

# Diamond Industry Annual Review

Democratic Republic  
of the  
Congo 2004

## 2003 Diamond Economy Turnaround Diamonds as an Engine of Development?

### Editorial Comment

In 2003, official diamond exports from the Democratic Republic of the Congo (DRC) totalled US\$642 million, a major increase over the previous year, and double almost any year over the past two decades. Some of the increase had to do with increased valuation, courtesy of a new independent valuator. In fact the dollar value of exports increased 62.5 per cent over the previous year, but the caratage increased only 17.4 per cent, from 23 to 27 million carats. The change is, nevertheless, remarkable, and suggests hope for a diamond industry – and a country – that has been plagued by theft, corruption, mismanagement and war.<sup>1</sup>

Despite being one of the largest global diamond producers, the DRC benefits little from its natural resources. UNDP's most recent Human Development Index places the DRC 167th on a list of 175 countries. Notably, Angola and Sierra Leone, two other major alluvial diamond producing countries, also rank near or at the bottom of the list. Artisanal production in the DRC accounts for most of the country's diamond exports, but this sector generates minimal benefits for the state treasury because tax is levied only on those exporting diamonds officially – through legal channels. This 4.25 per cent export tax generated only US\$27 million in 2003, a relatively insignificant contribution to national development. If export taxes were raised, however, history has demonstrated that smuggling would simply increase, negatively affecting tax revenue and the import of foreign currency.

Industrial mining in countries such as Botswana, Namibia and South Africa increases production, enables the levying of corporate taxes, and ensures reinvestment in future productive capacity. But the industrial diamond mining sector in the DRC, represented by *La Société Minière de Bakwanga* (MIBA), has been plagued by debt and mismanagement, with official production well below capacity. A relatively new entry, Sengamines, has increased industrial production, but the company has been the subject of considerable media speculation and mention in United Nations Expert Panel Reports on the Illegal

Exploitation of Natural Resources from DRC. The semi-industrial sector has also been plagued by uncertainty due to heavy-handed government measures in the 1990s, usually corruption disguised as reform.

The predominantly artisanal nature of diamond production in the DRC and the theft of diamonds from MIBA mean that a far lower volume of diamonds has been officially exported than the country's estimated annual production. This is due to smuggling and other forms of fraud, which range from simple to highly complex methods. Theft of the DRC's diamonds is detrimental to the state and populace and is a form of plunder, whether conducted by miners, middlemen, government strongmen or foreign entrepreneurs.

The diamond economy, encompassing artisanal mining and licensed commerce, is almost impossible to disassociate from illicit trading. During the 1980s and 1990s, the distinction between legal and illegal became practically irrelevant in the Congo's parallel economy. Illegal diamond mining and smuggling were – and remain – especially important to those who do not have access to benefits from the formal sector. The informal diamond economy also provides a supplemental income to government officials who have marginal state salaries, but who can use their positions to tax illegal activity. Similarly, licensed comptoirs may declare some of their diamonds for official export, but may also smuggle higher quality diamonds out of the country. Smuggling and incorrect valuation for purposes of tax evasion have not changed much since the



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imposition of the Kimberley Process, as evidenced by Belgian Federal Police raids in September 2003 on the offices of 28 Belgian companies receiving Congolese diamonds.

The looting of diamonds from the DRC – and the contribution of this phenomenon to bad governance and war – has rarely been addressed in a comprehensive manner, due to secrecy in the diamond trade, high-level corruption and an inability to fully define and quantify the scale of the problem. Genuine attempts to identify those responsible for the massive levels of fraud have rarely, if ever, been undertaken. The multitude of smuggling routes and the broad range of mechanisms used to defraud the Congolese state have hindered accurate quantification of the illicit diamond economy emanating from the DRC. The failure to fully comprehend the illegal diamond trade stems from an inability to account accurately for the legal diamond trade, which itself presents considerable difficulties for research.

This *Review* demonstrates some of problems in tracking simple things like the ownership of diamond firms operating in the DRC. When a corporate ownership trail leads from the DRC to Montreal, Panama and then to Israel, and when even simple questions about a company are regarded with suspicion and silence, larger questions arise. There is today a greater demand for corporate and governmental transparency, especially in the diamond trade, and especially in countries where diamonds are mined, traded and polished. Fortunately, there are new tools to ensure that the demand is met. These include the Internet and search

engines like Google, which deals with 200 million queries a day and tracks more than three billion web pages. The Financial Action Task Force and the US Patriot Act will require greater transparency in all international industries. And where diamonds are concerned, the Kimberley Process, civil society activists and growing academic interest will add to the industry's transparency.

This *Annual Review*, is the first in a planned series. Future editions will examine the investment climate in the DRC, and issues related to labour and the environment. The Annual Review aims to shed light on the diamond industry in the DRC and to support the positive changes that have taken place in 2003. Our commitment is not to greater transparency for its own sake, but to a better understanding of how this important industry in an important

country can help the government and the Congolese people on the road to recovery and longer-term, sustainable development.

## Overview of the Congolese Diamond Economy

Diamonds in the DRC are much lower in quality than those produced in other countries that rely on artisanal labour. In Angola and Sierra Leone, alluvial production can exceed US\$200 per carat, while exports from the DRC averaged US\$27 per carat in 2003 and only US\$19 in 2002. The DRC officially exported over 27 million carats in 2003, valued at US\$642 million, compared with under 22 million carats in 2002 valued at US\$392 million (see Table 1).

The government issued 1,526 Kimberley certificates in 2003, and diamonds were exported to fourteen countries, with 99 per cent by value going to Belgium, the United Arab Emirates, Great Britain and Israel.

Total production – combining official and illicit exports – was believed until recently to be somewhere between US\$600 and \$900 million per annum, but this figure has always been difficult to determine with precision because of diamond smuggling between Angola, the DRC and the Republic of Congo (Brazzaville), as well as smuggling in north-eastern DRC through Central African Republic, Rwanda and Uganda. Estimates of total production have shifted upward now that there is a greater understanding of the country's official diamond trade, and with exports in 2003 reaching the new high of \$642 million. The 2003 figure was based largely

## The Peace Process: Intermission or Transition?

At the beginning of 2004, there was considerable optimism surrounding the Congolese peace process. The United Nations Organization Mission in the DRC (MONUC) – created in November 1999 – was hopeful that general elections could be held in 2005, pending the implementation of appropriate laws. In July 2003, four vice presidents were sworn in, effectively signaling the inauguration of the Government of National Unity and Transition, and the implementation of protocols set out in the July 1999 Lusaka Ceasefire Agreement. These vice-presidents, two of them former rebel leaders, one a member of the political opposition and one aligned with President Kabila, represent the largest parties to the peace process. All government ministries were also divided amongst the factions, with 36 ministers and 25 deputy ministers assigned positions. This has given peace a foothold in the DRC, enabling the commencement of demilitarization in former rebel territory and the restructuring and integration of the country's armed forces in accordance with the Global and All Inclusive Agreement of December 2002. The current political developments represent significant progress after five years of war that claimed the lives – directly and indirectly – of several million civilians, and which saw the constant postponement and derailment of peace talks. The question now is whether this peace will be lasting or just an intermission in Africa's bloodiest war.

There are some signs that the expansion of central government control over former rebel territory is less successful than anticipated. For example, a contingent of the new national military deployed to Kisangani was ambushed early in 2004. Incidents like this may be just isolated problems, but there continue to be worrying signs that portions of the north-

east diamond zones have remained largely under the control of militias orchestrating ethnic violence. Ituri District in Orientale Province, neighbouring the primary diamond mining district of Bafwasende, was the scene of several massacres in 2003, especially around the town of Bunia. This led to the deployment of a French-led Interim Emergency Multinational Force in mid 2003, replaced by MONUC troops in September. MONUC's troop strength at the beginning of 2004 was 10,500, and it had a budget through June 2004 of \$608 million. Despite this, several militias continue to prey upon civilian communities, destabilizing the district, despite a UN arms embargo covering all groups in the Kivu Provinces and Ituri District.

A further problem has arisen with the incorporation of the militias into the national peace plan – once the militia leaders are in Kinshasa they seemingly lose control over their soldiers, who form competing or complementary militia factions that pursue their own political and economic objectives. One of these objectives continues to be control over natural resources, especially gold fields in Ituri, but doubtless including the diamonds that pass through the war zone to middlemen in Uganda.

It must also be remembered that Rwanda and Uganda invaded the DRC in 1998, igniting the war because of security concerns along their shared borders with the DRC. Until there is genuine

peace in these regions, the longer-term stability of the entire country cannot be assured. One step in that direction is the organization of an ongoing international "conference" on the Great Lakes Region as part of a process to forge new political, economic and social partnerships in the region. The Conference covers four major themes: peace and security; democracy and good governance; development and economic integration; and social and humanitarian issues. The process will involve numerous initiatives, projects and agreements, aimed at reducing isolation and connecting each country to a solid regional community. The first summit of the heads of state of countries of the Great Lakes region is scheduled for November 2004.



Table 1: Comparison of Production by the Artisanal Sector and MIBA

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Comptoirs Carats	16.3	15.4	15.2	19.2	15.3	11.3	10.7	16.4	19.1
Comptoirs US\$	314	313	308	357	192	162	201	317	524
MIBA US\$	63	76	78	94	97	76	69	72	102
MIBA Carats	5.5	6.5	6.1	6.8	4.8	4.6	6.2	5.4	6.9

(Sengamines not included; Volume and Value in millions of carats and US\$)

on a 62.5 per cent increase in the *value* of exports, while the carat *volume* increased by only 17.4 per cent. Extrapolating from these figures, full export potential at today's level of production could be somewhere between \$700 million and \$1.1 billion. Separating illicit Angolan diamonds from the DRC's domestic diamond economy, however, is nearly impossible, as is determining the proportion of DRC and Angolan diamonds passing through Brazzaville.

Approximately 90 per cent of the DRC's current diamond production is derived from the Kasai provinces that border Angola. Tshikapa and Mbuji-Mayi are the most important diamond mining and trading zones, although a significant volume of diamonds also pass through towns such as Kananga, Lusambo and Lodja, as well as Kahemba and Tembo along the Angolan border. Other diamond deposits in Orientale Province were discovered in the late 1980s, after which Kisangani became a regional diamond trading centre. There are also alluvial mines in Equateur Province. More potential diamond reserves, including kimberlite pipes in north-eastern DRC remain largely unexplored.

The Congolese diamond trade is categorized by three different methods of production: artisanal, semi-industrial (small scale) and industrial. A large proportion of the country's production – licit and illicit – can be attributed to artisanal mines, making an accurate accounting of total rough diamond production and smuggling virtually impossible. Artisanal production is generally estimated by the official declarations of licensed export companies, or *comptoirs*, which also purchase from the semi-industrial sector. Official exports by the *comptoirs* and MIBA, including Sengamines in recent years, have fluctuated between US\$225 million and US\$642 million, of which about 75 per cent is usually attributed to the artisanal sector and 25 per cent to industrial and kimberlite mining. The *comptoirs*, of which there were eleven in 2003, are the only companies that can legally export diamonds produced in the artisanal and

semi-industrial sectors. The *comptoirs* buy their diamonds from middlemen known as *négociants*, who source their diamonds from smaller middlemen or directly from diggers. The *Centre d'Evaluation, d'Expertise et de Certification* (CEEC), the government body tasked with valuing Congolese diamond exports and implementing the Kimberley Process Certification Scheme, estimates that there are approximately 700,000 artisanal diggers and 100,000 traders in the DRC. Accurate numbers in this sector are impossible to ascertain, however, because almost all diggers and middlemen operate without licenses, and there are more than a hundred thousand Congolese diamond miners operating illegally in Angola at any given time. Early in 2004 the Angolan government expelled several thousand of them.

The uncontrolled nature of the Congolese diamond trade is a historical phenomenon, based on survival tactics in the informal economy after the formal sector collapsed during the Mobutu regime. Predation by government strongmen over four decades meant that diamond miners and traders operated in a clandestine manner, simply avoiding official channels. As government behaviour became more despotic, the diamond trade retreated into a shadow economy. The artisanal diamond sector therefore developed into a massive and largely illicit enterprise as the Congolese state disappeared. Mistrust by diamond miners and traders of all government officials is explained by decades of manipulation and racketeering, which did not end with the fall of the Mobutu regime in 1997. Government efforts to control the sector today are thus undercut or circumvented by diamond traders who have learned how to smuggle diamonds with ease.

This uncontrolled system was facilitated by the lack of international controls over the wider international diamond industry. For years, the DRC's main diamond trading partner, Belgium, imported a far higher volume of diamonds than was officially exported from Kinshasa, and did

## Who's in Charge Here?

A squabble between *Centre d'Evaluation d'expertise et de Certification* (CEEC), an autonomous organization established by Presidential Decree, and the Ministry of Mines has led to an awkward situation in Tshikapa. In October 2003, the ministry moved to assert an element of control over *comptoir* in the area, adding a new set of administrative burdens. Diamond dealers responded in the traditional way by simply selling their diamonds elsewhere. *Comptoir* purchases in Tshikapa dropped from almost US\$7 million a month in September and October, to US\$3 million in December. It is possible that the diamonds were simply sold to *comptoirs* elsewhere in the country, but there may have been a rise in smuggling. Whatever the result, if the tension over authority continues, it could have a serious negative effect on the country's overall diamond economy.

the same from the neighbouring Republic of Congo (Brazzaville), a country with no serious domestic production of its own. With the implementation of the Kimberley Process beginning in January 2003, some of this illicit activity has become more difficult, or at least the system of laundering illicit diamonds into the official international diamond market has become less straightforward. Although the Kimberley Process is not without its problems (see article on pg.10), it should enable the Congolese authorities to implement more effective control mechanisms over internal trade. In addition, major diamond trading centres can no longer accept diamonds without a Kimberley certificate.

## The Industrial Diamond Mining Sector

The industrial diamond mining sector is comprised of only two companies, the mining parastatal, *Société Minière de Bakwanga* (MIBA), and a more recent arrival, Sengamines. Historically, MIBA has been the DRC's only industrial producer, with annual production over the past six years averaging US\$85 million, or 24 per cent of the country's official exports by value. Sengamines, which commenced production in mid-2001, exported just US\$5 million up to the end of 2002, but over US\$16 million in 2003, with further increases planned





for 2004. Both MIBA and Sengamines produce low quality kimberlite diamonds averaging about US\$15 per carat, so while together they accounted for 18 per cent of DRC diamond exports by value in 2003, they exported 30 per cent by volume.

An issue of interest in the industrial sector during 2003 concerned MIBA's marketing contract with a Canadian company, Emaxon Finance International, raising questions about transparency in the overall DRC diamond sector. Sengamines is of secondary importance, but the company also made headlines with massive increases in its production capacity, accounting for four per cent of official DRC diamond exports by volume, and a significant increase in the per carat value of diamonds it exported in 2003.

### MIBA's New Deal

MIBA's annual production grew in 2003 to 6.8 million carats valued at US\$102 million. This was an increase of 27 per cent by volume and 42 per cent by value over 2002. The average per carat value of MIBA diamonds reached US\$14.90 in 2003, compared with US\$13.28 in

2002. Despite the increased output and the higher value of exports, MIBA is plagued by many long-standing problems. It is unclear what proportion of the company's net profits are returned by government for reinvestment in either the mine the workforce, or in the infrastructure of Mbuji-Mayi. Allegations of theft by company employees and management during the mining and sorting processes have persisted, especially following the expulsion in 2003 of the chief of Overseas Security Services, a company used by MIBA on the recommendation of its creditors. Problems also remain between MIBA and its creditors concerning the parastatal's heavy debts. And in 2002, Amnesty International issued a damaging report claiming that company security guards were shooting illicit diamond diggers operating on MIBA concessions.

In 2003, MIBA signed a four-year exclusive marketing agreement with the Canadian company Emaxon Finance International, effective from August. Previously, MIBA sent its diamonds to S Langer Diamant in Antwerp for sale to three Belgian companies – Diarough, Spidiam and Supergems. Now MIBA receives finance from Emaxon and markets its diamonds through a company nominated by this Montreal-based entity.

The once confidential Emaxon contract created considerable speculation in the DRC and Belgium when details were eventually revealed to the public. The deal had been signed in April 2003 – prior to the creation of the Government of National Unity – but only came to the attention of Congolese newspapers

and international journalists in August, when the first parcel of MIBA diamonds was exported under the new agreement. The diamonds were exported from Kinshasa with a Kimberley Certificate signed by the Vice-Minister of Mines Jean-Louis Nkulu Kituka. The Vice-Minister, close to President Kabila's inner circle which reportedly favoured the new MIBA contract, had been Minister of Mines when the Emaxon-MIBA deal was signed in April. The new Minister of Mines, Eugène Diomi Ndongala, who is from the political opposition and reportedly did not support the deal, declared that the MIBA diamonds had been exported in violation of the Kimberley Process because he was the only rightful signatory of Kimberley Certificates. A political row followed in Kinshasa, with the Vice-Minister backing the Emaxon-MIBA contract and the Minister calling for a review, amidst charges that the government was actually offered a better deal by other companies. It remains to be seen whether the arrangement will be altered. Naturally, this in-fighting created problems for the smooth running of the new Government of National Unity, especially in a ministry as important as Mines.

Following disclosure of MIBA's new marketing arrangement, the Antwerp-based NGO, International Peace Information Service (IPIS), published details of the interests behind Emaxon Finance International. The company's main shareholder is a Panamanian company, F.T.S. Worldwide Corporation, which uses as its address a law office in Panama City. When contacted, this firm refused to provide any

## Sengamines' Exports on the Rise

A newcomer to the Congolese diamond world is a company called Sengamines, which is controlled by Oryx Natural Resources (ONR). ONR is part of the Oman-based Oryx Group, a private mining company incorporated in the Cayman Islands. The Chairman is Dr. Issa Al Kawari, who replaced Thamer Al Shanfari in December 2002. Geoffrey White is Vice Chairman. ONR owns 80 per cent of Sengamines, with Geoffrey White serving as Chairman. The remaining 20 per cent of Sengamines is owned by MIBA. ONR has been criticized in the international media and by the UN Panel of Experts on the Illegal Exploitation of Natural Resources from the DRC for alleged links to Zimbabwean strongmen and their plans for financing Zimbabwe's military deployment in the DRC. Oryx has refuted these

allegations. It also received an apology from the BBC for its coverage of some of these issues. In 2000, Oryx was refused a London stock market listing.

Sengamines is completing the final phase of its three-year development plan. It produced around US\$5.5 million in rough diamonds in 2001 and 2002 combined, but exported over US\$16 million in 2003. Diamonds exported by Sengamines have also increased in value to an average of US\$14.86 per carat in 2003, compared with the extremely low average of US\$7.98 in 2002 and US\$12.20 in 2001. Primary and secondary crushing operations are now being installed in the plant, which will enable Sengamines to process 550 tonnes of earth per hour. Production was forecast at 250,000 carats per month in the early part of 2004, rising to 350,000-400,000 carats per month as the plant settles into full production and maximum operating efficiency.

information on F.T.S. Worldwide. The bizarre paper trail creates obvious concern about a company that had been awarded exclusive buying rights for 20 per cent of the DRC's official diamond exports for the next four years.

New information about Emaxon emerged following the IPIS publication. According to the Quebec trade register, Dan Gertler and his company, Dan Gertler Diamonds, run Emaxon. The new information was noted in a press release that named Emaxon as a member of the DGI (Dan Gertler International) Group of companies.<sup>2</sup> Dan Gertler runs a *comptoir* in the DRC, IDI-Congo, and had a diamond export monopoly in the country through International Diamond Industries from September 2000 – April 2001.

What is interesting about the revelations is that Gertler, whose monopoly operations in 2000 and 2001 pushed the purchase price of diamonds down in the DRC – followed by a sudden and massive upsurge of exports from the neighbouring Republic of Congo – should have gone to such lengths to disguise his connection with MIBA in 2003.

As it stands the Emaxon-MIBA deal seems straightforward, although for a time it was the subject of considerable press speculation in Kinshasa. It gives Emaxon the right to purchase 88 per cent of MIBA's diamonds until July 2007 – at a discount of five per cent in return for the offtake obligation – in exchange for US\$15 million in finance for MIBA's operations. According to DGI, US\$10 million will be used by MIBA to acquire vital capital equipment, with the additional US\$5 million loan from Emaxon used for MIBA's working capital requirements.

The remaining 12 per cent of MIBA diamonds are to be sold at tender via I. Hennig, a London-based diamond broking firm, in order to verify international prices for the diamonds.

## The Artisanal Sector: A Casino Economy

The DRC has a larger artisanal diamond mining sector than any other country, and it is this sector that has come to define the anarchy of diamond production and trading. The sector is comprised of hundreds of thousands of individual miners – the government estimates over 700,000 – who work in loose bands manually exploiting alluvial diamond reserves, primarily in the Kasai Occidental and Kasai Orientale provinces in southern DRC. The actual number of miners is impossible to calculate due to the highly informal nature of their activity and the miners' historical reluctance to comply with government authorities. Technically all miners must have licenses but fewer than ten percent are registered with the government. As a result, state control over the artisanal sector rarely extends beyond supervision of the licensed exporters, or *comptoirs*.

The miners (*creuseurs*) can be sponsored by individual financiers who then buy their production for resale to exporters. Or the miners can operate more autonomously, selling their diamonds to middlemen (*négociants*), or even directly to agents of the *comptoirs*. The funnelling of diamonds from thousands of small artisanal mines, scattered over an extensive area, to a handful of licensed exporters based in the

DRC's primary cities creates a vast pyramidal system. The keys to this system are the middlemen who are believed by government to number about 100,000. They visit alluvial mines and amass parcels of diamonds over the course of days or weeks, which are then sold in central locations to larger *négociants* or directly to *comptoirs*. Technically the middlemen are separated into tiers depending on the scale of their activity, but this legal distinction is irrelevant in the absence of effective government licensing.

The fundamental principle in this system is profit: diamonds move to places where prices are highest. Smuggling occurs when the benefit of bypassing official channels outweighs the cost, such as arrest by government authorities. Export duties in Kinshasa are passed down to the middlemen who then logically seek other markets, such as Brazzaville, where lower export duties effectively increase the prices offered by *comptoirs* in that country. To make matters worse, stringent government regulations on diamonds and currency in 1999 and 2000, including the banning of all foreign currency transactions and the imposition of a diamond export monopoly to replace the *comptoirs*, led to significant declines in official exports and a corresponding increase in smuggling. Other reasons for smuggling included the negative consequences of conflict in north and eastern DRC from 1998-2003.

Total production in the artisanal sector is unknown, and it can only be estimated by combining official *comptoir* exports with assumptions about fraud, not just diamonds smuggled out, but those smuggled into the country. There is no official estimate, for example, of the volume of illicit Angolan diamonds smuggled into the DRC, but these have made a significant contribution to the DRC diamond economy since the early 1990s.

In 2002, the Government of the DRC reported that 40 per cent of Sengamines exports was going to a Belgian company, Nader Sons, which could not be located on the Belgian commercial register. Since then, Sengamines exports have gone to a number of other Belgian companies, including AP Diamonds, in which Geoffrey White has a major interest.

The growth of Sengamines in the industrial sector has had an impact on the ground, some of it controversial. According to White, however, the company has developed over 300 kilometres of new roads and bridges on its concession, which has boosted the local economy. Sengamines has created 1,200 new jobs, with the average wage for Congolese employees at US\$330 per month, plus one 50 kilogram bag of maize. Besides the needs of its direct employees, Sengamines has developed two schools, maintains a clinic and has developed a farming cooperative. White also notes that Sengamines provides a broad community-based economic stimulus by spending US\$350,000 per month through local suppliers. Sengamines' critics will undoubtedly follow these social development activities with interest in the months ahead.

## The Semi-Industrial Sector

The semi-industrial sector is comprised of licensed mining companies that exploit alluvial reserves using some degree of mechanised production, such as barges, dredges and earth moving equipment. Government documentation notes that there were thirty-four companies in 2000, twenty-five in 2001 and nineteen in this sector during 2003, but their actual status and

activity cannot be determined with any accuracy. The semi-industrial mines are required to sell their diamonds to *comptoirs*, and government data for 2000 and 2001 show that these companies produced only US\$2 million for both years combined. Official statistics are misleading, however, primarily because some companies may be involved in smuggling to obtain higher prices outside the DRC. Most of the mines are run by foreign nationals in association with politically connected Congolese individuals. Companies that have attempted to abide by the law complain that they have been subjected to heavy-handed government regulations which range from high taxation regimes – which required mining companies to split their profits with the government in 2001 – to illegal expropriation of materials.

The semi-industrial mining sector has been problematic for years. During the Mobutu era, these mines were run mainly by his family members and cronies, especially when his regime began to falter in the 1990s. The arrival of Laurent Desiré Kabila in 1997 did not dramatically alter the political nature of this sector. Many concessions were redistributed, often to friends of the new government, including its one-time allies, Rwanda and Uganda. When Rwanda and Uganda spearheaded an invasion and the second Congo war erupted in mid 1998, some of the semi-industrial diamond concessions were redistributed. In this context, the

government implemented an inter-ministerial decree in November 1999 creating CISSCAM (*Comité Interministériel du Small Scale Mining*) to control diamond concessions around Tshikapa. The decree seemed to symbolize government efforts at cleaning up the semi-industrial sector. The reforms in reality legitimized predatory behaviour, enabling the government to seize equipment from mines it arbitrarily deemed 'unproductive'. Tshikapa itself was divided into north and south sections under the leadership of Kinshasa-based strongmen, and a government-sponsored mining brigade expropriated equipment, attempting to exploit its own mines. When the seized equipment broke down, the government sought to negotiate with the companies that it had forcibly removed. CISSCAM initially required each company to form a partnership with the state, splitting the profits 60/40 in favour of government – with the government's share divided between the state and a committee created during Laurent Kabila's regime. This was later renegotiated to an equal split between the state and the company. This method of taxation left many ventures operating at a loss.

## The Exporters

Licensed exporters – the *comptoirs* – officially purchase all diamonds mined by the artisanal and semi-industrial sectors. Production data

for the artisanal sector can only be determined by the official *comptoir* export statistics collected by the *Centre d'Evaluation, d'Expertise et de Certification* (CEEC), added to estimates of smuggling and fraud. When the *comptoirs* are involved in fraud and other forms of illicit activity, the state essentially loses control over the entire sector because it has no way itself to influence the behaviour of the miners and middlemen. A primary concern has been smuggling, and the government is only just beginning to adequately address this issue. Diamond smuggling has been endemic in the DRC for decades, and since the liberalisation of the trade in the 1980s, government attempts to control it have never been effective.

Several factors, however, have helped to increase the value of diamonds exported officially from the DRC over the past few years: market liberalization, increasing professionalism of the CEEC, a 2002 accord between Belgium and the DRC concerning the rough diamond trade, implementation of the Kimberley Process Certification Scheme and the commencement of an external valuation service. This has meant that *comptoir* exports have risen dramatically compared with previous years.

The increased value of exports in 2002 and especially 2003 has much to do with a reversal of strict government regulations that had forced the legal trade into a sharp decline



## The Workforce: Get Rich Quick – Or Never

There is no "normal" method by which diamonds move from artisanal mines to the *comptoirs*. If middlemen are involved in a certain transaction, they profit from the trade and reduce profits for the *comptoirs* and miners. Miners, middlemen and *comptoirs* all complain regularly that they are being cheated and are barely able to survive on what they make (a refrain that is heard, incidentally, throughout the entire diamond industry). This grievance is most believable among diggers, who have the least enviable position in the diamond chain. Estimating the distribution of profits along the chain is impossible because the relationship between diggers, the financier and traditional land-owners is not a static formula, and depends upon numerous criteria, from the topography of the mine fields to individual arrangements between the concerned parties.

With an estimated 700,000 diggers in the sector – almost one in forty Congolese – questions arise about the economics of artisanal mining. Official exports from the artisanal diamond sector were valued at US\$520 million in 2003. Smuggling may account for another US\$200-250 million, putting total artisanal production at around US\$750 million annually. This would mean that each digger on average produces around \$1,000 in diamonds each year. If the digger gets 20 per cent of the export price, this would mean an average income of about \$200 each per annum. This is not much, but for seasonal work in some parts of the DRC, it may be – in fact obviously is – an alternative to the next best income generating opportunity available to those who dig. Naturally, different estimates of the workforce would change the average production per individual. Besides the tangible rewards, artisanal mining is often compared with a lottery in which a fortune can be made instantly – there is no shortage of such stories, which may keep miners dreaming of unimaginable wealth, despite its elusiveness in reality.



## SAESSCAM: Something New?

SAESSCAM, established by presidential decree in March 2003, stands for *Service d'Assistance et d'Encadrement du Small Scale Mining*. It is an autonomous government body which aims to support the artisanal mining sector. Its mandate is to:

- Encourage the organization of artisanal miners into mining cooperatives and thus promote the emergence of a middle class in the mining industry;
- Disseminate information on safety standards at mining sites and ensure their application;
- Provide training, technical and financial assistance to mining cooperatives and to small-scale mine workers;
- Follow the flow of diamonds and other minerals from the digging site to the point of sale with the objective of channelling all production into the formal sector and commercial markets;
- Collect the appropriate taxes owed to the state;
- Contribute to, and participate in the creation of a credit fund for mining, and to its management for small and medium mining enterprises.

SAESSCAM is also undertaking a census of all artisanal and small-scale miners in its pilot areas (presently Tshikapa, Mbuji-Mayi and Lubumbashi), ensuring that they are registered and are issued licences. Expansion to other provinces is planned over the next three years. SAESSCAM claims to be the only government service in the DRC capable of tracing artisanal and small-scale mining production, in particular when it comes to diamonds. It could thus play an important role in the implementation of the Kimberley Process.

So far, SAESSCAM has organized a few training sessions on safety standards and procedures for artisanal and small-scale miners and has provided them with new tools (motorized pumps, pickaxes, shovels). For small enterprises, it has provided training in management and cash flow, information on sources for importing machinery and parts, and administrative facilities for expatriate personnel. SAESSCAM has inadvertently become the mediator in conflicts between MIBA and miners illegally operating on their concessions.

Most of SAESSCAM's resources to date have been invested in community infrastructure rather than directly in miners: the rehabilitation of a hospital in Tshikapa, a clinic in Kalonda, the building of schools, some anti-erosion work on river banks and assistance to women miners and children. SAESSCAM is a promising initiative which could be a model for other countries if it is successful. At the moment, however, it struggles for funding, as its income is based on a percentage of fees paid by artisanal and small-scale license holders.

starting in 1999. President Laurent Kabila instituted diamond sector reforms which, although possibly well intentioned, proved to be a disaster for the official trade. These included the banning of foreigners from the diamond areas, cancellation of all export licenses, and the banning of transactions in foreign currency – most notably the sale of diamonds for US dollars – with foreigners ordered to deposit foreign exchange in banks in return for an equivalent sum in the unstable Congolese franc. This resulted in official comptoir exports plummeting by over 50 per cent between January and July 2000. The falling exports then created a financial problem for the state, not long after the second DRC war erupted.

The diamond sector generates most of the foreign exchange held by commercial banks in the DRC, which in turn stabilizes the Congolese franc and in so doing serves to control inflation. When the government reforms forced the diamond trade into illicit channels, the central bank was quickly starved of foreign currency. This led to depreciation of the Congolese franc and increased inflation, and a major disparity between the official and black market exchange rates. The government refused to devalue the franc and instead focused on stricter measures for foreign exchange bureaux. A dire financial situation was aggravated when, starved of revenue, the government began printing money to pay

for its war effort. The money supply increased, further depreciating the Congolese franc, leading the Laurent Kabila regime to implement even more draconian measures against those it deemed to be economic saboteurs. The Central Bank instituted new foreign currency regulations in September 1999. All exchange bureaux not operating through commercial banks were forced to close, followed by the banning of foreign exchange accounts in commercial banks, hurting importers and diamond dealers alike.

These efforts to regulate foreign currency transactions increased the attractiveness of "Hawala" and other informal transfers. The official import of foreign currency to finance diamond purchases became too costly, pushing certain entrepreneurs to expand into other sectors of the informal economy. The Lebanese in Kinshasa, for example, are particularly adept in this because of extended family networks that operate in several economic sectors. Many import commodities or foodstuffs. The cash generated by these businesses is used to buy diamonds, which are then exported and sold abroad, financing the purchase of further imports. This can become a means of laundering money, or it can foster smuggling if the diamonds are bought with local currency or undeclared hard currency. There is no way to export diamonds officially if the cash with which they are purchased has not been obtained through



an officially sanctioned body. There are many indications that this problem remains, as witnessed by the May 2003 Belgian police raid on an Antwerp company, Soafrimex. The company, run by the Tajideen family, was accused of money laundering, and at the time of writing the case was still under investigation with a court case pending. Soafrimex and the Tajideen family are connected to one of the DRC's largest commodity importers, Congo-Futur.

Joseph Kabila, who became President following the assassination of his father, liberalized the country's economy, including the diamond and currency sectors. Diamond trading in US dollars was legalized, as was the use of foreign exchange in export transactions and banking transfers. A monopoly, granted to IDI (see pg. 5) was effectively annulled in April 2001 with the announcement that several new

export licenses would be awarded. The government imposed a new tax regime on the *comptoirs*, applying strict performance criteria, something it had not done previously.

Of the eleven active *comptoirs* in 2003 only four exported more than US \$50 million, and the top three – Millennium, Ashley and Primogem – accounted for almost 70 per cent of all artisanal sector exports, in both volume and value.

These three *comptoirs* have out-performed their competition for a variety of reasons. Millennium and Primogem represent the interests of many Belgian companies, unlike one-company *comptoirs* such as IDI Congo and Tofen. Both *comptoirs* are linked to Belgian companies run by members of the Lebanese Ahmad family.<sup>3</sup> Forty-four percent of all licensed buyers worked for these two *comptoirs* in 2003, and they were responsible for 46 percent of all artisanal sector exports by value and 56 per cent by volume.

Some *comptoirs* have been accused of pooling, or hiring out space on their buying licenses, because there is a limited number of licenses and they cost US\$250,000 each. As a result, some *comptoirs* represent an amalgamation of many foreign business interests. This approach means that a Belgian company wanting to participate modestly in the Congolese diamond economy does not need to pay a high price for its own export license or negotiate directly with the Congolese government. This, however, is against Congolese law. The government restricted the number of export licenses in order to increase its ability to control the *comptoirs*, especially in regard to illicit diamond

Table 3: *Comptoir* Ranking in 2003 by US\$ Exports

	2002		2003	
	US\$ million	Carats thousand	US\$ million	Carats thousand (rank)
Millennium	44.4	3,321	131.6	5,553 (1)
Ashley	55.5	2,784	117.2	2,572 (4)
Primogem	104.0	4,912	111.9	5,057 (2)
Tofen	58.9	1,481	53.5	603 (5)
Kasai wa Bal.	5.8	2,053	40.0	4,440 (3)
Margaux	NA	NA	28.6	482 (6)
IDI Congo	39.2	992	25.6	275 (7)
Sezo	NA	NA	12.3	99 (8)
Socico	0.3	8	1.7	36 (9)
Min-Trad	NA	NA	1.4	20 (10)
Fitos Congo	NA	NA	0.07	0.6 (11)

Note: Six *comptoirs* that were active in 2002 but not in 2003 have been excluded from this list. These are Mazal Gem, Minerals Business Company, Intradia, Empire, Top International and Grand Congo. The value of their exports equalled US\$10 million in total and most were only active for part of 2002.

trading and smuggling. Many of the 1999 diamond and currency regulations were aimed at curtailing illicit *comptoir* activity. A logical solution once these reforms failed was to limit the number of licenses. Having certain *comptoirs* representing an amalgamation of foreign interests thus undermines the government's objective.

## Central Africa: A Bad Neighbourhood for Diamonds

Where diamonds are concerned, the DRC is located in a bad neighbourhood. Most of the country's nine neighbours deal in Congolese

diamonds. Historically, diamond smuggling has been problematic since before the liberalization of the diamond sector in 1982, and it reached epidemic proportions during the country's recent wars. This was exemplified by the systematic looting of natural resources by the Rwandan and Ugandan armies and their Congolese rebel proxies. Adverse economic policies in 1999 and 2000 further reduced the legal diamond trade and increased smuggling. And regional powers such as Namibia and Zimbabwe exported DRC diamonds in conjunction with their military support for Kinshasa.

The region is the largest global source of alluvial diamond production, mined primarily by artisanal diggers who may number as many as one and a half million in Angola, DRC and Central African Republic combined. Artisanal miners and the middlemen they sell to have little regard for national borders, meaning that diamonds from one country show up frequently in the national statistics of another. This massive illicit trade, tolerated by Central African governments and exploited by the international diamond industry, is exemplified by the Angola-DRC-Republic of Congo (Brazzaville) diamond trading axis. Historically, millions of dollars in Angolan diamonds have been smuggled to the DRC and the Republic of Congo every year, and there is so far no indication that this has changed. Smuggling from Angola was particularly acute when the UNITA rebels

Table 2: Monthly *Comptoir* Exports in US\$ Million

	1996	1997	1998	1999	2000	2001	2002	1996-2002 (Average)	2003
Jan	19.7	20.1	21.5	18.3	10.7	11.6	18.8	17.2	42.4
Feb	21.6	18.8	25.9	16.2	10.7	15.2	17.5	17.9	40.4
Mar	27.3	20.3	34.0	21.3	12.4	10.9	23.0	21.3	41.0
Apr	29.2	4.2	25.8	18.1	11.9	17.1	21.6	18.2	34.0
May	29.3	–	24.7	16.4	11.1	9.0	27.3	19.6	36.7
Jun	25.4	19.2	33.0	22.9	19.4	11.8	21.0	21.8	34.7
Jul	29.2	42.0	36.2	20.2	22.7	22.9	28.1	28.7	48.9
Aug	26.8	37.7	31.6	17.8	17.5	24.3	32.2	26.8	45.0
Sep	27.1	40.9	28.1	12.2	7.4	16.8	35.4	23.9	56.7
Oct	28.6	38.3	35.8	5.7	11.6	22.8	28.9	24.5	48.7
Nov	23.2	32.3	31.8	13.2	14.7	22.1	30.4	23.9	48.6
Dec	24.9	32.4	27.8	9.9	17.9	16.5	33.2	23.2	46.5
Total	312	307	356	192	168	137	317	255	524



controlled the country's prime diamond mining areas in the 1990s, and it continued following the imposition of a diamond export monopoly in early 2000. Several hundred thousand Congolese diamond miners and middlemen remain outside the Angolan government's control and instead smuggle their diamonds to southern DRC and Brazzaville.

Similarly, the hemorrhage of DRC diamonds to Brazzaville continues, due to lower export taxes in the Republic of Congo and the reluctance of miners and middlemen in the DRC to operate through official channels. These factors have meant that the Republic of Congo, which is not a serious diamond producer, has been a significant global supplier of rough diamonds derived from its neighbours. Belgium has been the main diamond trading partner with the Republic of Congo, importing over US\$1.5 billion from Brazzaville between 1995 and 2003. This situation is unlikely to change on its own, but it will sooner or later have to be addressed by the Kimberley Process as a serious matter of one member's obvious non-compliance.

Official diamond exports from the DRC in 2002 and 2003 display a commendable reversal in previously rampant levels of fraud. This is a result of several changes, including the formation of the CEEC in October 2001, an agreement between the Congolese and Belgian authorities on diamond trading in mid-2002, the initiation of the Kimberley Process and an external valuation contract awarded in 2003. The official creation of a national transition government has also meant that diamonds from former rebel zones are now passing through official channels in Kinshasa, although it is too early to tell how much the established smuggling routes in north-eastern DRC have changed. The fact that four of the DRC's neighbours – Angola, Central African Republic, Republic of Congo and Tanzania – are members of the Kimberley Process suggests that diamond smuggling has taken place between KPCS members. It is also reasonable to expect that the Kimberley Process will have a role to play in changing this.

The increased value of Congolese diamond exports in 2003 to over US\$600 million means that previous estimates of production capacity were far too low. It also means that smuggling was much higher in the past than previously estimated. The new transitional government and the peace process should gradually bring

the diamond producing regions in north-eastern DRC under government jurisdiction – hopefully sooner rather than later. But diamond smuggling routes established during the recent wars will be difficult to change without firm government control over the trading as well as the mining areas in north-eastern parts of the country.

## Transformation of the Kisangani Diamond Market

Kisangani has served as a major diamond trading centre since the late 1980s, following the discovery of alluvial diamonds in Orientale Province. During the war, it was at the centre of a Rwanda-backed effort, through the RCD-Goma, to gain a diamond monopoly in the area.

There are no diamond deposits in Kisangani itself, although there are some minor mining zones in areas surrounding the city. The strength of the Kisangani diamond trade has instead relied upon the movement of diamonds from multiple mining areas some distance from the city. The primary sources are Aketi, Bafwasende, Banalia, Bondo, Buta, Lubutu, Opala and Ubundu.

Since the discovery of diamonds, smuggling has remained a major problem due to the political disenfranchisement of the local population by the Kinshasa authorities, as well as repeated incursions by rebel groups, backed by Rwanda and Uganda. The regime of Mobutu Sese Seko had lost all credibility by the early 1990s, and Kisangani was one of the more distant outposts of government control. The diamond mines around Kisangani could not be monitored and were run by local and traditional authorities that did not participate in national structures. These diamond producing zones were further alienated with the start of the first Congo war in 1996, spearheaded by Laurent Desiré Kabila and supported by the

armies of Rwanda and Uganda. Following the toppling of the Mobutu regime in 1997, Kisangani remained a nominal source of official diamond exports as shown in Table 4. By mid 1998, however, all government data from Kisangani ceased because a second war broke out and all natural resources in the rebels' expanding zone of influence, including diamonds, were redirected for export, primarily through Rwanda and Uganda.

The RCD-Goma rebels and their Rwandan patrons treated the Kisangai diamond market in the same way other rebel groups manage diamonds. For example, successive monopolies were granted to Lebanese diamond dealers. These dealers gained access to Kisangani through their close association with Rwandan authorities, and presumably gained their exclusive export licenses by paying individuals in the rebel and Rwandan regimes. Technically, foreign dealers were required to pay a high price for their monopolies. This gave them control over prices in Kisangani, which probably yielded US\$2 million a month, although this is certainly not what the RCD-Goma rebels received. The last monopoly of the war was comprised of two *comptoirs*, Lac Kivu and Vert Diamant, which were required to pay US\$35,000 per month and to purchase a minimum of US\$500,000 worth of diamonds per month, each. This monopoly was awarded in September 2002 for six months, and was renewed for another six months in March 2003. It expired only when Kisangani was transferred from rebel control to the Government of National Unity.

The channeling of diamonds from north-eastern DRC through official channels is a priority now that Kisangani and outlying mining areas are technically under the control of the national government. Diamonds could easily serve again as a source of revenue for armed groups, however, and must be prevented from financing future conflict. Already there are worrying signs that many of the signatories of the

Table 4: Diamonds Purchased in Kisangani by Licensed *Comptoirs* (1996-1998, 2000-2002)

	1996	1997	1998	2000	2001	2002
Carats	381,000	183,000	169,000	132,000	152,000	169,000
US\$ Million	34.6	13.7	13.0	10.0	8.1	14.4
US\$/ Carat	90	75	77	75	53	85

Source: Centre National d'Expertise and Christian Dietrich.

national peace plan have attempted to maintain control over key points of resource extraction. Structures put in place by the former rebels and their external patrons may not all have been dismantled, and illicit resource extraction may be a means of jockeying for power in Kinshasa. Naturally, many areas in eastern DRC remain difficult to access, although the United Nations is now able to move beyond the principal towns. This could mean that outlying areas currently under the indirect supervision of former rebels or their surrogates will fall increasingly under the jurisdiction of the national military. The reality on the ground, however, is very different from what is contained in the national peace plan. There are still many militias, some of which have been perpetrating ethnic violence in Ituri Province. They do not see a future in the national peace process, or at least they are willing to hedge their bets.

Diamond *comptoirs* licensed by the national government were finally able to return to Kisangani in late 2003, following five years of rebel control over the city's diamond market. CEEC data for Kisangani show that 19 thousand carats valued at nearly US\$2 million were purchased by *comptoirs* in Kisangani in late 2003, and even more Kisangani diamonds were passing through official channels in Kinshasa in the first months of 2004.

The fact that diamonds now move from Kisangani to Kinshasa for official export is a positive development. Skepticism remains, however, about the former rebels' genuine desire for peace. Banalia and Bafwasende are 128 and 223 kilometers from Kisangani respectively, meaning that armed groups could easily divert a portion of the legal trade through illicit circuits that they control. Units of the newly created national army were sent to Kisangani in January 2004, a positive development for this former rebel stronghold.

It is too early to determine, however, whether the concerted effort by Kinshasa to increase its authority over outlying areas in eastern DRC will succeed. Coordinates on a map may indicate territorial control by one party or another, but the war was never really about front lines and neither is the peace process. Effective control is difficult to assert, given the variety of tools former combatants can use to manipulate trading networks without leaving a signifi-

## Expulsions from Angola

At the beginning of 2004, the government of Angola began to expel large numbers of illegal Congolese diamond diggers. *La Voix des Sans Voix*, a Congolese human rights organization, has denounced the forced repatriation of Congolese people from Angola and has expressed concern for the security of those detained in Angola over accusations of illegal diamond trafficking. Families who have lived for decades in Angola were being forced to return to the DRC without a home to go to. In January alone, the *La Voix des Sans Voix* reported that some 10,000 had been expelled. The expulsion may have several motives:

- Angolan elections are planned for 2005. Removing non-Angolans would ensure that only nationals can vote;
- Land is being sold for industrial diamond exploration in the *Lunda Norte* region. This region shares a border with the DRC and is known for the affluence of the Congolese diggers living there. Expulsions would make more land available for sale;
- Diamond traders (primarily Lebanese, Israeli and Indian) enter Angola from the DRC and hide behind legitimate small Angolan businesses in order to purchase diamonds from artisanal miners. These diamonds are then smuggled into the DRC.

The wave of expulsions has had an impact in the Bandundu, Bas-Congo and Kasai Occidental regions of DRC. Many deaths have resulted from the difficult conditions for returnees, and from police and military harassment. Disease has affected people travelling on foot over distances of hundreds of kilometres, many without drinking water, food and shelter. According to returnees, the repatriations were managed by Angolan police and troops, supported in some cases by mobs of furious people. The government of Angola says that some 90,000 of the estimated 290,000 diamond miners in the country are foreigners of different nationalities.



cant military footprint. Therefore, it remains to be seen to what degree the mining areas can or will be controlled by government forces. A confidential version of the October 2003 UN Expert Panel Report on the Illegal Exploitation of Natural Resources in the DRC contended that powerful networks in the DRC, along with top officials in Rwanda, Uganda, and certain of their rebel proxies, have sought to maintain control over commerce in eastern and northern DRC despite official power sharing in Kinshasa. Given that the region's lucrative diamond trade has been manipulated through a variety of

military and administrative strategies since the beginning of the war in 1998, it is unlikely to be reversed immediately.

Monitoring to determine whether diamonds from former rebel territories continue to be diverted through the previous smuggling routes, including Rwanda, Uganda and Central African Republic, will be difficult without accurate production statistics from north-eastern DRC. Unfortunately, these do not exist in any form. The data for 1996-8 in Table 4 are for diamonds recorded as having been purchased by *comptoirs* in Kisangani by the Centre National d'Expertise, the predecessor of the CEEC. Data was no longer available once the rebels captured Kisangani in 1998. Data for 2000-2002 was obtained by the *Annual Review* from RCD-Goma and refers to diamond exports that passed through their own administrative structures. Naturally, the sharp decline from 1996 to 2002 refers only to diamonds declared for export and says nothing about actual production levels or smuggling. It is not possible at this stage to compile basic statistics for production or trading in separate rebel zones, but it can be

assumed that diamond production in north-eastern DRC has reached US \$50-70 million in recent years, or just under ten percent of total Congolese production. It remains to be seen how much of this will show up in official government statistics now that the former belligerents are involved in a peace process.

## The Kimberley Process

The Kimberley Process Certification Scheme (KPCS) for rough diamonds came into effect on January 1, 2003. Almost 50 countries and the European Community are members. Under the terms of this agreement, each participating country agrees to issue a certificate to accompany any rough diamonds being exported from its territory, certifying that the diamonds are conflict-free. Each country must therefore be able to track the diamonds being offered for export back to the place where they were mined, or to the point of import. All importing countries agree not to allow any rough diamonds into their territory without an approved KPCS certificate of origin.

Given the large volume of diamonds being traded across borders, it was also deemed necessary to produce trade and production statistics which could be compared from time to time in order to ensure that the volumes leaving one country match those entering another. This has proven difficult in practice, with only a few countries making their statistics available more than a year after startup. A further verification problem exists: monitoring, which must be universal in order to be effective, remains an *ad hoc*, voluntary arrangement in the KPCS.

## Kimberley Process Compliance in the DRC

The DRC has been a member of the Kimberley Process negotiations since 2001, and has been an official participant since the Kimberley Process Certification Scheme (KPCS) was inaugurated on January 1, 2003. Given the fact of war in the DRC through much of this period, many observers have asked why the DRC should

be allowed as a member of the KPCS. The question misses a fundamental point: the KPCS aims to foster legitimate diamonds, certified by governments as being conflict-free. The real question, therefore, is whether *other* governments have been certifying diamonds that originate from rebel movements in the DRC. A more difficult question, however, is whether the government of the DRC has also been used perversely as a conduit for legitimizing diamonds originating from Congolese rebel movements. If the answer to this question is positive, it would mean that the government had been helping to fund its own enemies.

The answers are by no means simple, but it is clear from available statistics that several of the DRC's neighbours have been exporting many more diamonds than they produce. Central African Republic, Republic of Congo (Brazzaville), Zambia, Tanzania, Rwanda, Burundi, Uganda and Zimbabwe are prime targets for greater transparency in this matter. Some, including Rwanda, Burundi, Uganda and Zambia produce few or no diamonds at all. That they are not part of the KPCS is a good thing, because they are now prevented from exporting diamonds legitimately to any member of the KPCS. They have, for all intents and purposes, been excluded from the legitimate diamond trade.

This does not change the fact, however, that huge volumes of diamonds, probably originating in the DRC, are being legitimized through KPCS members on the DRC's borders, including the Republic of Congo, Central African Republic, and Tanzania and Zimbabwe to a lesser degree. NGOs have campaigned from the beginning of the Kimberley negotiations for regular independent monitoring of *all* KPCS participants. This is most urgent in the case of the DRC's neighbours, especially the Republic of Congo, if the haemorrhage of its diamonds is to stop.

There are other issues. Artisanal diamond mining is conducted by hundreds of thousands of individuals in the DRC, and is spread over a vast territory. Middlemen buy these diamonds and resell them to yet larger middlemen who sell the amalgamated diamond parcels to *comptoirs*. During the region's wars, the infusion of conflict diamonds into this system could not be regulated in practice, especially from rebel positions close to government territory.

The same was, and remains true for diamonds laundered into neighbouring states, or even into Namibia and South Africa. The DRC's inability to deal with the illicit import of Angolan diamonds along the countries' shared border highlights this point, especially since Kinshasa licenses *comptoirs* to buy diamonds in areas that are known primarily as destinations for illicit Angolan diamonds. If there was a rebel group selling diamonds today, as UNITA once did, there is no evidence that the present national controls in Angola or the DRC, or any of their regional neighbours, would have any impact upon the sale of these diamonds. The fact that MLC rebel leader Jean-Pierre Bemba intervened militarily twice in the CAR on behalf of ex-President Patassé highlights the possible misuse of national controls in the laundering of conflict diamonds.<sup>4</sup>

For its neighbours, as well as for the DRC itself, it is important to be able to demonstrate where the diamonds presented for export come from. Although it might theoretically be possible to track diamonds being exported from the DRC back through the *comptoirs* to the various middlemen and miners, this is not happening. Until there are effective systems in place within the DRC, therefore, and until there are effective, independent reviews of KPCS compliance in neighbouring states, the KPCS will do little to protect the DRC's diamond industry from predators – either the innocuous commercial types, or the much more dangerous rebel variety.

A further KPCS-related problem is the absence of reliable trade and production statistics. For years the DRC, the Republic of Congo, Central African Republic, Liberia, Gambia and a dozen other countries produced export data that bore no resemblance to Belgian diamond import data from these countries. The Kimberley Process agreed in 2002 to a system making data more accessible and more transparent. More than a year into KPCS implementation, however, the global diamond trade and production statistics remained hidden behind a wall of obfuscation and confusion. Fortunately, this is not the case for the DRC, which produced one of the most complete sets of diamond trade statistics for 2003 in the entire Kimberley system, and certainly the most complete set of diamond statistics in the history of the DRC.

When this level of detail is made available by the DRC's neighbours, and by its major trad-



ing partners in Belgium, Britain, the United Arab Emirates and Israel, the country will begin to experience more tangible results from the Kimberley Process.

## Civil Society Efforts

Civil society organizations are important to development and good governance in all countries. In the DRC, *the Centre National d'Appui au Développement et à la Participation Populaire* (CENADEP) and the Natural Resources Network focus on the exploitation of natural resources, and on human security in the extractive economy. The program, supported by Partnership Africa Canada, contributes to the search for lasting peace and long-term development by combating criminal practices in some of the areas at the root of the country's conflicts: extractive mining and the exploitation of natural resources.

The Natural Resources Network aims to generate interest in the extractive industries in ways that will engage and influence national policy. It produces and disseminates information on criminal and illegal practices, pressing for greater transparency and enforcement of the law. And it seeks investments in poverty reduction that will benefit those

living and working in mining areas and extractive industries. CENADEP participates in the Kimberley Process.

The Natural Resources Network has established focal points in each province of the DRC, and its advocacy campaign is carried out both nationally and internationally. Although mining is a new field for Congolese civil society, the Network has organized debates and round tables with government on the management of natural resources; it has held an Information Day and several conferences; it has led missions to various provinces both for research and the dissemination of information; and it has collaborated in the production of a television documentary.

Peace has been declared, but CENADEP and Natural Resources Network believe that the underlying mechanisms facilitating fraud



and the plunder of natural resources will remain for a long time. Clearly, they have a long-term job ahead of them.

## NOTES

- <sup>1</sup> For a full report on the history of DRC diamonds, see *Hard Currency: The Criminalized Diamond Economy of the Democratic Republic of the Congo and its Neighbours*, by Christian Dietrich, Partnership Africa Canada, Ottawa, 2002
- <sup>2</sup> Press release by the DGI Group of Companies, 27 October 2003, [www.engineeringnews.co.za](http://www.engineeringnews.co.za).
- <sup>3</sup> See International Peace Information Service, [www.ipisresearch.be](http://www.ipisresearch.be)
- <sup>4</sup> See *Diamonds in the Central African Republic: Trading, Valuing and Laundering*, by Christian Dietrich, Partnership Africa Canada, Ottawa, 2003

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Further information can be found at the following websites:

**Partnership Africa Canada**  
[www.pacweb.org](http://www.pacweb.org)

**Mbendi**  
[www.mbendi.co.za/orgs/cqr2.htm](http://www.mbendi.co.za/orgs/cqr2.htm)

**Congonline**  
[www.congonline.com/minires.htm](http://www.congonline.com/minires.htm)

**DR Congo Mining Code**  
[www.fec.cd/Code%20Minier/codemin\\_part1.htm](http://www.fec.cd/Code%20Minier/codemin_part1.htm)

**La Voix de Sans Voix**  
[www.congonline.com/vsv/](http://www.congonline.com/vsv/)

**Centre National d'Appui au Développement et à la Participation Populaire (CENADEP)**  
[www.cenadep.org/](http://www.cenadep.org/)

**Sengamines**  
[www.sengamines.cd/](http://www.sengamines.cd/)

**Amnesty International**  
Democratic Republic of Congo, Making a Killing: The diamond trade in government-controlled DRC  
<http://129.194.252.80/catfiles/2454.pdf>

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