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Diamonds, governance and 'local' development in post-conflict Sierra Leone: Lessons for artisanal and small-scale mining in sub-Saharan Africa?

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ABSTRACT

This paper critically examines some of the main challenges associated with facilitating 'good governance' in small-scale diamond-mining communities, focusing on the experience of Sierra Leone. Two recent governance initiatives in the country's diamond sector are reviewed: the Kimberley Process Certification Scheme (KPCS) for rough diamonds and the Diamond Area Community Development Fund (DACDF). The analysis considers some of the broader lessons that have emerged, as Sierra Leone currently attempts to launch a third governance initiative—the Extractive Industries Transparency Initiative (EITI). It is argued that the introduction of complex monitoring processes represents a significant challenge for a country that is emerging from a long period of conflict and isolation, is suffering from serious shortages in human capacity, and where good governance, accountability and transparency will undoubtedly take considerable time to develop.

Introduction

In recent years, a burgeoning body of research has examined the links between 'lootable' resources, poor governance and underdevelopment in sub-Saharan Africa (Collier and Hoeffler, 2005; Campbell, 2003; Mbabazi et al., 2002). Proponents of the 'resource curse' hypothesis argue that African countries with significant natural wealth reap limited rewards and have experienced underdevelopment, corruption, political instability, and in some cases, violent conflict (Elbadawi and Sambanis, 2002; Collier and Hoeffler, 2001). A number of scholars (e.g. Ross, 2003; Fearon, 2004) have observed a strong correlation between lootable resources—those that have high value-to-weight ratios, and can be easily appropriated and transported by unskilled workers—and political disorder; and, by extension have argued that lootable wealth has the propensity to fuel 'greed-based' insurgency in collapsed states. The nexus between lootable resource wealth, poor governance, underdevelopment and conflict, it is argued, may be particularly prominent in failing states where there are large deposits of alluvial minerals that are mined 'artisanally', and it remains virtually impossible to monitor or regulate their extraction.

A number of commentators have argued that the panacea for the resource curse is better governance; both governments and extractive industry companies operating in developing countries must commit to higher standards of transparency and accountability (Ocheje, 2006; Labonne, 1999). In the last decade in particular, the relationship between 'good governance', natural resource management and positive development outcomes has returned to centre stage on international policy agendas. Specifically, there has been growing awareness that in managing natural resources and their revenues, better attention to governance can reduce poverty, facilitate economic growth and promote more meaningful development (ODI, 2006).

However, despite the fanfare accompanying overwhelming support for prescriptions of 'good governance' in the developing world, there has been comparatively little academic research concerned with identifying ways to improve governance and transparency in lootable economies. In the context of Sierra Leone—the focus of this paper—the most recent UNDP Human Development Report suggests that the key emerging post-conflict challenges to be pursued by both government and citizens relate to governance, including accountability, transparency and corruption (UNDP, 2007a, p. 28). Although there is an evolving agenda for greater corporate and governmental accountability in issues that concern development and human rights in the extractive industries in Sierra Leone, the rich diversity of regulatory codes of 'best practice' is not legally binding. These codes are essentially voluntary; yet the impetus behind their implementation is to facilitate improved governance, transparency and community development—keys to moving Sierra Leone's diamond-mining industry forward.

Moving beyond debates on the 'resource curse' hypothesis and 'greed vs. grievance' thesis, this paper critically examines some of the main challenges in promoting 'good governance' in artisanal

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and small-scale mining communities in sub-Saharan Africa, focusing on the case of Sierra Leone's post-conflict diamond economy. The analysis draws on recent field-based research undertaken in two diamondiferous communities in the Eastern Province: Kayima in Kono District and Panguma in Lower Bambara District (see Fig. 1). Following a brief review of the role that diamonds have assumed in Sierra Leone's development trajectory to date, and how this ties into larger debates that may concern the resource curse, two important governance initiatives in the country's diamond economy are considered: the Kimberley Process Certification Scheme (KPCS) for rough diamonds and the Diamond Area Community Development Fund (DACDF). The paper concludes by considering the broader lessons that have emerged from these two initiatives, by briefly exploring their implications for the effective implementation of the Extractive Industries Transparency Initiative (EITI)—a policy mechanism recently adopted in Sierra Leone that Western donors and governments believe to be a key to facilitate economic improvement in resource-rich developing countries.

Diamonds, governance and the development of underdevelopment in Sierra Leone

Sierra Leone has recently emerged from a long period of political instability and civil war. The most recent UNDP economic and social development indicators suggest that it is once again the poorest country in the world (UNDP, 2007b). The country's economy was already nearing a state of collapse at the end of the 1980s, following years of poor governance and economic mismanagement under Siaka Stevens' APC government, but the protracted conflict of the 1990s destroyed most of the country's basic social and economic infrastructure, and extreme poverty became widespread and deeply entrenched. While significant academic attention has focused on the political economy of the war and the ensuing debate over whether or not diamonds were responsible for fuelling 'greed-based' insurgency (e.g. see Keen, 2005; Richards, 2003; Smillie et al., 2000), the 'Conflict Diamond' campaign of the 1990s launched by a coalition of well-known NGOs and civil society groups has been instrumental in drawing wider public attention to the link between diamonds and war (Hilson, 2008). The recent release of a major Hollywood film has further galvanized public concern for 'blood diamonds', which, it has been suggested, played a key role in prolonging Sierra Leone's debilitating conflict.

The causes of Sierra Leone's decade-long civil war were complex, and an extended discussion of the events leading up to the conflict is beyond the scope of this paper.[1] There does, however, appear to be some consensus amongst commentators that poor governance and the creation of a socially excluded underclass were responsible for fomenting the pre-conditions for war. Diamonds, it is argued, played a central role in fuelling the conflict as various parties funded their war efforts through mining activities. While it is undoubtedly the case that decades of diamond smuggling in Sierra Leone have contributed to the corruption of the government, deprived the country of millions of dollars in development revenue and fostered political instability more broadly within the West African sub-region (Gberie, 2002), there continues to be much debate as to the role that diamonds might assume in the country's future development path.

On the one hand, a number of observers have cautioned that diamonds still present a significant security threat in the post-conflict period; as large numbers of former combatants continue to return to diamond-mining areas in the Eastern Province, concerns about the socioeconomic consequences of mining remain widespread. A number of commentators have warned that without significant efforts to provide better socioeconomic opportunities for socially excluded rural youth, there is a considerable risk that violence could resume once again. A recent report by the Washington, DC-based development consultancy firm, *Management Systems International* (MSI), provides further cause for alarm, noting that a large percentage of Sierra Leone's diamonds continue to be mined and exported illegally. Consequently, only a tiny proportion of the value on the European market value of the exports (approximately 10–15 per cent) remains to be split among some 200,000–400,000 miners and diggers. These 15–30-year-old males, the report notes, are the very demographic group that is most likely to resume warfare if left unattended (MSI, 2004, p. 7).

On the other hand, despite extreme levels of poverty in present-day Sierra Leone, particularly in the diamondiferous regions themselves, there was, in fact, a time when diamonds played an important role in the country's national development agenda and were a significant feature of the local economies and societies where they were mined. Prior to the onset of war in 1991, mining was by far the most important foreign exchange earner for the country, accounting for some 80 per cent of export earnings and 20 per cent of GDP (NMJD, 2007). Diamonds were discovered in Kono District in the Eastern Province in 1930, and early reports suggest that in 1934, when the main mining company—Sierra Leone Selection Trust (SLST)—was established, there was a considerable amount of revenue being reinvested in 'local' development. Employees of the SLST were not only provided with relatively well-paid jobs, but they also received a range of associated benefits, including schooling for their children, university scholarships, housing and medical care. In 1970, the Sierra Leone Government acquired a 51 per cent share in SLST, and the National Diamond Mining Company (NDMC) was formed. It used highly mechanised methods, involving draglines, earth-moving equipment and sophisticated treatment plants to extract diamonds from the gravels. The establishment of the Alluvial Diamond Mining Scheme (ADMS) in 1955 meant that indigenous Sierra Leoneans could also apply for mining licences to extract diamonds in designated areas outside the two mining company leases in Yengema (Kono District) and Tongo Field (Kenema District). During these early days, diamond revenues were used to finance infrastructure development, including road construction, and the provision of clean drinking water and electricity. As a result, the diamondiferous areas—most notably in Kono and Kenema Districts—prospered and were important drivers of economic growth.

Today, the sustainable development of the country's valuable mineral resources—which includes not only diamonds but also gold, rutile, bauxite and iron ore—is a government priority and has been a central tenet of the *National Recovery Strategy* (NRS) launched in October 2002, and the *Poverty Reduction Strategy Paper* (PRSP) of March 2005. While industry critics note that the ADMS licensing scheme introduced by the government in the 1950s was not without its problems, it has been suggested that more attention must be given to the governance of diamonds: controlling their buying, trading and smuggling, and ensuring that the appropriate financial awards are returned to diamondiferous communities. Not only does the government regard the revival of the mining sector as one of the main sources of economic growth and poverty reduction (Government of Sierra Leone, 2002), but as Maconachie and Binns (2007) maintain, if diamond capital was reinvested into the local economy, it could also provide an impetus for post-conflict development and the restoration of

[1] While an understanding of the factors leading up to the war remains important, much has been written on this elsewhere. See, for example, Noyes (2003), Adebajo (2002) or Richards (1996).