Beyond the resource curse? Diamond mining, development and post-conflict reconstruction in Sierra Leone

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Abstract

In recent years, the so-called ‘resource curse’ syndrome has gained increasing currency. Growing evidence suggests that many African countries with significant natural wealth have actually reaped limited rewards, instead experiencing underdevelopment, corruption, political instability, and in some cases, violent conflict. In the small West African state of Sierra Leone, it has been suggested that diamonds played a key role in fuelling a brutal civil war during the 1990s, an issue that has given rise to a burgeoning literature on ‘blood diamonds’. However, as Sierra Leone emerges from a decade of destruction, other research suggests that diamonds could actually provide the impetus for post-war reconstruction. This paper explores the role of alluvial diamond mining in post-conflict Sierra Leone, focusing on two communities in the Eastern Province that were badly affected by the war. Drawing on field-based research conducted between 2002 and 2007, the paper considers the diamond mining situation in the context of broader development strategies in post-conflict reconstruction. It is argued that sustainable development can only be achieved if future policies are based on a detailed understanding of relationships between diamond mining and rural development at local, regional and national levels.

Keywords: Sierra Leone; Diamonds; Resource curse; Development

Introduction

The cleaning up of the diamond industry is necessary to ensure that this valuable asset benefits the people of this country and that the evil practices associated with the mining and sale of diamonds are eliminated.

President Ahmad Tejan Kabbah, August 2003

Over the last two decades, Sierra Leone has become synonymous with political instability, economic devastation and a brutal civil war. Fuelled by diamonds and corruption, the conflict focused international attention on the processes of diamond mining and trading, and demonstrated how ‘the paradox of plenty’ can lead to destruction and poverty. While economic and social development indicators suggest that Sierra Leone is now among the poorest countries in the world (UNDP, 2006), there continues to be much debate concerning the role that diamonds might play in the country’s future development trajectory. Since their discovery in the 1930s, diamonds have played an important part in the national economy and have been a significant feature of the local economies and societies where they are mined. At the height of the mining era, between the 1930s and the 1970s, diamond exports were the backbone of the economy and accounted for more than two-thirds of the country’s export earnings and one quarter of its GDP (Temple, 2006).

This paper examines the role of alluvial diamond mining in post-conflict Sierra Leone, and explores the extent to which diamonds might contribute to future development. Although some observers believe that the country’s rich diamond deposits could serve as a catalyst for economic growth and poverty alleviation, others would question such an assumption. Many would argue that in the case of Sierra Leone, diamonds have always been a ‘double edged...
sword’. When President Siaka Stevens and the All People’s Congress party came to power in 1968, it marked the beginning of a long decline for the diamond industry, and the country as a whole. As Stevens appointed many of his ‘cronies’ to positions of power, the wealth from diamonds was used to reward his supporters, and the diamond industry was reduced to a parastatal that was rife with corruption and smuggling. In the following 17 years that Stevens retained power, official diamond exports fell from 1.7 million carats in the 1960s, to a mere 50,000 carats by 1985 (Temple, 2006). Many commentators believed that Stevens’ highly centralized regime, fuelled by corruption and rent-seeking behaviour associated with diamonds, led to the creation of a socially excluded underclass, which fomented the pre-conditions for war in the 1990s.

The causes of Sierra Leone’s debilitating conflict were multifaceted and complex. A great deal of attention has been focused on ‘blood diamonds’ and the political economy of conflict, both in Sierra Leone (e.g. Keen, 2005; Richards, 2003; Smillie et al., 2000), and also more widely in other diamond-fuelled wars in Africa, such as those in Angola and the Democratic Republic of Congo (e.g. Le Billon, 2001; United Nations Panel of Experts, 2002). In the case of Sierra Leone, considerable debate surrounds the ‘greed vs. grievance’ thesis¹ (Collier, 2000; Berdal and Malone, 2001). While some observers suggest that the raison d’etre for the war may not have been to actually win it, but rather ‘to engage in profitable crime under the cover of warfare' (Smillie, 2000, p. 24), others believe there is little evidence to suggest that diamonds were the fundamental cause of the conflict (Richards, 2003). There is, however, some consensus that diamonds played a key role in fuelling and prolonging the war, as various parties undoubtedly funded their war efforts through mining activities.²

International aspects of Sierra Leone’s diamond-conflict nexus are particularly interesting, and there has been increasing recognition that the implications of the country’s illicit diamond activities may not be as localized as they were once believed to be. Reno (1995) has argued that the country’s illicit ‘shadow state’ economy, and the local networks that sustain it, are inextricably linked to global networks. Sierra Leonean diamonds have been implicated in regional instability in Liberia, Guinea and Cote D’Ivoire, and also linked to international criminal networks (Davies, 2006). Since September 11, 2001, it has become evident that the illicit diamond trade provides an effective vehicle for international money laundering, and is a potential source of resources for diverse ‘terrorist’ groups (Even-Zohar, 2003; Le Billon, 2006). The recent release of a major Hollywood film has rekindled international concern for ‘blood diamonds’, but progress and attempts to improve the industry, reduce smuggling and use diamond revenues for local development initiatives have received considerably less attention.

This paper considers the Sierra Leone diamond mining situation in the context of broader development strategies for post-conflict reconstruction. Following a review of some of the literature concerning the resource curse hypothesis, two important recent initiatives in the country’s diamond economy are considered and discussed: the Kimberley Process Certification Scheme (KPCS) and the Diamond Area Community Development Fund (DACDF). The paper argues that while such initiatives are significant steps in addressing a number of key issues, if sustainable development is to be achieved, future policies must be based on a detailed understanding of relationships between diamond mining and rural development at local, regional and national levels.

The resource curse hypothesis

The role that diamonds assumed in Sierra Leone’s past (and could well assume in the future) ties into larger debates concerning the so-called ‘resource curse’ syndrome in African countries, where it remains unclear whether an abundance of natural resources is actually a blessing or a hindrance for political and socio-economic development (Ross, 1999). A burgeoning body of research explores this debate, and is located within three general sub-literatures: firstly, the relationship between resource wealth and economic performance; secondly, the links between resources and civil war; and thirdly the relationship between resource abundance and the nature of political regimes. For the sake of clarity, we make a distinction here between those works focusing on macro aspects of the resource curse, and those focusing on micro aspects.

From the macro perspective, while some critics have argued that an over-reliance on natural resources can have adverse consequences for economic growth (Auty, 1993; Sachs and Warner, 1995), others have maintained that, with few exceptions, mineral and resource-rich developing countries are often subjected to continuing underdevelopment, corruption and political instability, leading in some cases to violent civil war (Collier and Hoefler, 2001; Elbadawi and Sambanis, 2002). However, as Rossler (2006) concludes from his extensive survey of the resource curse literature, while many studies provide convincing evidence linking natural resource abundance to negative development outcomes, little of this research adequately examines the role that social forces play in shaping these development outcomes.

¹In studies concerning the political economy of war, the literature remains divided over the relative importance that each of these causal factors assumes in the incidence of conflict. While the ‘greed’ theory argues that looting and resource capture are the prime motives for rebel actors, proponents of the ‘grievance’ theory maintain that justice-seeking for the marginalization of social groups remains the key factor leading to violent rebellion.

²In fieldwork carried out for this paper, informants from the diamond area of Tongo Field, near Panguma, were able to provide detailed accounts of widespread and uncontrolled mining by the RUF (Revolutionary United Front) during the conflict, describing how even the secondary school playing field and the airstrip were dug up by rebels in a desperate desire to fund their war efforts.
Of notable exception, Woolcock et al. (2001) analyse the interaction of social capital with natural resources, demonstrating that social variables can mediate the relationship between natural resource wealth and development. They argue that it is the specific nature of communities, institutions and state–society relations that has a critical impact on economic growth trajectories in general, and the management of shocks in particular. Elsewhere, Acemoglu et al. (2001) suggest that institutions themselves are a more important determinant of resource-driven outcomes than the resource endowment per se. They argue that different types of colonization policies created different sets of institutions in resource-rich countries, which were subsequently inherited by post-colonial societies. Post-independence states often adopted the authoritarian tactics and institutions of their colonizers in order to cement their political power and facilitate the extraction of resources from the rest of society.3 Glaeser et al. (2004), on the other hand, critically examine the debate over whether political institutions cause economic growth or, alternatively, whether growth and human capital accumulation lead to institutional improvement. While they find that the causal link between institutions and economic growth is extremely difficult due to both conceptual problems with the measurement of institutions and the limitations of econometric techniques, they conclude that policy and human capital are in fact more significant variables in measuring growth. More recently, Lederman and Maloney (2007) use a new measure of resource dependence to suggest that natural resources positively impact upon development and that institutions may sometimes be inversely related to development outcomes. These variable trends in the macro literature, and the fact that econometric analysis appears to yield conflicting conclusions, suggest that specific case study analysis at the micro-level, such as the research presented in this paper, is more important than ever before.

With respect to the links between natural resources, civil war and political regime type, a number of studies have demonstrated a strong correlation between a developing state’s reliance on natural resources and the likelihood that it will suffer from conflict (Collier and Hoeffler, 2001; Elbadawi and Sambanis, 2002). Collier and Hoeffler (1998, 2000, 2002, 2005) for example, found that natural resource abundance and civil war are strongly linked, and demonstrated that the two variables share a curvilinear relationship. In other words, although resource wealth may initially be responsible for increasing the risk of civil war, after a certain amount of resource export has been achieved, the risk becomes reduced. A similar study undertaken by Reynal-Querol (2002) found that natural resource abundance is a key variable for explaining the incidence of non-ethnic civil wars and other kinds of political violence, but not the incidence of ethnic civil wars.

Some observers have also suggested that natural resource abundance may prolong civil wars. Collier and Hoeffler (1998) found that natural resources and the length of wars share a curvilinear relationship, and Fearon (2004) suggests that countries with contraband resources, including diamonds and drugs, tend to experience longer civil wars. Ross (2003) has demonstrated that of all the major kinds of natural resources, diamonds and illegal drugs were the most strongly associated with the civil wars that took place between 1990 and 2000. He suggests that it is the ‘lootability’ of a resource, or whether or not it has a high value-to-weight ratio and can be easily appropriated and transported by unskilled workers, which determines the impact that a particular resource will have on the potential for war.4 However, Ross also points out that in non-conflict situations, lootable resources generally produce more widespread benefits for local people and the poor than do unlootable commodities.5

Rather than re-visiting arguments that have been rehearsed repeatedly elsewhere, this paper bypasses the debate that is concerned with whether the war in Sierra Leone was fought with, or over diamonds. Attention is instead focused on the latter point made by Ross (2003) concerning the potential benefits that lootable resources may have for local communities. The thrust of the discussion here explores the role of alluvial diamond mining in the post-conflict scenario, and addresses a number of key questions concerning the interactions between mining activities and the rural sector.

The paper thus makes a noteworthy contribution to literature focusing on micro aspects of the resource curse, with the discussion building on several important studies that have explored local-level impacts of mining activities on communities. The earlier works by Baldwin (1956) and Bevan et al. (1987) provide a useful context for considering the merits of channelling revenue flows through local, rather than national, channels. The more recent overview of literature concerning the economic aspects of mining and the sustainability of its benefits by Egger (2001) is also useful, although he concentrates mainly on large-scale commercial mining and neglects the specific issues

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3Ross (2003) notes that natural resources tend to have a different impact on separatist conflicts than do non-separatist conflicts. ‘Unlootable’ resources such as oil, natural gas or deep-shaft minerals are more commonly associated with prolonged separatist conflicts.

4The logic for this observation lies in the fact that lootable resource extraction relies more heavily on the use of unskilled labour, whereas the extraction of unlootable resources requires a higher degree of skilled labour and capital. In other words, unlootable resources are more likely to generate revenues for skilled labourers, for those who have access to the capital required for extraction, or for the government. In poor developing countries, particularly in Africa, individuals who possess these criteria are more likely to come from outside the region of extraction, and possibly even from outside the country. For example, in the oil producing regions of the Niger River Delta in southern Nigeria, where foreign capital and labour dominate the oil extraction process, local communities, such as the Ogoni people, remain largely marginalised and poor (this is well described in Watts, 1997).

5See Reno (1995) for further discussion of this point, with specific reference to post-colonial Sierra Leone.
surrounding small-scale artisanal mining. Of greater relevance to our discussion, Eggert notes how ‘forward’, ‘backward’ and ‘final-demand’ linkages between mining and other activities can provide a positive ‘multiplier’ for the regional economy. While Aroca (2001) explores these linkages in the context of the mining sector in northern Chile, highlighting that there are both positive and negative impacts at the community level, Porter (1984) points out that using multipliers on their own to rank the desirability of mining for regional development is inappropriate. In short, a full consideration of all social costs associated with mining is necessary in order to obtain a clear picture of its impact on communities.

If Sierra Leone is indeed affected by a virulent form of resource curse, we must ask how diamonds might become a driver of development, rather than leading to greater vulnerability and devastation? In considering how diamonds and their trade might be better harnessed for poverty reduction, economic growth and social development, it is vital to remember that policies which regulate diamond extraction and governance often produce highly uneven impacts, with enormous wealth and desperate poverty in precisely the same locations. A better understanding of the deeper roots of Sierra Leone’s governance problems and lack of development constitutes an essential first step in appreciating how diamond resources can be better harnessed for pro-poor change.

The Sierra Leonean context

Although literature on the resource curse thesis suggests that natural resource abundance in developing countries is associated with various negative development outcomes, Rosser (2006) contends that this evidence is by no means conclusive. He argues that existing explanations for the resource curse do not adequately account for the role of social forces or external political and economic environments in shaping development outcomes in resource abundant countries, nor do they account for the fact that, while most resource abundant countries have performed poorly in developmental terms, a few have actually done quite well, such as Botswana, Indonesia and Malaysia. In the context of Sierra Leone, there is considerable evidence to suggest that diamonds have had a destabilizing effect on the country, playing a key role in prolonging the war. Alternatively, at the local level, recent field-based research undertaken in the Eastern Province suggests that there is significant potential for diamond revenue to provide the necessary impetus for post-conflict rural development. However, ensuring that Sierra Leone’s diamonds are exploited in a more economically and environmentally sustainable manner, with more benefits accruing to the communities where they are mined, remains one of the greatest challenges (Maconachie and Binns, 2007; Binns and Maconachie, 2005).

A study undertaken 30 years ago by Binns (1981) demonstrated that links between the farming and mining sectors in the Eastern Province were both significant and complex. Fieldwork undertaken in the 1970s suggested that the stereotypical view of a negative impact of diamond mining on farming was, in fact, far from the truth. On the contrary, many people were actively producing and investing in both food and export crops and, in striving to achieve sustainable livelihoods, individuals and households skillfully utilized different types of capital in a variable portfolio of productive activities.

The two communities studied in the 1970s, Kayima (Sandor Chiefdom) and Panguma (Lower Bambara Chiefdom), are situated in the Eastern Province, some 250 km from Freetown and less than 100 km from the Guinea and Liberia borders (Fig. 1). Both communities were producing large quantities of food crops for sale to the mining population, and were reinvesting their earnings in homes, families and, most notably, in the expansion of cash crops such as coffee, cocoa and citrus fruits (Binns, 1982). While many farmers were producing considerable amounts of surplus rice to sell in mining area markets (Rosen, 1974), the greatest response in terms of production system changes occurred with fruit and vegetable crops, most notably cassava and citrus fruits, which were increasingly grown for sale to the mining population.

In both 1974 and 1978, Binns (1981) interviewed 50 households in Kayima and 50 households in Panguma. In 1974, well over half of those interviewed (67%) commented that diamond mining activities had stimulated a greater demand for food from the growing non-farm population. Some respondents went further to suggest that, as a result of the increasing demand for food, farmers were able to dispose of surpluses easily. As is evident in Table 1, 15% of interviewees said that diamond mining had brought them greater prosperity through diamond winnings or increased crop sales. A further 7% (10% in Kayima and 4% in Panguma) commented on the higher prices in the area, which they attributed to diamond mining activities.

In short, the research undertaken in Kayima and Panguma in the 1970s suggested that although the diamond boom probably had some detrimental effects on food production in the early years of mass participation, many farmers actually seemed well aware of the increasing demand for foodstuffs from the mining population, and progressively innovated in their production strategies towards satisfying this demand (Binns, 1981; Rosen, 1974). Now, in the early 21st century, it seems that, superficially at least, a great deal has changed between the 1970s and the present post-conflict period. But recent field-based research undertaken between 2002 and 2007 in Kayima, now a town of some 2000 inhabitants, and Panguma with 5000 inhabitants, suggests that, rather surprisingly, many of the links between farming and diamond mining have actually been maintained, despite severe dislocation during the war. Both towns are located, respectively, within easy reach of the Yengema and Tongo Field diamond mining areas, a region which was one of the hardest hit during the conflict and remains vulnerable.
Extensive household questionnaire surveys, focus group discussions and in-depth interviews with farmers from both towns, and miners working in the nearby diamond fields, suggest that these links could play a key role in the rejuvenation of market-oriented food production, providing a much-needed impetus for post-war rural development.

Between May and July 2004, 50 households in Kayima and 50 households in Panguma were randomly sampled, and semi-structured interviews were conducted with a broad cross-section of the community. Discussions focused specifically on issues concerning the relationship between alluvial diamond mining, agriculture, and rural development. Many of the questions from the 1970s research were re-visited, giving the study a valuable 30-year longitudinal perspective. The interview schedule explored local efforts to rebuild farming-based livelihoods, examined how surplus farm crops were being marketed and the income used in community reconstruction, and investigated the effects of diamond mining on farmers’ production and marketing activities. When residents’ responses were compared with interview transcripts from the 1970s, there

### Table 1

<table>
<thead>
<tr>
<th>Location</th>
<th>Don’t know</th>
<th>Greater prosperity</th>
<th>Greater demand for food</th>
<th>Inflated prices</th>
<th>No prosperity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kayima (%) (n = 50)</td>
<td>12</td>
<td>14</td>
<td>64</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Panguma (%) (n = 50)</td>
<td>8</td>
<td>16</td>
<td>70</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Total (%) Kayima and Panguma</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n = 100)</td>
<td>10</td>
<td>15</td>
<td>67</td>
<td>7</td>
<td>1</td>
</tr>
</tbody>
</table>

were some striking similarities. When questioned about present-day links between the diamond mining and farming economies, both Panguma and Kayima residents believed overwhelmingly that the most important relationship was the profitable sale of foodstuffs to miners. In Panguma, this key link was mentioned by 94% of households sampled, while in Kayima, 88% of households believed this to be true. Although a substantial portion of respondents admitted that they did not personally sell produce to miners, it seems that mining ‘boss men’ came to both communities to purchase bulk supplies of foodstuffs for their work gangs.

Surveys undertaken among farmers in both communities confirmed that average prices obtained for produce sold in the mining areas were significantly higher than prices at the local market. However, it was also revealed that poor road connectivity remains a major barrier to farmers wishing to sell food surpluses to markets outside their communities. When asked whether the amount of business being carried out between miners and farmers had changed between the pre-war and post-war periods, the opinion was divided between the two research sites. Interestingly, in Panguma, more interviewees believed that trade links between farmers and miners were now stronger than before the war—38% believed that trade links were stronger before the war, compared with 40% who believed links were stronger after the war. However, in Kayima, the perception was that trade links were much stronger before the war than they are now—60% believed pre-war links to be stronger, while 34% believed present-day links to be stronger. The main reason given for the post-war deterioration in trade links between Kayima and the mining areas was the poor state of the roads. Other factors mentioned included a weakened economy, inflation, the devaluation of the Leone and increased rural joblessness.

The other main link between diamonds and agriculture that was reported to have remained largely unchanged since the 1970s was the strong nexus of seasonal work between farming and mining and the associated population mobility. In Panguma, 42% of households surveyed conceded that there was at least one household member who engaged in seasonal mining work after the farm work was completed. While some (14%) believed that this link was positive and allowed farmers to reinvest diamond income into their farms, a higher percentage of respondents (38%) were concerned that farm labour had been drastically reduced since youths were being drawn away from agriculture, preferring to be full-time miners.

In Kayima, although more distant than Panguma from the mining areas, 78% of respondents reported that either themselves or one of their family members were part-time miners during the dry season, and 46% believed that the number of youths who are now seasonal miners had increased since before the war. There were a number of explanations for this phenomenon. Most importantly, it was recognized that there was a desperate need for financial capital to repair houses, with many speaking of a serious ‘housing crisis’.

It was also generally understood that the depressed rural economy and high level of joblessness in Kayima meant that it was difficult to obtain this much-needed income from agriculture. Agricultural yields were reported to be lower than before the war due to a number of constraints, and it was felt that ‘lost’ income had to be recovered in other ways to make ends meet. Many respondents felt that diamond mining offered the only hope for financing the reconstruction of their livelihoods. It was also acknowledged that certain cultural changes had taken place since the war, which had increased mobility within the rural areas. For example, youths became more accustomed to moving about during the war and a ‘culture of mobility’ had developed. In addition, it was reported that a rift had developed between youths and community elders, such that many youths no longer felt any allegiance to the chiefs.6

Local perceptions of present-day relationships between mining and agriculture in Kayima and Panguma are presented in Table 2. In Kayima, 40% of those interviewed believed they were benefiting from diamond mining either directly or indirectly. Within this group, 12% noted that miners created an important market to sell their produce, and 8% pointed out that this was a vital part of their livelihood portfolio, as they could not meet all their needs from farming alone. Alternatively, 36% believed mining to be ‘a gamble’, and 10% stated that mining had deprived their family of farm labour. A further 8% of the sample conceded that mining was destroying valuable farmland.

In Panguma, 36% acknowledged that they were in some way personally benefiting from mining, with 16% admitting that miners were a key market for their produce. A further 4% said that they had used money derived from the mining industry to develop their farms. Of those who were sceptical about mining, 26% referred to diamonds as being ‘a gamble’, 10% noted that farm labour was being lost to the mining areas, and 14% said that their farmlands had been degraded by miners.

Given the potentially destabilizing effect of the uncontrolled exploitation of diamonds, in charting a future development trajectory in post-conflict Sierra Leone, there is now an urgent need for an effective management scheme for both the mining and marketing of this valuable resource. There has been much international recognition of the UN-inspired ‘Kimberley Process global certification system for rough diamonds’, initiated in 2003, and the USAID-funded Peace Diamond Alliance is reportedly making progress with initiatives designed to channel the benefits of diamonds towards local communities. It has also been suggested that as Sierra Leone is moving towards greater political and administrative decentralization, there may be potential for further public participation in resource management decision-making processes, as

6See Peters et al. (2003) for a more detailed discussion of the division that has ensued between youths and elders in post-conflict Sierra Leone.
The Kimberley process

Unlike South Africa, where diamond mining is associated with the mechanical mining of deep reserves, in Sierra Leone it is not uncommon to find a good quality diamond on the ground surface, particularly after rain. This ‘accessibility’ of diamonds led to a ‘diamond rush’ from the 1950s, which resulted in a massive influx of people into the Eastern Province. While it is both easy and economically practical for mining companies to strictly control deep ‘kimberlite’ mining (as in Botswana or South Africa), alluvial diamond fields, on the other hand, contain relatively few diamonds per hectare, people tend to actually live where the diamonds are, and labour-intensive mining techniques are more common. It is therefore virtually impossible to closely control artisanal alluvial diamond mining.

In recent years, considerable attention has been focused in Sierra Leone on the deep kimberlite mining process, as a possible way forward in breaking the link between the legitimate trade in diamonds and uncontrolled ‘conflict’ diamonds. In other African countries, including South Africa and Botswana, kimberlite deposits have been mined efficiently and profitably, using a secure, high-capital, high technology, low-labour mix. For example, a report compiled by the American consulting firm, Management Systems International (MSI, 2004), notes that in Botswana, Debswana produced a gross profit of US$1.5 billion in 2001, employing only 6000 people, with virtually the entire production being exported legally.

There has been much international recognition of the potential of Kimberley mining in the effective management and marketing of diamonds, given the destabilizing effect that diamonds have had on many African countries in the past. As such, in December 2000, the United Nations General Assembly adopted a resolution supporting the creation of an international certification scheme for rough diamonds. On November 5, 2002, the scheme, known as the KPCS, was adopted at a ministerial meeting in Interlaken, Switzerland. The KPCS is a joint government, international diamond industry and civil society initiative designed to stem the flow of conflict diamonds to the market, while at the same time protecting the legitimate diamond industry.

The scheme officially took effect on January 1, 2003, and nearly 50 countries engaged in diamond production and marketing, including Sierra Leone, are now involved. Although a founding member of the KPCS, Sierra Leone had earlier in October 2000 initiated a certification scheme in accordance with United Nations Security Council Resolution 1306 of July 5, 2000. This earlier scheme conforms with the KPCS and continues to be used in Sierra Leone. Since its introduction, diamond exports through the Government Gold and Diamond Office (GGDO) have increased significantly. This is particularly evident when export figures from 1999 (prior to the launch of the certification scheme) are compared with those from 2000.

Institutions at all levels are forced to address issues such as democratization, accountability and transparency (Ribot, 2004). But what do these initiatives actually mean for ‘local’ development, in light of the entrenched interests of global capital (whether channelled through ‘legitimate’ corporations or unregulated rent-seekers) in Sierra Leone’s diamond industry, and Africa’s resources more broadly? Thus far, neither the OECD ‘Guidelines for Multinational Enterprises’ nor the numerous codes of ‘best practice principles’ devised by the diamond industry itself have had any impact where transgressors are concerned. During the war, diamond exploitation became a niche market for groups willing to avoid regulation and assume greater risk, and in the post-conflict scenario, it seems that for many TNCs and other actors, it is a case of ‘business as usual’.

In considering the role that diamonds can and should play in Sierra Leone’s post-conflict reconstruction and development strategy, the paper now focuses on two important recent initiatives in the country’s diamond economy. First, it explores the potential of the KPCS for strengthening accountability and transparency in government and industry procedures, while at the same time rebuilding international confidence in the country’s diamond industry. The question of whether agendas for ‘sustainable’ policy and practice, such as the KPCS, actually benefit those who are working and living in the diamondiferous areas, is an issue that deserves further investigation. Secondly, consideration is given to the establishment of the DACDF, whereby a percentage of the diamond export tax is returned to communities where diamonds are mined. Although the DACDF aims to return a small portion of diamond revenue to the communities of origin, and to encourage local commitment to legal mining activities, the effectiveness of this scheme must be examined.

### Table 2
Diamond mining in Kayima and Panguma: 2004

<table>
<thead>
<tr>
<th></th>
<th>Kayima (%)</th>
<th>Panguma (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of interview sample who claimed to benefit from diamond mining</td>
<td>40</td>
<td>36</td>
</tr>
<tr>
<td>Proportion of interview sample who believed miners were an important market to sell produce</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Proportion of interview sample who believed mining to be ‘a gamble’</td>
<td>36</td>
<td>26</td>
</tr>
<tr>
<td>Proportion of interview sample who claimed mining had reduced available farm labour</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Proportion of interview sample who believed mining was degrading farm plots</td>
<td>8</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Authors’ fieldwork (2004).
(the first year of the scheme). As Table 3 clearly shows, there was a significant increase in export earnings when kimberlite production was initiated in 2003. Thus, as is noted by Davies (2006, p. 178), ‘although conceived for blood or conflict diamonds, the Kimberley Process is proving useful in Sierra Leone’s post-conflict context’.

But the Kimberley Process is not without its limitations. Some industry observers suggest that up to 50% of Sierra Leone’s diamonds continue to leave the country illegally (Partnership Africa Canada and the Network Movement for Justice and Development, 2006). Moreover, there is no mandatory impartial monitoring mechanism associated with the scheme, which in effect allows the industry to monitor itself. As was noted in a recent Global Witness/Partnership Africa Canada (2005) report, perhaps the major challenge facing the Kimberley Process is to ensure that diamond control systems, which may look good in theory, are effectively implemented and enforced in practice. Certification must be supported by strong control systems to ensure that diamonds are no longer exploited to fund conflict. As has been noted, alluvial diamond mining remains particularly difficult to regulate, and a group has been established within the KPCS to focus on many of the challenges associated with implementing systems of control in alluvial diamond producing countries. Recent reports from the Democratic Republic of Congo and Cote d’Ivoire—two countries that are currently engulfed in conflict—suggest that despite an embargo, diamonds continue to flow from both countries and may be being exported by other KPCS participants. There is clearly much work to be done in order to ensure that the certification process becomes more credible and effective.

Although the Kimberley Process may be a positive step forward in attempting to redress the serious humanitarian and security problems associated with conflict diamonds, and may have played a role in increasing export earnings for the Sierra Leone government, it has done little to address the poverty and desperate working conditions that small-scale miners must endure on a daily basis. There are an estimated one million artisanal miners in Africa that operate beyond the KPCS (DDI, 2005, p. 2). The Diamond Development Initiative, which has largely grown out of the Kimberley Process, brings together governments, NGOs and the diamond industry itself, and aims to promote a more developmental focus that centres on miners and mining communities. As Smillie (2006, p. xii) appropriately notes, ‘In the long run, better remuneration, better conditions and better alternatives are more likely to make a real difference in the artisanal mining sector than more rules, more antipathy and more peacekeeping’. The DACDF is one such initiative which is attempting to address these particular issues.

### Diamond Area Community Development Fund (DACDF)

Following the end of the conflict in Sierra Leone, the Cabinet held its 36th Meeting on December 20, 2001, and the establishment of the DACDF was formally approved. The fund has been widely heralded as providing a considerable incentive for both diamond miners and resource-rich chiefdoms to engage in legal diamond mining activities and revenue reporting, by returning a percentage of mining revenue to the producing chiefdoms. A portion of the government’s 3% diamond export tax (which amounts to 0.75% export duty) is now allocated to the fund for small-scale development in diamond communities, and donors are asked to match funding to the DACDF in order to further enhance social and infrastructure development (Temple, 2005). To date, the matching arrangement remains unclear, but according to the recent Diamond Industry Annual Review (Partnership Africa Canada and the Network Movement for Justice and Development, 2006), by the end of 2004, 54 chiefdoms with a combined total of 2313 licences had benefited from the fund. The first tranche was paid for the period January–June 2001, and disbursements have been made every 6 months since then. The fund is now approaching US$3 million, and some chiefdoms and councils have used the finances wisely for community infrastructure, education, health and vocational skills training centres (Temple, 2005).

Chiefdoms benefit in accordance with the number of mining licences issued and the value of gem-stones recovered from their territory. Funds disbursed are earmarked for community development projects and, according to the Ministry of Mineral Resources (2004), by December 2003, Sandor Chiefdom had been allocated Le 96,586,460 (c. £29,074) by the DACDF and Lower Bambara had received Le 112,363,124 (c. £33,833). As can be seen in Table 4, the annual DACDF allocation for

### Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Carats</th>
<th>Value (US$)</th>
<th>Duty, 3% (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>15,818.04</td>
<td>1,780,287.41</td>
<td>53,408.22</td>
</tr>
<tr>
<td>1999</td>
<td>9320.32</td>
<td>1,244,825.34</td>
<td>37,344.76</td>
</tr>
<tr>
<td>2000</td>
<td>77,372.39</td>
<td>10,066,920.81</td>
<td>302,007.62</td>
</tr>
<tr>
<td>2001</td>
<td>222,519.83</td>
<td>26,022,492.27</td>
<td>780,674.77</td>
</tr>
<tr>
<td>2002</td>
<td>341,859.23</td>
<td>41,732,130.29</td>
<td>1,251,964.71</td>
</tr>
<tr>
<td>2003</td>
<td>506,723.37</td>
<td>75,969,753.32</td>
<td>2,193,335.84</td>
</tr>
<tr>
<td>2004</td>
<td>499,242.43 (A)</td>
<td>89,618,053.54</td>
<td>2,688,541.60</td>
</tr>
<tr>
<td>2004*</td>
<td>58,030.54 (K)</td>
<td>11,172,434.79</td>
<td>335,173.04</td>
</tr>
<tr>
<td>2005</td>
<td>552,044 (A)</td>
<td>119,429,528</td>
<td>3,582,885.84</td>
</tr>
<tr>
<td>2005</td>
<td>116,665 (K)</td>
<td>22,510,716</td>
<td>675,321.48</td>
</tr>
<tr>
<td>2006*</td>
<td>209,762 (A)</td>
<td>45,535,966</td>
<td>1,366,078.98</td>
</tr>
<tr>
<td>2006*</td>
<td>30,631 (K)</td>
<td>6,984,425</td>
<td>209,532.75</td>
</tr>
</tbody>
</table>

*Figures from January to June 2004.

A = Alluvial; K = Kimberlite.

**Source:** Strasser-King (2004, p. 9) and GGDO (2006).

*Figures from January to September 2004.

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7Davies (2006, p. 178) explains that the combination of requirements to pay an exporter’s licence fee of US$30,000 per year, the export tax of 3%, and the additional payments which must be made through bribes, have all contributed to discouraging legal production.
2005 was significantly higher, with Sandor chiefdom receiving Le 525,131,768.89 (c. £158,073), and Lower Bambara receiving Le 303,296,375.06 (c. £91,297). Chiefdom administrators in Kayima report that the fund has financed the rehabilitation of the Native Administration (NA) police quarters and lock-up, and the community health centre. In Panguma, the fund has been used for the rehabilitation and extension of the community centre.

In addition to providing much-needed resources for social and economic development, the fund is (in theory) supposed to encourage chiefdoms to monitor mining more effectively and eradicate illegal activities, thereby enhancing the certification system. However, the disbursement of funds and the capacity of communities to monitor development projects have provoked a considerable amount of controversy among critics. In 2002, a series of ad hoc reports were produced by industry observers, which revealed that a number of chiefdoms were, in fact, not utilizing the fund in a competent manner; and in 2003 a coalition was set up to ensure that the fund was being used effectively; and in 2003 a coalition was set up to ensure that the fund was being used effectively.

Concerns continued to be raised by the Committee, and the disbursement of funds was actually suspended during 2004. One of the main concerns highlighted by the committee involved the apparent lack of transparency, community awareness and local participation in decision-making processes concerning the use of the fund. Although Chiefdom Development Committees (CDCs) have been put in place to supposedly ensure that project decision-making is carried out in a fair and accountable way, it is largely the case that the CDCs are often frequently composed entirely of rural elite such as Section Chiefs, which has stifled the concept of local ownership by alienating other stakeholders, such as women and youth (Temple, 2005).

While many chiefdoms have demonstrated the capacity to utilize the fund effectively, it is also apparent that many have not. A recent article by Jackson (2007) highlights the misuse of the fund, pointing out that, ‘there is no accountability mechanism for ensuring that this cash is used for development, and it is extremely common to hear that local people complain of the chief’s abuse of the system in pocketing this money’ (2007, p. 100). In comparing the two chiefdoms where fieldwork was undertaken for this study (Sandor and Lower Bambara), it is evident that there is a great deal of variability in how DACDF funds have been utilized. In a report by the USAID-funded Integrated Diamond Management Program (IDMP), for submission to the Government of Sierra Leone High Level Diamond Steering Committee, the accountability performance of Sandor chiefdom was found to be very poor. For example, according to the report, the chiefdom was allocated Le 198,673,372 in 2004, but at the time monitoring was undertaken, it was noted that Le 71,060,019 from the fund, but a grossly disproportionate

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**Table 4**

<table>
<thead>
<tr>
<th>DACDF: allocation of funds, 2005</th>
<th>Sandor Chiefdom</th>
<th>Sandor Chiefdom</th>
<th>Sandor Chiefdom yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of mining licences issued</td>
<td>455</td>
<td>451</td>
<td>–</td>
</tr>
<tr>
<td>Total amount due (Le)</td>
<td>254,103,085.90</td>
<td>271,028,682.99</td>
<td>–</td>
</tr>
<tr>
<td>Amount to District Council (Le)</td>
<td>50,820,617.18</td>
<td>54,205,736.60</td>
<td>–</td>
</tr>
<tr>
<td>Amount to Chiefdom (Le)</td>
<td>203,282,468.72</td>
<td>216,822,946.39</td>
<td>525,131,768.89</td>
</tr>
<tr>
<td>Lower Bambara Chiefdom</td>
<td>Lower Bambara Chiefdom</td>
<td>Lower Bambara Chiefdom yearly</td>
<td></td>
</tr>
<tr>
<td>Number of mining licences issued</td>
<td>218</td>
<td>211</td>
<td>–</td>
</tr>
<tr>
<td>Total amount due (Le)</td>
<td>176,495,816.06</td>
<td>126,800,559.00</td>
<td>–</td>
</tr>
<tr>
<td>Amount to District Council (Le)</td>
<td>35,299,163.21</td>
<td>25,360,111.80</td>
<td>–</td>
</tr>
<tr>
<td>Amount to Chiefdom (Le)</td>
<td>141,196,652.85</td>
<td>101,440,447.20</td>
<td>303,296,375.06</td>
</tr>
</tbody>
</table>


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8A recent report by MSI (2004, p. 5) reports that the DACDF Coalition—a union of representatives from the Ministry of Mineral Resources, Ministry of Local Government, national and international NGOs, the Anti-Corruption Commission and the Miners’ Union—is working with traditional leaders in diamondiferous chiefdoms to help chiefs improve their responsiveness to community interests and accountability for funds. The report notes, “Constant sensitization, reporting on mis-spending, and refusal by central government to accept mismanagement of DACDF funds, has resulted in a remarkable turnaround in fiscal responsibility. Whereas fully 60% of the first tranche of DACDF funds disappeared, by the most recent tranche almost 90% of all funds were accounted for—including recovery of some of those funds missing initially” (MSI, 2004, p. 4).

9Other observers have noted that in the post-war period, the relationship between the Native Administration and the ‘community’ at large is highly unequal, and has frequently resulted in the development of a rift between youths and chiefs in the countryside. Richards (2005) suggests that the war was largely a product of this division, and there continues to be considerable dissatisfaction among youths with the hierarchical political structures in the countryside.
amount of the disbursement was spent on the rehabilitation of the chiefdom’s native police barracks, a decision that was made solely at the discretion of the Regent Chief, since there was no Paramount Chief at the time. The report concluded that the issue of local governance in Sandor Chiefdom required urgent attention if the DACDF is to be utilized effectively in future.\(^\text{10}\)

In comparison, the report notes that although the use of DACDF funds is rather better in Lower Bambara Chiefdom, there was a slight decrease in accountability, performance and project quality between 2003 and 2004. It is suggested that this was because there was a desire to satisfy widespread community needs, which led to too many projects being initiated. In 2004, nine projects (one in each section of the chiefdom) were targeted and implemented in Lower Bambara, but many of these were small and ill-funded. The report notes that Lower Bambara received Le 167,342,890 from the fund in 2004, with 86.23% of the allocation effectively utilized for chiefdom projects.

Although the DACDF is a significant initiative, it has frequently been at the centre of controversy. While early disbursements were made directly to paramount chiefs, and many could not account for expenditure, much has changed in Sierra Leone since the DACDF was first approved in 2001. Most notably, the Local Government Act had not been enacted at the time the DACDF was proposed, and Local Councils, which are now also beneficiaries of the fund, have a role to play in the implementation of the fund. Although it could be argued that the evolving decentralization process should improve the management of the funds, it may also be the case that the re-introduction of Local Councils has created further conflict and confusion which could impact on the rational use of funds.

Conclusion

It would appear that a more effective use of diamond wealth could provide a useful basis upon which a country like Sierra Leone might re-build its economy and generate significant state revenue. The fact that diamonds have a much greater value than other mineral resources, with a comparatively stable price on the world market, and can be extracted with relative ease by largely unskilled local labour, might all be viewed as important assets for development. However, in many countries, it would seem that diamond wealth may in fact be a ‘double edged sword’, whereby the high value and ease of access have undermined the state’s ability to control resources through legitimate channels. In Sierra Leone, this has not only diminished the state’s revenue base and impaired its ability to build state capacity and deliver public services, but it has also fostered an informal ‘shadow economy’ which has undermined the formal economy (Reno, 1995). Despite its impressive mineral resource endowment, Sierra Leone remains among the world’s poorest and least developed countries (UNDP, 2006), and diamond mining continues to impact negatively on the quality of life and environment in communities where it is undertaken.

A recent study commissioned by the UK Department for International Development (DfID), which seeks to deepen the understanding of Sierra Leone’s political economy, and to highlight the principal drivers and impediments to pro-poor change, accurately summarizes the dilemma facing Sierra Leone: ‘Whether the diamond sector provides a strong or a rotten foundation upon which Sierra Leone can rebuild depends on the ability of the state to regulate the mining and trade of diamonds, to sustain the shift in production from the illicit to the formal sector, and to garner and fairly distribute revenue from the mining and sale of diamonds’ (Brown et al., 2006, p. 6).

In the context of the ‘resource curse’, Sierra Leone undoubtedly has a valuable, but eminently lootable resource, and some strategy must be formulated by which both national and local economies can benefit from a more effective and sustainable form of exploitation of this resource. The essence of such a strategy seems to be that it should ultimately be in the interests of local communities to operate both efficiently and transparently in mining and trading diamonds. But this will only occur if there is the incentive of a fair proportion of the benefits being actually returned to local people, and if both nationally and locally there is a popular sense of tangible gain from diamond mining. While the Alluvial Diamond Mining Scheme, introduced in the 1950s, was not without its problems, a similar controlled process of application and issuing of mining licences, together with effective policing of such a process, could well be a way forward. Although there is currently a licensing system in place under the Mines and Minerals Act of 1994, other elements will need to be put into place, notably policy mechanisms to control the buying, trading and smuggling of diamonds, which can ensure that appropriate financial awards are actually returned to local authorities where the diamonds were mined. Such a complex process might seem to be rather a tall order for a country which is emerging from a long period of conflict, is lacking financial and skilled human capacity, and where good governance and accountability are likely to take some considerable time to develop.

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\(^{10}\)Elsewhere, the World Bank has been highly critical of rule by the chiefs, noting that their re-instatement has been characterized by mismanagement of funds, abuse of power and an inability to deliver basic services. See World Bank (2003).
References


