

# Opening the door to formalisation?

## Small-scale diamond mining and rural economic development in post-Ebola Sierra Leone



### In brief

- The Ebola crisis led to a systematic blocking of crucial regional trade routes, in turn, curtailing mobility and creating enormous logistical challenges for all those dependent on artisanal mining.
- Financial support structures changed dramatically during the crisis, precipitating a significant shift from artisanal diamond mining to artisanal gold mining.
- The Ebola crisis had catastrophic consequences for rural youth. Seasonal migration labour streams and informal livelihood opportunities were severely suppressed.
- The crisis had a significant impact on local patronage networks, and the so-called ‘big men’ who support young miners.
- During the crisis, many youth opted to re-engage in agriculture.
- Diversification into new livelihood areas during the crisis has played a role in reducing dependence on the artisanal diamond mining sector.
- In the context of the government’s strategy to formalise the artisanal diamond mining sector, the blurring between and policy treatment of ‘artisanal mining’ and ‘small-scale mining’ must be addressed.
- The artisanal mining ‘division’ of the National Minerals Agency (NMA) is heavily disconnected from the organisation’s central decision-making apparatus in Freetown. Efforts must be made to ensure that artisanal mining is placed at the centre of decision-making that concerns the future of Sierra Leone’s mining trajectory, given the widespread importance of the sector to the rural economy.
- Communications with Sierra Leone’s policymakers suggest that they are apprehensive about formalising artisanal mining because their mind-set is conditioned by a deeply-engrained large-scale mining ‘bias’.

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## Attention Sierra Leone: Diamonds are not forever

Since their discovery in the 1930s, the fate of Sierra Leone has largely been tied to diamond production. During the 1950s and 1960s, the sector's formative years, vast quantities of gemstone-quality rough diamonds were produced for export. As the diamond industry became a sphere of unregulated private enterprise, pervasive rent-seeking at all levels of the supply chain fuelled a massive decline in official diamond production, from 418,000 carats in 1977 to a paltry 13,000 carats in 1990.<sup>1</sup> This considerable loss of diamond income over an extended period of time has deprived the state of valuable revenues, which could have been used to foster economic growth and drive development.

For nearly two decades, Sierra Leone has been mired in what seems to be perpetual 'reconstruction' mode, coping with, and recovering from, the destruction caused by its protracted civil war (1991-2002). According to the World Bank, the decade of intense violence during the 1990s has cost the country at least \$15 billion,<sup>2</sup> was responsible for an estimated 70,000 deaths, and displaced 2.6 million people. An availability of readily-accessible alluvial diamond reserves, which Revolutionary United Front (RUF) forces seized and subsequently used to trade for arms, played an integral role in perpetuating the country's civil war. The reconstruction process has been slow, and some hallmarks of the war – destroyed buildings, derelict landscape, defaced roads, and idle facilities – still remain.

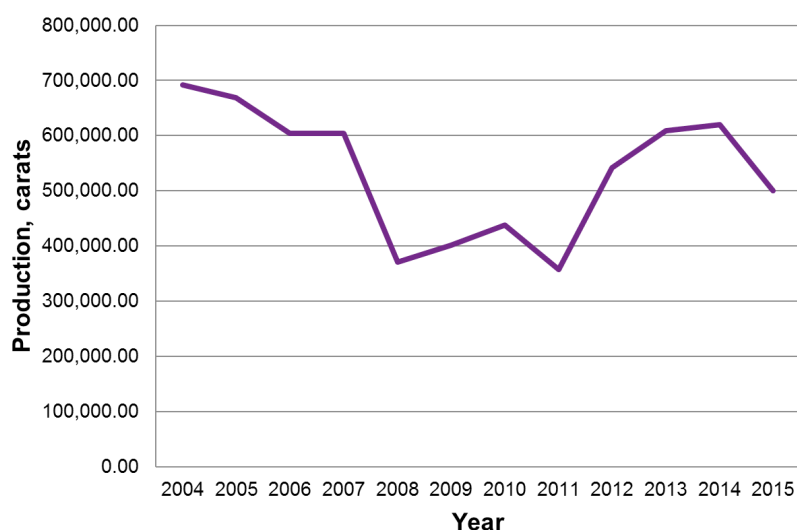
Diamonds, and their continued exploitation, have been a featured focus of the country's reconstruction efforts. In line with the global extractive industries and development policy discourse, the main emphasis has been on improving the traceability of stones and the transparency of revenue flows. Policy interventions such as the Kimberley Process Certification Scheme (KPCS) have helped to facilitate improved reporting of purchases of stones and recorded details of their origins, and progression through the supply chain. Since the launch of the KPCS, declared diamond production in Sierra Leone has risen sharply (Figure 1).

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1. Keen, D. 2005. *Conflict and Collusion in Sierra Leone*. James Currey, London.

2. <http://slconcordtimes.com/sierra-leone-civil-war-cost-us15-billion/>

**Figure 1: Declared diamond production in Sierra Leone, 2004-2015**



Source: Data extracted from Kimberley Process website.  
See: <https://www.kimberleyprocess.com/>

But whilst the ‘blood diamonds’ era may have come to end in Sierra Leone, many challenges remain. One of the most significant has been ensuring that all diamonds mined in Sierra Leone are accounted for in Sierra Leone. There is reason to believe that, in spite of the plethora of paperwork, checks, and confirmations that have come with a commitment to the Kimberley Process, Sierra Leone still provides fertile grounds for rampant diamond smuggling. There are several factors that contribute to this illicit economy, the most obvious being the country’s borders between Guinea and Liberia, which remain porous and in many places, unmanned. Given the widespread cross-border sponsorship and more appealing export taxes (in Guinea and Liberia, it is 3%, whilst in Sierra Leone, it is 5%), it is not a question of *if* smuggling is taking place but rather a question of where it is taking place.



Diamonds for sale? Kono District, July 2016

Another very serious problem in a country that depends economically on the revenue generated from alluvial diamond production and exports is the exhaustion of near-surface reserves. As has been documented in a number of reports and studies of the past decade, stones are becoming much more difficult to recover. This has forced sponsors to take even greater risks, and put hired hands – the diggers – in an even more vulnerable and precarious position. It is unclear when exactly these diamond reserves will run out, but the changing dynamics of production are signs that a more innovative rural development strategy is needed.<sup>3</sup> An undercapitalised, rudimentary, and quasi-illegal artisanal and small-scale diamond economy is incapable of sustaining the country's rural populations on its own. Therefore, addressing the issue of rural livelihoods is crucial for ensuring the sustainability of the economy.

Two very important moves can be made simultaneously to address these concerns: 1) formalisation of, and intensifying support provided to, the sector; and 2) supporting other income-earning activities into which rural inhabitants have branched out.

## The formalisation conundrum

Across the developing world, and in sub-Saharan Africa in particular, there has been a push from many international development organisations to formalise artisanal and small-scale mining (ASM): specifically, a move to bring illicit operators into the legal domain. Doing so creates a platform from which operators can be taxed, monitored, and supported. A host of donors, including the World Bank, United Nations, GIZ, and USAID, have implemented several projects over the past decade with this objective in mind.

Sierra Leone is no exception, where there is lukewarm – albeit, growing – support for formalising ASM. But things look very different now following a protracted Ebola crisis, which brought the country's industries, including all types of mineral extraction, to a grinding halt. The general impacts of the epidemic, which gripped the West African sub-region for two years, have been well documented. According to the World Bank in Sierra Leone, the fiscal effects of the epidemic are in the range of \$150 million. In total, there were more than 12,900 reported cases of Ebola and over 3,900 related deaths in Sierra Leone, and at 208 per 100,000 people, the country had the highest rate of infection in the region. Its rural economies, however, were particularly hard hit, as the free movement of hundreds of thousands of people engaged in a host of income-earning activities – from agriculture through trading to diamond mining – who drive these economies, was restricted considerably by a series of curfews and the collapse of transportation networks.

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3. Fanthorpe, R. and R. Maconachie. 2010. Beyond the crisis of youth? Mining, farming and civil society in post-war Sierra Leone. *African Affairs*, 109 (435), pp. 251-272.

The artisanal mining sector that is slowly ‘reassembling’ in the rural areas ravaged by Ebola must now be remapped. There is little disputing that the dynamics of the local supply chains which artisanal mining is a part of have changed markedly in the aftermath of Ebola. Entire sections of the supply chain are in the process of being reconfigured, in response to the holes left by certain actors who departed during the crisis, and the more recent arrival and emergence of others.

On a positive note, the government already has in place the key institutional pieces needed to facilitate marked formalisation in the country’s artisanal mining sector. To eliminate bureaucracy, the Ministry of Mines and Mineral Resources has established the National Minerals Agency (NMA), which is intended as a ‘one-stop shop’ for regulation and licensing, which includes artisanal mining licenses. In fact, Sierra Leone may be better positioned than most countries in sub-Saharan Africa to formalise artisanal mining because of the true decentralised nature of the licensing process. Decisions on artisanal mining licenses are made locally, in this instance, by the regional offices of the NMA.

Formalising and supporting artisanal mining could help to alleviate considerable hardship in a country which is struggling to recover from Ebola. Despite attracting its share of donor aid over the past two decades, Sierra Leone remains one of the poorest countries in the world, scoring at the bottom of the Human Development Index on most social and economic indicators. All monies circulating in the country, therefore, are assigned to particular budgets and there are few opportunities to secure additional funds. The literature paints an extremely bleak, and indeed, discouraging picture of the organisational structures of the country’s chief alluvial diamond mining hubs, Kono and Kenema: diggers working on less than \$2/day; appalling working conditions; all of the hallmarks of ‘rush’ settlements, including widespread prostitution and disease, health and safety concerns, and excessive drug and alcohol consumption; and a proliferation of Lebanese and Mandingo traders who control the sector. But to be in any position to formalise artisanal mining, the government must develop a more comprehensive understanding of the organisational structures that are rapidly reassembling, revenue flows, and the roles (or changing roles) of different players in the production network in the post-Ebola period.

## Research methodology

Pilot research was undertaken during the month of July 2016 in a bid to develop a more comprehensive understanding of the artisanal diamond mining supply chains now in flux but slowly re-establishing themselves in Sierra Leone. An attempt was also made to determine how key actors in the country’s artisanal diamond mining sector were impacted by Ebola. These data, it is believed, will go a long way towards yielding more robust formalisation strategies and support measures for artisanal mining.



Focus group discussion with artisanal miners near Koidu, Kono District, July 2016

In order to capture a broad range of perspectives, fieldwork was confined to Kono District, the country's main diamond bearing region, and Kenema District. Multi-sited research took place in a series of diamond mining communities where the researchers have been working for many years, and where strong rapport had already been established with a diverse range of stakeholders. Qualitative data were generated using a suite of methods derived from the Rapid Rural Appraisal family, including transect walks, semi-structured interviews, focus group discussions, and life histories with miners. In total, 30 key informant interviews were carried with a wide range of actors, including: diggers, supporters, traders and middlemen, Chiefs, elders, and a number of government officials involved in policy formulation.

## Embracing the challenge: Formalising artisanal mining in post-Ebola Sierra Leone

Analysis of the data from this research has revealed a number of very interesting nuances, not only about the impacts of Ebola on artisanal mining, which will undoubtedly necessitate a radical change in approach to formalising its activities, but also details about the sector's policy treatment. The key impacts of Ebola on artisanal diamond mining will be identified before some of the details of the government's stance on the sector are shared. The main findings of this study are outlined below.

- Interviews with diamond diggers confirmed what has been reported extensively in the international media: that, during the Ebola crisis, many parts of Sierra Leone were placed in effective quarantine. This, it was explained, led to a systematic blocking of crucial regional trade routes, and in turn, curtailing mobility and creating enormous logistical challenges for all those dependent on artisanal mining .
- Support structures may have changed dramatically and permanently. 60% of diggers interviewed for this study revealed just how popular artisanal gold mining is becoming as a permanent source of income-earning. This presents massive challenges to a government not

particularly engaged in the regulation of artisanal gold mining and which is following a legislative framework in place to deal mainly with diamonds. A pronounced shift toward artisanal gold mining will require the NMA to rethink its formalisation and support strategies.

- **The Ebola crisis had catastrophic consequences for rural youth. Seasonal migration labour streams and informal livelihood opportunities were severely suppressed.** Restrictions on movement affected the livelihoods of young miners at the bottom of the chain. But buyers, dealers, and the extensive network of actors who support diamond transactions, both in Sierra Leone and internationally, were also adversely affected. Communications with one buyer/exporter stationed in Kenema in particular captured at length the impact Ebola had on the much-overlooked upper echelons of the supply chain.
- **The crisis had a significant impact on local patronage networks, and the so-called ‘big men’ who support young miners.** During the crisis, it was explained, financial supporters feared losing their investment capital during uncertain times and withheld their funds. But findings from interviews suggest that this may actually have been a positive development for young people because when artisanal mining came to a grinding halt, diversification within livelihood portfolios was stimulated and new kinds of mobility took place. In fact, many interviewees, particularly diggers, expressed satisfaction with the income-earning activities into which they were forced to ‘branch out’. The most popular options were agriculture and gold mining. The latter, it was explained repeatedly, yielded small quantities of income daily, thereby enabling individuals to better plan their lives.
- **During the crisis, many youth opted to re-engage in agriculture.** Whilst often portrayed as the most vulnerable individuals during the crisis, the youth who did take up agriculture were probably best positioned to cope with the disaster. Whilst villages were quarantined, those confined to these areas were producing food for themselves in remote areas, thus helping to guarantee their survival, as well as for local markets.
- Building on the above points, because it has long been argued that youth in Kono have been overly dependent on diamond mining, **diversification into new livelihood areas can be seen as a positive step that emerged from the crisis.** Aside from gold mining and farming, there were reports of youth having branched out into coltan extraction.
- But even if these fresh nuances are taken into account, for the government’s formalisation efforts to truly have an impact, **the blurring between, and policy treatment of, ‘artisanal mining’ on the one hand, and ‘small-scale mining’ on the other hand must be addressed.** In law, the distinction is very clear: those in possession of a license to do the former cannot use machinery, whilst those in possession of a license to do the latter can. However, most miners struggle to secure a small-scale mining license because of the costs involved, most of which are linked to an environmental impact assessment (payments to the Environmental Protection Agency and consultants).
- **The artisanal mining ‘division’ of the NMA is heavily disconnected from the organisation’s central decision-making apparatus in Freetown.**

This is perhaps best epitomised by the recent exercise carried out to assemble a cadastre, during which the details that fall under all categories of license were inputted into a national database, apart from ‘artisanal’. Efforts must be made to ensure that artisanal mining is placed at the centre of decision-making that concerns the future of Sierra Leone’s mining trajectory, given the widespread importance of the sector to the rural economy.

- **Communications with Sierra Leone’s policymakers suggest that they are apprehensive about formalising artisanal mining because their mindset is conditioned by a deeply-engrained large-scale mining ‘bias’.** Despite having very limited potential to develop large-scale mines, as evidenced by the small number of projects (four) currently in operation, policymakers seem intent on giving preferential treatment to the activities which fall into this category of operation. Although not a particularly ambitious developmental blueprint, the host of exploration fees and small pool of royalties generated in the process assures the NMA and other government offices of revenue, amounting in the millions of dollars, annually.



Artisanal diamond miners near Kenema, Kenema District, July 2016

## Conclusion

Although alluvial diamonds have played a pivotal role in Sierra Leone’s political economy for decades, few benefits have ever accrued to diamondiferous communities themselves. While it is true that for many thousands of families, artisanal diamond mining is a part of a complex livelihoods portfolio, carried out alongside farming and other resource extraction activities, the licensing and permitting procedures in place are built solely around a top-down view of alluvial diamond mining activity, with little consideration for these dynamics. A more comprehensive policy framework for artisanal mining, specifically a blueprint which takes into account more comprehensively the many nuances of the rural settings where alluvial diamond digging takes place, is, therefore, urgently needed.

As this research clearly illustrates, for example, a more fine-grained understanding of both rural mobility patterns and the opportunities that

have emerged for livelihood diversification, would enhance strategies for formalisation and ensure that they are better aligned with the realities of the rural economy.

This research, therefore, provides a first step in helping to bridge this gap by supplying some of the ingredients needed to address the formalisation conundrum. The formalisation of alluvial diamond mining – moves made specifically to bring illicit operators into the legal domain, while at the same time improving both working conditions and financial inclusion for diggers at the bottom of the chain – could have a transformational effect on rural livelihoods whilst simultaneously bolstering revenue for government, principally through taxation and export earnings.

In moving forward, this research makes it clear that an opportunity has emerged in light of the ongoing reconfiguration of supply chains in response to changes brought about by Ebola, to put diggers at the heart of a formalisation process. Previously, debt bondage and parasitic relationships with buyers prevented diggers from escaping poverty. But policies which are more fine-tuned to connect with, and ultimately empower the digger, could improve the economic position of poor mining communities, whilst simultaneously providing a steady stream of tax to the state. At the policy level, more research is ultimately required to provide the fine-grained evidence that is needed to inform debates on small-scale mining, formalisation and income-generation, particularly those which centre on the diamond mining sector and rural economic development.