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The Regulation of Conflict Resources: Diamonds in Sierra Leone

Neil Cooper

Paper for the Transformation of War Economies Seminar,
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Introduction

The last few years have seen the emergence of a series of regulatory initiatives that have been developed, partly in response to the twin agendas of human security and strong states, but which represent a specific reaction to the political economies deemed to underpin contemporary civil conflicts – most notably the way in which local and global markets in everything from diamonds to drugs have been exploited to fund often vicious civil conflicts, particularly in environments characterised by endemic corruption. This new body of local and global regulation, what might loosely be characterised as new laws and new codes to address the political economies of the new wars, include: UN embargoes on diamonds and timber being used to fund conflicts, the development of regimes such as the Kimberley certification system, and initiatives to ensure the transparent and effective use of natural resource revenues. Generally represented as a progressive response to the political economies that drive contemporary civil conflicts, these new initiatives have produced a set of formal and informal regulatory frameworks that are, in fact, profoundly asymmetric in their scope and application. Indeed, one of the defining features of these initiatives is not so much the impartial application of regulations to firms and corrupt elites but either their *selective application* or, alternatively, their *selective relegation* in favour of an emphasis on far weaker norms and voluntary codes.

The aim of this paper then, is first, to examine the operation of the new codes and regulations in general and to demonstrate the problems in their implementation. Second, the paper will then go onto examine one specific innovation – the Kimberley Certification Scheme designed to prevent the trade in conflict diamonds in order to demonstrate the asymmetries that exist in current regulatory mechanisms designed to introduce ethical markets. It will do this in particular by focussing on the impact of certification for the diamond sector in Sierra Leone. A key argument in this section will be that whilst this new regime for conflict diamonds aims to transform behaviour through transparency and policing, and whilst it appears to have had some success, it has not in fact transformed the conditions that gave rise to the illicit diamond trade in Sierra Leone prior to conflict. Along with the problems inherent in broader development policy on Sierra Leone this raises serious questions. In particular, whilst there may be little short-term risk of conflict, the planned departure of UNAMSIL, continued regional instability, persistent corruption and the failure to fundamentally transform the nature of the diamond market in

Sierra Leone, all raise question marks regarding the nature (and indeed sustainability) of the peace that is being created.

Ethical Markets and Asymmetric Regulation

Growing concern with the themes of human security (both freedom from fear and freedom from want) and state-building have informed a relatively recent but growing policy agenda aimed at addressing the dynamics underpinning contemporary war-economies and addressing their legacies in peace: the regulation of conflict goods, particularly diamonds, anti-bribery initiatives, industry codes of conduct etc. Ostensibly, it is precisely these kinds of initiatives that demonstrate how the agendas of human security and state-building can be combined with free markets in a productive synthesis able to combine individual well-being with effective states and to embed ethics into the operation of markets.

In reality however, what has occurred is a project that is asymmetric in its effects – it has legitimised quite deep intervention (albeit often ineffective) in the governments, societies and informal networks of the poor whilst substituting voluntarism and transparency for the regulation of the rich. In many ways then, such initiatives stand as the epitome of ‘therapeutic governance’¹: they offer reassurance that something is being done to address the condition of the poor but, in aiming to transform the behaviour of the poor without transforming either their conditions or the behaviour of the rich, simply end up offering a chimera of effective paternalistic governance. How is this so?

Initiatives on conflict diamonds, on drugs from war-zones, on corruption or on ethical trading are situated in a dual discourse about the poor that simultaneously embodies them as both sources of threat (through their export of terror, crime, disease and indeed people) and also objects of solidarity. This double imagining provides both moral purpose and moral cover for a range of interventions justified as both expressing solidarity with the poor and as protecting the rich world from the backlash of the poor. In contrast, however, such initiatives can be more usefully characterised as the development of new disciplinary mechanisms that aim to extend the monitoring and regulation of the poor as vehicles for their reform.

A key feature of these initiatives therefore, has been a concern with enhancing transparency, not least because the transmission mechanisms of anarchy and threat are deemed to be hidden away in the subterranean recesses of a globalised world. Thus, the attempt to shed light on the covert, the corrupt, the illicit and the flexible shadow networks deemed to underpin threat and retard development has been mainstreamed as intrinsic to the project of securing against both underdevelopment and the underdeveloped. To use a Foucauldian analogy – one might say that the networked capillary transactions by which the poor resist their marginalisation have evoked a

¹ Vanessa Pupavac, ‘Human Security and the Rise of Global Therapeutic Governance’, Paper for Security and Governance Workshop, University of Bristol, 11 Dec 2004, p. 1; Neil Cooper, *New Codes and New Laws for the New Wars: A Political Economy Approach to the Rule of Law*, in Agnès Hurwitz (ed), *Rule of Law Programming in Conflict Management*. IPA, Forthcoming.

reciprocal response – not a panopticon but rather a network of local/global panopticons designed to shed light on, and to regulate the ‘black holes of global politics’.²

Underpinning this attempt is the notion that the agents of instability can either be embarrassed into changing their behaviour or that ever more information can produce ever better regulation and policing. This is not to say that transparency does not have an ambiguous role - for aid supplicants it is experienced as a vehicle for embedding external intervention and re-regulation of societies, albeit intervention aimed at redressing abuse and albeit intervention that is largely futile. As far as global markets are concerned however, transparency operates more as a substitute for formal regulation that mandates a change in behaviour. An example of the former is the IMF’s “oil diagnostic” in Angola, agreed as part of a Staff Monitored Program that provides the basis for further IFI lending to the country. The diagnostic monitors oil revenues to a government that has faced widespread allegations over the diversion of public funds to finance arms purchases and the luxury lifestyles of senior officials³. The bank has also set out six triggers required to determine the award of \$200 million staggered credit to Angola. Most of the triggers relate to financial transparency and include a 50% reduction in extra-budgetary and quasi-fiscal outlays and publication of all government revenues – the latter to include completion of the oil diagnostic and the movement to Banco Nacional de Angola of all oil revenues and their inclusion in the BNA’s annual accounts.⁴

A further example is the model developed in the Chad/Cameroon oil pipeline project, a social revenue-sharing agreement between the governments of Chad and Cameroon, NGOs, and an international oil consortium, under the auspices of the World Bank. According to the terms of the agreement, the Chadian government decreed a petroleum management law in 1998. Under the terms of the law, 10% of oil revenues are to be set aside in a future generation fund to prepare Chad for a post-oil future; the remainder are to be deposited into an offshore escrow account. Of this latter amount, the government has committed itself to allocate 80% of its share of oil revenue to finance poverty reduction and development and 15% to finance recurrent state expenditure. The remaining 5% is earmarked for development in the Dhoba oil region.⁵ To maintain transparency and accountability a “stakeholder committee” has been created to monitor income and approve spending.

The goal of such initiatives, then, in the language of the state-building agenda, is to strengthen government and governance whilst in the language of human security it is promoting effective management of resources, growth and

² Joschka Fischer German Foreign Minister, cited in: Daniel Lambach, ‘The International Politics of Failing States, paper presented at the International Studies Association Conference, Honolulu, 1-5 March, 2005, p. 7.

³ Global Witness, *All The President’s Men: The Devastating Story of Oil and Banking in Angola’s Privatised War*, March, 2002. Available at: www.oneworld.org/globalwitness; Human Rights Watch, *The Oil Diagnostic in Angola: An Update*. A Backgrounder by Human Rights Watch (Washington, DC: Human Rights Watch, 2001).

⁴ Global Witness et al, *Donor commitment to oil revenue transparency and economic governance reforms in Angola*, 14 February 2005. See: www.oneworld.org/globalwitness;

⁵ Phillipe Le Billon, Jake Sherman, and Marcia Hartwell, *Controlling Resource Flows to Civil Wars: A Review and Analysis of Current Policies and Legal Instruments*, New York: IPA, 2002,, 39.

freedom from want. But the capacity of these initiatives to effect real transformation is limited. In part, this is because the local objects of regulation engage in flexible adaptation, often re-working projects of benign paternalism in defensive reactions that shore up local power bases. Locals, in effect, responded to the projects of external intervention simply by mediating their way between the political economies of what Sampson refers to as 'project society' – the world of NGOs, civil society and development agencies - and 'mafia society', connecting the two together in the process.⁶

Thus, the effectiveness of the social revenue sharing agreement almost immediately came into question when it was revealed that a November 2000 purchase of arms had been funded with \$4.5 million of a \$25 million bonus the government received from the oil companies. Moreover, not only has the government been criticised for dragging its feet on providing the stakeholder committee with facilities, but critics have noted that the allocations contained in the law can be changed unilaterally by government after five years and that indirect revenues such as taxes and customs duties are not covered.⁷

Similarly, whilst the oil diagnostic in Angola has brought some transparency, for instance the publication of a \$210 million bonus for the extension of ChevronTexaco's Block O concession in 2004, progress remains flawed. Questions remain both about the extent of transparency (Angola continues to receive oil-backed loans whose terms remain opaque), and the reliability of figures produced through transparency. Indeed, critics have drawn attention to the inexplicable way in which higher oil prices appear to have resulted in lower tax income.⁸

But the problem with the emphasis on local transparency is not merely that locals prefer either defensive adaptation or proactive reinvention and reincorporation into existing networks of power, patronage, and profit. It is also that the push for transparency occurs in a context characterised by the absence of local ownership and in transitions to 'market democracy' characterised by reductions in state subsidies, downward pressure on salaries and welfare safety nets, privatisation processes that are easily captured by elites and formal elections that increase the pressure for patronage and vote-buying. Transparency, in this context then, substitutes a concern with the transformation of local and global economies in ways likely to build political economies of peace and replaces it with a concern with process.

Moreover, both transparency initiatives and indeed formal regulation of locals takes place in a context where regulation to change state and market behaviour at the global level is either absent, inadequate or unevenly applied. Consequently, the local incentives for domestic actors to mediate their existence between project and mafia society are compounded by global structures of regulation that provide a remarkably permissive environment for both shadow trade and, particularly, the morphing of shadow trade into legitimate trade.

⁶ Steven Sampson, 'Trouble Spots: Projects, Bandits and State Fragmentation', in Jonathan Friedman (ed), *Globalization, The State and Violence*, Altamira Press, 2003, pp. 309-342.

⁷ Akong Charles Ndika, 'A happy Birthday? The Chad/Cameroon Oil pipeline', Pambazuka news, Sept. 23 2004. See: <http://www.globalpolicy.org/socecon/bwi-wto/wbank/2004/0923chadoil.htm>

⁸ Global Witness et al, Donor commitment to oil revenue transparency and economic governance reforms in Angola, 14 February 2005.

For instance, external criticism and action against corruption tends, in reality, to be correlated with the extent to which states do or do not sign up to neoliberalism⁹ Even more telling perhaps is the use of transparency initiatives and codes of conduct as a *substitute* for global regulation to actually change behaviour and transform structures. Thus, there has been a proliferation of voluntary industry codes or multilateral guidelines on good practice that rarely come with the kind of regulatory teeth that signals a commitment to really change behaviour. Examples include: the UN's Global Compact; the OECD Principles of Corporate Governance; the Business Principles for Countering Bribery in the Engineering and Construction Industry; the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; The EU Forest Law Enforcement, Governance and Trade Voluntary Partnership scheme; the G8 Declaration on Fighting Corruption and Improving Transparency; the Transparency Directive adopted by the EU in 2004; the Extractive Industries Transparency Initiative; and a whole plethora of corporate social responsibility initiatives on the part of individual firms.

The function of such initiatives is not so much to promote ethical markets but to head off calls for more rigorous formal regulation. A good example of this approach is the Extractive Industries Transparency initiative (EITI). At the heart of the EITI is a commitment on the part of extractive companies and governments that the payments made to governments should be published. The notion is that this will help address the problem of corruption and the risk that payments from companies may be diverted to finance war. However, the EITI was essentially conceived as an alternative to the more rigorous publish what you pay proposals advocated by a coalition of NGOs; its operation has allowed a high degree of flexibility to participants in choosing how to actually implement their commitments and, as a voluntary initiative, it inevitably omits those companies and countries of greatest concern.¹⁰ Similarly, membership of the Global Compact or commitment to the OECD Principles have not prevented firms from engaging in resource exploitation in the conflict in the DRC.¹¹ Even where more formal initiatives have been pursued – such as in the case of the UN Convention Against Bribery or the Kimberley Certification Regime they tend to be characterised by vague or problematic wording of texts, poor or no funding for implementation and the provision of weak monitoring mechanism. In the case of the current regime on conflict diamonds, as will be noted below, actual implementation is also characterised by selectivity in application which reflects its role as an instrument of power and interest rather than its ostensible role as a vehicle for peace. This reflects the asymmetry that exists in the implementation of codes and regulations - just as only some odious regimes are the subject of invasion, so only some actors are subject to the disciplinary action implied by codes and regulations at the global level (see below).

⁹ Nina Glick Schiller and George Fouron, 'Killing Me Softly: Violence, Globalization, and the Apparent State', in Jonathan Friedman (ed), *Globalization, The State and Violence*, op. cit. p. 211-12.

¹⁰ Global Witness and Save the Children, UK, *Making it Add Up: A Constructive critique of the EITI Reporting Guidelines and Source Book*. See:

<http://www.globalwitness.org/reports/show.php/en.00068.html>

¹¹ United Nations, *Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources in the Democratic Republic of the Congo*, S/2002/1146.

There is also a second asymmetry that is worth noting and that is the one that exists between the regulatory mechanisms established to protect the fundamentals of the neoliberal system and the mechanisms established to promote ethical markets. Whilst ethical markets are promoted via voluntarism, transparency or weak regulation, free markets are promoted via regulation that threatens significant sanctions for transgressing the tenets of orthodoxy. For instance, in 1999 British Airways was fined £4 million for breaching EU competition rules by providing cash incentives to travel agents to encourage customers to purchase BA tickets; in 2004 the European Commission concluded Microsoft abused its market power in the EU and not only fined it €497 million but required it to disclose the interfaces required for their products to be able to talk with the Windows system; under WTO rules the EU was able to respond to anti-competitive US tax breaks by imposing tariffs on US goods amounting to \$300 million. Technically, the EU could have responded with up to \$4 billion of sanctions.¹² Of course, even market logic and market rights can be constrained by power and interest – hence the current debate over US and EU subsidies for agriculture. However, within these constraints, the notion that exporting coltan from the conflict in the DRC for instance, can be pursued with impunity, whilst offering cash inducements to travel agents incurs a £4 million penalty, reflects a key feature of the current international rule of markets.

Kimberley

The problems that these various features of global therapeutic governance give rise to can be seen in the operation of the regime that has emerged to control the trade in conflict diamonds. At the heart of the current regime is the Kimberley Certification System that aims to prevent the trade in conflict diamonds, as well as a series of UN sanctions against actors exploiting diamonds to fund conflict: e.g. UNITA in Angola, the RUF in Sierra Leone. Kimberley in particular has emerged as a global agreement covering virtually all the diamond-trading nations in the world who in turn have committed themselves to a certification system for rough diamonds that aims to prevent the diversion of diamonds into the illicit networks that have fuelled civil conflict. In many respects, Kimberley stands as an exception to the rule by codes that passes for the ethical regulation of global markets. Whilst it is a political rather than legal agreement – it is nevertheless one that appears to have teeth – most notably, loss of access to diamond markets for states found to be in breach of the agreement. Moreover, WTO requirements on free trade were not ultimately allowed to prevent the agreement from coming into being. In many respects then, it stands as a model for a more muscular regulation of global markets to promote local/global political economies of peace. Yet even Kimberley and the broader regime on conflict diamonds displays many of the

¹² *The Guardian*, 'US Pays China for embassy attack', 31 July 1999; *The Guardian*, 'Cruise line fined \$18m for dumping waste at sea', 22 July 1999; *The Guardian*, 'BA fined £4 million for illegal trading', 15 July 1999; *The Guardian*, 'Rip-off firms face big fines', 9 August, 1999; European Commission Press Release: 'Commission concludes on Microsoft investigations, imposes conduct remedies and a fine', Brussels, 24 March 2004.; *The Guardian*, 'Cigarette giant to pay \$1 bn to EU', 6 April 2004; *The Guardian*, 'EU imposes sanctions on US goods', March 1 2004.

flaws noted above as can be seen by the problems of implementation in Sierra Leone and West Africa more broadly.

Sierra Leone has certainly made progress since the end of its long-running civil conflict. Peace has been established, elections have been held and GDP grew by over 6% in both 2002 and 2003¹³ and by a projected 7.2% in 2004.¹⁴ However, by most measures Sierra Leone remains desperately poor. It ranks last on the UNDP's Human Development Index, has the lowest purchasing power parity, the fourth lowest per capita income in the world (US\$140 per annum). Its infant (under 5 mortality) is 316/1000, life expectancy at birth is only 39 years and debt servicing amounted to 58.3% of export revenue in 2000.¹⁵

Yet since the conclusion of the conflict in Sierra Leone the country has been the beneficiary of significant levels of international support. Peace has been underpinned by the presence of UNAMSIL, one of the largest ever UN peacekeeping forces, which had an annual budget of \$750 million in 2001 (equivalent to Sierra Leone's annual GDP of \$800 million) and, despite reductions in its size is still costing \$300 million in 2004/2005.¹⁶ In addition there have been some 60 aid agencies and NGOs who have operated in the country with donor funding contributing more than half the national budget.¹⁷ Over the 2000-2004 period the World Bank has provided loans worth US\$238.62 million for a variety of programmes. Sierra Leone has also qualified for the HIPC initiative, despite the fact that it did not have the usual track record of economic management normally required. The HIPC Initiative provides some US\$600 million in debt relief to the country, amounting to 80% of the Net Present Value of its outstanding debt burden. Finally, Sierra Leone has been listed as one of the countries who will benefit in the second round of debt relief agreed by G8 Finance Ministers.

In Sierra Leone's case these initiatives on debt have also been supplemented by initiatives that aim to address two interconnected key elements that contributed to the country's slide to conflict – most notably pervasive corruption and the role of the illicit diamond trade in funding conflict and eroding state revenues.

Corruption

Corruption remains pervasive in Sierra Leone. For instance, a recent World Bank Study estimated that 90 to 95% of pharmaceuticals do not make it from the central state pharmacy to their intended destinations.¹⁸ A survey on the perception of corruption in the country conducted in May-August 2000 found that 95% of respondents considered corruption to be rampant in most

¹³ See:

<http://devdata.worldbank.org/external/CPProfile.asp?SelectedCountry=SLE&CCODE=SLE&CNAME=Sierra+Leone&PTYPE=CP>

¹⁴ PAC, Diamond Industry Annual Review, p. 1.

¹⁵ Barry Riddell, Sierra Leone: Urban-Elite Bias, Atrocity and Debt. Review of African Political Economy, Vol. 32, No. 103, March 2005, p. 116.

¹⁶ Malcolm Chalmers, Strengthening Security in failed States, paper presented at a conference on Badly Governed and Collapsing States, Yale University, 13-14 May 2005, p. 23.

¹⁷ ICG, Liberia and Sierra Leone: Rebuilding Failed States. 8 Dec 2004, p. 2.

¹⁸ Public Expenditure Tracking Survey Report 2004.

government departments.¹⁹ Indeed, the Office of National Security has labelled corruption as the primary security threat facing Sierra Leone today whilst locals rather more pithily refer to the politics of the country since conflict as “same car, different driver”.²⁰ Indeed, donor concern about the level of corruption has been cited as a factor in the postponement of a Donor Conference on the Poverty Reduction Strategy, although this has been denied by the government.²¹

This is not to suggest that efforts at externally imposed programmes to promote good governance have been absent, quite the reverse in fact. In line with the precepts of liberal peace, the government agreed in 2000 to implement a National Anti-Corruption Strategy. At the same time, an Anti-Corruption Commission was established with funding from the UK’s Department for International Development (DFID).²² The latter’s role is to investigate those found guilty of breaking anti-corruption laws. It can arrest suspects, but lacks the mandate to prosecute. Instead, suspects are handed over to the Attorney General, who then determines which cases will proceed. However, the operation of both the anti-corruption strategy and the commission have suffered from a number of problems. First, to date, the government has largely failed to implement the anti-corruption strategy. Second, the Attorney General is also the Minister of Justice, leading to concerns that the demarcation between the decision to prosecute and the political interests of the government is not sufficiently clear.²³ Third, as the International Crisis Group (ICG) noted in 2002, at least 35 cases brought before the Attorney General by the Anti-Corruption Commission have been essentially ignored. Indeed, the Commission has been labelled by critics as a tool to deter and punish political opponents, “a key instrument of Presidential authority rather than an impartial body.”²⁴ Notably, this echoes previous practice in Sierra Leone, in which, for example Strasser used corruption investigations focussed on low-level officials as a means of reinforcing his authority.²⁵ More broadly, this illustrates the ways in which, despite the best intentions of the IFIs, local actors are able to adapt the complex web of externally imposed reforms to suit their own political and profit-making agendas. It also underscores the way in which externally imposed reforms can be simultaneously hobbled by the competing priorities of external actors. Thus, donors have been reluctant to comment on the flaws of a Kabbah government initially out of fear of jeopardizing the move to elections and now out of concern that criticism that could presage a reduction in the UN’s peacekeeping force. Viewed from this perspective the current experience of

¹⁹ Anti-Corruption Commission 1991. See: www.sierra-leone.org/accreport.html

²⁰ ICG, Liberia and Sierra Leone, p.

²¹ ‘Finance Minister Says Donors Concerned About Sierra Leone Corruption’, *Concord Times*, 9 June 2005.

²² Speech by Clare Short, UK Secretary of State for International Development, at the British Council Auditorium, Freetown, Sierra Leone, “Corruption and Governance,” 27 February 2002.

²³ ICG, *Sierra Leone After Elections*, 16.

²⁴ Testimony by John Prendergast before House International Relations Committee Africa Subcommittee. See: www.intl-crisis-group.org/projects.

²⁵ Reno, *Warlord Politics and African States*, 126.

donor initiatives to establish good governance in Sierra Leone is one of external initiatives meeting local resistance as they come up against a deeply ingrained culture of patrimonialism.

However, it is equally the case that, despite a formal emphasis on poverty reduction, anti-corruption initiatives have gone hand in hand with a donor emphasis on precisely the kind of neoliberal reforms that local elites were able to capture for personal profit prior to the conflict in Sierra Leone particularly through manipulation of externally imposed programmes of privatisation and deregulation²⁶ and which contributed to wider discontent throughout society. The latter for instance was fuelled by reductions in state subsidies for items such as fuel and rice. Despite this, and in a context where unemployment is still high and where the rank-and-file civil service earn an average of a dollar a day (equivalent to the UN's definition of absolute poverty), limits on taxation and lower inflation still remain central goals. Despite the fact that previous reforms reduced the number of state-owned firms to 29 and despite the manner in which leaders were able to capture the process of privatization, the World Bank continues to promote this policy.²⁷ Indeed, in 2001, the Sierra Leone government approved the Strategic Plan for the Divestiture of State Enterprises and established a National Commission for Privatization to support the processes.²⁸ As in the past, creditors view privatization, marketisation and integration into global markets coupled with formal anti-corruption initiatives, as the way to eliminate corruption and promote efficiency, especially in the mining sector.²⁹

In the short-term at least integration into global markets has resulted in some difficult challenges for Sierra Leone and its citizens. For instance, a 30% depreciation in the Leone in 2001 led to a dramatic increase in inflation (300% in less than two years) with significant rises in the cost of key commodities such as petrol, palm oil and rice.³⁰ In January 2005 a one day national strike was called.

The diamond and mineral sector is no exception to these wider problems. A number of senior members of the government have reportedly engaged in "illicit" diamond mining.³¹ Closed-door decisions to grant large and long-term diamond and oil concessions to foreign companies reflect a continued lack of transparency and accountability.³² The practice of privatisation and bringing in foreign firms as agents of efficiency has once again been adopted, a process aided by external financing for companies. For example, the EU have provided \$31 million to fund the resumption of mining by the Sierra Rutile company whilst the US (via its Overseas Private Investment Company)

²⁶ William Reno, *Warlord Politics and African States*, Boulder CO, Lynne Rienner, 1999; William Reno, 'African Weak States and Commercial Alliances', *African Affairs*, No. 96, 1997, pp. 165-85.

²⁷ IMF, "IMF Completes Review Under Sierra Leone's PRGF Arrangement and Approves \$25 million Disbursement," Newsbrief No. 02/97, 19 September 2002.

²⁸ World Bank, *Transitional Support Strategy for Sierra Leone*, 8.

²⁹ *Ibid.*, 9.

³⁰ Jeremy Giner, *Armed Violence and Poverty in Sierra Leone*, p. 18.

³¹ ICG, *Sierra Leone: Managing Uncertainty*, ICG Africa Report no. 35 (ICG: Freetown/Brussels, 24 Oct. 2001), 11.

³² *Ibid.*

provided \$25 million in financing to Sierra Rutile.³³ The Canadian mining firm DiamondWorks and its subsidiary Branch Energy have also returned to the country. DiamondWorks holdings include a 25 year renewable lease on the rich kimberlite deposits at Koidu estimated to be worth more than \$2 billion. Employees of the company have relatively high wages for Sierra Leone and Partnership Africa Canada has concluded that information on the 25 year lease provided by the company suggest it represents 'a very good deal for a cash-strapped and investment starved country'.³⁴ Supporters also argue that the company has a better record of transparency on its diamond exports than local firms. Critics however, have disputed this. The company has also been linked to the mercenary companies Sandline and (the now defunct) Executive Outcomes (EO). The current head of DiamondWorks, Antonio "Tony" Teixeira, was among a number of people named in 2000 by British Foreign Office Minister Peter Hain as sanctions busters in Angola³⁵ and his operations in the Central African Republic ended in allegations of unpaid taxes.³⁶ Thus, the nexus of privatized security purchased on the back of the country's natural resources appears to have extended its legacy into the peace.

Donors have also responded to the return of endemic corruption in government by yet again trying to take government out of the loop. This is in spite of the current rhetoric around the importance of building strong states and promoting civil society participation. This has two elements to it. First, the expansion of donor funding for post-conflict Sierra Leone has also meant an expansion of donor influence. In a novel variant of the patrimonialism perceived to be at the heart of Sierra Leone's problems donors representatives are now often perceived as patrons and development partners as clients. One consequence has been the growing informalisation of the relationship between donors and their local counterparts, relationships that are often given primacy at the expense of accountability. Thus local organizations and public officials that are very close to donor representatives are often favoured while other well meaning organizations and sectors are left out. Moreover, whilst much lip-service is paid to civil society - the experience of Sierra Leone at least, is that accountability in terms of aid delivery is generally upwards to donors rather than downwards to locals –especially when it comes to evaluation of aid programmes.³⁷ External donors, in emphasising social capital and the rejuvenating effects of civil society influence whilst reserving decision-making on economic fundamentals to themselves, are rather like physicians who are not only failing to heal themselves but only treating half the patient too.

The second element is an emphasis on decentralisation. One example of this was a DFID project (worth \$2,277,442 over 2 years) to restore and reinforce Sierra Leone's paramount chiefs. This has come under sustained criticism for both pushing corruption further down the pipeline and for failing to address the

³³ Lansana Fofana, 'Economy-Sierra Leone: Another Round of Mining Difficulties?', Inter Press Service News Agency, August 11.

³⁴ Partnership Africa Canada, Sierra Leone 2004: Diamond Industry Annual review, 2004, p.5

³⁵ Gberie, *War and Peace in Sierra Leone*, 19.

³⁶ Partnership Africa Canada, Sierra Leone 2004: Diamond Industry Annual review, 2004, p.

³⁷ Transparency International, forthcoming

problems in the nature of authority wielded by paramount chiefs.³⁸ Similar problems have also been evident in the implementation of the Community Development Fund (CDF). The Fund distributes money raised from a tax on diamond exports to chiefdoms in mining areas. The aim is to demonstrate to the country's citizens that they have a material interest in supporting the *official* export system for diamonds as opposed to reverting back to the unofficial networks that characterized pre-war Sierra Leone. Initially, government officials wanted traditional community authorities to design specific projects before funding was disbursed, but NGOs and key externals, concerned both about state corruption and excessive bureaucratisation of the process, insisted the money be disbursed straight away. In the event, few of the chiefs actually used the money for the benefit of their communities. Instead, opportunities for corruption were simply channelled further down the pipeline. For some critics at least, this example highlights the way in which an anti-government bias on the part of NGOs and donors, and their perception of state officials as uniformly corrupt, can lead to conflict, obstruction, and the failure of programs.³⁹

Implementing Kimberley in Sierra Leone and West Africa

Sierra Leone was amongst the pioneers in implementing a diamond certification system. Indeed, introduction in Sierra Leone preceded formal agreement on the Kimberley Certification Scheme. The latter only being agreed in March 2002 with formal implementation beginning in January 2003. The country has nevertheless become a participant in this broader system.

The Kimberley certification scheme consists of four main elements. First, there is a requirement for standardized control in producer countries, from mine to the point of export. The second, and most widely known element, is a certification process in which exported rough diamonds are moved in sealed packages and equipped with a Kimberley Process Certificate detailing specific data for the diamonds therein (e.g. country of origin, carat weight/mass, exporter and importer). In Sierra Leone's case this is signed by an official in the GDD. This is received and documented by customs officials in the importing country. Third, a voluntary system of industry warranties aims to start with the first import of rough diamonds into a processing country and will continue to track them along the supply chain, as long as they remain in their rough state. The fourth element is a commitment to the regular publication of standardized statistics on production, export, and import. The absence of such standardized statistical data in the past has made identification of suspicious trading activity difficult. As already noted, in theory at least countries failing to comply with the essential elements of the scheme can be excluded from trading with participants.⁴⁰

In many respects implementation of a certification system in Sierra Leone would appear to have been relatively successful. Most notably, the value of

³⁸ ICG. Liberia and Sierra Leone, p. 24

³⁹ Lansana Gberie, *War and Peace in Sierra Leone: Diamonds, Corruption and the Lebanese Connection*, Occasional Paper no. 6 (Ottawa: Partnership Africa Canada, November 2002), 8.

⁴⁰ General Accounting Office, *International Trade: Critical Issues Remain in Deterring Conflict Diamond Trade*, GA-02-678 (Washington, DC: GAO, June 2002), p. 18.

official diamond exports have risen significantly, from \$41 million in 2002 to \$126 million in 2004 (see table below). This compares with official exports of a mere \$1.78 million in 1998. Moreover, Sierra Leone's Gold and Diamond Departments is perceived as functioning 'with a level of transparency and professionalism unmatched by other institutions in Sierra Leone'.

Official Sierra Leone Diamond Exports

Year	Carats	Value
2002	351,859	\$41,732,130
2003	506,723	\$75,969,751
2004	691,757	\$126,652,634

Source: PAC, *Sierra Leone 2005, Diamond Industry Annual Review*. p. 4 and 6

However, the extent to which such rises in official diamond exports reflect the success of certification is debatable. First, better security in the country following the establishment of peace has allowed more to return to the mining areas resulting in an intensification of mining activities. Second, increased worldwide demand may well have helped raise the level of official exports. Third, continued UN sanctions on Liberia has reduced the attractions of what was a traditional smuggling route for diamonds even prior to the conflict. Indeed, UN reports have suggested that sanctions may have led to a reversal of trade with Liberian diamonds possibly entering Sierra Leone, although the recent civil war has reportedly reduced this flow. Cote d'Ivoire also suspended official diamond exports in 2003 as a result of the civil conflict that erupted in the country in 2002. However, large scale diamond mining is still underway in Cote d'Ivoire with diamonds reportedly being transported to other exporters in the region.⁴¹ At the same time, estimates suggest that a significant proportion of local Sierra Leonean diamonds are still being exported illicitly. Estimates of smuggling in 2004 ranged from \$30 million to as much as \$170 million.⁴²

It is thus not clear at the moment exactly how successful certification has been for Sierra Leone and how much the increase in official exports reflects factors other than the influence of certification. It is certainly the case that the illicit diamond sector remains substantial.

A key test for the effectiveness of diamond certification in Sierra Leone is likely to come if and when the UN finally lifts sanctions on the export of diamonds from Liberia. The longstanding tradition in Sierra Leone has been that informal exports to Liberia fluctuate according to the relative attractions of selling in the different markets – as determined by factors such as variations in market prices, taxation rates and policies on currency convertibility. If any of these factors argue in favour of informal sales to Liberia once sanctions are lifted it may prove difficult for Sierra Leone to maintain the current level of

⁴¹ Global Witness and Partnership Africa Canada, *Implementing the Kimberley Process*, June 2005, p.

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⁴² PAC Sierra Leone 2005, p. 4.

official diamond exports. Any decision to lift sanctions on Liberia therefore needs to be made in the context of broader initiatives to harmonise regional diamond markets.

A further concern relates to the focus given by donors to the extractive sector. The ICG in particular has criticised the donors for skewed priorities in relation to both Sierra Leone and Liberia noting the focus on resource extraction displayed by donors compared with agriculture. This is despite the facts that agriculture employs 75% of Sierra Leoneans and produces 45% of GDP. For instance, agriculture hardly figured in DDR programmes for former combatants with training provided for plumbers, carpenters auto mechanics etc. In contrast, according to the ICG, whilst 'agriculture is paid lip service real planning seems to focus on resource extraction'.⁴³ Indeed, one might add in qualification that real planning in the extractive sector seems focussed around attracting external companies – sometimes of dubious repute. Even in the alluvial diamond sector some consideration seems to have been given to bringing in an outside company to take over large parts of the sector. Thus, ironically, one of the key problems for development in Sierra Leone may well be the priority given to reforming the sector deemed to have played such a pivotal role in the descent to conflict in Sierra Leone.

There are however, more fundamental problems that impact on Sierra Leone's implementation of Kimberley and these relate both to the genesis of the regime and its focus. Kimberley represented a response by industry and government to a threatened boycott of 'blood diamonds' by NGOs campaigning on the issue. It was thus as much of a defensive measure – designed to hang onto markets - as it was a proactive initiative to promote peace. Moreover, Kimberley's evolution is particularly instructive. Whilst the Kimberley Process pre-dated the attacks on the World Trade Centre, the attitude of the Bush administration in particular, became far more supportive in the aftermath of 9/11 and in the context of reports suggesting Al Qaida had exploited the trade in conflict diamonds to fund its activities. Kimberley thus exhibits a duality. Conceived by a coalition of NGOs and like-minded states as an instrument of solidarist global governance, support for it was underpinned by its role as an instrument of prophylactic control against money-laundering and terror.⁴⁴ It has also become an instrument for the official diamond industry to restrict the much larger informal trade in diamonds from states not in conflict.

Kimberley is also a global mechanism that aims to use transparency as a means of disciplining not only the warlords and companies but also the 'huge number of young men [who] still swarm over the alluvial diamond fields of Africa...Almost all of them...unregistered and unregulated'⁴⁵ who participate in the illicit trade in rough diamonds. This includes anything from 120 to 200,000 artisanal diamond miners in Sierra Leone.

⁴³ ICG, Sierra Leone and Liberia, p. 16.

⁴⁴ See Chair's report to Plenary, Kimberley Process Plenary Meeting, Gatineau, Canada, 27-29 October 2004. Available at: <http://www.kimberleyprocess.com:8080/site/?name=home>; Chair's address to the 13th international jewellery Exhibition, Feb 2005. See: <http://www.kimberleyprocess.com:8080/site/?name=home>

⁴⁵ Partnership AfricaCanada and Global Witness, *Rich Man Poor Man*. Development Diamonds and Poverty Diamonds: The Potential for Change in the Artisanal Alluvial Diamonds Fields of Africa, 2004, p. 5. See: <http://pacweb.org/e/index.php?option=content&task=view&id=42&Itemid=65>.

As already noted this goal is pursued through the development of a scheme to monitor and verify the progress of rough diamonds from mine to the point of purchase, using a combination of certificates of authenticity covering the trade in rough diamonds and a system of voluntary industry warranties guaranteeing the ethical content of polished diamonds and jewellery. Concomitant with this is a commitment to shed light on diamond industry practices. Thus, whilst lighting on the streets of Freetown is still limited the Gold and Diamond Department of Sierra Leone attempts to shed light on its diamond industry through the provision of regular data on monthly diamond exports in terms of caratage and value; a database containing the names, addresses and licence numbers (with date of granting) of all diamond exporters; a system which requires diamonds to be valued prior to export in the full view of Customs and Excise, a senior Mines Monitoring Officer and an international Diamond Consultant; and a 40% law under which individuals reporting illicit diamond mining receive 40% of the value of any diamonds seized. Indeed, the international community have even conducted overflights of alluvial diamond areas producing detailed photographs of them to map informal diamond activity. Yet despite this, ever more oversight is being urged on Sierra Leone.⁴⁶

At the other end of the diamond chain Belgium, for instance, has now passed regulations requiring the four diamond bourses to which most companies belong to commission an independent inspector to certify they are meeting their obligations under Kimberley. Anti-money laundering laws have also restricted cash transactions to Euro 15,000 – facilitating oversight of deals.⁴⁷ Indeed, the attempt to restrict cash transactions or other forms of financial exchange immune to surveillance is a recurring trend both in specific national efforts to curb the illicit diamond trade and more general efforts to curb the diverse threats from unregulated disorder – attempts to restrict the Hawallah system for instance.

The aim is to produce a geography of regulation which creates physical or bureaucratic nodal points where the capillary networks of global trade and transactions are required to converge for the purposes of monitoring and control. The focus is on policing and regulating the uncontrolled global transmission belts of disorder – the informal activities of the poor, the shadow networks of mafia society and the unapproved moral laundering of odious transactions that occurs as supply chains cross from the realm of the illicit to the realm of the licit. However, local actors adaptively respond to regulation either by diversifying supply chains or by diversifying into less regulated activities. Estimates suggest that anything between 50 to 90% of Sierra Leonean diamonds are still traded unofficially; in Angola \$2 million of diamonds are smuggled out; the UN has reported that sanctions on Liberia may have encouraged cross-border smuggling to Sierra Leone; and a ban on trading diamonds for dollars in the DRC simply encouraged a flow of diamonds into Angola.⁴⁸ One example of such adaptation is the fact that Mines Monitor Officers in Sierra Leone are not only chronically under-

⁴⁶ Partnership Africa Canada, *Sierra Leone 2004: Diamond Industry Annual Review*. See: <http://pacweb.org/e/index.php?option=content&task=view&id=42&Itemid=65>

⁴⁷ Partnership Africa Canada, *The Key to Kimberley: Internal Diamond Controls: Seven Case Studies*.

⁴⁸ Partnership Africa Canada, *The Key to Kimberley: Internal Diamond Controls: Seven case Studies*.

resourced and under paid (\$50 a month) but are often appointed as a function of political patronage.

Even more problematic than this however is the fact that Kimberley is not meant to address the fundamentals of poverty, the actual violence and the structural inequalities built into the formal diamond trade. What it does succeed in doing quite well though, is to reinforce the moral laundering process produced by the distancing effects of global supply chains, effectively eliminating any illegitimacy that might accrue to the diamond majors and their products from the methods of local extraction. It has also provided a form of therapeutic reassurance (albeit imaginary) that the supposed potential for terrorists to commandeer profits from illicit diamond smuggling has been addressed. But it has not substantially changed the terms of trade for the diamond diggers, or indeed for most governments in the developing world. Thus, most alluvial diamond miners in Africa still earn pitiful wages and work in atrocious conditions. For instance, a survey by the Peace Diamonds Alliance in Sierra Leone calculated average monthly earning of between \$25 and \$30, considerably less than Sierra Leone's minimum wage of US\$40.⁴⁹ Such conditions themselves, are of course, an incentive for theft and smuggling. Similarly, despite the high values attached to the trade in diamonds, for most governments in the developing world the returns from diamond exports are not at the kind of level that would support development. In part this reflects the structure of the diamond industry and the way value is added at subsequent stages of the production process. Thus, retail sales of diamond jewellery were worth \$57.6 bn in 2000, the trade in polished diamonds was worth \$12.8 bn, but the global rough diamond trade itself was worth only \$7.5 bn. It also reflects the fact that exporters in Africa are constrained in the level of taxation they can impose by the constant threat of informal exports to other competitors. For instance, Sierra Leone raises revenue from diamonds via a 3% export tax and various licence fees. After deducting for the costs of regulating and managing the licensing system and the costs of maintaining Kimberley, net diamond revenue to the government has been estimated at less than \$3 million for 2004. Indeed, for small scale exporters such as neighbouring Liberia, the costs of implementing Kimberley is likely to exceed the level of income generated for government.⁵⁰ Moreover, whilst most diamond diggers are Sierra Leonean, most dealers and exporters are drawn from the Lebanese business community. Whilst Lebanese diamond dealers made a commitment to trade through the official system as a contribution to reconstruction after conflict, it is also the fact that capital flight has been a persistent feature of Sierra Leone's political economy and the trickle down effect from diamond trade appears to be limited. Indeed, licence holders and dealers are now, somewhat ironically, citing the costs of Kimberley adherence as a justification for holding wages and diamond prices down.

In theory, Kimberley is supposed to promote peace because it has both a policing and a development rationale. On the policing side, the certification system established is supposed to prevent the diversion of diamonds to rebels. On the development side, certification is supposed to improve

⁴⁹ PAC, p. 5.

⁵⁰ Partnership AfricaCanada and Global Witness, *Rich Man Poor Man. Development Diamonds and Poverty Diamonds: The Potential for Change in the Artisanal Alluvial Diamonds Fields of Africa*, p.6.

governance of the diamond sector, increasing resources for development by encouraging licit rather than illicit trading and thus raising income from tax etc. However, the Kimberley agreement itself has nothing to say on the plight of the diggers or the terms of trade for exporting governments. Coupled with the appalling working conditions for miners, this has led some critics to call for a redefinition of conflict diamonds – to include diamonds that come from areas where mining is based on the systematic violation of human rights⁵¹ whilst others have argued for a greater emphasis on the idea of ‘development diamonds’.⁵²

Of course, it could be argued that Kimberley as originally conceived was about preventing the trade in conflict diamonds, not about supporting development – but even in its own narrow terms it is problematic. A Kimberley certificate does not even guarantee that a diamond is conflict free. Indeed, one of Kimberley’s great successes is, ironically, to virtually define conflict diamonds out of existence. Kimberley defines conflict diamonds by reference to the trade of rebel groups and their supporters and also links their definition to the fact of there having been UN resolutions covering the particular actors in question. In addition, only rough diamonds are covered by the definition.

Consequently, any number of states have remained free to trade diamonds during conflict – the UK during the invasion of Iraq (despite being the location for De Beers Central Selling Organisation), Israel, India and Russia for instance. In some respects this can be justified on the grounds that the trade in diamonds has not been a major factor causing or perpetuating conflict in or by these countries, as it was in Sierra Leone or Angola for instance. But even where this is the case, a strict reading of Kimberley leaves the determination of whether diamonds are conflict diamonds or not as a function of political power and interests. For instance, whilst Liberia is now formally at peace, its diamonds are (at the time of writing) still subject to UN sanctions pending the establishment of a certification system which, as noted above, will likely cost more to implement than Liberia will gain from its trade in diamonds. Moreover, absent sanctions from the Security Council, Kimberley participants can only evaluate the quality of the regulatory and oversight mechanisms designed to ensure conflict-free diamonds. Thus the Republic of the Congo (RoC) has been expelled from the Kimberley certification scheme, largely as a consequence of a substantial illicit diamond trade from the DRC. However, the RoC was not actually expelled for trading in conflict diamonds because, strictly speaking, there are no conflict diamonds in the DRC. The RoC was expelled because it was deemed not to have the regulatory mechanisms in place to ensure adherence to Kimberley and will be readmitted once these are in place. In essence then, the Kimberley Process has enshrined adherence to process as an end in itself rather than addressing the trade in conflict diamonds per se.

Kimberley as it operates today is thus more a simulation of a conflict diamond regime than a real conflict diamond regime; one that does not control conflict diamonds per se, nor even really the illicit smuggling of diamonds; one that does not address the iniquities in terms of trade that really feed

⁵¹ Rafael Marques and Rui Falcão de Campos, *Lundas – the stones of death Angola’s deadly diamonds : Human rights abuses in the Lunda provinces*. See:

<http://www.niza.nl/doc/200503141357095990.pdf>

⁵² Partnership AfricaCanada and Global Witness, *Rich Man Poor Man* op. cit.

underdevelopment and one that does little to address the structural violence perpetrated on the diggers. It is a regime that does not aim to provide a cure but merely therapy for deeper ills. It provides diamond customers with the reassurance that conflict diamonds do not exist – partly because Kimberley almost defines them out of existence; it provides the international community with a sense of moral purpose in expanding regulatory intervention; it also aims to transform the subjectivities of the poor by offering good governance as a substitute for structural inequality. It does all these things, but what it does not actually do is control diamonds traded in conflicts.

Conclusion

To conclude, the attempt to address the phenomenon of conflict trade and to introduce ethics into the markets of post-conflict societies has produced a system of regulation that is asymmetric in its effects and in its coverage. Inside the developing world state it is characterised by projects of deregulation and re-regulation that aim to transform the behaviour of societies without fundamentally transforming their conditions. At the global level, the debate about controlling conflict trade and introducing ethics into markets has resulted in the selective application of regulations and/or an international rule by codes. The effect has been to produce local and global regulatory frameworks that are ultimately incapable of transforming the structures and relationships that underpin shadow trade, state failure and conflict. At best, they operate to embed a mixture of limited global poor relief and extensive monitoring and policing geared to preventing the poor re-exporting disorder. At worst, they embed inequality and social stresses.

What does this analysis imply for policy-makers then? A clear lesson of this paper is that the proliferation of ever more transparency and ever more local regulation without any transformation in the conditions of the poor is unlikely to bring durable peace to post-conflict societies. What is needed instead, is a shift away from the current mix of ever extending local regulation and minimalist global codes implemented within the boundaries of neoliberal precepts that foster social stresses. A programme to achieve this would require the following:

First, constructing a system of regulation that is simply designed to make markets work better or to mitigate some of their worst effects is insufficient. Post-conflict societies in particular, are desperately in need of regulatory frameworks underpinned by a commitment to emancipation and to transformation. In part, this implies a move away from the selective application of regulation and/or its relegation in favour of codes when the interests of major powers and key industries are threatened. At the very least, this would imply treating Liberia on the same basis as, for instance, the DRC – something that is palpably not occurring. Better still this should imply a redefinition of conflict diamonds to both cover the trade in polished diamonds (which is not currently the case) and to broaden the definition to include diamonds that are mined where significant human rights abuse has occurred. More generally, there have been calls for the creation of a UN early warning system to identify emerging cases of conflict trade. This might also be

supplemented by a convention that produces a settled definition of conflict trade and sets clear restrictions on the practice.⁵³

However, given the ability of local/global actors to adapt to new geographies of regulation, this is unlikely to be sufficient unless the actual content of regulation is geared to transforming economic structures and promoting development and security. An example might be the way in which NGOs are now leading a campaign to restructure the Kimberley certification system. The aim is to transform it from a regime that merely provides (ineffectual) policing of the problem of conflict diamonds to one that can embed fair labour conditions and terms of trade capable of transforming 'conflict' or 'poverty diamonds' into 'development diamonds'. Another example might be the provision of financial support and a favourable regulatory environment for less exploitative methods of production such as the workers co-operatives that already employ about 100 million people around the world.⁵⁴ Some funding for co-operative mining activities has been provided by externals in Sierra Leone and this might be expanded. DFID has also provided funding in Sierra Leone for the United Mine Workers Union, although recruitment in the alluvial diamond sector is still limited. Again ways of expanding this support might be examined within Sierra Leone.

Second, a local/global political economy of peace will require local/global policies of extensive redistribution. At the global level this does not just mean increasing aid and abandoning Western tariff barriers on agricultural goods. It also implies legislating for initiatives such as the proposed Tobin tax on international financial transactions and recognising that for post-conflict societies in particular, subsidisation and protection of strategic industries may be crucial to sustaining employment and relieving still raw social tensions. In the context of Sierra Leone, this suggests the need to both examine better forms of protection for local agriculture, particularly rice production and also to consider ways in which more of the value added to local diamonds as they work their way through the supply chain can be returned to the country. One way this could be done would be to use the tracking system established by the certification system to generate a Kimberley tax that would fund implementation of Kimberley. This is particularly important with respect to the provision of support for countries to develop internal mechanisms to better ensure the delivery of diamonds from mine to the point of export. This remains an issue that countries with large alluvial diamond deposits such as Sierra Leone experience particular problems with, and which the Kimberley Process has so far done little to address.⁵⁵ Such funds could also be utilised to provide support for cooperatives and for the development of unions. Another requirement is for support to develop either local or regionally based cutting and polishing facilities so that value can be added locally. The possibility of establishing a region-wide diamond bourse has also been examined with respect to West Africa and this might also be pursued.

⁵³ Le Billon, *Fuelling War, Natural Resources and Armed Conflict*, *Adelphi Paper*, 2005.

⁵⁴ George Monbiot, 'A vehicle for equality', *The Guardian*, April 12, 2005.

⁵⁵ Global Witness and Partnership Africa Canada, *Implementing the Kimberley Process*, p. 5. There are exceptions here. For instance, the US Clean Diamonds Act authorises \$10 million per annum to assist implementation of Kimberley, see Le Billon, p. 78.

Third, the rhetoric about aid supplicants being allowed to go their own way needs to be given more concrete manifestation, not least so that post-conflict societies can develop economic models appropriate to local circumstance. DFID for instance, has formally abjured linking aid to UK security goals and has recently committed itself to cease making aid conditional on the pursuit of privatisation and trade liberalisation.⁵⁶ In the context of Sierra Leone this might imply reconsidering the relationship of the state to external investors and the diamond sector more generally. Whilst there are important differences, Botswana, for instance, has benefited substantially from its diamond industry by rejecting IFI advice and taking a 50% stake in the mining operations of De Beers. It also own 10% of De Beers. Consequently, 70% of diamond revenue ends up in government coffers.⁵⁷

Fourth, policy needs to focus not only on the national dynamics but regional dynamics influencing formal and informal economic activity. In the case of Sierra Leone, this will require urgent attempts to harmonise (upwards) taxation levels and other forms of diamond industry regulation. Operated appropriately, such initiatives could benefit governments by generating increased revenue whilst also benefiting workers by producing better conditions.

⁵⁶ DFID, FCO, HM Treasury, *Partnerships for Poverty Reduction: Rethinking Conditionality. A UK Policy Paper*, London: DFID, 2005.

⁵⁷ AC, Rich Man, Poor Man, p. 5.