

Freetown to Hollywood: The Kimberley Process Takes on Africa's 'Blood Diamonds'

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Summary

- As Botswana shows, diamonds can promote development.
- The Kimberley Process is helping to turn conflict diamonds into development diamonds.
- Deepening and strengthening the scheme would expand diamonds' potential benefits to more African countries.
- But managing diamonds needs to be seen as just one of many steps along the road to growth and poverty reduction.

Diamonds, long seen as symbols of love and prosperity, are now blamed for war and corruption in some of the poorest places on earth. The tragedy of 'blood diamonds,' thrust onto the international agenda in the late 1990s by political activists, has recently permeated popular culture, from Kanye West's Grammy-winning song "Diamonds from Sierra Leone" to the new Warner Brothers movie *Blood Diamond*. Although the movie is set in the late 1990s, a recent UN report suggests that diamonds may still be fuelling conflict in parts of West Africa, and Western governments are increasingly worried that diamonds are being used to launder money for international criminals and terrorists. Despite these continuing problems, the diamond industry has taken major steps to open up their business and put the squeeze on illegal trade, most notably through the Kimberley Process, which certifies that a diamond has been obtained legitimately. In this Note we consider the strengths and limitations of industry efforts to break the deadly link between diamonds and conflict to give policymakers and consumers—and moviegoers—a sense of progress and what issues remain.

Why diamonds matter for Africa

Africa is the source of more than 60% of global diamond output. Worth more than \$8 billion per year, rough diamonds are Africa's second most

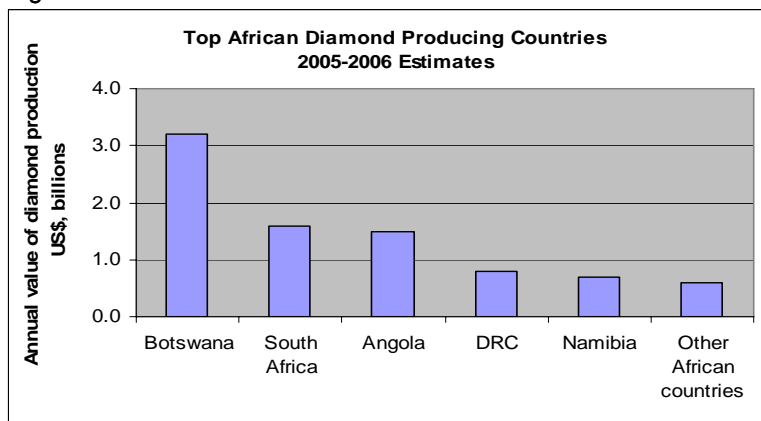
valuable export after oil and generate substantial amounts of revenue for such African countries as South Africa, Botswana and Namibia (see Figure 1). On the face of it, earnings from diamond mining should be a major weapon in the fight against poverty, especially given that diamonds are found in some of Africa's poorest countries. Indeed, where diamond revenues are put to good use, the results are impressive. They pay for free schooling and anti-retroviral treatment for HIV/AIDS in Botswana and have been the main driver behind the country's twelve-fold increase in per capita income over the past four decades.

But in most diamond-rich African countries, the diamond trade has a much darker side. In these countries, diamonds have not only failed to lift people out of poverty, but have helped breed corruption and strife.¹ In some of the worst cases, conflict diamonds are used to finance drugs, weapons, and war. UN estimates put the value of diamonds coming from war zones in Angola, the Democratic Republic of the Congo (DRC), Liberia, and Sierra Leone in the late 1990s at over \$1 billion per year. Today, each of these countries is at peace (albeit extremely fragile) and the challenge is to leverage diamonds to help build stability and prosperity.

Going 'conflict-free' through the Kimberley Process

Responding to the outcry—and fearing that its product would become indelibly tainted—four years ago the diamond industry helped to set up the Kimberley Process Certification Scheme. With the involvement of business, governments, and civil society, the Kimberley Process aims at severing the link between diamonds and conflict by creating a system to track and certify diamonds along the entire chain from extraction to sale. The idea is to guarantee consumers that the rock they are buying is "conflict-free" by making it more difficult for diamond revenues to be misappropriated by corrupt officials or warlords. The Kimberley Process insists that member governments—there are now more than

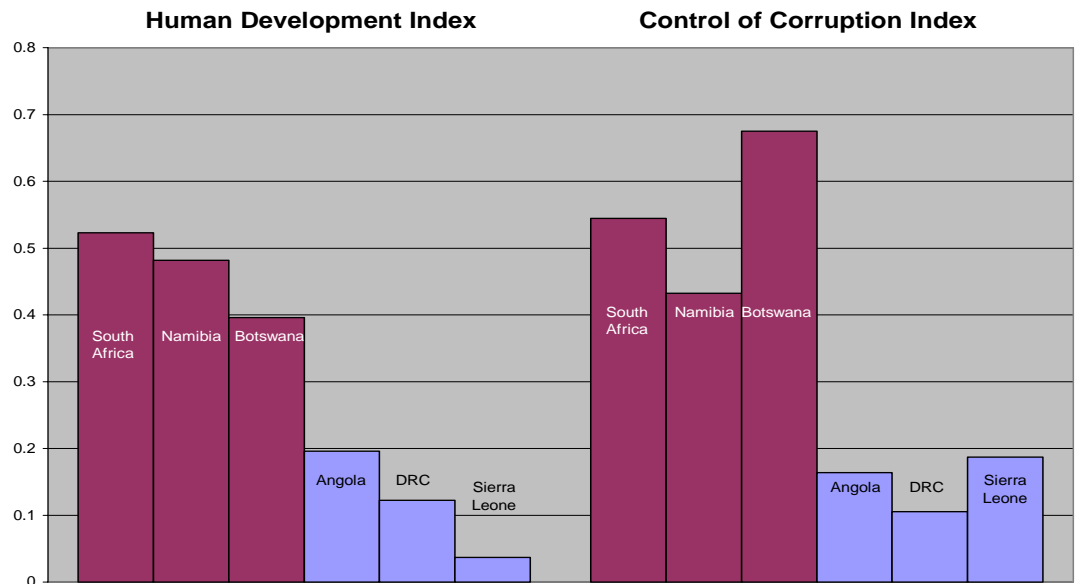
Figure 1



Source: DiamondFact.org

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Figure 2



Sources: UN; World Bank. See Data note.³

70 voluntary signatories—set up control systems for the import and export of rough diamonds and trade only with other participants. In the few short years since the process was launched, there are already some notable successes:

*An estimated 99% of the world's supply of legal diamonds comes from conflict-free sources.²

*There is evidence of drastic reductions in smuggling, for example, the rapid rise in Sierra Leone's official diamond exports.

*In response to repeated calls for more transparency (in what has historically been a secretive industry), signatories of the Kimberley Process agreed last month to publish statistics on diamond values and volumes, enabling outside scrutiny and cross-checking for the first time.

*The Kimberley Process has contributed to the international push for greater disclosure and accountability—alongside the Extractive Industries Transparency Initiative, among others—in what had been one of the shadowy corners of the global economy.

Beyond Blood Diamonds: What else can be done?

The Kimberley Process is a real advancement in the fight against the misuse of poor countries' natural resources, and all the participants are rightly proud of the record so far. But the battle to ensure that diamonds are a boon to development rather than a

hindrance is not over. In their effort to strengthen the process, governments, business, and the public would do well to consider the following:

1. *Recognize that geology matters—some diamonds are easier to track than others.*

Much of the attention among activists and in the popular media has been on alluvial diamonds. These diamonds are typically extracted from many shallow mines by thousands of individual 'artisanal' miners who are themselves often extremely poor. Because of the high value of diamonds and the decentralized, disorganized methods of alluvial mining, these diamonds are at much greater risk of being smuggled and traded to fuel conflict, as has been in the case in Sierra Leone, Liberia, Angola and the DRC.

By contrast, Kimberlite mining involves large-scale, capital-intensive, long-term investments, and as a consequence is undertaken by multinational corporations (often in partnership with local governments). Output from these mines is relatively easy to control and the mines themselves are subject to external scrutiny, via governments, international organizations, or company shareholders. Kimberlite is the main type of diamond mining in Botswana and South Africa.

Partly as a result of these geological differences (combined with historical and other factors), 'controlled' diamond economies have been much more successful in avoiding the corruption, war, and state collapse that

have been associated with diamonds in other parts of Africa (See Figure 2). Indeed, diamond revenues are central to the development successes of several African countries. Namibia shows that diamonds may be a positive force even where diamonds are not Kimberlite. Its diamonds are now mostly marine, requiring expensive seabed mining boats, while its onshore alluvial diamonds are concentrated along the Orange River in areas that have been mostly cordoned off by the government. So, it is misleading to assume that all African diamonds are a tainted product or that diamond mining is inherently damaging. Where geology makes diamond mining diffuse and vulnerable to abuse, renewed resolve and creativity will be required.

2. *Strengthen and deepen the Kimberley Process.* While efforts so far have been positive, there is still much work to be done to make the Kimberley Process work better.

*The process itself needs to be strengthened by capacity-building mechanisms such as upgrading the internal controls and mechanisms of the participating states.⁴ Some of the obvious holes in the system need to be addressed, especially how to deal with, or at least mitigate, the impact of countries, such as Cote d'Ivoire, that have been accused of exporting conflict-diamonds into neighboring states.

*Noncompliance must be enforced. To date, only Congo-Brazzaville has been expelled from the Kimberley Process. Credibility of the entire scheme depends on holding members accountable.

*Management on the demand side can be improved, including in the US where a recent GAO report found implementation of the Clean Diamond Trade Act to be insufficient.⁵

*The link between the Kimberley Process and development, especially in the alluvial-mining countries, must be strengthened. The Diamond Development Initiative, launched in 2005 and aimed at finding ways to assist artisanal miners, is a good first step, but it now needs to move quickly beyond 'stakeholder consultations' to concrete actions.

3. *Manage expectations*

In judging the Kimberley Process we need to remember that it is only as strong as its participants.

The Process is wholly reliant on governments'

voluntary commitments to monitor mining, trading, and border control. In many diamond-rich countries, government exercises control over only a portion of the country, putting these monitoring goals out of reach of even the most committed governments. And while capacity-building efforts are helpful, given the long-term nature of such exercises, the Kimberley Process will remain far from airtight.

The link between diamonds, conflict and poverty also has to be seen in a broader development context. Even though just four companies control roughly 80% of the world's supply of rough diamonds, with De Beers making up nearly half of global production, the industry alone cannot solve the problem. The Kimberley Process works to make diamond production and trading potentially more development friendly. But many of the countries involved are among the world's poorest, with weak and fragile governments. Making diamond revenues more transparent is a first step but does not in and of itself guarantee that the money will be spent efficiently or on the right things.

Conclusion

Blood diamonds are back in the news and have acted as a useful reminder of the importance of the Kimberley Process and of the need to strengthen that initiative. History shows that diamonds can be an effective force in both meeting the challenges of poverty reduction and in fueling a country's destruction. The difference between "good" and "bad" diamonds lies in the way the industry and countries manage them. Additionally, proper management of diamonds must involve more than just the diamond industry. It means a coordinated effort by diamond producers, rich countries who buy diamonds, and the poor countries that have them. Moving from the successes of the Process's first phase to the challenges that lie ahead will take renewed commitment by all three parties. Further progress is crucial for the future of Africa, and given the recent concerns over 'dirty diamonds' used to launder money or fund terrorism, it is important for the international community as well.

¹ Paul Collier and Anke Hoefler, "Greed and Grievance in Civil War," World Bank, 2001; Michael Ross, "What Do We Know about Natural Resources and Civil War?" *Journal of Peace Research*, 2004.

² See <http://www.diamondfacts.org/conflict/index.html>.

³ The scores for each are normalized on 0-1 scale based on the universe of country scores. The HDI data is for 2004; the Control of Corruption is 2005.

⁴ Pamela Wexler, "Independent Commissioned Review Evaluating the Effectiveness of the Kimberley Process," Global Witness, 2006.

⁵ U.S. Government Accountability Office, "Conflict Diamonds: Agency Actions Needed to Enhance Implementation of the Clean Diamond Trade Act" GAO-06-978, 2006.

⁶ For more information, see www.globalwitness.org/buyconflictfree.

So, should I still buy a diamond?

Concerned consumers can take a few precautions to ensure that a diamond they buy is conflict-free:

- Buy from a reputable dealer
- Ask for the country of origin
- Request to see a written conflict-free guarantee from their supplier

If you don't get answers you like, shop somewhere else.⁶