

Introduction

The Democratic Republic of the Congo (DRC) turned an important corner in 2006. For the first time in more than 40 years, it chose a new government through democratic elections that were widely acclaimed as free and fair. The overall situation remains fragile, however. Supporting the DRC in its efforts to achieve and sustain the peace is the United Nations Mission in DR Congo (MONUC), which has deployed 17,600 uniformed personnel with a 2006-7 budget of \$1.1 billion. In total, the UN has spent \$3.8 billion on peacekeeping in the DRC over the past seven years.

Democratic Republic of the Congo



ent problem is the high rate of unemployment.

More than half of the country's foreign exchange earnings are derived from the export of diamonds, and something between 500,000 and a million people dig for them. These 'artisanal' miners work under extremely difficult circumstances and earn very little. Most are unregistered, and their efforts are largely unrecognized. Diamonds have been at the centre of the country's problems: diamonds and other minerals financed much of the conflict that in one way or another is estimated to have taken four million Congolese lives.¹ Diamonds nevertheless remain a central part of the country's economy, and they will play an important role in its future.

This issue of the *Annual Review* has a special focus on the country's artisanal miners: what they earn, how they are organized and supported, how they are exploited. Principal research for the report was carried out over a two month period in March and April 2007 by Nicholas Long, who travelled extensively through the diamond mining areas, meeting with miners, buyers, smugglers and officials in an effort to understand this complex and very important aspect of the country's present, and its future.

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About the Annual Review

This *Annual Review of the Diamond Industry* in the DRC is the third produced by Partnership Africa Canada and CENADEP. PAC also produces *Annual Reviews* of the diamond industries in Sierra Leone and Angola. These three countries suffered greatly from diamond-fuelled wars, and the *Annual Reviews* aim to provide their governments, their civil societies and their investors with information that will be helpful in the promotion of greater transparency and more positive developmental outcomes from the industry.



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Scale of the industry

In 2006 the DRC's official exports of diamonds totalled 30.2 million carats, valued officially at \$679 million. Artisanal and small scale (semi-industrial) alluvial mines accounted for about 90% of the total, while exports from the state diamond mining company MIBA fell to only 2.2 million carats. The other industrial company in the sector, Sengamines, went out of production. No breakdown is available between semi-industrial and artisanal diamond mining, however the proportion of semi-industrial production in the official figures for the artisanal and semi-industrial category is probably low.

The most widely quoted estimate for the number of artisanal diamond miners in the DRC is 700,000, a figure used by the government and supported by several studies. The lowest estimate collected by the *Annual Review* was 500,000. The actual figure is likely to have risen considerably in the past five years with the expulsion, between 2003 and 2005 (and again in 2007), of up to 200,000 Congolese from the diamond mining zones in Angola.

The mining code

The regulations governing artisanal mining and the marketing of artisanally mined products, are set out in the DRC Mining Code. The rules, however, are seldom observed on the ground. The only category of person recognised by the Code as legally taking part in artisanal mining is the holder of a '*carte d'exploitant artisanal*', a card costing \$25, renew-

The Code recognises two types of dealer in the products of artisanal mining: the holder of a *carte de négociant*, and the *comptoir agréé* (buying office with an export license). The *carte de négociant* costs \$500 a year and the export license \$250,000 a year (sometimes more). All dealers are supposed to have one or other of these licenses but the great majority do not. There are eleven *comptoirs agréés*, all but one owned by foreigners, and all based in Kinshasa, although several have buying offices in the provinces. Congolese-owned buying



Sieving at Milombe, 25 kms from Tshikapa

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able annually, and issued by the provincial offices of the Mines Ministry (*Division des Mines*). Officially all diggers should carry this card, but very few do.

The mining titles recognised in the Code are the '*permis d'exploitant*' (for industrial mining) and the '*permis d'exploitant de petite mine*' (for small scale mining), issued by the Mines Ministry in Kinshasa. Provincial offices of the Mines Ministry (known as the *Division des Mines*) issue permits to some operators of larger artisanal mines, although there is no provision for this in the Code. There is no mention in the Code of any license for the owner/operator of an artisanal mine.

offices are known as *maisons d'achat*. The owners of *maisons d'achat* are legally required to have a *carte de négociant* but several who were interviewed by the *Annual Review* admitted they had not renewed their cards.

Dealers who go to the bush are known as *trafiquants*. The great majority of them have not paid for the \$500 card. Typically they might pay the *Division des Mines* about \$20 a month for a card. The Mines Ministry estimates that there are as many as 100,000 *négociants* and *trafiquants* in the diamond mining areas.

Property rights: theory and practice

The Mining Code does not mention land ownership titles (*droits fonciers*), except in connection with *carrières*, (quarries for building materials). More valuable minerals belong to the state, under the law inherited from colonial times. Mine ownership claims by chiefs and their communities 'are a reality, but as we expand our operations that reality will disappear', a senior mining official told the *Annual Review*.

This aspect of the Code is the subject of growing controversy. In March 2007 the Kinshasa newspaper, *Le Phare*, reported that whole villages in Kasai Occidental had been depopulated after land had been signed over to small scale mining companies. The article appeared under the headline, 'The Mining Code that is killing the Congo'. The Code gives diggers 60 days to evacuate an artisanal mining zone on which a mining license is granted, or 30 days to submit their own application for a *permis d'exploitant*. Successful applicants for a license are required to compensate the occupants of land where a concession is granted, if the occupants practice a regular activity there, but the rate of compensation is set low, at the land's normal value plus 50%. If after three months the parties have failed to reach an agreement, the matter can be decided by a 'competent tribunal'.

A government official told the *Annual Review* that 'The miners are not happy. They are going to chase away these people. Those crooks at the CAMI (the Mining Land Registry) have been selling people's land without even telling them.'

These complaints about industrial, or semi industrial, diamond mining companies are most common in the Tshikapa area of Kasai Occidental Province. A buyer for a *comptoir* in Tshikapa told the *Annual Review* that local people were complaining that mining companies had taken over most of the sites near

town. He claimed that new mining companies with titles had been arriving on an almost daily basis.

Elsewhere, international diamond mining companies have few active operations in the DRC, but larger companies are exploring Kasai Oriental. A report to the UN Security Council in February 2007 noted that First African Diamonds has access to the 800 km² Sengamines concession in Kasai Oriental. BHP Billiton and Southern Era Diamonds reportedly have access to a 16,000 km² concession, and De Beers and 12 local companies have access to concessions covering 60,000 km².

In 2006, a newly formed London-based firm, Mwana Africa, bought a 20% stake in the state diamond mining company, MIBA. Despite an investment in new machinery for the company, however, official exports from MIBA fell by nearly two thirds in 2006. Production came to a halt for a time after a South African dragline operator was murdered. The BBC cited local sources who said that the dragline was seen as 'unfair competition' by the 10,000 or more artisanal miners who are illegally exploiting the MIBA-owned 'Polygon' – the province's richest diamond area, located south of Mbuji Mayi. The Polygon has been notorious for years as a no man's land fought over by the police, army and criminals. According to a UN report, at least 38 people were shot dead there in 2006, and other killings may have gone unreported.²

The risk of backlash to a mining scramble in the Congo should not be underestimated. In the early 1990s, mine installations in Katanga province were pillaged by a local population that had failed to realize the benefits of industrial mining. More recently the late President Laurent Désiré Kabila tried to rally the population at the start of the civil war by calling on people in the Kasai provinces, (which remained largely under government control) to resist Lebanese and other foreign intruders in the diamond areas.

In 2007, the government began creating artisanal mining zones in Katanga, covering a variety of minerals, including diamonds. This is being hailed by government, companies and other observers as the answer to the country's

artisanal mining conflicts and challenges. The reality, however, is worrying as the government prepares to relocate thousands, or even tens of thousands, of miners to unproven sites with no credible management systems in place, with no health and safety monitoring or enforcement capacity, and with little understanding of the social and environmental impacts. This new policy is being pushed ahead with a surprising degree of political backing, although the results will remain to be seen.

Organization of artisanal mining

The Diggers

Diggers were interviewed for this edition of the *Annual Review* in Kisangani and Mbuji-Mayi, and at three mines, at Bakongo, Tshibue, and Bakwachimuna, (all in Kasai Oriental Province). The diggers were mostly men aged from their late teens to their 40s. During the visit to the Tshibue mine, 154 men, 27 women, 27 boys aged between about 13 and 18 and five children under about 13, were counted. The women were not involved in mining, but they carried and washed gravel. Some of the younger teenagers were digging. A team of 11 diggers, divers and operators of diving equipment, interviewed in Kisangani, were all aged between 20 and 30. Three of them said they had started the work at 16 and two at 17. Dealers say that children can start digging from the age of 12. At the Bakongo mine where about 20 people were working on a Sunday, about a quarter were children or teenagers under 18. Two groups of diggers (and divers) were asked about their educational level. Four out of a group of 12, interviewed near the Polygon, had completed secondary school, while three of the 11 at Kisangani had been to university and nearly all of this latter group spoke French. This level of education was not regarded as abnormal.



Traditional Authorities and the *Division des Mines*

The Mining Code says nothing about the role played by chiefs and local communities in the allocation of *de facto* mining rights to artisanal miners. These rights are governed by custom, which is normally unwritten. Some description of these customs is necessary, however, before any assessment can be made of how the proceeds from diamonds are shared and to what extent the diggers are exploited.

In most areas, the chief is recognized as the arbitrator of *de facto* mining rights. Typically, when a site is discovered to have diamonds, the chief of the village allocates pits, (rather than the whole site being claimed by whoever was cultivating it at the time). The chief, and the holders of mining permits bought from the chief (and perhaps from the *Division des Mines*), also organize the groups controlling the mines.

At Tshibue Mine, a group calling itself the *comité de la mine* supervises the work of several hundred people. The 27-man *comité* was nominated by the local chief, and is composed of '*ayants droits*' (local families). The *comité* acts as a form of local police, collecting a monthly fee of about \$10 from each digger, and ensuring that the chief receives a share of the gravel dug by each team before it is washed and sieved for diamonds. As many of the *comité* are owners of pits, they are also looking out for their individual interests. The *comité* told the *Annual Review* that two or three bags out of every 30 were normally set aside for the chief, and this gravel was washed and sorted by his own team of workers. The chief also has the right to 10% of the value of any stones of 'five or ten carats' found in the rest of the gravel, and will 'take an interest' in any stone of more than three carats. Often, however, he will not hear of these stones.

The *Division des Mines* and other state agents – police, the intelligence service, and various levels of local government – also visit the mine 'by appointment', often to 'extort gravel'. The *comité* said that the chief's and state services' share of the gravel could be as much as 20%, although a government official said this was an exaggeration. Another official in Mbuji-Mayi, however, told the *Annual Review* that chiefs in some areas were taking up to 15% of the proceeds from artisanal mining. Some of this 15% would be shared with state agents. In Kisangani, a third said that his agents took 20% of the 'taxes' collected by the local structures controlling mines. The state agents probably depend on collaboration from local *comités* to collect this unofficial share of an unofficial tax, as they do not have enough people to supervise the diggers themselves. It seems likely that in normal circumstances chiefs and state agents in Kasai Oriental would not collect more than about 15%, if that, of the proceeds from an artisanal mine.

In Orientale Province the chiefs appear to have ceded most of their rights at many mines to new proprietors. This is less common in Kasai Oriental, which is more densely populated, making it harder for chiefs to sell land, and where MIBA, in theory, owns much of the territory. The *Annual Review* collected information on 15 mines in Orientale Province where a similar system was said to be in place at each mine. Usually the mine has an overall owner, known as an AFM (*Administrateur de Foyer Minier*), or PDG, who has bought the necessary documents from the *Division des Mines*, or from Kinshasa. Often these title holders are local *ayants droits*. They appoint a *direction générale*, or hierarchy of officials, such as a *directeur générale*, *secrétaire administratif*, *chef de chantier*, *chef de campement*, and *chef de brigade* (a local police chief).

The *direction générale* usually collects a 10% tax on all merchandise brought to the camp and all money declared by dealers who want to stay there. Dealers may not declare all their money, but are better regarded if they declare a decent amount, and can be fined if they buy

diamonds worth more than the money they declare. Other local dues and taxes vary from place to place. Typically, diggers have to pay between three and ten dollars for a monthly pass, and must work for the PDG once a week in his own pits. This unpaid work is known as *liwanza*. At some mines the *direction* also tries to levy a 10% tax on the value of large stones. Army officers may also require diggers to perform *liwanza* for them, but this is less common than it was during the rebellion, and officers often bring their own diggers.

At Bogbolo, a well organized mine, where a rich vein of diamonds has been found and as many as 5,000 diggers and divers were said to be working in March 2007, the workers did not pay for cards or perform *liwanza*, but had to split 50% of their gravel with the *direction*. (This high percentage seems to reflect the fact that there were no individual pit owners at Bogbolo; the *direction* had bought up their rights). SAESSCAM – the Service of Assistance to and Organization of Small Scale Mining (see page 8) – has a permanent presence at Bogbolo, and this system appears to be the model that it wants to introduce elsewhere. The *direction* at Bogbolo requires teams of divers to pay 20% of the value of the diamonds they find. This proportion is lower than for diggers because each team of divers at Bogbolo is also required to buy a license, costing from \$700 to \$1,000, for each diving ‘season’ – three to four months. A team of divers normally consists of three to five divers and four machinists, and their licence would normally have been paid for by their sponsor (most diggers and divers have sponsors, known as supporters).

These percentages suggest that traditional chiefs, local officials and holders of semi-official mining permits granted by the *Division des Mines* capture significant profits from artisanal mining. There is little evidence, however, that they invest their profits locally. There are few signs of any investment in the villages around Tshibue, for example, apart from the iron roofs on most houses, and a few motorbikes. The

comité de la mine could not tell the *Annual Review* of any projects for community benefit that the chief or his predecessors had sponsored.

Pit Owners

In Kasai Oriental, besides the chiefs and state services, ‘pit owners’ also collect a large share of the proceeds from artisanal mining. At Tshibue Mine, for example, each pit owner’s share is said to be 40% after the chief and state agents have taken their portion, with the diggers and their supporter getting 60%. These shares can be taken in gravel, or in the value of diamonds when sold. At Bakwachimuna the diggers said that where there is a pit owner, he would normally get 50%. Dealers in Mbuji-Mayi agree that the pit owner’s share is normally 40 or 50%, after taxes paid to the chief. But if a motorized pump is involved, the share dwindles to 25%. At Bakongo Mine, one sponsor provided the fuel for motorized pumps, and another had provided sandbags for the dam, so the pit owners’ shares were smaller.

Many of the local villagers work as diggers, or sieving diamonds, and have relatives who are pit owners. They may have a claim on the pit owner’s share of the gravel, rather than the diggers’ share, particularly if the team of diggers has come from elsewhere. Thus the pit owners’ share may also represent earnings for some of the workers.

In more remote locations there may not be any ‘pit owner’s share’ for the locals. A dealer/supporter who had worked in Bandundu, a thinly populated province, told the *Annual Review* that he had ‘bought’ a 750 square metre plot from the chief, for 60 bottles of beer, a sack of salt and about \$5. This was in the early 1990s when villagers in Bandundu may have known little about diamonds. This dealer, and others who had worked in Bandundu, suggested that the chiefs there could allocate land without the other villagers needing to be compensated.

At some mines in Orientale Province pit owners have sold out to diggers, or to a mining title holder. At Lolima Mine, for example, the *ayants droits* ceded their rights in exchange for bicycles, rifles and food from the diggers. This was a remote location where diamonds had been found very recently. Where a mine is some distance from any village, and the forest has to be cut down, villagers are less likely to insist on their ‘rights’.

Supporters

Once the owners of land or equipment have taken their share of gravel or cash, the rest goes to diggers and divers, but their portion may yet have to be shared with the trafiquants who support them. Most diggers and divers depend on ‘support’ for their daily subsistence. Some supporters take a percentage split of the gravel or the cash with their team, but this is unusual, except where they are sponsoring divers, who require a larger investment. The usual agreement is that the supporter provides food, cash and/or tools, and in return the diggers promise to sell him any diamonds they find. The support is not a loan, and is not returned if no diamonds are found, although supporters may explicitly deduct the support from the value of diamonds found, and will certainly bear this in mind in negotiating prices.

Basically the supporter’s return is the mark-up achieved when he sells the diamonds. Price data suggest the mark-up from the first sale averages about 30% on a good quality one carat rough gem. The mark-up is probably less on smaller stones and can be much more on larger stones. Supporters seldom sponsor more than a few teams, since they need to keep in close contact with diggers, and they seldom have large reserves of money. Teams usually have between five and ten people, and most diggers have at least one supporter. The Mines Ministry estimates there could be as many as 100,000 of these trafiquants, or small-time buyers, many of whom borrow money from comptoirs or maisons d’achats.

Diggers' earnings

'It's better to sell diamonds to someone you know than to someone who may buy once and never again. It's better to sell to someone who can protect you from all points of view.'

– Official of the Division des Mines in Mbuji-Mayi

For obvious reasons, many diggers conceal their earnings from each other and their supporters, and many understate their earnings, again for obvious reasons. A digger's earnings can vary enormously. The *kapita* (group leader) of 12 diggers at Bakwachimuna told the *Annual Review*, in his colleagues' presence, that a digger could make \$10, \$100, \$500, \$1,000 or \$10,000 in a month. Asked for an average he said a digger might expect to make about \$60 a week, or anything between \$60 and \$100. His supporter agreed.

The *comité de la mine* at Tshibue Mine said a digger there could make more than \$200 a month, and some had made as much as \$1,000 in a month. The diggers present did not disagree. But a digger at Bakongo Mine, (a maths graduate), calculated that it was difficult to make more than \$50 a week. 'We work like moribund people', he said. 'The conditions here are worse than in the Middle Ages.' A local journalist in Mbuji-Mayi who had helped produce a *Time* report that characterised diamond diggers as modern slaves, reckoned a digger would be very unlucky to be making only \$10 a week. If they were luckier they would be making \$30, \$40 or \$50 a week. A dealer in Kisangani who had once worked as a digger said that at a relatively productive mine a digger could make \$800 a month. At

a mine where production was low he might work for two months and make \$20.

Diamond mining is seasonal, however, and there are months when mining is not possible, making annual earnings considerably less than twelve times the average in a good month. Based on an assumption of 700,000 diggers, each earning half of the export price of all diamonds officially exported in 2006, the average annual income would have been \$1.25 per day, per capita. With assumptions about fewer diggers and higher exports (through smuggling), the average income would be higher. If one assumes, however, that diggers receive, on average, less than 50% of the export value for their diamonds (often they automatically give up 50% of what they find to their 'supporter'), average incomes would be lower.

Whatever they earn, it is not high. It is certainly less than an average of \$2.00 per day, and it may not be much more than \$1.00 a day, for work that is hard, unhealthy and often dangerous. A sign of how exploitable they are, everyone agrees that buying from diggers is the way to make money. Various reasons are given for the average 30-35% mark-up from the first point of sale: the supporter system, the diggers' ignorance of a diamond's value, the costs of transport and lodging, the risk of losing the diamonds, fear of arrest if the diggers are bypassing the pit owner, supporter or chief, and collusion among *trafiquants* to keep prices down. But profit is a major consideration in the mark-up as well.

Several examples of 'derisory prices' were collected for this *Annual Review*. One involved a 10.65 carat diamond sold in Mbuji-Mayi in January 2007. A government employee said the diggers who found it were intercepted on the road to Mbuji-Mayi by a senior government official, accompanied by armed police. The diamond was reportedly sold for a mere \$3,000 at a *maison d'achat* belonging to the official. Another example was the sale of a

141 carat diamond in Kisangani in February for \$1.37 million. A source in the Planning Ministry said that this diamond, which was officially valued in Kinshasa at \$1.7 million, was sold in London for about \$7 million. The official valuation office, the *Centre d'Evaluation, d'Expertise et de Certification* (CEEC), a government body tasked with valuing diamond exports and implementing the Kimberley Process Certification Scheme, denied there had been any impropriety. A third example was of a 17 carat diamond sold for \$40,000 by diggers who stole it from the pit owner. The price was on the low side, but less derisory, possibly because the authorities were not involved.

The Kimberley Process

The Kimberley Process began in 2000 in an effort to halt the trade in conflict diamonds. A series of intergovernmental meetings in which NGOs and industry played a key role led to the creation of the Kimberley Process Certification Scheme (KPCS) for rough diamonds, starting in January 2003. The KPCS is now legally binding in more than 40 diamond producing and processing countries, plus all those represented by the European Union. No rough diamonds can be traded among or between these countries unless they are accompanied by a government-issued Kimberley Process Certificate stating that the diamonds are clean. The certificate must be backed by a system of internal controls in each country, designed to give each certificate meaning.

KP member countries cannot, by law, export rough diamonds to non-member countries.

Smuggling

All diamonds are supposed to pass through the CEEC in Kinshasa for valuation and certification before export. This not only enables the government to collect 3.75% in taxes on the value and confiscate any 'conflict diamonds', in theory it compels the exporter to repatriate (bring into the Congo) funds to the value of the diamonds before export.

Rumours about smuggling abound. A CEEC official in Kinshasa told the *Annual Review* that most of the production from Orientale and Equateur provinces was being smuggled via Uganda and the Central African Republic, bypassing Kinshasa and the Kimberley Process Certification Scheme for rough diamonds. An anti-corruption watchdog organization in Kinshasa told the *Annual Review* that much of MIBA's production has also been leaving the country without passing by the CEEC. Buyers at *comptoirs* in Kinshasa complain that they no longer see production from the small scale, semi-industrial mines in Kasai Occidental; they claim these diamonds are exported without legal taxes being paid. A government official said that 'generals, former ministers and people close to members of the presidential family' were 'exporting their diamonds without paying taxes'. In January 2007 the World Diamond Council alleged that diamonds from the DRC were being mixed with Zimbabwean diamonds and exported via South Africa.

The CEEC's figures for 2005 and 2006 suggest that if there has been greatly increased production from Kasai Occidental – as an influx of semi-industrial mining companies to the province, reported by *comptoirs*, the UN and the media, suggests should be the case – the extra production has not been exported via official channels. Official exports from the Tshikapa region (one of seven in the CEEC classification) fell from 1.78 million in 2005 to 1.59 million in 2006, with a corresponding fall in value. By contrast the caratage exported from the Kisangani region rose 25% during the period, exports from the Mbuji-Mayi

region held steady, and exports from Isiro rose eightfold. Isiro is another area attracting a wave of foreign buyers. In other words, the breakdown of exports by region may not be an accurate guide to production patterns.

The CEEC admits that controls on illicit exports are 'weak'. No systematic attempt is made to monitor the flow of diamonds from the mine to the *comptoir*. Out of the 15 mines in Orientale Province, there is only one where the management has been trying to keep a full record of diamonds sold, according to a SAESSCAM agent who said he had worked at all of these mines (as a *trafiquant*). This is at Bogbolo, and even there, he said, many sales go unrecorded.

Employees of the CEEC and the *Division des Mines* are normally present at the *comptoirs* where they are supposed to witness all sales. There are many gaps, however, including periods when *comptoirs* stay open late to facilitate sales. A CEEC official working at a *comptoir* in Kisangani told the *Annual Review* that diamonds bought there were sealed and sent to Kinshasa every week, but he was contradicted by staff at the *comptoir* who said this only happened about once a month. The official then admitted that bad practices had come in with the rebellion.

During the Mobutu regime, passengers were routinely body searched at Kisangani airport, according to a CEEC agent there, but this no longer happens. In any case, avoiding inspection is a simple matter, according to a Congolese who works with an expatriate smuggler. 'They may search him (the expatriate),' he told the *Annual Review*, 'because he's white. So after he's passed through customs we meet in the VIP lounge, and I take off my jacket (which is really his) and he puts it on and flies to Dubai. I only have to pay the DGM (border police) to get into the VIP lounge.' Alternatively, larger parcels may simply be driven to South Africa.

The main deterrent to diamond smuggling from the DRC is the Kimberley Process. Several buyers at *comptoirs* claim it is impossible to sell

diamonds in Belgium, the destination for 90% of the country's diamonds, without a Kimberley Certificate, although the self-admitted smuggler told the *Annual Review* of two dealers in Antwerp who will buy diamonds without a certificate. He agreed, however, that Belgium has the strictest Kimberley controls. Dubai is another story, he said. 'If you're met by the right people in Dubai, there's no problem.'

Undervaluation

In theory, *comptoirs* risk losing their licences if they misbehave, and so they have greater incentives to toe the line than other exporters. There is a less risky way than outright smuggling to reduce the tax bill: bribe officials to undervalue the goods. The 3.75% export tax, plus unofficial taxes, are said to be sufficient incentive for nearly everyone in the business to try to avoid some tax.

The CEEC's annual reports for 2005 and 2006 do suggest that undervaluation is back in fashion. It was standard practice until at least 2003, when the DRC joined the Kimberley Process, and an independent valuator was appointed to work within the CEEC. The per carat value of official exports rose markedly in 2003 and 2004, as did the overall value of exports. In 2005, however, the contract with the independent valuator was terminated and export values dropped thereafter.

Table 1 : Official Diamond Exports (millions)

Year	Carats	Value (US\$)
2003	27.1	642.7
2004	29.9	727.5
2005	32.9	895.5
2006	30.2	679.5

Official diamond exports totalled \$895.5 million in 2005, a record. The figure fell to \$679.5 million in 2006. In its 2006 report the CEEC attributes the \$215 million decline to 'the insignificant volume of exports by industrial companies'. But industrial exports fell from \$76 million to \$29 million, accounting for only \$47 million of the \$200 million. Asked by the *Annual Review* to explain the drop in value of artisanally mined exports, a spokesman for the CEEC said there had been a drop in the world price of diamonds. In fact, prices were stable during 2006.

Several *comptoirs* in Kinshasa were also approached for their views on the question,

including Congo Diam, Millennium, and Margaux. Various explanations were offered, including the possibility that Angolan diamonds are no longer being smuggled into DRC, and that the CEEC was 'not following world diamond prices very carefully'.

In response, the CEEC observes that Kimberley officials in Antwerp and Dubai do not challenge the agency's valuations, which raises questions about the levels of surveillance in these countries. All rough diamonds entering or leaving Belgium must be inspected by diamond experts working for the Federal Public Economic Service. Each diamond parcel is opened, and given a cursory inspection. This

may be enough to detect glaring anomalies, but is probably not enough to say with certainty that a parcel has been undervalued by, say, 30 or 40%.

As important, perhaps, as the loss of government revenue, is the loss of foreign exchange earnings that could arise from the CEEC's failure to alert sellers to 'derisory' prices, as was allegedly the case with the 141 carat diamond sold in Kisangani in February. It is unclear if the CEEC has a mandate to advise sellers on valuations. A CEEC agent in Kisangani told the *Annual Review* that he did not have valuation expertise and it was not his job to intervene in transactions.

SAESSCAM – the Service of Assistance to and Organization of Small Scale Mining – was created by the government in 2003.

Its objectives are:

- To promote the emergence of a Congolese middle class in the small scale mining sector by providing training, financial and technical assistance to mining cooperatives.
- To monitor the flow of production from small scale and artisanal mines to the point of sale, with a view to ensuring all production flows via official channels.
- To see to the recovery, after sale, of all taxes due to the state.
- To encourage artisanal miners to organize themselves into cooperatives.
- To encourage artisanal miners and operators of small scale mines to follow the Mining Code and Regulations.
- To contribute to improving the wellbeing of small scale mining areas, through integrated development in accordance with the Mining Code and Regulations.
- To work with the Ministry on the invention, fabrication and acquisition of equipment adapted to the geological conditions of deposits exploited by artisanal miners.
- To translate safety codes into national languages and see them applied.
- To assure the integration of women in the small scale mining marketing chain.
- To encourage artisanal and small scale miners to invest in other sectors.
- To help in the creation and management of a Mining Fund for the promotion of small and medium mining enterprises.

Details on SAESSCAM's achievements, funding and services are hard to come by, however. Its annual report is not available to the public, many of its planned offices have not been opened because of funding constraints, and its staff provide contradictory messages about the organization's work and income. Its reputation in the copper mining areas of Katanga is at best mixed, and there are stories of 'unofficial taxes', conflicts of interest, and a distinct lack of urgency around issues relating to the health and safety of mineworkers.

SAESSCAM seems to have been operating in Tshikapa earlier than elsewhere, notably supervising dredging operations. The Tshikapa office has 'borne fruit very appreciably', says a SAESSCAM brochure. An office was opened in Mbuji-Mayi in 2005 and in Kisangani in 2006, as well as about a dozen sub offices in Kasai Occidental Province and Orientale Province (all in diamond zones), and other offices in non diamond mining zones. SAESSCAM has organized a pilot cooperative in each of the three provinces.

The head of the Service, Baudouin Itheta, told the *Annual Review* that the pilot project in Tshikapa failed because a local customary chief 'laid his hands on it'. Little training has been organized. Monitoring the flow of production from the mines, with a view to curbing illicit sales, is clearly set out as a SAESSCAM objective in its brochure, but officials say that this does not necessarily mean the agency should be collecting production figures. SAESSCAM's main achievements so far, according to the head of service, are the rehabilitation and re-equipping of a hospital in Tshikapa, at a cost of \$60,000, and of a 300 bed hospital at Banalia, at a cost of \$25,000. It appears, however, that SAESSCAM did not raise the money for these projects itself. They were funded by central government.

Solutions?

This edition of the *Annual Review* has spelled out a wide range of problems associated with the diamond industry in the DRC, ranging from weak application of the country's mining laws, to widespread corruption, human rights abuse and smuggling. The *Annual Review* is published, however, at a time when there is more democratic space and greater public input into policy development than at almost any time in the country's history. For example, the Communities and Small-scale Mining (CASM)³ Initiative facilitated a donor coordination meeting in August 2007 on development activities linked to the artisanal mining sector. The purpose of the meeting was to develop better, more efficient and more effective coordination between donors and the various agencies engaged in artisanal mining. The meeting looked at government priorities in the mineral sector; at current donor, private companies' and NGO activities; and it discussed barriers and solutions to enhancing the role of minerals in development. Hopefully in due course a coordinated action plan may emerge that will minimize duplication and target important developmental needs in a strategic manner.

An earlier forum, held in May 2007, was more specifically related to diamonds, and it was specific in its recommendations. Representatives of the government, National Assembly, mining companies and civil society attended the event, which was organized by CENADEP, a national NGO working on natural resources issues in partnership with international bodies, and co-publisher of this report. Working groups discussed the problems under three headings: Industrial mining, artisanal mining and the Kimberley Process and Diamond Development Initiative (DDI). Each group came up with a list of problems, and a series of recommendations that make good sense.

Under industrial diamond mining, the main problems highlighted were:

- Dilapidated state of existing plant;
- Exhaustion of easily exploitable reserves;
- Financing difficulties;
- Lack of resources to protect the environment;
- Creaming off of deposits by artisanal miners invading concessions.

Recommendations to the government:

- Strict application of the mining laws;
- Disseminate the Mining Code and translate it into the four national languages;
- Identification of all dredges in diamond mining zones, and of all semi-industrial operations;
- Reinforcement of these measures by SAESS-CAM;
- Creation of a consultative framework – involving the state, local communities, civil society and mining companies – to draw up a plan for sustainable development;
- Strengthening of legal security through legislative and political stability;
- Financing for prospecting and research;
- Accompaniment of mining companies in their search for some kind of arrangements with artisanal miners;
- Measures to promote value added in the processing of diamonds before export.

Recommendations to mining operators:

- That they demonstrate proof of good management in order to obtain finance;
- That they respect mining legislation including respect for the environment, restricted zones and people living on the land.

Recommendations for civil society:

- Help identify local community needs;
- Help in the management of the share of tax allocated to local communities;
- Help the state disseminate the Mining Code;
- No longer focus simply on denunciations;
- Help improve the Congolese people's perception of foreign investors.

Under artisanal diamond mining, the problems highlighted were many:

Access to capital, poor working conditions, absence of cooperatives, destruction of the environment, fraud, non traceability of diamonds, poverty, illiteracy, lack of schooling, lack of mining skills, ignorance of mining values, ignorance of the legislation, prostitution of minors, and the harassment that artisanal miners face from customary and state authorities.

Main recommendations (besides those already mentioned above):

- Better organization of the marketing chain through improved funding of the relevant authorities;
- Training of more Congolese diamond valuers and the creation of a gemmology institute.

Specific recommendations for the Mines Ministry:

- Organize a coordinated structure to combat fraud;
- Send missions to the diamond mining zones to investigate illicit activities;
- Give bounties to people who help recover illicit diamonds;
- Create artisanal mining zones;
- Draw up regulations for diamond cutters and jewellers.

Specific recommendations for civil society, (besides those already mentioned) were to encourage cooperatives and draft statutes that would govern a Mining Fund.

The third working group, looking at the application of the Kimberley Process and the DDI, noted (besides problems noted above):

- Uncertainty as to the numbers of mining operators;
- Dysfunctional state services;
- Low tax income from diamonds compared with other countries in the region;
- Inefficacy of the Mines Ministry in the fight against illicit diamond trading;
- Conflicts of competence between state services.

It recommended:

- Harmonization of the tax regime across the sub region;
- Promotion of policies on credit for artisanal miners;
- Coordination of the fight against fraud involving the DGM, (Border Police), ANR (National Intelligence Agency), RVA (Airways Authority), OFIDA (Customs Authority), OCC (Weights and Measures Authority), and the Public Prosecution Service.

A diamond bourse?

One proposal for reforming the marketing system is to create a diamond bourse, or bourses, in the main trading centres of Mbuji-Mayi, Tshikapa and elsewhere. Local diamond bourses could bring international prices closer to the diggers, reducing the role of the middleman, and creating greater transparency in the buying and selling process. The idea of local bourses is referred to in the Mining Code. Currently, the only diamond bourse in west or central Africa is in Accra. The Accra bourse eliminates cash transactions, thereby helping to combat money laundering. All buyers in the bourse must transfer US dollars through the central bank, in advance, for the purchase of diamonds, and sellers are paid immediately after the sale at a bank in the official Diamond House. A parastatal, the Precious Minerals Marketing Company, (PMMC), has some of the same functions as the CEEC, inspecting and valuing diamonds and keeping them in safe custody before export. PMMC is also the holder of the account through which buyers transfer funds, and it issues buying licences to Ghanaian nationals.

In the DRC, cash purchases are allowed, although buyer/exporters have to show a bank transfer bringing in foreign currency for their purchases before obtaining an export certificate. The Ghanaian system would make the

flow of funds easier to monitor, and would be a more effective bar against money laundering.

One of the Ghanaian government's stated aims in setting up the bourse was to encourage sales via official channels. The bourse is centralized in a secure building, and sellers can move freely and easily from one counter to another. Officials are not required to witness each transaction at the Accra bourse, another factor that might encourage participation. However a digger would find it difficult to enter a bourse discretely.

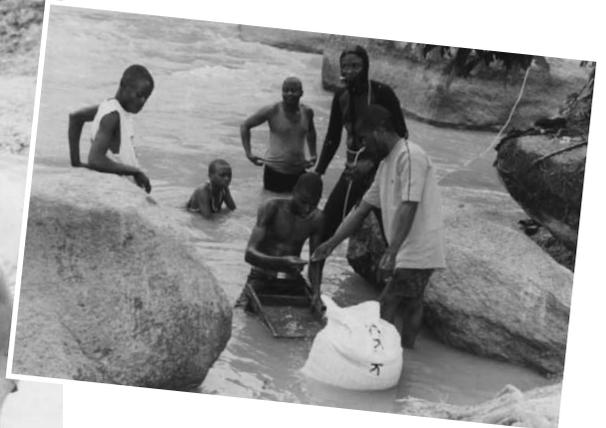
Some people interviewed by the *Annual Review* in Mbuji-Mayi interpreted the idea of a bourse as a return to the days when De Beers had its own buyers in the field. A return by De Beers would be popular, several *négociants* said. 'Prices were better then. People who didn't have much money to fly to Kinshasa could sell here. But the *comptoirs* don't want De Beers to come back.'

This sort of reaction suggests that locating a bourse in a provincial town would reduce the scope for middlemen. The effect on prices would not likely be dramatic, however, and would be more significant for parcels of diamonds than for one-off sales. Finding a reliable bank for a bourse and a reliable account holder for the fund transfers, would also be a challenge. The fact that the government has not yet adopted the proposal suggests that the status quo may suit the authorities better.

What Role for SAESSCAM? If SAESSCAM were to expand its operations, it could promote broad-based development by encouraging better working practices among diggers, helping with tools and regular finance, reducing the taxes collected by chiefs, channeling more of the production via official channels, and raising revenue for development projects. Currently, however, there are few signs of SAESSCAM allocating the revenue it collects (and has clearly been collecting in Tshikapa for some time) to development projects. The CENADEP-organized forum recommendation that all dredge operations be identified, and that SAESSCAM monitoring of this be reinforced, was a signal to the government that the disappearance of revenue from those operations has not gone unnoticed.

Notes

- 1 Burnet Institute and International Rescue Committee, Mortality in the DRC: Results from a nationwide survey conducted April-July 2004, <http://globalpolicy.igc.org/security/issues/congo/2004/1208mortalitysurvey.pdf>
- 2 MONUC compiles a monthly human rights report. In June 2007, for example, there were over 70 cases of arbitrary arrest, rape, torture, shootings and murder. See <http://www.monuc.org/news.aspx?newsID=15128>
- 3 Notes on this meeting and other information about CASM and small scale mining can be found at http://casmsite.org/events_drc_donor_meeting_2007.html <http://casmsite.org/events_drc_donor_meeting_2007.html>





Congolese diggers heading for mining site

The Diamonds and Human Security Project of Partnership Africa Canada is supported by Irish Aid, the International Development Research Centre, Foreign Affairs Canada, the Canadian Autoworkers Social Justice Fund and other organizations.

Further information can be found at the following websites:

Partnership Africa Canada
www.pacweb.org

Centre National d'Appui au Développement
et à la Participation Populaire
www.cenadep.net

PAC can be reached at: info@pacweb.org

CENADEP can be reached at:
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