice.

This guide benefited greatly from a workshop organized in Freetown in January 2008 by DDI, the Network Movement for Justice and Development and Partnership Africa Canada. It brought together government departments, chiefs and community leaders, civil society, representatives of the diamond industry and artisanal miners to discuss the issues raised in this guide.

The DDI would like to thank the many organizations, companies and individuals who made this guide possible. Lansana Gberie conducted the field research and was assisted in completing the final text by Ian Smillie and Brian Rowe. Partnership Africa Canada provided coordination, editing and production facilities. Many individuals in Sierra Leone and elsewhere assisted with important and constructive comments on early drafts. Financial contributions were received from Partnership Africa Canada, the Communities and Small Scale Mining Secretariat, Foreign Affairs and International Trade Canada, Irish Aid, the International Development Research Centre, and from several companies and organizations in the diamond industry: Cartier International, BHP Billiton, De Beers, the Signet Group, the Rapaport Group, Jewelers of America, Rio Tinto Diamonds and the International Diamond Manufacturers Association. DDI is also grateful to Inter Pares, Ted Jackson and friends for their support.

# STANDARDS & GUIDELINES FOR GOVERNMENT

## ABOUT GOVERNMENT AND ARTISANAL DIAMOND MINING

The government has primary responsibility for ensuring that communities where diamonds are mined benefit from the process. It must ensure that the country as a whole benefits as well. The government must take the lead in establishing policies and standards that encourage developmentally sound investments which protect and enhance local infrastructures and land use. The government must also develop systems for project monitoring and evaluation to ensure that dia-

mond mining, whether on a large or small scale, protects the rights and interests of all Sierra Leoneans.

In line with a now-almost universal trend, the GoSL has disavowed any intention of participating financially in diamond mining. It has instead encouraged private sector investment in the minerals sector. In 2003, the GoSL published a **Core Mining Policy** stating that “The Government of Sierra Leone is committed to a “free market” approach and economic policies, which will ensure the development of the minerals sector in accordance with international best practice, and within an enabling environment competitive with other countries that have similar exploration

### *An Agenda for Government*

The government must create an enabling environment for ‘responsible’ mining, one that benefits the country as a whole, as well as those who mine diamonds. To do this, it must:

1. Ensure that high standards of corporate social responsibility are met by all investors and diamond traders, local and foreign;
2. Ensure that laws governing the sector, including environmental and labour laws, are understood and are fairly and scrupulously enforced;
3. Guarantee property and land rights, making them as simple and clear as possible;
4. Clarify the roles and responsibilities of government departments, chiefs, councils and communities;
5. Clarify overlap and contradictions between the Minerals Act and the Local Government Act, and between statutory and customary laws and systems;
6. Ensure that taxes are fair and that they are paid;
7. Ensure high standards of probity among officials tasked with governing the sector;
8. Mediate and prevent conflict among the various players – investors, mining companies and artisanal miners, chiefs, law enforcement bodies and civil society;
9. Provide the educational infrastructure and the incentives needed to attract children away from mining;
10. Ensure that mining communities, particularly those in Kono District, benefit directly from the diamond industry – through improved health, education and infrastructural development, and through incentives for the creation of alternative livelihoods.

and mining potential. The Government will ensure the sector is managed in a transparent, open and accountable manner.’

The approach has been to create a wide-open field for all investors, local as well as foreign, while at the same time providing certain limited preferential privileges for Sierra Leoneans. Artisanal mining licenses, for example, may be granted only to indigenous

Sierra Leoneans, and foreigners are by law not permitted to reside in artisanal mining areas, or to engage in artisanal mining. Larger scale industrial mining, because it needs considerable capital, is dominated by foreign firms. Here, the challenge has been to attract credible, large scale companies with capital and interests substantial enough to create positive spin-offs and sustainable jobs in other sectors.

## *The administrative framework*

Government in this guide refers to the Government of Sierra Leone (GoSL). By law, the GoSL owns the right to all minerals in the country, but it does not, itself, engage directly in diamond mining. It is responsible for both passing and enforcing the laws and regulations that govern mining in the country. The key instrument in this is the 1994 Mines and Minerals Act, as amended in 1996. The GoSL also issues mining licenses and leases, and it collects fees and taxes on the proceeds.

Administration of the diamond industry falls largely under the Ministry of Mineral Resources. Other government departments are important players as well: the National Revenue Agency (NRA), under which the Gold and Diamond Department (GDD) operates; Excise and Customs; the Police; and the Law Officers Department. Other ministries of importance include the Ministry of Lands, Country Planning and the Environment (responsible for all issues relating to land and property rights and the environment), and the Ministry of Local Government and Community Development, which is responsible for a host of issues, including land tenure, local government administration, the arbitration of issues at the local level, including disputes over property rights. Where farming is constrained by mining, the Ministry of Agriculture and Food Security has a responsibility. Sierra Leone’s multi-party Parliament, with its vocal opposition parties, can provide key additional oversight of this important industry. More detail on the administrative and regulatory framework for the mining industry can be found in Guidelines for Investors, below.

An ongoing process of decentralization, which has been devolving power from Freetown to authorities at the provincial, district and chiefdom levels, has meant that local councils have become increasingly important with regard to many mining-related issues. The decentralization process was set in place by the Local Government Act of 2004. The Ministry of Gender and Children’s Affairs has a tangential role in issues relating to child labour, a persistent problem in the mining sector. The Anti-Corruption Commission (ACC) investigates and prosecutes cases of corruption across all sectors. The Ministries of Labour, Health and Education have responsibility for all Sierra Leoneans, including artisanal diamond miners and their families.

The Ministry of Mineral Resources, headed by a cabinet-level minister, has two professional departments supervising its functions: the Mines Department, which monitors and regulates the mining and marketing of precious minerals; and the Geological Surveys Division (GSD), which provides geological information.

## *Trends and the Challenge for Government*

A recent IMF/World Bank study notes that artisanal diamond exports have constituted by far the most important avenue for 'direct poverty reduction through trade' over the last five years, and will continue to do so for the next five.\* This trend, however, is not sustainable. Diamond deposits are finite, and the advent of mechanized mining will hasten the depletion of reserves. The GoSL, therefore, needs to create an enabling environment, both legal and political, to attract capital investment into the mining and other sectors, and it must regulate the operations of mining companies in a fair and rational way. At the moment, the signs are not entirely encouraging.

Historically, the government has been insensitive to artisanal mining and to the communities where it takes place. Government has limited knowledge of what happens on the ground. As a result of the 2007 elections, Sierra Leone's new government is in a good position to reach out to these communities, however, and to contribute to a participatory dialogue on ways forward.

According to the World Bank's 2006 country index, Sierra Leone ranked 168<sup>th</sup> out of 175 countries for ease of doing business. The same year saw the country slipping from 126<sup>th</sup> place to 142 on Transparency International's perception of corruption rating. Any strategy for long-term development, economic growth and job creation which has the private sector at the centre is, therefore, at risk.

In addition, the problems of artisanal miners must be addressed, whether their numbers

go up, down, or remain stable. There are as many as 120,000 of them in Sierra Leone, working on poverty-level incomes in unhealthy, unsafe conditions. Historical efforts to regulate them out of existence have always failed, and will continue to do so. Proper regulation of the sector, however, remains vital, for economic as well as socio-political reasons. In 2007, Sierra Leone officially exported \$141 million worth of diamonds; over \$100 million of this was produced by artisanal miners. The government, with assistance from trade unions, civil society, development organizations and the formal diamond industry, has a responsibility to deal with this issue in a clear and forthright manner.

Addressing and solving these problems, discussed at greater length below, is important for other reasons. The huge increase in mining activity since the war ended in 2002, and especially the recent proliferation of mechanized mining companies, has led to an increase in competition for land between artisanal diggers and mining companies. There is a diminishing need for the massive labour force employed in the artisanal sector, and there is growing friction around environmental and property rights. All of this suggests an increased role for government, the need for a joined-up approach that extends far beyond the Ministry of Mineral Resources, and standards of a significantly higher level than has been the case historically.

## **THE ISSUES**

### *Mining and related laws*

The key mining sector legislation is the **Mines and Mineral Act** of 1994, amended in



1996 and again in 2003, when specific penalties dealing with smuggling were added. The main Act can only be accessed in hard copy (at the Government Bookstore in Central Freetown) but the 2003 supplement can be accessed on line at: [http://www.dacosl.org/encyclopedia/4\\_strat/4\\_3/GoSL\\_Act03Amd\\_Mines.pdf](http://www.dacosl.org/encyclopedia/4_strat/4_3/GoSL_Act03Amd_Mines.pdf). The government should make the entire act available online as well. The 'Core Mineral Policy', which was designed in 2003 as an instrument to help revive the mining sector, called for a review of all mining laws and regulations to make them internationally competitive, to reduce illegal diamond mining and smuggling, and to improve the social, environmental, and economic performance of artisanal and small-scale mining.

In 2004, the GoSL invested the **National Revenue Agency** (NRA) – the state tax collector – with responsibility for implementing Sierra Leone's participation in the **Kimberley Process Certification System** (KPCS) <http://www.kimberleyprocess.com/>. The NRA then effectively took responsibility for the operations of the Government Diamond Department (now the **Gold and Diamond Office** – GDO). A Banking Act had already been passed in 2000, partly to facilitate the valuation work of the GDD, including the export of diamonds and the payment of a three per cent export tax. The Act can be found at: <http://www.sierra-leone.org/Laws/2000-3.pdf>.

Another important piece of legislation is the 2004 **Investment Promotion Act**, which is designed to attract foreign investment in all sectors, including mining, and to add value to the production of minerals and in other sectors. The Act aims to 'promote and attract private investment both domestic and foreign for the development of production and value

added activities, to improve exports and provide employment opportunities, and generally to create an environment conducive to private investment, and to provide for other related matters.' The Act can be found at: <http://www.sierra-leone.org/Laws/2004-10p.pdf>. The **Core Mineral Policy** of 2003 pledged to encourage the 'establishment of jewellery manufacturers and retailers, diamond cutting and polishing facilities,' and in late 2006, the GoSL passed legislation to this effect. The legislation is not available online.

All of this legislation adds up to a lot of detail, which can be confusing. And the laws do not yet address the complicated issues of land and property rights. Comprehensive legislation, which aims to modernize and rationalize land and property rights, has been drafted by the **Law Reform Commission** (LRC), but at the time of publication (early 2008) it had not been passed by Parliament. The GoSL should move quickly with this legislation. In its absence, there remains huge potential for confusion and conflict. Moreover, the Mines and Minerals Act does not set out, in a rational way, requirements for the granting of industrial-scale mining licenses as distinct from artisanal mining licenses. Officials mapping out a cadastre system for mining in Sierra Leone reckon that artisanal miners currently pay four times more in license fees than industrial-scale miners for the same plot-size of mining land.

There are, however, semi-formal mechanisms designed to reduce conflict over mining land, and to regulate the issuing of mining licenses 'on the ground'. Where artisanal and small-scale mining is concerned, the GoSL created **Chieftom Mining Allocation Committees** (CMAC) to address the problem of foreigners' access to artisanal mining licenses. The committees screen potential mining license hold-

ers through an informal system before licenses are approved. In each chiefdom, the Paramount Chief heads the Committee, with technical advice provided by the Government Mining Engineer. Local councils, largely dominated by opposition parties in early 2008, are now playing an increasingly important role in CMAC. The committees also act as a dispute and conflict prevention mechanism, since they examine the legitimacy of landholding claims involving mining sites, and they settle disputes at the community level. This is important, but such mechanisms are vulnerable to corruption and abuse. They are not a substitute for concrete legal provisions, backed by the cadastre system which is now being rolled out across the country.

### *Infrastructural development*

An important consideration in promoting a more developmentally sound approach to artisanal diamond mining is the dire economic and infrastructural condition of the areas in which diamonds are mined. The GoSL officially designates the following districts as areas where diamond mining licenses and leases may be located: Kono, Kenema, Bo, Bombali, Bonthe, Kailahun, Kambia, Koinadugu, Moyamba, Port Loko, Pujehun, and Tonkolili. These districts cover more than half of Sierra Leone's land area. By far the most important of these, accounting for more than 60 per cent of all mining licenses and leases granted in 2006, is Kono District. But this district is poorer and less economically developed than almost any other, raising serious ethical and practical issues. Artisanal diamond mining accounted for nearly 70 per cent of Sierra Leone's exports in 2006, and employs close to 10 per cent of the

total work force. This has been true historically. Since commercial exploitation of diamonds began in the 1930s, artisanal miners have produced billions of dollars worth of diamonds. Yet Kono, the main diamond district in Sierra Leone, has a small and wholly inadequate hospital, no decent roads, and according to the Poverty Reduction Strategy Paper of 2005,\* its people are far poorer than others in the country.

This should be of paramount concern for the government and others. Diamond mining areas are difficult places to work, and developmental NGOs – many of whom labour under the mistaken view that diamond areas do not actually need development assistance – are less active there than elsewhere. The recent proliferation of industrial-scale companies, and the work of the United Mineworkers Union (UMU) may, in the long-run, make mining areas more stable and more amenable for aid agencies and NGOs. But in the short run, the government must invest more itself, and should encourage NGOs to move to mining districts like Kono. One way of doing this would be for government to target the district for more of its rebuilding efforts through the National Committee for Social Action (NACSA). It should make this a priority. Kono District has a high concentration of young people, making it a potentially volatile place. Engaging these young people in development-related work and helping with the creation of alternative livelihoods – rather than leaving youth in the usually unrewarding diamond fields – has to become a strategic priority.

*Map of Sierra Leone showing Kono District*



\* Available at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/SIERRALEONEEXTN/0,,menuPK:367837~pagePK:141132~piPK:141123~theSitePK:367809,00.html>

## Health



Alluvial mining areas are more vulnerable than others to infectious diseases. They are over-crowded and lack basic housing, sanitation, water and health facilities. Diseases like malaria and HIV/AIDS proliferate more easily in such an environment. The health infrastructure in Kono District – the main diamond mining area – is severely limited. The government has recently refurbished the Koidu Government Hospital, long in a dysfunctional state, but its facilities are inadequate for the tens of thousands of people in the town, let alone the entire district. There are also 57 ill-equipped ‘peripheral health centres’ in the district and one small private hospital. But the entire district has only two medical doctors, 97 maternal and child health nurses, four staff nurses, and eight community health officers. In a situation where the lives of tens of thousands of young people and whole communities are at stake, the GoSL’s **Ministry of Health** – which has since 2003 (impressively) constructed or rehabilitated 76 hospitals or health centres across the country – ought to make Kono a priority area for investment in health infrastructure.

## Education

Primary education in Sierra Leone is free, and the GoSL has in recent years registered impressive gains in expanding school enrolment – currently more than double the pre-war figure. Since 2003, hundreds of primary and secondary schools have been built or rehabilitated. A good number of these schools, however, are in low population density areas, and diamond mining areas such as Kono and Tongo are still inadequately serviced. In 2007, when research for this document was conducted, Kono District, with a population of 335,000, had 37,900 boys and 33,500 girls attending 194 primary schools and 20 secondary schools. It has only 849 government-salaried teachers – an average of one teacher for every 84 school-children.

Encouraging children to go to school in a place like Kono, however, requires much more than school buildings, teachers and free enrolment. Diamond mining can be seductive in an economy that has few options: it holds out the false promise of quick money. And over the years a culture has taken root in the alluvial mining areas that puts little premium on the slow return-on-investment that education seems to represent. This accounts in part for the phenomenon of child miners. Legislation protecting the rights of children, including safeguards against labour exploitation, has now been passed, but enforcement remains problematic. A coordination of efforts bringing together officials of the **Ministry of Gender and Children’s Affairs, Education** and the **Police** will be necessary to enforce the legal framework, to get children into school, and to change the prevailing mindset about the value of education. Other incentives, including free meals and free uniforms for school children, should be actively considered by the government, donors and NGOs.

## *Conflict prevention & management*

Aside from the issue of legal ownership of land (often open to dispute), diamond mining is notoriously prone to conflict. Larger mining companies come into conflict with residents of mining areas over environmental and related issues, as was the case with Koidu Holdings Ltd. in Kono. Alluvial miners sometimes clash with industrial-scale mining companies. The granting of almost unlimited prospecting rights to the Sierra Leone Diamond Company (SLDC) created confusion about mandates when the same company also held alluvial mining rights. And mining of all sorts tends to disrupt agriculture, on which the majority of Sierra Leoneans depend for their livelihood.

The **cadastre system**, which is now being rolled out across the country, can go a long way in preventing conflict. An immediate issue has been to reconcile the system of units used to measure and lease land. The Mines and Minerals Act recognizes two – the British system and the Metric system. Artisanal miners are awarded mineral rights in acres, and industrial rights are granted in hectares or square kilometres.

### *Cadastre*

A **cadastre** is a land information system, which gives information on rights, use and value of land. **Cadastral surveys** are used in public administration and refer to the division of land into units for surveying, taxation or administrative purposes. Accurate cadastral surveys help prevent disputes and lawsuits between landowners, and allow for reliable land valuation. A **cadastral map shows** boundaries and ownership of land.

Another complication involves the manner in which licenses are granted. The Mines Department issues licenses for artisanal mining, requiring license holders to make subsequent arrangements with traditional rulers, who are custodians of the land. In the case of bigger leases, however, the Department takes responsibility for informing the landowners or chiefs. In districts where there is no cadastre system, the Mines Department may issue artisanal licenses for the same locations where leases have been issued for prospecting and exploration. The new lease owners are then forced into incipient conflict with traditional landowners and communities. A case in point is the huge area – constituting nearly a quarter of the diamondiferous areas of Sierra Leone – granted to SLDC for exploration and prospecting. In the same areas, hundreds of artisanal licenses have also been issued. Not surprisingly, conflict between SLDC and artisanal miners has occurred in both Kenema and Kono Districts.

A 2005 study of administrative barriers to investment, initiated by the Foreign Investment Advisory Service, called for a radical review of the ‘obsolete’ land laws in Sierra Leone by the Law Reform Commission. The study noted that the current combination of customary land laws and colonial-era laws governing land acquisition ‘do not protect land owners or investors and they do not promote sustainable land markets.’ Land, it said, is often sold or leased to a number of investors, and in many cases there is no guarantee of protection for the leaseholder.

These points are relevant both where diamond mining is concerned, and in a more general way concerning economic investment. The Law Reform Commission has been reviewing various laws, drafting new bills

and passing them on to the Law Officers Department, which then sends them to Parliament. Some laws have been enacted, but as noted above, a draft law regarding major reform of land laws, which the Commission sent to the government in 2005, had still not been passed as of February 2008.

Laws, however, no matter how comprehensive, may not be enough to prevent conflict in the highly volatile alluvial diamond mining sector if they are not enforced. An active role must be played by two ministries in detecting and preventing such conflicts: the **Ministry of Mineral Resources** and the **Ministry of Local Government**. Both of them must play a proactive role in identifying problem areas and ensuring strict enforcement of land and mineral rights based on data provided by the cadastral system.

### *The environment*

The GoSL passed an Environmental Protection Act in 2000, and the 2005 Policy on Small Scale and Artisanal Mining has as one of its goals ‘ensuring that prospecting, exploration, mining and processing of mineral resources proceed in an environmentally-sound manner.’

The policy requires that an environmental assessment be conducted by mechanized corporate mining ventures prior to the granting of a mining license, not least because large scale mining seriously affects agricultural activity. The exercise also requires an assessment of the probable dislocation of residents in areas where diamond reserves are detected, so that proper compensation can be made. Artisanal miners are exempt from these requirements, but the policy obligates mining license holders to observe basic envi-

ronmental standards, such as the reclamation of land, and re-vegetation.

The problem, as in other areas, has been enforcement. Virtually no land reclamation is carried out in the alluvial diamond fields. Artisanal miners pay a small fee to the government for land reclamation, and therefore find little incentive to observe the basic requirements for environmentally-sound mining. The GoSL should actively look into this. It must ensure that the issue receives more than lip service and that land reclamation follows every mining operation. The ongoing livelihoods of hundreds of thousands of people are at stake. As well as reclamation, community benefit schemes, in the form of agricultural extension, improved crop varieties and alternative livelihood schemes, should be actively considered *before* mining operations commence.

An immediate consideration where artisanal licenses are concerned should be making the process of acquiring them simpler and cheaper by decentralising it. This would call for a greater role for District and Chiefdom Councils, which could be empowered to grant licenses. This would eliminate the layers of authority that license seekers are currently forced to deal with, costing them both time and money.

Environmental issues are discussed at greater length in *Standards and Guidelines for Investors*, below.

### *Adding value: Diamond cutting & polishing*

The GoSL passed a Diamond Cutting and Polishing Act in 2007 (<http://www.sierraleone.org/Laws/2007-2p.pdf>). The idea, driv-

en by the view that this kind of enterprise would increase local beneficiation, has been embraced by other African governments, including Angola, Botswana, Namibia and South Africa. At least one company has already expressed an interest in setting up a factory in Sierra Leone for this purpose. Independent consultants in Sierra Leone have said that while they recognize the 'political imperative' in developing such an industry, it may not be economically viable. They give three reasons: diamond cutting is capital intensive, and jobs could be created more cheaply in other industries; it would be very difficult to compete with the already well-established diamond cutting centres of India, China and Thailand, with their very low labour costs; and finally, the cutting and polishing industry is highly competitive, and those few African countries that have experimented with it have not made large, if any profits.

The overriding argument where Sierra Leone is concerned, is that its diamond production is limited compared to others, and less than 10 per cent of its entire production would be suitable for local cutting and polishing. In this case, for a cutting and polishing industry to survive, let alone make a profit, diamonds might even have to be imported. The government might also need to subsidize it – which has been the experience of several new cutting and polishing industries in Africa – and in Canada.

The 10 per cent estimate is hotly disputed by the Gold and Diamond Office, however. Officials there suggest that since a large proportion of Sierra Leone's diamonds are of gem quality and therefore suitable for cutting and polishing, the figure is closer to 45 per cent. There is an additional view. A sustainable polishing industry does not need to be a

large one, as in India or China. But it would have to be a niche industry specializing in larger stones, and these require a high degree of expertise.

The government should note all of these points and study any proposal very carefully in considering applications from investors wishing to set up a cutting and polishing operation.

### *Corruption*

The mineral sector in many poor countries is highly vulnerable to corruption and graft. Sierra Leone's diamond sector is no exception. While efforts have been made to reduce bribery and other forms of graft at the official level, this has not been entirely successful. Although stories are largely anecdotal, there is still good reason to believe, for example, that conflicts of interest exist among some government officials – some have covertly invested in the diamond sector, compromising the implementation of official policy. This is unethical and illegal: government officials should not have a commercial stake of any kind in diamond mining. In addition, a key minister in the previous government was prosecuted for diamond smuggling by the **Anti-Corruption Commission** (ACC), and the son of another minister was arrested for the illegal possession of diamonds. These incidents indicate that the government is serious about combating the scourge of corruption, but it also shows that the effort has to be sustained.

In 2007, the GoSL passed the **Extractive Industries Transparency Act**, which provides that receipts to the government from mining concerns should be made public. Launched internationally in 2002, the

Extractive Industries Transparency Initiative (EITI) is spearheaded in Sierra Leone by the Department for International Development (DFID), the country's key bilateral donor, and the World Bank. The EITI is supported by a multi-stakeholder coalition of governments, companies, investors and civil society organizations around the world. To date, over 20 countries support improved governance in resource-rich countries through the EITI, focussing on the verification and full publication of company payments and government revenues from oil, gas, and mining. The EITI works to build multi-stakeholder partnerships in developing countries in order to increase the accountability of governments.

Some features of Sierra Leone's mining sector present very real challenges for full EITI implementation, because so much mining is done on a small-scale artisanal level. A World Bank team reviewed the challenges in 2006 and concluded that significant capacity-building will be necessary to move EITI forward. The donor community has strongly encouraged the government in its implementation of the agreement. A civil society coalition dedicated to promoting greater transparency in the mining sector now exists in Sierra Leone – the National Civil Society Organizations and International NGOs (NACE) – and this can help.\*



\* Information on NACE can be found at [http://eitidev.forumone.com/UserFiles/File/sierraleone/sierraleonne\\_nace\\_eiti\\_communique.pdf](http://eitidev.forumone.com/UserFiles/File/sierraleone/sierraleonne_nace_eiti_communique.pdf)

Information on EITI and Sierra Leone can be found at <http://www.dfid.gov.uk/pubs/files/eitidraftreportsleone.pdf>

Information on EITI, and a 2008 EITI Business Guide can be found at <http://eititransparency.org>

# STANDARDS & GUIDELINES FOR INVESTORS

## BACKGROUND

There are four areas of opportunity for investors in the diamond industry of Sierra Leone:

1. Exploration and mining;
2. Buying, trading and exporting diamonds;
3. Diamond cutting and polishing;
4. The provision of goods and services to the industry

Investors in each of these areas have a stake in fostering and observing standards that

contribute to sustainable community development. Where communities benefit from a commercial operation, the reputation of the investor is enhanced, not just locally but with government and other stakeholders. This may improve access to resources, help with approval processes and improve relations with local authorities, NGOs and community organizations. It can also help with efficiency and productivity.

The most important thing that an exploration company, mining firm or diamond buyer

## *The Mwadui Principles*

The Mwadui Principles, which come from Williamson Diamonds Ltd. in Tanzania, are a sample of emerging principles and standards being proposed for artisanal and small-scale diamond mining enterprises. They are a simple and practical interpretation of international law, and norms of responsible business practice. They call for diamond mining companies and buyers to meet decent and just basic standards in their operations. They are aspirational now. However, with time, encouragement, technical support and training, they will become subject to independent verification for those ascribing to them:

- Respect for basic human rights and labour standards, including freedom to organize, no forced labour, no child labour and no discrimination;
- Adherence to national laws;
- Respect for human rights by security forces employed to guard assets;
- Safe and healthy working conditions;
- Transparency and fairness on payments, prices and transactions;
- Communities are consulted and benefit collectively from mining activities;
- Operations are not located in areas of armed or militarized conflict;
- Projects are not introduced into protected areas or fragile ecosystems;
- There is appropriate environmental protection and rehabilitation.

Sierra Leone's Law Reform Commission has drafted legislation that embodies most of these principles, although verification remains an issue. It is important to note the role that foreign governments can play in regulating the behaviour of companies originating from their jurisdictions. There is an ethical, if not a legal requirement to ensure that corporate social responsibility is observed by companies operating abroad.



needs to know about the diamond industry in Sierra Leone is the nature of its diamond reserves. Sierra Leone's diamonds are mainly alluvial, occurring widely across the country, but mainly along the Sewa River, which traverses the Southern and Eastern Provinces of Sierra Leone. The richest deposits are found in Kono District in the Eastern Province, home of the largest number of mining licenses. Alluvial diamonds, which are worked mainly by small-scale artisans and small-scale mining companies, account for nearly 90 per cent of official diamond exports from Sierra Leone. Of the 604,000 carats (valued at \$125.3 million) exported in 2006, alluvial mining accounted for 492,000 carats (valued at \$101.9 million). Sierra Leone also has significant kimberlite reserves, mined by Koidu Holdings Limited (KHL). The Geneva-based Steinmetz Group, which had a share in the company, assumed full ownership in May 2007. KHL had invested over \$30 million in

its operations, and by the time it was bought out, it had produced 300,000 carats worth of diamonds valued at over \$60 million. The kimberlite reserves are said to be worth more than \$2 billion. Tongo, also in eastern Sierra Leone (Kenema District), has kimberlite reserves, and is also worked by KHL. In 2006, KHL officially exported 112,000 carats worth \$23.5 million, and is now said to be making a consistent profit.

The Mines Department issues mining, dealers and exporters licenses. Licenses for prospecting, exploration and industrial-scale mining are also issued by the Mines Department on the recommendation of the Minerals Advisory Board, and with the approval of the Government. A schedule of fees for licenses can be found in an Annex at the end of this guide.

Only indigenous Sierra Leoneans may apply for and be issued artisanal mining licenses. Artisanal mining licenses are issued by the Mines Department on the recommendation of a Committee headed by the Paramount Chief in whose chiefdom the license will operate. Licenses for medium- and larger-scale mechanized alluvial mining are issued by the Mines Department on the recommendation of the Minerals Advisory Board. A representative of the Local Government, rather than the Paramount Chief, has to be part of the Board making the recommendation. There is a significant loophole in all this. While technically outside the existing regulations, some foreign investors currently apply through Sierra Leoneans to obtain licenses for industrial or semi-industrial alluvial mining. There is no legal framework to support or prevent this.

All licenses are issued through the Ministry of Mineral Resources, mainly at its Youyi

Building offices in Freetown, but regional offices may also issue artisanal licenses to small scale miners. Leases for bigger mining companies are granted on the recommendation of the Minerals Advisory Board, which was set up by the 1996 (amended) Mines and Minerals Act. A copy of the Act can be bought at the Government Bookstore in central Freetown. The final decision is communicated by the Director of Mines, whose offices are also on the fifth floor of Youyi Building. The GoSL then communicates with chiefs in the area where the land had been leased. The company must work out surface rents to be paid to the chief.

Most of those who export diamonds also engage in mining, conducted through agents, and some mining companies have licenses to export – both are legal. Mining companies that do not have licenses to export diamonds can act as agents for exporters, or can sell to licensed exporters. The process is, however, complicated by the fact that income tax regulations that were ignored during the war years are now being enforced; the tax is based on the annual value of diamonds an exporter declares.

There is now a potential for investment in **diamond cutting and polishing**, and the GoSL passed a Diamond Cutting and

Polishing Act in 2006. More than one company has expressed an interest in setting up a factory for the purpose, although some experts think that such an enterprise will not be viable economically (for a more detailed discussion, see *Standards & Guidelines for Government*, above). If and when the proposed factory is established, it will be the first and only one in West Africa.

A fourth area, largely unexplored so far, has to do with the **supply of goods and services to the industry**. Where artisanal mining is concerned, there is a need for sieves, shovels, pumps and earthmoving equipment – both for mining and for land rehabilitation. As more companies become involved in alluvial mining, there will be needs for other sorts of equipment, catering, logistics, transportation and ancillary services. All of these provide opportunities for small-scale investors and for organizations and companies willing to help organize and support them.

## TAXES

Diamond exporters pay an export tax – sometimes called a ‘royalty on the export of diamonds’ – of three per cent of the value of the goods. There is a related tax which is largely

### *Reporting requirements*

There are reporting requirements for diamond sales and purchases, requiring diamond dealers, exporters and their agents to make monthly reports of their purchases and sales to the Ministry of Mineral Resources. This is to be done through the **Mines Monitoring Officers** (MMOs), who provide monitoring oversight with respect to the diamond industry. Although some MMOs are poorly trained and ill-motivated, they are present in all of the diamond mining and trading centres of the country. The **Extractive Industries Transparency Initiative** (EITI), currently being initiated in Sierra Leone (see *Standards & Guidelines for Government*, above), will set in place a mechanism for ‘the publication and verification of company payments’ to the government, and will form part of the reporting system where mining is concerned.

ignored: Section 96 of the Mines and Minerals Act imposes a royalty of five per cent of the value obtained at the first point of sale of diamonds obtained from all mining operations in the country. In other words, the tax covers artisanal miners and larger lease holders. This tax is not widely enforced, but it is legally binding, and potential investors should be aware of it.

In addition, there is income tax, which, for companies, is calculated at 30% of income after applicable deductions. But where the holder of mining lease has yet to make a profit, or where the chargeable income is below seven per cent of the investment, the company pays a flat income tax of 3.5 per cent. These taxes are paid directly to the National Revenue Agency (NRA).

The **Town Councils of Koidu, Bo and Kenema** impose a council tax on diamond dealing operations. In Kono, the amount is Le500,000 per annum (Le400,000 on the dealer's office and Le100,000 on the diamond scale). A similar amount is levied by the Bo and Kenema Town Councils.

In addition, the **National Social Security Insurance Trust** (NASSIT) requires an employer and an employee to pay 10% and 5% respectively of an employee's salary into its trust fund. This is mandatory, but it

applies mainly to corporations and mining companies. Informal artisanal miners are not on salary, and are therefore not covered by NASSIT.

## THE ROLE OF TRADE UNIONS

The **United Mineworkers Union** (UMU) is the key labour union representing the interests of miners in Sierra Leone. It is more than half a century old, but has only become involved in artisanal miners' issues in recent years. Before that, it dealt with only employees of the now-defunct National Diamond Mining Company (NDC). Its headquarters are based in central Freetown.

The UMU has, to date, registered more than 10,000 miners, and has aggressively negotiated work and pay conditions for them with mining companies. This has included pressuring mining companies to sign Memoranda of Understanding setting out conditions of service for their employees. The UMU provides an important interface between miners and mining companies. The union is a statutory organization, with a mandate to speak for all workers employed in every mining venture in Sierra Leone. It is part of the **Sierra Leone Labour Congress**, a powerful and politically active organization, as well as the **Civil Society Movement** (CSM).

There is also the **Mining and Allied Services Employees Union** (MASEU), founded in 1998 and legalized in 2001. With offices in Freetown, Bo, Makeni and Koidu Town (Kono), the group also represents miners' interests.



## LAND AND PROPERTY RIGHTS

A cadastre system (described earlier) – mapping out land ownership under a geographical information system (GIS) in order to better secure mineral rights – is in an advanced stage of development. Kono District has now been mapped out and others will follow. All artisanal licenses, as well as industrial-scale mining licenses in Kono District, are now part of the cadastre system.

At present, the Mines Department issues licenses for artisanal mining on the recommendation of a Committee headed by the Paramount Chief of the area where the license will operate. Potential license holders have to make arrangements regarding meetings and negotiations with the traditional rulers, who are the custodians of the land. (Land, in rural Sierra Leone, is not privately owned.) In the case of bigger leases, however, the Department takes responsibility for informing the landowners or chiefs. The mining company then discusses the amount of surface rent to be paid to the Chief.

In districts where there is no cadastre system, the Mines Department may issue artisanal licenses for the same locations where leases have been issued for prospecting and exploration. The new lease owners are, as a result, often forced into incipient conflict with traditional landowners and communities. A case in point is the huge area, constituting nearly a quarter of the diamondiferous land in Sierra Leone, granted to the Sierra Leone Diamond Company (SLDC) for exploration and prospecting – areas where hundreds of artisanal licenses have also been issued.

As noted above, in *Standards & Guidelines for Government*, Land and property laws are complicated, and there and there is an ongoing attempt by the **Law Reform Commission** (LRC) to modernize them. At the moment, the complexity is considered a serious barrier to investment. The process has been slow, however. There is a new land policy, but its effect is minimal. A major bill drafted in 2004 relating to land and property rights by the LRC appears to have been stalled. The draft was, at the time of publication (early 2008), still with the Ministry of Justice. From there it must go to Cabinet and Parliament for enactment.

In view of these considerations, investors should make sure that their lease areas are fully understood by traditional land owners as well as by the community where they are situated. The information should also be part of the cadastre database.

In the key diamond district of Kono, **Paramount Chiefs** are not just traditional custodians of the land but are actually deemed to be its ‘owner’; they therefore play an essential but not-clearly-defined role in mining operations.\* There are no formal rules regarding how an investor (whether an individual or a company) should deal with them, but they must be involved. In the case of leases, it is the responsibility of the Ministry of Mineral Resources to inform Chiefs about the granting of a lease in their jurisdiction. The information is sent by the **Director of Mines**, who then arranges an introduction if the investor is a foreigner. The actual demarcation of land has to be made very clear to the Chief; this is important because it will be his responsibility, along with the MMOs, to make sure that the land is not further leased to artisanal miners, as too often happens.

\* In other mining districts, like Bo and Kenema, land is held by families, but Paramount Chiefs are still considered overall custodians.

In addition, issues relating to the environment and community development must be negotiated with the Chief. With respect to community development, investors should be wary of raising expectations or making over-ambitious promises. Promises at this stage may be treated as binding, and serious trouble could result in their breach. Corporate social responsibility and custom, however, require that mining companies invest in at least some infrastructural development, as well as the provision of assistance, for example, to education in the form of scholarships and bursaries.

The larger mining companies operating in Kono have Paramount Chiefs on their boards. This places a chief in a good position to oversee the operations of a company and to represent the interests of his people. But a single chief serving alone on a board could be compromised or ignored. The problem is enhanced where the impact of a company is felt beyond the land on which the company has a presence. The Council of Kono Chiefs, therefore, should consider acting in unity when dealing with issues relating to powerful mining interests.

## THE ENVIRONMENT

Diamond mining can be extremely damaging to the environment. Partly as a result of unregulated diamond mining since the 1950s, Sierra Leone has lost nearly 80 per cent of its forest reserves. Rivers are polluted, and pits dug by miners collect dirty water, increasing the spread of malaria and a proliferation of water-borne diseases. The GoSL is aware of the problem, and in 2000 passed the **Environmental Protection Act**. The 2005

**Policy on Small Scale and Artisanal Mining** also has as one of its goals 'ensuring that prospecting, exploration, mining and processing of mineral resources proceed in an environmentally-sound manner.'

The Policy on Small Scale and Artisanal Mining requires that an environmental assessment be conducted by mechanised/corporate mining ventures prior to the granting of a mining license. The Policy obligates mining license holders to observe basic environmental standards, like the reclamation of land which is routinely stripped in alluvial mining, and re-vegetation. 'Reclamation', however, even where it is observed, is often ineffective. In the process of mining, topsoil usually becomes mixed with sands and clay, so a simple refilling of pits does not always amount to serious rehabilitation. Still, even this basic standard is mostly ignored by artisanal miners, creating enormous environmental problems. There is also a problem of altered stream and river flows, and the dirtying of the water which affects human health and fish habitats.

Greater responsibility is placed on larger mining operations because mechanized mining can be even more adverse to the environment.

**Environmental assessment** is required for all large scale mining, such as that found in Kono District and Tongo. The exercise also involves making an assessment of the extent of probable dislocation of residents in areas where diamond reserves are detected, so that proper compensation can be made. This requires open and transparent negotiation with residents and traditional rulers (chiefs), and it requires compensation to be paid in a timely and reasonable manner. Compensation can be made in the form of

cash payments, or the building of new homes for an affected community. This should be done in the very early stages of a new mining operation, as delay can lead to violence and disruption of mining operations.

A case in point involved KHL, whose environmental assessment clearly stated that the company should relocate over 200 residents. The company delayed, and Sierra Leonean NGOs, such as the **Network Movement for Justice and Development (NMJD)**, championed the displaced residents. Violence nearly ensued, company work was disrupted, and KHL was finally forced to settle with the residents by building acceptable new homes. As of mid 2007, however, the company had built only 68 of a promised 283, and resentment lingers.

Land reclamation should follow all mining operations, and because large scale mining seriously affects agricultural activity, community benefit schemes – in the form of improved crop varieties and alternative livelihoods – should be actively considered before mining operations commence.

## MONEY AND BANKING

Exporters are required to channel money from abroad to Sierra Leone through the banking system; anyone caught importing or exporting more than \$10,000 outside of the formal banking system will be charged with money laundering. The most widely used bank for international transfers is the **Guaranty Trust Bank**, which has branches in Freetown, Bo and Kenema. It does not, however, have a branch in Kono. There are other commercial banks, including **Standard Chartered Bank** (which has strong interna-

tional links), **Rokel Commercial Bank** (formerly Barclays Bank), the **Sierra Leone Commercial Bank** (the country's largest commercial bank) and the **Union Trust Bank**. All have branches in Freetown, Bo and Kenema; the Sierra Leone Commercial bank has a branch in Koidu.

## THE KIMBERLEY PROCESS CERTIFICATION SCHEME (KPCS)



Where the export of diamonds is concerned, the international Kimberley Process Certification Scheme (KPCS) sets the standard. The scheme was introduced in 2003, requiring that all diamonds must be certified and exported through the **Government Diamond Department (GDD)**. The GDD is housed in the Bank of Sierra Leone's (BSL) complex on Siaka Stevens Street in central Freetown. The diamonds are valued by GDD experts, with an independent valuator providing a second opinion. They are then taxed – an export tax of three per cent – before they are certified. A forgery-proof certificate is issued by the GDD to accompany the package of certified stones, with the value and caratage clearly marked on the package. Details of the Kimberley Process Certification Scheme (KPCS) can be found at <http://www.kimberleyprocess.com/>

## THE ISSUES

### *Corruption*

As in many resource-rich developing countries, the diamond industry in Sierra Leone has historically provided a wide avenue for corruption – by visitors, government officials, business people, law enforcement personnel, and chiefs. Diamond theft, while largely minimized now, also happens, and this sometimes leads to violence – making the diamond mining areas some of the least salubrious places in the country. Opportunities for corruption start at the beginning of the pipeline, with the application and granting of mining licenses. Occasionally, an official in the Mines Department may – covertly and often with tact – ask for bribes. This may be a request for cash, for assistance with equipment or travel costs, or for things that may seem semi-official, such as ‘a vehicle for the department’. The request may come after hours, in the form of an offer to provide additional services. All of this is illegal, and should be resisted. Because only a few officials indulge in such illegalities, resistance to it should carry no serious consequence for the investor.

Where artisanal mining is concerned, the formal licensing process at the Mines Department is not the end. As noted above, mining license holders must then ‘settle’ with traditional rulers – chiefs – who in Sierra Leone are the legal custodians of the land, before they start mining. Settlement comes in the form of a ‘surface rent’ of Le100,000 (US\$40 approximately) for an artisanal mining plot. This is official and mandatory. Unofficial but also mandatory in a *de facto*, if not a *de jure* sense, are ‘handshakes’ with the chiefs. There is no limit on this, and

such ‘handshakes’ could be made in the form of cash or kind. These relatively small amounts are not regarded as a bribe because the license has already been granted, and because the sum in question is not being paid to a civil servant. It is, in a sense, like a contribution to a church minister who has performed a wedding.

Issues of corruption, however, occur at this level when a chief delays granting permission for mining operations until the ‘handshakes’ is made, or decides what form it should take. There is, therefore, a need for disclosures of such gifts by chiefs, and chiefs should be actively encouraged to join the EITI regime. This is especially important where the handling of the Diamond Community Development Funds (described below) is concerned.

### **The Anti-Corruption Commission**

The ACC, set up in 2000, prohibits the giving of ‘any gift, loan, fee, reward or commission, consisting of money or of any valuable security or other property’ by business people and others to a public office holder. The ACC requires that details of such requests be passed on to them. The ACC determines when a gift becomes a bribe using two measures: the value of the gift and the intention behind the granting of a gift, both fairly nebulous. The ACC is housed at 3 Gloucester Street in central Freetown, as well as 14 Lightfoot Boston Street (also central Freetown). There is a regional branch in Bo (37 Kissy Town Road), and another in Makeni (Independence Square, Rogbane Road). ACC’s telephone numbers include: + 232-22-229-948, + 232-22-227-100, and + 232-22-221-701, and their email address is [acc@sierratel.sl](mailto:acc@sierratel.sl). Reports to them are treated as confidential.

A highly critical January 2007 report for the British Department for International Development on the work of the Anti Corruption Commission can be found at <http://www.dfid.gov.uk/pubs/files/anti-corruption-sierraleone.pdf>.

## *Mining policy/laws*

Details of legislation dealing with the mining sector can be found in *Standards & Guidelines for Government*, above. The point is made there that the complexity of the legislation and regulations can be confusing, and that not all of the issues of interest to investors are covered. There may be overlap and contradictions in the legislation, in the lack of coordination between government departments, in the lack of clarity on the roles of national and local government, and between statutory and customary practice.

Investors should also be aware of the Extractive Industries Transparency Initiative

(EITI), and Sierra Leone's 2007 Extractive Industries Transparency Act which requires that receipts to government from mining concerns be made public. This is also described in more detail in *Standards & Guidelines for Government*, above. Information on websites containing many of Sierra Leone's laws can be found at the end of this Guide.

## *Child Labour*

A typical diamond miner is a young male – there are few women actively involved – and he is most likely uneducated. In Bo, Pujehun and Kenema districts, where the majority of the miners are locals operating in their home areas, a good number of miners are married and have their families with them. They alternate mining with other activities, such as agriculture, as the seasons dictate. In Kono, however, which has over the years attracted a large number of migrant miners, most are unmarried. While the vast majority of the



miners are young adults, there are significant numbers of children as well. A report on child miners, produced by NMJD in June 2007, was based on interviews with over 200 child miners across the country. It found that the problem is still widespread.

While the use of children in combat – child soldiery – excites almost universal revulsion, when the issue is child labour, both ambiguity and fudging, often anchored in cultural relativism, creep in. The fudging begins with the Article 1 of the UN’s **Convention on the Rights of the Child**, which defines a child as ‘every human being below the age of 18 years unless, under the law applicable, majority is attained earlier.’ The loophole in the caveat is obvious: it leaves open a possibility of latitude that can make the entire category meaningless.

In Sierra Leone, the **National Youth Policy** of 2004 defines youth (that is, post-childhood) as people between 15-35 years. In other words, a 15 or 16 or 17 year old is not a child. The country’s **Law Reform Commission**, however, is more categorical. In 2005, it drafted bills relating to marriage which set the age of marriage at 18 years and above, stating that the marriage of a person between 16 and 18 (never under 16) may happen only with parental consent or the consent of a judge. This effectively puts an end to child marriages under customary law. In other words, anyone under 18 is considered a child, a person who does not enjoy independent judgment on fundamental matters.

This standard should be applied in terms of labour, especially with respect to mining. Diamond mining is difficult and sometimes dangerous work, and in any case there is a surplus of mature labour in Sierra Leone. Children are often employed by their parents

or wards in the diamond fields, and some mining license holders employ orphans or children from poorer families as cheap labour: children cost little to maintain, and some are simply incorporated into the family household of the ‘supporter’. Either way it is a bad, exploitative practice.

In 2007 the government finally passed the long-awaited **Child Rights Act** which includes provision for the protection of children against all forms of exploitation, including labour exploitation. Implementation of the Act should be vigorously enforced (<http://www.sierra-leone.org/Laws/2007-7p.pdf>).

### *Ethical diamonds and fair trade diamonds*

As of early 2008, it was difficult to point to any diamonds mined artisanally in Sierra Leone and say that they had been ‘ethically’ produced or that they represented principles espoused by the Fair Trade Labelling Organization (FLO).

At the beginning of the pipeline, most diggers have no bargaining power and little knowledge of the value of diamonds or of the laws that regulate them. At the next stage – the individual who holds the mining license – laws are better understood but they are often poorly observed. Those with dealers’ licenses have the power to pay better prices and to insist on more ethical behaviour from their suppliers, but they rarely do. The same can be said for exporters.

Better government enforcement of the regulations would help in some areas, such as environmental remediation and child labour, but it will not do much to improve prices or working conditions for diggers.

## Related Initiatives

Efforts have been made in Kono District to establish diamond cooperatives through a USAID sponsored 'Integrated Diamond Management Project', but success has so far proven elusive. The Rapaport group of companies plans a fair trade initiative in Sierra Leone,



but at the time of writing, this was still under development, and operations may be limited to the company's own commercial needs.

Fairtrade Labelling Organizations International (FLO) is an association of 20 Labelling Initiatives that promote and market the Fairtrade Certification Mark in their countries. FLO is the leading Fairtrade standard-setting and certification body. It regularly inspects and certifies about 508 producer organizations in more than 50 countries in Africa, Asia and Latin America.

The Association for Responsible Mining (ARM) is an independent, pioneer initiative, created as an international and multi-institutional organization to bring credibility, transparency and legitimacy to the development of a framework for responsible artisanal and small-scale mining.



The Diamond Development Initiative is working with these and other organizations on the concepts of 'ethical' and 'fair trade' diamonds, and it is hoped that standards will be developed for public use during 2008.

## Should Investors and Buyers Avoid Sierra Leone?

Sierra Leoneans, especially those who earn a living from mining diamonds, have said repeatedly that the answer to their problems is reform, not avoidance. DDI will work with other organizations and it will promote initiatives to improve the remuneration and working conditions of diamond diggers, but this will take time. A draft set of basic standards, similar to the 'golden rules' developed for the gold mining industry, have been created. **The Mwadui Principles**, printed on pg. xx above, emerge from a 2007 workshop held in Dar es Salaam by Williamson Diamonds Ltd., De Beers and the Government of Tanzania. While they are still in the development stage, they offer a basic set of standards for companies, governments and individuals concerned with diamonds and how they are mined.

### *Ethical Diamond Links*

Eight Core ILO Conventions:  
<http://www.imfmetal.org/main/index.cfm?n=47&l=2&c=77999>

Fair Trade Labelling Organization:  
<http://www.fairtrade.net/>

Earthworks:  
<http://www.earthworksaction.org/>

Association for Responsible Mining:  
<http://www.communitymining.org/>

Rapaport Group:  
<http://www.diamonds.net/FairTrade/About.aspx>

# STANDARDS & GUIDELINES FOR DONORS AND CIVIL SOCIETY

## WHY ARTISANAL DIAMOND MINING IS IMPORTANT

The Sierra Leone government, like most other African diamond exporters, places a three per cent export tax on all diamond exports. On a total export value of \$126 million in 2006, this represented a gross income of \$3.78 million. The government derives additional income from exploration, mining, dealers and exporters licenses, and from corporate income tax. Despite the relatively low levels of revenue generated for government from artisanal diamond mining, the Antwerp value of Sierra Leone's diamonds, as noted above, is upward of \$126 million dollars annually.\* This generates income for an estimated 120,000 artisanal diggers and their families. It also generates some investment in the local economy, but it could generate much more. Artisanal mining is therefore extremely important from a human and a development perspective.

### *Successful Investments Could Yield Important Dividends*

Given the number of people involved, and given the half century of destabilization fostered by an under-regulated informal diamond economy, any successful development

investment could yield major dividends for miners, government, the general population and the industry. Real change could reduce the chaos and instability that the diamond fields spawn. At a minimum, diamonds could produce decent incomes for thousands of families, rather than unsafe, unhealthy, badly-paid piecework.

One of the world's poorest nations, Sierra Leone was ranked last on the UNDP Human Development Index in 2007, dropping one step from the previous year. Life expectancy hovers at 37 years for men and 39 for women. The child mortality rate is 300 per 1,000 live births, compared with Botswana at 110 and Jamaica at 20. In overall terms, Sierra Leone is seriously off-track in meeting the 2015 Millennium Development Goals.\*\*

More than 17,000 UN and other troops were involved in the disarmament and demobilization of thousands of militia and rebel fighters after a prolonged period of war; a war largely financed by diamonds; a war that left tens of thousands dead, and thousands more dis-



\* In fact this was the official export value (FOB) of all diamonds in 2006, of which more than 80% were produced artisanally. Antwerp prices would be significantly higher. Additional amounts of diamonds, estimated at ten per cent of the total or more, are still being smuggled out of the country.

\*\* See <http://allafrica.com/stories/200707100786.html>

figured by physical and psychological atrocities. Over 70,000 former combatants have swelled the ranks of unemployed youth.

A huge number of people, mostly young men, work in the alluvial diamond fields, with estimates as high as 120,000. There are more people involved in artisanal diamond mining than there are in any other form of work after farming. And yet people working in this sector, and the primary diamond areas of Kono District and Tongo Field, are among the poorest and least developed in the country.

### *Deep Poverty and Other Social Ills*

Most artisanal miners are unregistered, unregulated and unknown to government and the diamond industry at large. Most work for nothing except what they are lucky enough to find. Their work is dirty, hard, sometimes dangerous, and it produces little more than a couple of hundred dollars a year for most diggers. The competitive scramble in a largely informal economy only serves to drive prices down at the pit level, creating a lucrative business for middlemen (the political economy of diamond mining is discussed in greater detail in *Standards & Guidelines for Investors*, above).

Children are widely involved;\* residents of mining areas complain of environmental degradation,\*\* water pollution, and the influx of a migrant labour force with high rates of prostitution and HIV/AIDS. Family and societal violence follow. And most alluvial 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'.

\* Reference page 21

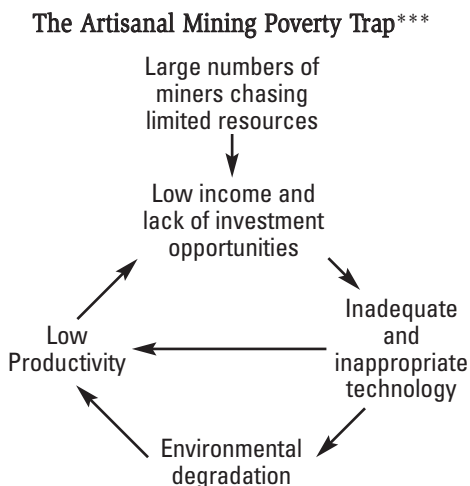
\*\* Reference page 18

\*\*\* UNDP, 'Artisanal Mining for Sustainable Livelihoods', 1999, URL: [http://www.undp.org/sl/Documents/General%20info/Artisanal\\_mining/artisanal\\_mining.htm](http://www.undp.org/sl/Documents/General%20info/Artisanal_mining/artisanal_mining.htm)

Where diamond mining is concerned, communities, local councils and chiefs are poorly informed on regulations, and on their rights and responsibilities. There is overlap between government departments, many of which are ill-informed about realities on the ground.

### *The Informal Diamond Mining Sector: a Breeding Ground for Insecurity*

In addition to the standard kinds of insecurity that result from poverty, underemployment and overcrowding, the unregulated diamond mining areas of Sierra Leone present other security challenges. Attempts by government to deal with illegal miners have often resulted in violence. And the mining areas have attracted more than young men looking for diamonds. Historically they have attracted unscrupulous buyers, money launderers, weapons and drug traffickers, and rebel armies. Without good regulation and development, these threats remain. Mineral resources respect no boundaries.



## *Relevance to the Millennium Development Goals*

Artisanal alluvial diamond miners subsist on poverty livelihoods of a dollar a day or less. Artisanal mining keeps children out of school, leaves women to manage families and homes and is a known vector for disease, especially malaria and HIV/AIDS. It damages the environment. Improvements to the artisanal diamond mining sector have relevance for nearly every one of the eight Millennium Development Goals (see opposite page for more details).



## **THE ISSUES**

While the alluvial artisanal diamond economy may appear to be competitive it is not. At the level of the digger, it is a highly competitive casino economy. At the export level, the market is dominated by a handful of companies and individuals. At the middleman or 'dealer' level, price fixing, gouging, opportunism, fencing and smuggling are endemic. There is no free market in the artisanal alluvial diamond economy.

In 2003, 74 per cent of all diamond exports were from five companies or individuals, all of them foreign nationals. The following year, 91 per cent of the exports were handled by only four firms. A high proportion of the middlemen have also been foreign nationals. The result is a concentration of profits in the hands of a small number of dealers and exporters, most of whom re-invest very little in the industry or the country. The value they add to the diamond trade is the pittance they pay the diggers – often little more than a meal a day – and the sieves, shovels, pumps and loans needed to keep the diggers working.

## *Gender and Inclusion*

Typically, mining development has a gender bias. Most of the benefits (employment, income, royalties, and infrastructure projects) tend to accrue to men, and the negative impacts (cultural disruption, social stress, environmental harm, and domestic violence) affect women and children. Corrective actions are available that can redress this situation and improve the economic and social empowerment of women, and improve the well-being, safety, and security of both women and children. Each stakeholder group (government, companies, communities, and civil society) should examine their own activities through a gender prism to see how well women are represented and how much their views and concerns are taken into account in using the tools and in associated monitoring and evaluation activities.

From the ICMM *Community Development Toolkit*



# UN Millennium Development Goals

Keep the promise  
Millennium Development Goals



The Millennium Development Goals form a blueprint agreed to by all of the world's countries and all of the world's leading development institutions. They have galvanized unprecedented efforts to meet the needs of the world's poorest.

## THE GOALS

## THE DIAMOND CONNECTION

- |          |                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b> | <b>Eradicate extreme poverty and hunger</b>         | An estimated 120,000 Sierra Leonean artisanal diamond diggers and their families live in absolute poverty, working outside the formal economy, in a country struggling to recover from the ravages of war. Better returns to artisanal miners for their work could reduce extreme poverty and hunger.                                                                                                                                     |
| <b>2</b> | <b>Achieve universal primary education</b>          | A large number of artisanal diamond diggers are children who have dropped out of school. A developmental approach to artisanal mining, combined with government initiatives, could eliminate the phenomenon of child labour from diamond mining, allowing parents to keep their children in school.                                                                                                                                       |
| <b>3</b> | <b>Promote gender equality and empower women</b>    | Women do not make up a large proportion of the artisanal diamond digging community, but they provide a wide range of support services with little recognition or remuneration. A formalized diamond economy would recognize and incorporate their contribution. Violence, including family and gender violence – common among communities of transient miners – can be reduced with the establishment of more settled mining communities. |
| <b>4</b> | <b>Reduce child mortality</b>                       | Ending child labour in artisanal diamond mining and improving the returns to adult miners and their families will contribute both directly and indirectly to a reduction in child mortality.                                                                                                                                                                                                                                              |
| <b>5</b> | <b>Improve maternal health</b>                      | Improved family incomes will contribute indirectly to improved maternal health, as will improved health and safety standards for miners, especially where the transmission of HIV/AIDS is concerned.                                                                                                                                                                                                                                      |
| <b>6</b> | <b>Combat HIV/AIDS, malaria and other diseases</b>  | Transient artisanal mining communities are well known vectors for sexually transmitted diseases, including HIV/AIDS. Miners, working for hours every day in polluted water, are vulnerable as well to malaria, schistosomiasis and other water-borne diseases. Improved health, safety and labour standards are prominent objectives of the Diamond Development Initiative (see 8).                                                       |
| <b>7</b> | <b>Ensure environmental sustainability</b>          | Artisanal diamond mining has stripped thousands of square miles of topsoil from arable land in Sierra Leone. None of it has been replaced. Forests, animal and fish habitats and natural watercourses have been damaged or destroyed. The promotion of environmentally sustainable mining practices can have a major impact.                                                                                                              |
| <b>8</b> | <b>Develop a global partnership for development</b> | Reducing the problems associated with artisanal diamond mining in Sierra Leone can begin with small projects. In due course, however, meaningful change will require a partnership between civil society, government, miners, traders, exporters and companies. Efforts in Sierra Leone can teach and learn from efforts elsewhere in what may become a widespread international effort.                                                  |

'We will have time to reach the Millennium Development Goals... but only if we break with business as usual.'

– Kofi Annan



The issue is not just one of middlemen and excessive profits. Because diamonds are internationally negotiable, they can serve as a substitute for currency and can be used to finance imports and to hide the export of profits. For many dealers, diamonds are a convenient financing vehicle for their retail trade. In fact, some of the imported rice which is often a form of payment for diggers is likely financed by diamonds. Middlemen may well be able to pay higher-than-market prices for diamonds, financing the transactions through price manipulation on imported foodstuffs.

It does not take much study to understand that there are possibilities for change at the micro level. The large mark-up between the digger and the first point of sale is enormous. And the mark-up between the first buyer and the exporter is also large. If exporters could move closer to diggers and pay better prices – i.e. closer to market value – those who actually mine the diamonds might be able to move beyond their poverty-level incomes. The change would probably not be dramatic in absolute terms, because even if the return to diggers were to increase threefold, the net effect would not be great. But in relative

terms, it would be enormous. Tripling the income of a family living in poverty would be a major achievement.

## ETHICAL QUESTIONS

### *Avoiding Diamonds Altogether*

Diamonds will continue to be mined and sold whether or not the diggers are assisted, and whether or not some buyers boycott diamonds from countries like Sierra Leone. The latter would simply depress local prices and make life harder for diggers. Sierra Leoneans, especially those who earn a living from mining diamonds, have said repeatedly that the answer to their problems is reform, not avoidance. This requires action rather than inaction, and the development of realistic standards that over time can be implemented and monitored.

Issues related to ethical diamonds and fair trade diamonds are discussed in greater detail above, in *Standards & Guidelines for Investors*.

## LESSONS FROM CURRENT AND PAST INITIATIVES

Since colonial times, the governments of Sierra Leone have sought to limit the influx of people into alluvial diamond areas by a variety of means: pass systems; arrests; fines; imprisonment. Few of these measures have ever worked for long.

During the past few years, a variety of alternative initiatives have been developed:

- The Network Movement for Justice and Development, a Sierra Leonean NGO, has been actively involved in initiatives related to the diamond industry and artisanal mining.\* With 14 other civil society organizations, it has created the National Coalition on Extractives (NACE);\*\* The Foundation for Environmental Security and Sustainability (FESS) has been working on environmental remediation projects in Kenema District;\*\*\*
- The government of Sierra Leone has created a ‘Diamond Area Community Development Fund’ (DACDF). A percentage of the diamond export tax is returned to communities where diamonds are mined. The aim is to give something back to diamond communities and to encourage local commitment to legal operations. In 2003 more than \$500,000 was returned to diamond mining communities through the DACDF. The fund has been suspended for some time, however, because of irregularities, pending a review;
- The USAID-sponsored Integrated Diamond Management Project has generated a great deal of useful information on Sierra Leone’s diamond sector and has carried out pilot projects with diggers’ cooperatives;\*\*\*\*
- DFID has provided senior level policy advice to the government on the diamond industry, and has been instrumental in the development of a cadastre system.

### *Five problems*

Despite the potential, the social, historical and economic obstacles to change are huge. Five of the most immediate, from the digger and mine operator’s perspective, are:

- Diggers are often completely unorganized, except in gangs that suit the holder of the mining license;
- Often there is a conflict – real or perceived – between the interests of alluvial diggers and those of larger companies with more formal mining operations;
- For diggers, getting access to land is fraught with costs and difficulties; access to finance and even slight improvements in technology is equally problematic;
- Diggers expect and need immediate payment for what they find. Any initiative that requires them to wait, even if the promised prices are higher, is likely to run into problems;
- Getting a digging operation licensed can be enormously time consuming and expensive. There are a dozen or more costly and time-consuming steps required before any mining can officially commence. Bribes may be required. The same is true for dealer and export licences. Systems must be streamlined and the cost must be reduced before any successful pilots can be taken to scale.

\* See <http://www.nmjd.org/index.htm>

\*\* see <http://www.liberationafrique.org/spip.php?article970>

\*\*\* See [http://www.fess-global.org/issuebriefs/improving\\_environmental\\_security\\_in\\_sierra\\_leone.pdf](http://www.fess-global.org/issuebriefs/improving_environmental_security_in_sierra_leone.pdf)

\*\*\*\* see Integrated Diamond Management Project: <http://www.resourcebeneficiation.org/partners.asp?id=04>

## Other Generic Possibilities For Donor & NGO Intervention

- loans to diggers, enabling them to invest in alternatives to diamond mining, such as agriculture;
- loans to diggers to release them from the ubiquitous 'supporter' systems, which are usually tantamount to indentured labour;
- training for diggers to increase their productivity;
- skills training beyond diamonds for diggers and their communities;
- improved market and price knowledge for the digging community through training and publications;
- the provision of special benefits or social services for licensed diggers (i.e. creating economic or social incentives for diggers to become licensed);
- environmental education and remediation projects among affected communities;
- capacity building for local civil society organizations and community-based organizations in diamond mining areas;
- media campaigns to build public awareness and commitment in diamond mining areas to fair pricing and legitimate behaviour on the part of miners, traders and government officials;
- external assistance aimed at increasing governmental capacity for effective oversight of labour, safety and environmental regulations, and probity in the overall diamond trading system;
- the creation of awareness more broadly around the legal framework governing the mining sector;
- facilitating access to legal advice for mining communities;
- providing free meals and other forms of support for children from mining communities attending school.

The problems and possible solutions can be clustered under a variety of headings:

1. **Knowledge and information:** It is important to build better knowledge among diggers about the viability of potential mining sites (i.e. good geological information); about diamond values and prices; and about better technologies for artisanal mining. There are opportunities to help inform communities, councils and local leaders about regulations, opportunities and responsibilities;
2. **Organization:** Opportunities exist at all levels – national, regional and local – for consultation and organization. Several experiments have been undertaken with cooperatives, model contracts for diggers and strengthening the mineworkers union. It is important that lessons from these experiments, both positive and negative, be widely circulated, learned and *remembered* in the creation of new ventures. The re-invention of wheels will not advance what is known about this issue;
3. **Financing:** Breaking the cycle of dependency between diggers and dealers will be key to advancing this issue. New ways are needed to make working capital available to diggers and to those with mining licenses. Lessons from the formal banking community and existing cooperative ventures suggest that there are no simple or obvious answers;
4. **Alternatives:** Alternative, *viable* livelihoods are essential in the mining areas; women need to be brought into the discussion; health and education must be addressed; land reclamation, agriculture and food security – long ignored in mining areas – have to become priorities;

5. *An enabling environment*: The policy and regulatory framework must address issues related to micro and small-scale enterprise development, licensing, land tenure and access to land. It must also deal with social and environmental issues: health and safety; gender and child labour; environmental protection. Much of this relates to the government's regulatory and support capacity, and its ability to provide security – both personal and institutional – for development projects and stable commerce.

Some of these issues are addressed at length in *Standards & Guidelines for Government* (pages 3-12). Ultimately the most important issue is the development of free and open access to markets, closing the distance between the digger and the market, greater transparency in pricing and contracts, and reducing the barriers to digger participation in the formal economy.

## THE CHALLENGE

Working in this historically conflictual context is fraught with challenge. It is professionally and organizationally demanding and is not for the inexperienced or those shied by complexity. Caution and patience are necessary because the situation is dynamic and the stakes – political, economic and security – are high. Outsiders need to learn about artisanal mining communities and the complexities that characterize them. NGOs will need to build trust and understanding. They will have to take programming risks, and in doing so, build relevant and realistic experience that can strengthen joint and individual agency program development. Some Sierra

Leonean NGOs have begun to build experience in this difficult and tumultuous sector but there are roles for many more.

### *Two Solitudes: Mining and Development*

The Ministry of Mineral Resources has little experience of what might be called 'grass roots development'. Its primary mandate runs to much larger mineral extraction operations, and most of its day-to-day experience outside government is with companies in the formal sector. Most governments everywhere in the world, in fact, have little knowledge or understanding of the informal sector. Conversely, development and social sector ministries have traditionally shied away from extractive industries, except in the provision of ancillary social services. They rarely tackle head-on the core issues discussed here.

While many NGOs, national and international, have seen extractive industries as a target for reform-oriented campaigns, few have actually become involved in development projects directly related to the diamond industry itself. Similarly, few bilateral and multilateral agencies have taken a direct interest in the political economy of the informal mining sector. DFID and USAID have recently made investments in understanding the diamond industry and its informal sector better, and have contributed funds to pilot projects. UNDP and IDRC have commissioned generic studies on artisanal mining. The CASM initiative,\* supported by the World Bank, UNECA and DFID, is another recent initiative. Generally, however, the development community has shown little interest in diamonds as a vehicle for development.

\* Communities and Small Scale Mining Initiatives (CASM): <http://casmsite.org/>

## Better Knowledge

No intervention in the lives of artisanal miners is likely to have a positive systemic impact unless it is based on a clear understanding of the political economy of Sierra Leone's diamond industry. In 2006, the DDI produced a report entitled *The Dynamics of Diamond Pricing and Marketing in Sierra Leone*. The report describes the reality – and the incredible complexity – of the largely informal diamond-buying network in Sierra Leone, and the wide range of players involved. It describes a system that thrives because it is based to a large extent on secrecy, favours, dependency, mistrust and disinformation. Many of those in and around the diamond pipeline do not know the true value of their product, and are therefore vulnerable to unfair exploitation. It is a system where cheating is the norm, and where the market for buying and selling is heavily influenced by considerations that have little to do with the actual value of the product, or of normal commerce.

The report studies the structure, dynamics and idiosyncrasies of the value chain that currently exists within the country's artisanal diamond mining industry – from 'earth to export'. Part One provides an overview of the industry, and explains how artisanal miners and mining are financed, including a description of the systems and channels by which diamonds are distributed and sold from digger through 'middlemen' and exporters. The report examines the most common systems in use and the overall dynamic: a pyramid with as many as 120,000 diggers at the bottom and fewer than a dozen exporters at the top.

Part two examines diamond pricing and revenue flows. Part Three contains conclusions and recommendations on land allocation and use, organization and financing of production, possible new modes of purchasing, and alternative and complimentary livelihoods. The report is available at <http://www.ddiglobal.org/contentDocuments/2006-04%20ddi-dealing%20for%20development-summary-eng.pdf>. A related policy brief is available at <http://www.ddiglobal.org/contentDocuments/2006-04%20policy%20brief-eng-final.pdf>.



# CONCLUSIONS

## WHO NEEDS TO BE INVOLVED?

### *Typical Roles and Responsibilities of Stakeholders\**

#### **Government**

Strategic leadership  
Strategic coordination  
Clear & enabling framework on investment, land use, labour & the environment  
Support capacity building at local level, including monitoring  
Deliver local services  
Leverage national and external resources  
Monitoring and evaluation

#### **Investors**

Manage projects in accordance with regulatory requirements  
Respect labour, safety & environmental regulations & standards  
Act as a catalyst for action at the community level  
Stakeholder coordination around the project or activity  
Financial, material & facilities support for the local community  
Transfer of technical and managerial skills to the local community  
Monitoring and evaluation

#### **Civil Society/Donors**

Local needs assessment  
Local capacity building and institutional strengthening  
Community project design and implementation  
Provision of ancillary and alternative opportunities  
Leverage/provide external funding for community support  
Monitoring and evaluation

#### **Community Groups & Miners**

Local needs definition and prioritization  
Local knowledge and values  
Community planning and mobilization  
Mobilization of local assets and resources  
Monitoring and evaluation  
Internal organization and conflict resolution



\* Adapted from the International Council on Mining & Metals' *Community Development Toolkit*.

## Government

While an enabling regulatory framework is important to sustainable change, regulations alone are insufficient for genuine forward movement. Nor is the issue primarily one of enforcement. Where regulations are concerned, adaptive legal and fiscal regulatory arrangements, greater simplicity and a better understanding of the motivation of artisanal miners are likely to go a lot farther than the heavy-handed policing tactics of the past.

The most important element of change, however, is more likely to be the creation of an enabling *economic* environment for artisanal miners. This topic is addressed at length in *Standards & Guidelines for Government*. The government will be one of the most important actors in any meaningful change in this area.

## The Private Sector

The private sector is also important to advancing the issues raised in this guide, although in Sierra Leone it is far from homogeneous. The interests of large companies, small companies, middlemen, dealers and exporters are not congruent. Each set of players will bring different experiences to the discussion. It has often been said, for example, that middlemen, especially the Lebanese diaspora, need to be involved in discussions about ways forward. These issues are addressed in *Standards & Guidelines for Investors*.

## Donors

Donors have an important role in assisting with policy advice, the funding and dissemi-

nation of findings from pilot projects, and in helping to take successful pilots to scale. The community of interest among donors on this topic is so far very small. In addition to becoming more active themselves, those that are currently involved can play an important role in bringing others on board. And while direct involvement may not be possible for some, it will be important that donor programs and projects in other areas complement activities in this area, rather than the opposite.

## Civil Society

National and international NGOs have an important role to play in devising and managing pilot projects, and in helping to take successful pilots to scale. They have grass roots contacts and experience that often elude government and donor agencies. They can bring a wide variety of other perspectives to bear on this neglected area, and they can widen the context, dealing with some of the social, health and educational problems confronting artisanal miners.

## Miners

In all of this, it will be critical that the voices of artisanal miners are heard, *and listened to*. Finding ways to understand their lives and to bring their concerns, experience and ideas into the discussion will be extremely important if positive change is to be achieved in the long term.

## USEFUL RESOURCES

### *Websites*

**Diamond Development Initiative:** DDI International has compiled an extensive library of studies and articles on alluvial mining. The emphasis is on diamonds and Africa, but there are also articles on coloured stones and gold mining in Africa, Asia and Latin America: [www.ddiglobal.org](http://www.ddiglobal.org).

**The Sierra Leone Encyclopedia** is a project of the Sierra Leone Information System in consultation with the Donor Assistance Coordination Office. First developed in 2001, the 2007 Encyclopedia is the 6th edition. The Encyclopedia is a joint UN/GoSL effort, containing a wide range of information about Sierra Leone, including its government and legal systems: <http://www.daco-sl.org/encyclopedia/>

**Sierra Leone Web:** Law books in Sierra Leone are currently out of print. The Sierra Leone Web Laws Project is indexing the laws of Sierra Leone and making them available online: <http://www.sierra-leone.org/laws.html>

**Partnership Africa Canada:** PAC has extensive websites in English and French containing a large library of documents relating to conflict diamonds and issues relating to diamonds and development; [www.pacweb.org](http://www.pacweb.org).

**Communities and Small Scale Mining:** The CASM Secretariat has created an informative website on a wide range of issues relating to artisanal mining; [www.casmsite.org](http://www.casmsite.org).

**Extractive Industries Transparency Initiative:** <http://eitransparancy.org>

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## ANNEX

### *Fees for Small-scale and Artisanal Mining and Marketing Under the Mines and Mineral Act\**

1. Alluvial Diamond Exporter's licence	Year	US\$ 40,000
	Half Year	US\$ 25,000
2. Alluvial Diamond Exporter's Agents Certificate	Year	US\$ 5,000
3. Alluvial Diamond Dealer's Licence		
Non-citizen	Year	US\$ 5,000
	Half Year	US\$ 3,000
ECOWAS citizen	Year	US\$ 2,500
	Half Year	US\$ 1,700
Citizen	Year	US\$ 2,000
	Half Year	US\$ 1,500
Monitoring Fee	Year	US\$ 400
	Half Year	US\$ 250
Rehabilitation Fee	Year	Le 500,000
	Half Year	Le 300,000
4. Alluvial Diamond Dealer's Agent's Certificate	Year	US\$ 1,000
	Half Year	US\$ 700
ECOWAS Citizen	Year	US\$ 1,500
	Half Year	US\$ 1,000
5. Diamond Mining		
Artisanal and Co-operative Mining Licence	Year/Acre	Le 200,000
Small Scale Mining Lease	Year/Acre	Le 750,000
Mine Manager's Certificate (Artisanal and Co-operative Mining Licences)	Year/Acre	Le 100,000
Mine Manager's Certificate (Body Corporate)		
Citizen	Year	Le 200,000
Non Citizen	Year	Le 750,000
Licence to Dredge	Year	US\$ 500
Monitoring fee	Year/Acre	Le 100,000
Rehabilitation fee		
Artisanal Mining Licence	Year/Acre	Le 200,000
Small Scale Mining Lease Holder	Year/Acre	Company to rehabilitate
Surface rent	Year/Acre	Le 100,000
Registration of Financial Support	Year	Le 50,000
6. Administrative Expenses/Export Charges		
Royalty on Export of Diamonds		3 % of export value
Royalty for Small Scale Mining Lease Holders wishing to export their winnings		5% of Export Value + 1% valuation fee

A lease for artisanal or co-operative mining costs Le200,000 (about \$75) with a mandatory rehabilitation fee of Le 200,000. A Mine Manager's certificate costs Le 100,000, paid along with a mandatory fee for monitoring (which goes to pay Mines Monitoring Officers (MMOs), also Le100,000. All this adds up to Le600,000 (\$200) in fees to government.

\* The Tables is taken from Estelle Levin and Lansana Gberie, *Dealing for Development: The Dynamics of Diamond Marketing in Sierra Leone*

