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DIAMONDS, RICE, AND A 'MAGGI CUBE'
ARTISANAL DIAMOND MINING AND LIVELIHOODS IN LIBERIA

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EGMONT
Royal Institute
for International Relations

Diamonds, rice, and a 'maggi cube'

Artisanal diamond mining and livelihoods in Liberia

Editors
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ACADEMIA PRESS

© Academia Press
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9000 Gent
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Lay-out: proxess.be

ISBN 978 90 382 #### #
D/2011/4804/###
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INTRODUCTION

Steven VAN BOCKSTAEL & Koen VLASSENROOT

A short history of diamond mining in Liberia

Although there is evidence to suggest that gold mining occurred in Liberia as early as 1500 in Kpelle country (even though those deposits may have actually been located in what is now the Republic of Guinea) the first recorded instance of diamond mining dates back to the early 20th century. In 1906, a small Liberian-owned gold mining company reportedly found the first Liberian diamonds, in Montserrado County (Van der Kraaij 1983). Despite this early find, interest in diamond mining only took off from the 1950s onwards, as reflected by the increase in prospecting and mining activities, the growing number of Liberians involved in diamond mining, and the awarding of concessions to foreign investors. In 1957, diamond deposits along the Lofa River were discovered, causing a sudden diamond rush, and prompting some 10,000 Liberian rubber-tappers from the Firestone and Goodrich rubber plantation as well as a further 1,000 from the Bomi Hills iron ore mines to abandon their work and make their way to what was then the Western Province. These new miners were forced to return to the rubber plantations by intervening army troops, sent by the government as a result of disruptions to the labour supply for the plantations and the general disorder caused (Greenhalgh 1983: 157-158).[1]

In response to the diamond rush of 1957, the Liberian government banned the digging of diamonds, and adopted extensive legislation governing the diamond industry the following year. This new legislation resulted in the stationing of soldiers in the major diamondiferous zones, although they likely did not strictly reinforce the new regulations (Greenhalgh 1983: 157-158). Nevertheless, the new legislation severely restricted opportunities for ordinary Liberians to engage in diamond mining, and opened the door to foreign capital investments; yet most of these foreign companies encountered only moderate successes and sometimes failed spectacularly. Even though Liberia's known deposits are far less spectacular than those of neighbouring Sierra Leone, Van der Kraaij notes significant difficulties in trying to ascertain the Liberian diamond (and gold) production: 'Any analysis (…) suffers from the disappearance of concession agreements, the absence or incompleteness of files, and from unreliable production and export data' (Van der Kraaij 1983:142). Nevertheless, Van der Kraaij's monograph is probably the single most relevant source of information with regard to Liberia's pre-conflict mining sector due to the exhaustive research the author was able to conduct in the national archives. A detailed list of foreign invest-

1. Interestingly, the major agricultural concessions also held the exclusive mining rights over their plantations. This arrangement was mainly meant to be a safeguard against mining companies encroaching on these concessions and thus jeopardizing the investments made in the plantations (Van der Kraaij 1983).

ments in the mining sector underscores a number of interesting issues: First, there is the general lack of success of these endeavours to produce reasonable amounts of diamonds. Second, a number of these agreements between foreign-owned mining companies and the Government of Liberia show just how eager the government was in accommodating potential investors as agreements were rushed through the National Legislature, casting doubts over the thoroughness of the review process. Significant breaches of sovereignty and conflict of interests were glossed over[2] and similar to what happened in the agricultural sector, 'the rights granted to foreign capitalists superseded the rights of the population inhabiting the concession area' (Van der Kraaij 1983: 143). While the country had enjoyed political stability until the 1980 military coup,, it's economic 'open door' policy offered foreign investors one of the most attractive investment climates in the Third World with negligible restrictions on imports and exports of goods and capital as well as liberal tax policies and concession agreements. This strategy has often been characterized as 'growth without development': Liberia's resources were exchanged 'for some roads, schools, clinics, public buildings, and individual fortunes, with only a little spill-over into domestic investment and general economic activity' (Miller & Carter 1972:113).

In addition to the lack of success with industrial diamond exploitation, artisanal diamond mining in Liberia has never approached the scale of Sierra Leone or Ghana (Greenhalgh 1983). However, the only indication of Liberian diamond production at the time (the export statistics), are considered an unreliable guide to domestic production. It is clear now that a significant proportion of Liberia's diamond exports from the late 1950s onwards were in fact goods smuggled from neighbouring countries, notably Sierra Leone. In 1956, for example, over one million carats were exported. It is estimated that in the late 1950, 'local' production accounted for only one-tenth of total exports (Greenhalgh 1983: 157). Smugglers were mainly attracted by Liberia's use of the US Dollar as national currency, a sharp contrast to the unconvertible currencies of many other countries in the region as well as negligible restrictions on imports and exports. Indeed, Liberia's primary role in the diamond industry has mainly been one of legalizing smuggled goods from Sierra Leone, Guinea, Ivory Coast, Ghana, Zaire, and the Central African Republic. Even though the Liberian governments have mostly insisted on exporting domestic production, as early as 1954 President Tubman is quoted as saying that Liberian diamond exports consisted mainly of diamonds from Sierra Leone (Greenhalgh 1983: 244). The 15% export duties combined with the license fees from exporting dealers provided the government with sizable annual revenue. It is unlikely that the dues were strictly enforced, increasing the advantages of exporting through Liberia, and that the de

2. For example, when the official Liberian diamond appraiser was on leave of absence in the early 1960s to pursue advanced studies, the government temporarily delegated his responsibilities to the Geological Survey. However, as part of an agreement with the Diamond Corporation of West Africa Ltd., a subsidiary of De Beers Consolidated Mines Ltd., the company helped the government establish a Diamond Appraisal Office but at the same time was allowed the opportunity to appraise its own diamond production, at a fee of US$30.000 per annum[here it is not clear if the fee was charged by the office or the company]. However,, the practical consequences were limited as the company abandoned its concession in 1966, having not reported any production in the prior years. (Van der Kraaij 1983:144-145)

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facto levy was ‘around 3% or below because of undervaluation’ (Greenhalgh 1983:244).

In the 1970s, in line with Sierra Leonean production Liberian diamond exports began to fluctuate and experienced a significant downward trend, although the rising price of diamonds resulted in the maintenance of overall values. It is estimated that in the 1970s Liberian domestic production accounted for around 200.000 carats per year (Greenhalgh 1983). An estimated 200.000 carats per year was reached again after the civil war, however, since 2007 annual diamond production has not even reached a quarter of this number.[3]

Precisely because of the monetary stability associated with its introduction of the US Dollar since 1944, Liberia quickly established a reputation as a place to deposit and launder funds of dubious origin. After the 1980 military coup which ended the long dominance of an elite that prided itself on being the direct descendants of the freed American slaves who founded the country in 1822, a young army sergeant named Samuel Doe assumed control over the country. Doe made good use of Liberia’s monetary advantages, and quickly started using the newly won facilities of the sovereign state to conduct personal deals of questionable legality with major international criminals. Pressure from the US to undertake reforms resulted in Doe depending even more on shady deals, ‘and all manner of money-laundering and quick-fix financial operations’ (Ellis 2006:156). While this undoubtedly profited a few foreigners and members of Doe’s inner circle, the 1980s turned out to be an economic catastrophe for the country, resulting, among others things, in the printing of the so-called ‘Doe Dollars’ to cover for currency shortages, effectively creating a two-tier currency system (Ellis 2006).

The brutality of Doe’s regime and the economic ruins it created laid the foundations for the implosion of the country in the 1990s, provoking an invasion of former Doe official Charles Taylor and his National Patriotic Front of Liberia (NPFL) on Christmas Eve of 1989. The history of this first civil war and its brutality, the splitting up of the country along factional lines, and the dubious intervention of the Economic Community of West African States (ECOWAS) has been adequately described elsewhere (for the most influential account see Ellis 1995, 2006).

After international mediators managed to reconcile the different factions into agreeing on a timetable for national parliamentary and presidential elections, Charles Taylor was elected President of the Republic of Liberia in 1997. Taylor and his National Patriotic Party won an overwhelming victory with many Liberians regarding him to be the man who could finally end the bloodshed. However, the country never fully stabilised, and soon plunged back into conflict which ended only in 2003 with the ousting of Taylor and the inauguration of the National Transitional Government.

In 2000, we return to the diamond narrative again. At that time, Partnership Africa Canada (PAC), a Canadian NGO, published an influential account which analysed the Sierra Leonean civil war (1991-

3. See http://www.kimberleyprocessstatistics.org

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2002) from an economic perspective, arguing that the country's abundant diamond reserves were 'the heart of the matter' (Smillie, Gberie, Hazleton 2000). One of the main arguments in the research pointed to the well-known links between Charles Taylor and the Sierra Leonean rebels of the Revolutionary Armed Front (RUF). It was argued that Taylor provided the RUF with the opportunity to export diamonds from territories in Sierra Leone under their control via Monrovia, the proceeds of which were used to support the RUF's military campaign through purchasing arms and ammunition (Smillie, Gberie, Hazleton 2000). The PAC report mainly focused on the period during which Taylor was already President of Liberia but within months after the start of the first Liberian civil war Taylor had allegedly become an instant multi-millionaire and even engaged the services of 'Swindler & Berlin, a United States public relations firm representing the Liberian Mining Corporation, to represent his "movement"' (Reno 1995:113). Similarly, every Liberian faction and their external backers rapidly became involved in the burgeoning war economy, trading everything from diamonds, gold, drugs, rubber, timber, and other goods. For example, a 1992 counter-offensive by ULIMO, a rival faction to Taylor's NPFL, managed to gain control of diamondiferous areas in both Sierra Leone and Liberia enabling its leaders and their allies in Freetown and Conakry to profit from the diamond trade as well (Ellis 2006:168-9). By that time it was a well-established fact among academics, investigative journalists, and the intelligence community that violent conflicts in the Third World were increasingly linking rulers and rebels with international commercial interests (see Reno 1995, Reno 1997, Misser & Vallée 1995, Ellis 2006, Keen 2008).

With regard to diamonds, the war economy quickly restored Liberia's old status as 'exporter-of-choice', with the number of 'Liberian' diamonds imported into Antwerp, the world's biggest diamond marketplace, exploding in volume[4], spiking in 1988-1990 and again in 1995-1996[5]. However, to avoid being dazzled by the sheer numbers, it is important to maintain a critical perspective when viewing these statistics and note that neither Taylor nor the RUF were directly involved in all of these transactions. Indeed, the combined production capacity of both Liberia and Sierra Leone (without accounting for the territories controlled by Taylor and his RUF allies) can only account for a fraction of the massive number of 'Liberian' imports. It has been argued that a significant number of Russian diamonds which were subject to import taxes in Belgium were falsely declared as Liberian diamonds as they were not subject to those (Even-Zohar 2007:149). Also diamonds from rebel-held territory in Angola might have been traded under the Liberian flag of convenience as the Angolan rebel group UNITA had an important business centre in Abidjan (Misser & Vallée 1997:47). The 1988-1990 spike in Sierra Leone (before hostilities had started) and 1988-1989 spike in Liberia could only have originated in Zaire given the very low average value per carat, characteristic of that country's diamonds. This correlated with a sudden drop in official Zairian exports in the same period (Van Bockstael 2000).

4. Statistics from other diamond importers remain unavailable for this period.
5. See http://www.conflictdiamonds.com/pages/Newsarchive/01_08_00.html

To know the precise number of 'Liberian' diamonds that directly benefited the RUF is actually not that important. More fundamentally, more so than previous academic research, the PAC report publicly exposed the links between the then President Taylor and the continuing civil war in Sierra Leone, focusing on the trade in diamonds. In conjunction with an earlier published Global Witness report on the similar usage of diamonds by UNITA in Angola's civil war (1975-2002) as well as subsequent UN investigations, this led to a public debate on 'conflict diamonds', forcing the international diamond industry to react. The subsequent discussions between the diamond industry, diamond-producing countries, and civil society representatives ultimately led to the creation of the Kimberley Process Certification Scheme in 2003 (see Van Bockstael & Vlassenroot 2008; Grant & Taylor 2004).

Liberia and the Kimberley Process

Because of the conviction of the UN Panel of Experts that the continuing trade in illicit diamonds from rebel-held territories in Sierra Leone could not be conducted without the permission and involvement of Liberian government officials at the highest levels, the UN Security Council adapted resolution 1343 in March 2001, laying the framework for an import ban of Liberian diamonds (United Nations 2001). After the Kimberley Process Certification Scheme was introduced in 2003 and both Sierra Leone and Liberia returned to peaceful conditions, the Security Council urged the government of Liberia to take the necessary steps to join the Kimberley Process 'as soon as possible' (United Nations 2003:4).

Preparing to join the Kimberley Process meant that the government of Liberia was tasked to implement a system of internal controls over its diamond sector consistent with Kimberley Process minimum requirements as outlined in the Kimberley Process Certification Scheme document[6]. The legal framework for this was established in 2004 with the addition of a specific chapter 'providing for controls on the export, import, and transit of rough diamonds' to the 2000 Minerals and Mining Law. The Kimberley Process requires a high degree of transparency of a country's diamond sector. This is a daunting task in a country such as Liberia, where diamond deposits are predominantly alluvial in nature and are worked on by artisanal and small-scale (ASM) miners operating with little or no mechanized equipment and in a highly informal environment (see Vlassenroot & Van Bockstael 2008 for an overview of the difficulties posed by formalizing these operations). Additionally, further exacerbating these difficulties, ex-combatants were taking over natural resource areas in the aftermath of the civil war, resisting state authority and building up local power bases. A notable example of the activity of such extra-legal groups in diamond mining, was the Butaw Oil Palm Company (BOPC) concession where diamonds were discovered in 2005, leading to an influx of illegal miners, a significant number of them ex-combatants (Cheng 2010). Nevertheless, 'noting Liberia's progress' towards implementing the

6. Available at http://www.kimberleyprocess.com/download/getfile/4

KPCS minimum requirements the Security Council voted in 2007 to terminate the sanctions on diamonds (United Nations 2007). Soon after, Liberia joined the KPCS and was once again free to export its diamonds to all Kimberley Process members.

Given the devastating effects of the conflict on the country and the lack of financial and human resources available to government institutions it is not surprising that both the UN Security Council and the Kimberley Process have been closely monitoring Liberia's progress in enhancing government oversight of the artisanal diamond sector. This occurs through the UN Panel of Experts and the KP's own internal peer-review mechanism. The most recent KP report clearly indicates the fragile nature of Liberia's internal controls. A 2009 KP review visit team reported that while Liberia remains compliant with the KP's minimal requirement, it has 'only barely' done so in some cases with concerns being voiced over the robustness and effectiveness of the country's oversight capacity on artisanal mining (Kimberley Process 2009). Adding to this, the 2009 final report of the UN Panel of Experts further underscored the danger of impending non-compliance to KP requirements and warned of diminishing political commitment to the KP within the Liberian government and especially the Ministry of Lands, Mines and Energy (United Nations 2009). Similarly, the UN Group of Experts on Côte d'Ivoire, a country which holds the 'honour' of being the producer of the world's only remaining 'conflict diamonds', explicitly mentioned a lack of cooperation with the Group and a lack of political will in general to help curbing the smuggling of Ivorian rough diamonds among neighbouring countries, including Liberia (United Nations 2010b).

One question deserves some specific attention. Even though some doubts can be raised on the feasibility of systems of governance over artisanal mining that depend too much on punitive measures even a grassroots-based system of licensing and certification of artisanal production requires significant institutional governance capacity. Establishing and sustaining this capacity evidently also requires significant amounts of funding. However, as the historical evidence suggests, unless viable primary deposits are discovered in the future (and successfully commercialized), annual Liberian diamond production is likely to remain insignificant compared to global diamond production. Even though it provides key livelihood opportunities to thousands of artisanal miners and their communities, the three per cent export tax levied by the government will not bring in the kind of resource rents that has benefited other countries.

However, as a participant in the Kimberley Process, the government of Liberia is obligated to establish a coherent traceability scheme of its domestic production. While the costs may vary, establishing a credible system of internal controls requires a minimum investment which may grow depending on the complexity of the diamond sectors in question but which cannot be reduced lest it affects the credibility of the controls and, by extension, of the Kimberley Process Certification Scheme as a whole. In the case of Liberia, annual government revenue from diamond production is low and given geological constraints unlikely to improve significantly. Revenue from diamond exports cannot even pay for the annual budget of the Government Diamond Office which is only one element of the system put in place to regularize illicit mining (United Nations 2010:33).

Clearly, the fact that the Republic of Liberia is spending more money on its diamond sector than it receives from it and that it is regularly critiqued for the continuing high levels of illicit production (see above) can cause understandable resentment. Ultimately, this is a highly unsustainable situation as was pointed out by civil society participants at the very beginning of the KPCS (Gberie 2004; Global Witness & Partnership Africa Canada 2004). The credibility and efficacy of the system indeed largely depends on the weakest links: the quality of internal control systems in artisanal production areas which are integrated into informal, poorly governed, economies. One could argue that this is a twisted version of the free-rider problem, a classical problem of political science referring to the cost of establishing a system which, when operational, would also benefit those who chose not to participate in its establishment. Although every participant (and to a lesser extent the observers as well) is paying part of the price to keep the KPCS up and running Liberia is forced to shoulder a disproportionately large share of that price to the benefit of all the participants of the KPCS.

This is obviously a political issue and one that does not fall within the purview of this study. Nevertheless, if the formalization of illicit production is so important – which it is – the members of the Kimberley Process and the international donor community should heed this warning. They need to seriously discuss the rationality in asking one of its poorest members, a country just a few years out of a long and violent conflict, to pay in relative terms the highest entrance fee. Given Liberia's problems with institutional capacity and geological constraints this is a very high burden.

Despite the problems on the governmental levels in dealing with artisanal production and despite the negative issues with which artisanal and small-scale mining (ASM) is often associated it remains a key livelihood for millions of Africans (CASM 2009). This number is growing to astonishing volumes when accounting for households and the dozens of informal entrepreneurs who depend on the business generated by artisanal miners. Because it is an informal activity undertaken by impoverished rural communities which hardly constitute a solid tax base governments generally prefer to minimize the artisanal mining sector and to give preference to large-scale industrial operations. Furthermore, as has been noted by Le Billon and Levin (2009), an over-reliance on industrialization is often accompanied by rhetoric referring to national security issues. This can in fact provoke the same destabilizing consequences that such policies were meant to reduce: the undermining of state consolidation and poverty alleviation

The EGMONT Artisanal Diamond Mining Project

In 2007, EGMONT (the Belgian Royal Institute for International Relations) was commissioned by the Belgian government to study how the formalization of illicit or informal artisanal diamond mining can be encouraged and strengthened. As the Belgian port city of Antwerp remains the world's most important marketplace for diamonds the Belgian government attaches great importance to the Kimberley Process and its Certification Scheme in which the artisanal mining sector arguably constitutes the weakest link. In addition, the artisanal diamond sector provides a key livelihood to the rural poor in many developing countries and harnesses the potential to stimulate rural economic development. Combining these two elements – improved monitoring of a hitherto informal activity and livelihoods of local mining communities – has been the objective of this research project. It has resulted in a first publication in 2008, *Artisanal diamond mining: perspectives and challenges*, and was officially presented by the Belgian Foreign Minister, Mr. Karel De Gucht, at the Kimberley Process Plenary Meeting in New Delhi. Following the discussions surrounding the book launch several African artisanal producing countries suggested to take the project further and expand on the general recommendations made in this publication. A successful request for the funding of additional research was made to the Belgian government. Part of this new project will specifically focus on Liberia, one of the KP's newest members and indeed one of the few countries whose plight inspired the foundation of the KPCS. Liberia is not only still recovering from a devastating civil war but has also received limited attention from researchers and NGOs with an interest in capacity building in the artisanal mining sector. Significantly, the only large project related to the formalization of artisanal miners, the UNDP sponsored Diamonds For Development (D4D) program, failed to take off substantively and prospects for its revival do not look positive (Van Niewenhuizen 2008).

In keeping with the knowledge we garnered in the first Egmont research project on artisanal mining (Vlassenroot & Van Bockstael 2008) it was decided to focus this new project on the grassroots realities of artisanal mining rather than on the national, institutional level. Confronted with a government apparatus that is slowly being rebuilt,lacking the capacity to effectively implement legislation, and given the continuing importance of the informal economy in Liberia we decided to identify artisanal mining communities' views on processes of formalization. In addition, this study is interested in what these communities perceive as encouraging or discouraging policies to achieve formalisation.

The main conclusion of our research is that in Liberia an overwhelming majority of informal artisanal miners wishes to be formalized and to be granted the legal right to operate. However, barriers to entry are prohibitive for most informal miners leaving no other option than to deal with the insecurity associated with operating outside of the law. The following chapters in this book, based on desk-based studies and original fieldwork in Liberia, have tried to analyse these prohibitive factors with the ultimate goal to formulate sensible and pragmatic recommendations for the Liberian government and the international donor community. Keeping in mind the failure of 'one size fits all' approaches in the past.some of these recommendations may hopefully also be of use for countries facing similar solutions.

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The first chapter provides a critical assessment of the existing legal framework regarding artisanal mining and the ways in which this does not always reflect local realities. This chapter was written by Paul Temple, an independent expert with many years of experience working in Liberia, including at the Ministry of Lands, Mines and Energy in Monrovia where he was part of a European Commission sponsored team of experts assigned to improve Liberian compliance with the Kimberley Process requirements and technical guidelines.

A second chapter, written by Dr. Gavin Hilson (a lecturer in development at the University of Reading in the UK) and Steven Van Bockstael (a researcher in the Africa Programme of the Egmont Institute), looks at the reasons why artisanal miners overwhelmingly remain 'trapped' in extreme poverty. This chapter argues that the current system aimed at encouraging formalization does not adequately reflect the reality of small farmers who occasionally branch out into artisanal mining operations and is hampering their formalization by requiring commitments that these micro-scale miners cannot uphold.

The third chapter focuses on the key issue of livelihoods associated with artisanal mining in Liberia. Co-authored by Dr. Gavin Hilson and Steven Van Bockstael, the chapter argues that technically-formulated formalization attempts are destined to have only limited effectiveness if they are not adapted to local realities. These realities are first and foremost the main reason why people decide to take up artisanal mining as a partial or full-time livelihood, not only to escape from poverty but also the general weakness of government institutions themselves.

The fourth chapter, written by Nicholas Garrett and Marie Lintzer of Resource Consulting Services (a British consulting firm specializing in resource governance issues in weak or fragile governance situations), evaluates previous as well as ongoing attempts to build capacity in the Liberian Ministry of Lands, Mines and Energy, as well as efforts to encourage formalization of informal mining activities.

A final, concluding chapter written by the editors summarizes the main findings of this research project and presents a number of recommendations to the Government of Liberia and the Kimberley Process. These recommendations, agreed upon by all contributors to this volume, aim to gradually restrict illicit diamond production through an encouragement of the incorporation of grassroots realities in future government policy. This strategy is expected to provide tangible benefits to formalization to both the government of Liberia as well as artisanal mining communities throughout the country.

CHAPTER 1
THE LEGAL AND NON-LEGAL FRAMEWORK: IMPEDIMENTS TO THE FORMALISATION OF ARTISANAL DIAMOND MINING IN LIBERIA

Paul TEMPLE

Introduction

At the meeting in Ghana to establish the Diamond Development Initiative (DDI) during 2005, the cross section of attendees from industry, government, NGOs, and academics identified improving artisanal mining work environments and increasing the prices paid to diggers as the basic challenges confronting the initiative. To address these predicaments it was envisaged that education of artisanal miners, access to credit and basic equipment, advanced marketing through government intervention and improved labour laws would be required. Were these new ideas; was it necessary to improve laws and policies or merely to find ways to implement those already on the statute books? What is clear is that the environment within which artisanal mining takes place was not viewed as enabling. This chapter seeks to present the legal and institutional impediments to the formalisation of artisanal diamond mining in Liberia examining existing mining and trading with what is envisaged in and by the Law.

Background to the Liberian mining industry

The deliberations in Ghana had little impact on Liberia and its diamond mining sector, as the countries' trade in diamonds remained subject to United Nations sanctions. As peace slowly returned to the country during 2003, a transitional government was put in place in Liberia. The Liberian economy, historically dependent upon the exports of Iron Ore and Rubber needed to be revitalised. A new Minerals and Mining Law had been approved in 2000[7] and at a time of high commodity prices the resurrection of the Liberian mining sector was a post conflict priority. Liberia, as regulator rather than operator, began discussions to resurrect its Iron Ore sector and the first Mineral Development Agreement was reached with Mittal Steel in the summer of 2005. Other exported minerals, including gold and diamonds, were not viewed as significant in the nation's economic revitalisation.

It was not until after the democratic elections of late 2005 that structured efforts toward sustainable rehabilitation gained

7. An Act adopting a new Minerals and Mining Law, Part 1, Title 23, Liberian Code of Laws Revised, Ministry of Foreign Affairs, September 2000

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momentum. Stories of corrupt practices in Liberia's National Transitional Government (NTGL) abounded and newly elected President Sirleaf pledged to review all contracts signed by her predecessors. The original contract of Mittal Steel was renegotiated with a revised version approved in April 2007. Despite the setback to Mittal Steel, this did not deter other iron ore investors and bids for the former Bong Mine Range and the Western Cluster were awarded to China Union and the Israeli Elenilto respectively in early 2009 and 2010. Two mining giants were also waiting as BHP Billiton expanded its own exploration in the country, and following its acquisition of the Simandou Project in Guinea, Vale from Brazil began looking to invest in Liberia. Rapid economic growth in Liberia, based upon large scale mining, seemed certain.

The global recession that began having a dramatic impact on commodity prices in late 2008 also influenced intended investments in Liberia. ArcelorMittal, formally Mittal Steel, postponed production initially until 2010, but later to 2011[8]. Other proposals were also delayed and funding for continuing prospection cut back. To date none of these projects have commenced any major operation, no Iron Ore has been exported and more importantly, job opportunities created for Liberians have been few.

Livelihood opportunities that have been developed have come from within the precious mineral sector, as communities turned to the artisanal mining of gold and especially diamonds (Letourneau 2008). All diamond production of Liberia has been alluvial. According to Thorman and Hoal (2007), Liberia was believed to produce fewer stones than its neighbours and that 10% to 30% of its reported total production was smuggled from nearby countries with estimates suggesting that the illicit diamond sales exceeded 80% of past annual production.

This study suggests that the recent drivers for change in the laws that govern artisanal mining in Liberia have been influenced by external issues. Previous recognised ties between diamonds and conflict, with the subsequent emergence of the Kimberley Process, has prompted changes in laws regarding the licensing to mine and trade diamonds in Liberia. Necessary for the removal of UN sanctions and inclusion into the Kimberley Process, changes have attempted to formalise the trade and ensure the environment is more enabling. However, little effort has been made to recognise the way artisanal mining is conducted, despite being the source of almost all diamonds discovered in Liberia, or to encourage the inclusion of the artisanal miner within new legislation in Liberia.

In Theory – the legal framework

Legislation and ADM

The mining law in Liberia has a direct effect on access to land, especially in terms of eligibility to hold and operate a mining right and upon the methods to be employed in maintaining health and environmental standards. In Liberia mining is

8. http://www.arcelormittal.com/index.php?lang=en&page=766

governed by the Minerals and Mining Law of 2000, a law that remains silent on artisanal mining – ostensibly the most predominant diamond mining method in Liberia.

International considerations have shaped the Laws of Liberia that are relevant to artisanal diamond mining. The Minerals and Mining Law of 2000 was amended in 2004 to include a new Chapter 40, providing for the establishment and control of the Kimberley Process Certification Scheme for the Export, Import and Transit of rough diamonds[9]. Yet even in this document the only mention of artisanal mining occurs when defining a cooperative as 'a collective of freely organized artisanal miners, each holding a proper and valid mining license, that has its own organizational structure and by-laws, offering technical assistance to its members and organizing collective sales of the rough diamonds produced'.

There are three classifications of mining license but effectively only two types. Large companies, Class A, now operate under a Mineral Development Agreement (MDA) while small-scale mining operates under a Class C license. Note Class B size mining is the holding of 5 or more Class C licenses. The Acts continue to address mining other than industrial as 'small scale operations'. Licenses are issued for a production area of 25 acres and referred to as a Class C Mining License.

Although there seems no recognised definition of the difference between small scale and artisanal mining, it is generally accepted that small-scale mining is more extensive and more mechanised. The International Institute for Environment and Development (IIED 2002) concluded that artisanal efforts are often attributed to individual or family run operations using the most basic methods of mineral extraction. Yet any lack of differentiation within the law has a huge impact upon mining operations, their governance and the establishment of informal frameworks. Letourneau and Smillie (2008) suggest that through local advocacy campaigns the government recognises the positive impacts of artisanal and small-scale mining in reviving the economy, but within the Mineral and Mining Laws there are major discrepancies and obstacles for the potential legitimate artisanal miner.

The potential diamond miner has the right under Section 5.2 of the Minerals Act to apply for a Prospecting License on an area up to 100 acres. The first hurdle to the Liberian artisanal miner is the condition that he/she will submit a proposed prospecting work plan. The 2009 Human Development Report (UNDP 2009) reports a national literacy rate of 55%, and, likely much lower within the rural areas, the demand for such documentation precludes most artisanal applications. During the period mid-2008 to end 2009, no Class C prospection licenses were recorded in the Government Diamond Office database.

Equally deterring to the artisanal miner is the size of land allocation and his financial ability to work the area. The standard size of mining site issued is 25 acres (10.1 hectares or a tenth of one square kilometre). Under Section 6.3 the term for a Class C license is one year and renewable for fur-

9. An Act Amending The New Minerals And Mining Law, Part 1, Title 23, LCLR, By Adding Thereto A New Chapter 40 (2004)

ther one-year terms, for a small artisanal group working such an area would prove daunting. Indeed the common plot size allocated to artisanal miners in neighbouring Sierra Leone is only one acre.

Thus to effectively mine such a site, the artisanal miner will look for financial support and the use of heavy plant to strip away overburden. Here a further dilemma as section 6.3 (f) notes 'that the holder of a Class C Mining License shall conduct Mining predominantly as a Small-Scale Operation'. This dilemma remains unresolved. In the terms and definitions of the act, small scale is defined as 'a mining operation other than an Industrial Operation', while Industrial Operation is defined as 'mining employing large scale, heavy duty or earthmoving equipment'. There is no definition of 'predominantly'. As argued above small scale is deemed to employ a higher degree of mechanisation than artisanal mining. Yet mechanised mining of class C licensed properties is contrary to the Act.

The Ministry has attempted to clarify the issue, but after publishing one mining regulation, it was withdrawn within a few days following international pressures. The clarification document appeared to make the matter more opaque. In the case where a number of artisanal miners, operating as a cooperative 'find it extremely necessary' to engage heavy equipment or even a washing plant, they can apply to the Ministry for the issue of special permission. However such request must be accompanied by a detailed operational plan and a detailed environmental management plan. Assuming the above is possible and the application successful, the class C license holder, upon commencing the use of the earth moving equipment, shall then become responsible to maintain and keep all feeder roads connecting neighbouring towns and villages[10].

Following each season's operation the license holder must produce a statistical and operational report to the Ministry, who have the right to inspect the production area and the records of the license holder. The miner is also legally obligated to ensure that operations are environmentally sensitive and mitigate risks or danger to public and workers safety and hygiene. Under Liberian law the holder of the mining right will produce and forward to the Minister an environmental management program and a series of workplace regulations before commencement of operations. The miner is also responsible to restore the site at the end of operations.

The above legal requirements would appear onerous for either the artisanal or small scale license holder, a point made within the recently published Mineral Policy (MLME 2010): 'The procedures for licensing ASM are being evaluated with a view to simplifying them and catering for illiterate citizens'. The Policy also notes that 'artisanal and small-scale miners need help in procuring lawful access to deposits, to markets and to information about fair prices for their products' and puts forward a series of ambitious promises to provide technical advice and micro finance for artisanal miners, proposals that even if provided it is unclear whether miners would have sufficient confidence or ability to participate in.

10. MLME Mining Regulation No. 1-09, To replace Regulation No. 1 which was promulgated on 22 August 2007 and withdrawn on 31 August 2007

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The above raises a series of issues. It is probable that the licensed artisanal miner is unaware of the extent of his obligations, and that if he were it is doubtful that he would or could totally comply. More crucially of the 877 Class C licenses issued in 2008[11], the question remains as to whether the ministry is able to determine how many complied with the law in full, does it have the capacity to follow up on those delinquent license holders and govern its own laws, policies and procedures?

Governance of ADM

The Ministry administers artisanal diamond mining through the Bureau of Mines, part of the Department of Mineral Resources Development and Conservation. This body is thus responsible for the issue of licenses and maintaining oversight and the legal integrity of the mining areas. To control national mining interests, the nation is currently divided into 48 mining areas known as agencies, each headed by a mining agent. The statistics of Class C licenses issued or renewed in 2008 show that 9 of the 48 agencies issued no licenses and that less than 20 issued licenses for diamond mining.

Mining agents can have support from assistant mining agents and patrolmen. In addition, within mining towns, agents will often appoint a local volunteer as mining chairman to assist in the identification of vacant mining plots and in resolving local mining disputes. The MLME Annual Report lists a total of only 124 staff (MLME 2009) nationwide, the number made up of both field and the administrative and surveying staff that are based in the capital Monrovia. Hence the Bureau of Mines depends heavily upon these volunteers in the field. With an average of less than 3 staff per agency, and the large areas to cover, often on foot, it is unlikely that field staff will be able to visit all mining sites within the one year validity of the license.

The Government of Liberia in its Mineral Policy (MLME 2010:13) 'acknowledges the weak state of its institutions, whether of governance, facilitation, promotion or training.' Within the MLME annual report of 2009, the Bureau of Mines recounted that, despite limited logistical support, it had been able to monitor several alluvial mining sites. It further noted awareness of some illicit operations within certain parts of the country. Assume a mining site is visited. The government agent has the task to establish that the operation is surveyed, licensed and operating within its own meets and bounds. The agent should inspect the production methods and records to ensure that mining is being undertaken in compliance with the environmental management program. In addition the agent should ensure that workers health and welfare is being maintained and that any accidents have been reported.

The trade in diamonds is overseen by the Government Diamond Office (GDO), a part of the Office of Precious Minerals. To ensure United Nations sanctions against its diamond trade were lifted, Liberia implemented a chain of custody system as envisaged under the additional Chapter 40 of the Mining Laws. The chain of custody was designed to ensure national rough diamond production was not con-

11. Figures from Bureau of Mines, MLME, Monrovia

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taminated with goods from neighbouring Cote d'Ivoire whose diamond trade remains under UN embargo. Based upon a network of 10 Regional Offices, the chain of custody is implemented by 20 field Regional Officers, staff of the GDO. These personnel should validate diamond production and issue vouchers to miners as the first recorded step in tracking goods from mine to point of export.

While mining supervision remains the purview of the mining agent, his staff and the mining chairmen, oversight of the diamond trade at the field level including the activities of the brokers is the responsibility of the regional officers. Open only to Liberians, diamond brokers are a conduit between miners and diamond dealers, the eventual exporters. Generally licensed to trade within a particular mining agency, brokers are expected to establish an office, notify the Ministry of any employees and buy only those diamonds that have been registered by the regional officer. The law states that the broker should not visit the mining site, with all diamond transactions being undertaken within the broker's office, and reported to the GDO regional office on a weekly basis.

In theory the law covers all eventualities. Penalties for contravening the laws are explicit. For contravention of the diamond laws (2004) an individual is liable to a fine of between ten and fifteen thousand US dollars and a term of imprisonment of between 6 and 12 months. In the case of an entity the fine rises to between twenty and twenty five thousand US dollars with a similar term of imprisonment for the recognised agent of the entity. Fines have been levied by the Ministry although no prison sentences have been imposed by the courts.

In Practice – impediments to a legal framework

Poor Institutional Capacity

The development of Liberia is being hampered by a lack of government resources, human, financial and physical. There are many good policies in place but a lack of skilled, trained and motivated personnel to ensure their implementation. The Liberian Civil Service Agency website confirms that 'the Liberian public service has suffered a severe decline in its effectiveness and self-esteem as a result of many years of neglect and decline caused by over a quarter century political instability, including 14 years of civil unrest. This led to a massive loss of qualified and skilled professionals. As presently constituted, the civil service is not in the position to manage post war recovery and reconstruction as well as deal with long standing problems that impede the effective management of public resources and the growth of the economy.'[12]

Such problems are compounded by the fact that the fabric of the Liberian society has also been directly affected during the years of unrest. While many skilled workers have left the country, current levels of poverty drive mistrust and jealousy, detri-

12. Liberia Civil Service Agency accessed at http://csa.gov.lr/content.php?sub=SES Overview&related=Departments&sidebar=Departments

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mentally affecting work ethics. Accountability is lacking, high absenteeism goes unchecked and staff performance reviews are not carried out. There are numerous reported social reasons why these conditions exist, KP review visit reports mentioning low salaries and limited logistic support. It worth remembering these conditions do not just affect those directly involved in implementing the Mining Policy and the Kimberley Process, but the other ministry agencies and government bodies whose cooperation and collaboration is required and spreads throughout the very communities that these bodies attempt to govern.

Field Operating Conditions

While highlighting the limited staffing capacity and the potentially onerous demands of the law, the picture cannot be completed without some reference to the operating conditions that field workers are faced with. One of the most productive artisanal diamond mining agencies is Kumgbor named after the local town. This agency covers more than half of the district of Kongba, within Gbarpolu County. Kongba, lying between the Lofa and Mano rivers, has an area of approximately 1000 square miles with a population of less 14,000 people. The district shares more than 40 miles of deeply forested border with Sierra Leone, and while only around 150 miles from the Liberian capital Monrovia, is less than 40 miles from the diamond buying centre of Kenema in neighbouring Sierra Leone.

The 103 square mile mining exploration license held by American Mining Associates was cancelled by the Ministry during 2008 for non-performance, following considerable civil unrest as company security tangled with local miners. Reports of illicit mining and clashes with authorities have continued since 2007, with problems often blamed on migrant miners from Sierra Leone and Mali. Despite the significance of the Kongba district mineral reserves and its proximity to the Sierra Leone border, the Gbarpolu County Development Agenda cites only four Immigration officers and four Policemen with no access to transport (Republic of Liberia 2008).

Being heavily forested, with tracks rather than roads, monitoring legal mining sites is at best extremely difficult and pursuing illegal operations exhausting for the two Bureau of Mines officials in Kumgbor and the two regional officers based in Camp Alpha some few miles away. However the Camp Alpha office is around an 8 hour walk to some important mining sites close to the Sierra Leone border. Roads become impassable in the wet season, and the ministry staffs are dependent on one motor cycle or the occasional taxi pick up for transport. There is no phone coverage in the area and thus messages are sent via public transport from the Lofa Bridge office, some 70 miles away. There are no banks, so all government officials including police, immigration and MLME staffs have to travel to Monrovia once a month to collect their salaries.

Since the closure of the AMA concession there has been an increase in the number of licenses issued for the area, and those staffs stationed in the area have achieved excellent results in tracking and recording diamonds, accounting for over 27% of the nations recorded production. Yet for so few staff to effectively manage such an area is impossible. Hence while many of

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the miners are known, visits to their sites are few and full follow up of the laws remains unachievable. With such limited communication reports back to the Ministry headquarters are often verbal and irregular. Contact from Monrovia is infrequent, supplies sporadic and staff supervision almost non-existent. Although unproven, complicity between officials and miners, legal or unregistered, remains extremely likely.

Value of Artisanal Mining

Although laws for artisanal miners are seen as complex, a total of 877 Class C gold or diamond mining licenses were issued in 2008, despite the limited staffing. In 2008, a very limited amount of industrially produced gold or diamonds were exported (less than $17,000) in value. Table 1 is a review of the legally declared exports of 2008.

Table 1: Gold and Diamond Exports

Total Gold Exports (US$)	13,286,089.08
Total Diamond Exports (US$)	9,891,785.34
Total Precious Mineral Exports (US$)	23,177,874.42
Artisanal (Class C licenses) issued	877
Value per license (US$)	*26,428.59*

Little should be read into such comparison as the Ministry declares it is aware of illicit operations in some parts of the country. This table assumes all mining proceeds that were exported legally came from legal mines and does not give any idea as to the number of mines operating illegally or their production. However, the table does not portray a hugely lucrative industry.

Mining is a right

In rural Liberia access to land for farming and hunting for sustenance, natural resources such as timber for housing are viewed as a right. Liberians also view artisanal mining for gold and diamonds as part their livelihood strategy and therefore also a right. Often impoverished and illiterate miners have little regard for, nor attempt to comply with, a mining law that has been shown to be, at best, difficult for them to observe.

Artisanal diamond mining can be well organised with recognised gangs working the mining site, but in many cases mining takes place as an additional livelihood activity, overkicking previously washed gravels, or digging in previously mined sites. These latter activities have low overheads and, undertaken by small groups, are generally unlicensed. Surveys of miners in Sierra Leone revealed (Temple et al 2005) the main reasons for mining illegally as:

1. Cost to obtain a mining license was prohibitive.
2. Procedures were complex and slow.
3. Overkicking has no major overheads, and therefore the miner does not need financial support. Although winnings may be small, the miner can sell to whom he wishes at the best negotiated price.
4. The 'right connections' enables illicit mining as those connections can offer protection for operations and the sale of diamonds.

Levin (2005) thus summarises illegal mining as 'the strong person's preferable option and the poor person's fate.' Working in small teams the plot size of 25 acres is seen as too large to the true artisanal miner.

Complexity of licensing for miners

Consider that the miner must satisfy the mining chairman and the Ministry agent in the field before taking his written application, with his mining and environmental plans to the Bureau of Mines in the capital. Following general approval he will then facilitate the survey of the mining site by the Ministry surveyors before returning again to the capital to ensure his license is signed and he is a fully accredited miner. This assumes he has both the capital and the knowledge to process a license before starting work. Most start work, and if the property proves valuable, then process a license, often paying a third party from their mining proceeds to administer the process.

Currently those with no license still operate with the knowledge of the mining chairman and often the ministry agent. Miners, who have local title (i.e. the consent of the mining agent) to a plot within a well-known diamond or gold producing area, can gain financial, operational and logistical support from diamond traders (dealers or brokers). Such support will often include the legitimisation of their license. Certainly many mining licenses were procured by or on behalf of small scale mining companies, who, for approximately $2500 could legitimately hold the mining rights to 100 acres[13], an impossible proposition in neighbouring Sierra Leone.

Relaxed for traders

If the laws for artisanal diamond mining are seen as complex, the laws for traders appear far more relaxed. Given the limited field staff, would the ministry be able to check if a diamond broker or his agent visited a mining site to conduct trade, a basic requirement of the law? The chain of financial support for purchasing diamonds comes from both internal and external sources, filtering through to mining operations via brokers and dealers, who in turn may not be legally registered. While many established organisations trade diamonds in a transparent and legal manner, many individuals trade in an opportunistic manner, perceiving that limited contact with the law ensures increased returns.

Opportunities for Corruption

Such non legal frameworks also create the opportunity for corruption. Corruption is operationally defined by Transparency international (TI) as the abuse of entrusted power for private gain[14]. Distinguishing between 'according to rule' and 'against the rule' corruption, TI states that 'where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law' this constitutes according to rule corruption, as opposed to "a bribe paid to obtain services the receiver is prohibited from providing" (against the rule). However the description 'bribe paid' suggests corruption is solely based upon cash inducement. In diamond mining, officials and support-

13. The approximate cost to fully register a Class C license for 25 acres is US$600. Any indigenous miner can hold up to 4 class C licences.
14. http://www.transparency.org/news_room/faq/corruption_faq

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ers alike share the risk, assisting the miner for a future share of the production.

While there is a large debate on corruption, it is seen to take two main forms in resource rich countries, rent seeking and patronage (Kolstad and Soreide 2009). There is evidence that higher levels of corruption exist within developing countries endowed with natural resources (Leite and Weidmann 1999; Aslaksen 2007; Petermann et al. 2007).T his evidence would support the theory that those countries with poor institutions governing the resource are more vulnerable to corrupt practices, an example being the management of oil revenues in Nigeria and Angola as opposed to those generated in Norway.

Furthermore, studies reveal that both the type and concentration of the resource has a direct impact distortion. Logically quarrying for rock would create less attention than mining for diamonds, but Gylfason (2008) suggests that diamonds produced in the deep mechanised mines of Botswana are far easier to control than the easily mined alluvial diamonds of Sierra Leone.

In June 2008, Joe Victor Cooper was arrested in Liberia for obtaining money under false pretences. Issuing his own fraudulent 'Kimberley Process Certificates' Cooper then raised funds overseas based on the non-existent diamonds listed on the false Certificate. While the MLME received credit for its swift action in coordinating the arrest, Cooper was charged, released on bail and promptly vanished. He has not been seen since and is believed to have left the country. The Ministry of Justice was unable to give more details. This case highlights the problems that exist between laws and enforcement in developing nations.

For corruption to gain hold there has to be a benefit that motivates the act combined with the authority and the opportunity to influence an outcome. Yet the benefit to both sides must be large enough to outweigh the risk which again reinforces the argument that poor governance will foster corruption, for not only is the risk of exposure low, the penalties are seldom enforced. See text box for an illustration in Liberia.

The incentive for corruption is exacerbated by the perceived complexity of the legal process, the number of persons involved, the cost and the time involved.

Historical influence of Cross Border Trading

There has been a historical relationship between traders and miners in Sierra Leone and Liberia. Liberia has had a strong tie to the United States dollar and as the Leone currency weakened during the 1980s, a considerable amount of Sierra Leone diamond production was traded in Liberia. The relationship between diamonds and weapons, the Sierra Leone Revolutionary United Front and Charles Taylor remains an issue in the war crimes trial in The Hague. Despite the period of UN sanctions on diamond trading in Liberia, access to the diamond markets of Sierra Leone ensured a number of small mines continued to operate within Liberia.

These former trading ties continue to be an influence in the diamond mining and trading of Western Liberia. During late 2008 and early 2009, as world commodity prices fell dramatically, diamond trading conditions were difficult. The newly established Liberian diamond dealers

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were poorly positioned to withstand this market decline as demand and the associated overseas financial backing diminished. Many closed, but the ability of those that withstood the downturn to fund miners at the beginning of the season and to buy subsequent production, was greatly reduced. This forced many miners to seek support from and sell their production to the longer established and more financially solid dealers in Sierra Leone. It is this complex background that must be fully understood if the non-legal framework is to be addressed.

External Influences

Hilson (2009) describes a top-down approach to formalisation of ASM resulting in the 'implementation of bureaucratic licensing schemes' and the 'design of ineffective and/or incompatible regulations'. The Mining Law of Liberia fails to even recognise the artisanal miner, and although only ten years old, seems impractical, not only for the miner, but also for government officials responsible to administer compliance. As Liberia moves from a post conflict to development stage in its rehabilitation, pressure to be internationally recognised is stimulated not only from home but from external influences.

Liberia was encouraged to become Kimberley Process compliant, not solely to stimulate its diamond trade but also for the government to be seen to be taking control of its natural resources. International assistance was provided to ensure UN sanctions were lifted and Liberia became a Kimberley Process participant. Similarly Liberia was helped to become the second full member state of the EITI. These efforts targeted specific areas of the minerals sector, as KP compliance dealt with specific issues of the diamond trade, not underlying concerns with the Mineral Laws, and supports Hilson's overview that the backing of international donors has created uncoordinated and ill focused development for artisanal mining. There is a lack of holistic thinking, as donors attempt to achieve measurable, short term goals, yet underlying long term problems remain.

Liberia became a KP participant in 2007 following a concerted effort by a number of donor and industry partners to provide the infrastructure and training necessary to achieve Kimberley Process compliance. An amendment to the law was written including a tracking system to prevent contamination from external diamond production (notably Cote d'Ivoire). A Government diamond office was created and equipped for the valuation and certification of exports, and field offices established to act as the interface with diamond miners and their production, the initial stage in the chain of custody. Logistics and training were provided to field staff but internal confusion over salaries and support threatened the very existence of the system almost as soon as it commenced. The donor provided diamond database is still not fully functional and as the new donor provided cadastre system (mapping mineral rights) becomes operational, there are no plans to link the two data sources. Despite the technology, field agents lack almost all forms of basic logistic support, and there is, contrary to KP regulations, still no recognised production reporting system.

Liberia has entertained Kimberley Process Review Visits in 2007, 2008 and 2009, all making a series of valid recommendations. The 2009 report noted 8 recommendations from the 2008 review not implemented and promoted a further twenty. Such variety of recommendations adds to the ad hoc nature of the diamond resource management. As Maconachie (2009) concludes from his study of governance within artisanal mining in Sierra Leone, the introduction of complex monitoring processes provides significant challenges to countries emerging from conflict and isolation.

The recently released Mineral Policy of Liberia, completed with international assistance, is a well-meaning document, sadly with many good suggestions for improving artisanal mining that are unlikely to be implemented, due to the complex or onerous nature of the recommendations. Promises to provide technical advice and micro finance for artisanal miners are far beyond the current capacity of the Ministry of Lands Mines and Energy. Yet, simplifying of ASM licensing procedures especially to cater for illiterate citizens would be beneficial. It could be suggested that the approach to redefining mining laws is Liberia has taken an externally driven top down approach.

Conclusions

By their own admission the Ministry declare a re-write of the Liberian Class C regulations is overdue. The focus of the MLME is to ensure clarification of equipment use and to ensure rehabilitation of sites by Class C miners. Despite the existence of artisanal mining since the 1950s, the construction of the laws relating to diamond mining has continued to exclude any reference to the artisanal miner. Seemingly through custom and practice, plot sizes and licenses have remained unchanged. The standard plot size, set at 25 acres, is too large for the average artisanal miner to mine or to rehabilitate[15]. Any change should give the opportunity for those small scale miners to be able to use equipment. For the true artisanal mining group, the 25 acre size is far from conducive to the artisanal miner without financial support. As this size is now recognised by government surveyors as the established measure for the new cadastre mining record, it forces the artisanal miner to look for financial support to effectively mine such a plot, thereby increasing levels of indebtedness and poverty. Any law reform must identify ways to enable a legitimately and economically viable opportunity for the artisanal miner. It is suggested that although the law currently has no reference to local 'grass root' governance of the artisanal mining sector, given the significant shortages of both human and logistical capacity, such an avenue could be explored.

The use of local 'unpaid' mining agents is prevalent. Where sites are vacant, the possibility exists for them to be surveyed and entered into the mining cadastre as allocated for community mining. This would

15. The removal of 6 feet of overburden across 25 acres would produce 242,000 cubic yards of material.

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allow the local community to manage and even divide plots into smaller sizes, potentially charging a local rent to artisanal miners, generating local income for those monitoring the operation. This process could be linked to decentralisation and become an early trial. In theory such a suggestion would give the community a vested interest in the use and benefits of their natural resources. Unfortunately such is not without considerable risk. Findings that resource rents gradually erode checks and balances (Collier 2007) may well lead to the creation of yet another governance tier that increases the level of officialdom confronting the artisanal miner. Despite the common mindset, some miners are not poor and uneducated. While lacking the power to fight central government bureaucracy, they may become a voice for change within their locale.

Finally, it is unlikely that computerised mapping systems with limited ministry human capacity will bring about the expected change in formalising the artisanal diamond sector. Any independent rewriting of the mining laws will likely create additional policies that cannot be met. Change is far more likely to materialize from the industry and its participants because so many have a vested interest in ensuring that non-legal mining continues. Unfortunately the externally believed education of artisanal miners, improved access to credit and basic equipment, combined with advanced marketing through government intervention and improved labour laws will do little to resolve the impediments that stand in the way of formalising the artisanal mining sector. Only positive engagement over time with the miners themselves can manage this.

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CHAPTER 2
'GROW WHAT YOU EAT, EAT WHAT YOU GROW': POVERTY AND LIVELIHOOD DIVERSIFICATION IN RURAL LIBERIA

Gavin HILSON & Steven VAN BOCKSTAEL

Introduction

On 22 April 2008, The BBC published an article, 'Liberians Drop Rice for Spaghetti' on its website.[16] The headline captures the enormity of the development challenge facing Liberia, a country struggling mightily to recover from a lengthy, debilitating civil war. Scores of people who had fled during two recent and lengthy episodes of violence (1989-1996, 1999-2003) have since returned to their homelands, where they have attempted to re-enter their lives. They have come back to a country, however, with few economic prospects; a decimated agricultural foundation; and a market flooded with imported American and Asian-harvested foodstuffs, particularly rice, long the staple food of the population. The country is in desperate need of becoming self-sufficient in the area of rice production – something which, despite the rhetoric, a reconstruction effort now in its eighth year has not yet come close to achieving. Liberians are struggling to survive, to the point where a growing number are dropping imported rice from their diets entirely in favour of less costly spaghetti.

The precise whereabouts of the aid dispensed in Liberia since the conclusion of its civil war is one of many untold stories in African development. On paper, there are very few 'better' candidates for donor aid: the country has the type of natural resource base which Western investors covet; it is deprived, infrastructurally, desperately in need of roads, power and telecommunications facilities; and, because of its highly-impoverished state, is in a disadvantageous position to negotiate favourable terms for financing. The United States Agency for International Development (USAID) and the United Nations have long been the face of donor support in Liberia, the former boasting a 57-year presence in the country. Since the conclusion of the civil war, both organizations have intensified support to the country, each pledging hundreds of millions of dollars in development aid to finance a range of activities.

The steady presence of both organizations in Liberia has no doubt been instrumental in encouraging the World Bank to reconnect with Monrovia. After a 20-year hiatus, the organization established, in 2004, a liaison office, which, after lengthy negotiations, became a Country Office in 2006. The Bank has since worked alongside the International Monetary Fund (IMF) in Liberia on a number of fronts,

16. http://news.bbc.co.uk/1/hi/world/africa/7360649.stm (Accessed 03 October 2010).

their collaboration helping the country clear all of its overdue debt service payments (US$400 million) by December 2007; yielding, also in 2007, publication of an Interim Poverty Reduction Strategy Paper (IPRSP), a move that helped the country qualify for full debt relief under the Heavily Indebted Poor Country (HIPC) program and Multilateral Debt Relief Initiative (MDRI);[17] spawning a World Bank Country Assistance Strategy; and facilitating publication of the country's Poverty Reduction Strategy Paper (PRSP) in July 2010 (IMF 2010), the country's developmental blueprint that outlines national development targets. The Bank's Liberia portfolio, which currently stands at US$144 million, is increasing. There is another US$24 million in the pipeline, and an additional US$126 million planned investment on infrastructure and basic services.[18]

It would be difficult, however, to make a convincing case that Liberia's multi-pronged donor facility is having a positive impact on economic development – at least based on the evidence thus far. Despite increased financial commitments made by the World Bank and IMF, as well as renewed pledges by USAID and the UNDP, the country remains mired in an impoverished state and continues to lack even the most basic of infrastructure. According to the latest UNDP Human Development Index, on which Liberia ranks 169 out of 182 countries, close to 85 per cent of the population subsists on a daily wage of less than US$1.25, annual GDP per capita is in the range of US$130, and less than 10 per cent of the population has one third of the country's wealth (UNDP 2009). Even some of the more 'correctable' problems continue to linger, showing few signs of being resolved any time soon. Despite claims made by aid agencies that they are prioritizing issues such as health and education, the country continues to have a high incidence of illiteracy (80 per cent); has one of the most under-resourced hospital fleets in sub-Saharan Africa (18.3 nurses per 100,000 people and 3.1 physicians per 100,000 people, both the second lowest in the region); is home to the region's second-highest infant mortality rate (132.5 per 1000 births); and has only two operational x-ray machines (African Development Indicators 2009).[19] Donors have been given some reprieve for what, at times, appears to have been wayward spending, on the grounds that Liberia is less than a decade removed from civil war, and that most of the areas to which funds have been dispensed – however questionable the decisions may seem – have all been necessary moves in establishing the bedrock for what promises to be a lengthy national 'reconstruction and restoration' phase.

The high priority that continues to be given by donors to fortifying the country's security has side-lined two areas that are arguably in greater need of attention: poverty alleviation and economic development. Liberia's national unemployment rate now exceeds 70 per cent, and 75 per cent of its population lacks full immunization and access to safe drinking water (NAPA 2008). Its biggest problem – and arguably the first problem that must be

17. http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/LIBERIAEXTN/0,,contentMDK:21700491~menuPK:356200~pagePK:1497618~piPK:217854~theSitePK:356194,00.html (Accessed 06 September 2010).
18. Ibid.
19. http://allafrica.com/stories/201004131020.html(Accessed 5 September 2010).

tackled in order for Liberia to be in any position to forge ahead, developmentally – is a languishing agricultural sector. The handful of agricultural projects implemented since 2003, including a US$18.2 million grant from the African Development Bank to bolster the sector and the US$37 million World Bank Agriculture and Infrastructure Development Project[20], have failed to restore the country's agricultural base and restructure a local market flooded with imported foodstuffs. Less than 10 per cent of the country's population is food secure, and the domestic agriculture base only satisfies 40 per cent of the country's food requirements.

Under these conditions, 'Grow what you eat, eat what you grow', a phrase founded painted, in bolded letters, on countless Ministry of Agriculture signboards across Liberia, has fast become a blueprint for survival in the country's rural areas. A growing number of rural Liberians have followed the advice of the Ministry because it has proved to be an important tonic for survival in what are very difficult conditions. In many poverty-stricken areas of the country, scores of landholders, struggling to feed their families and cover household expenses, no longer attempt to generate incomes from their farms. They have rather developed a unique livelihood strategy, a major aspect of which is prioritizing the exploitation of diamondiferous deposits embedded within the soils of their plots. Groups of labourers are employed to mine these diamonds; the monies earned from the sales of all collected stones are shared among the parties. A second integral aspect of this strategy is a radically different role for rice farming: harvested crop is no longer being produced for market, as indicated. It is rather being used to feed hired mine labourers. Landowners, therefore, now grow rice – typically, *Oryza glaberrima*, a species of African rice capable of thriving in poor soils and in weedy conditions (Richards 2006) – strictly for this purpose. The remaining rice crop, along with inexpensive imported foodstuffs such as spaghetti that are acquired using the income generated from sales of mined diamonds, is consumed by the household.

This chapter provides an extended analysis of these livelihood dynamics, with special emphasis on the linkages between agriculture, and artisanal and small-scale mining (ASM).[21] Drawing upon findings from recent research conducted in the township of Tubmanburg, the analysis argues that in Liberia, a country which, again, where agricultural support is lacking and intensified assistance to smallholders is capable of only marginally raising the living standards of rural inhabitants, artisanal diamond mining is one of few routes out of poverty. The use of hired hands to search for stones dispersed over vast expanses of territory has not generated 'quick returns'; but the labour structures that have emerged from intensified diamond mining activity have undoubtedly put people in an improved position to alleviate their hardships.

20. See www.afriqueavenir.org/en/2010/08/27/liberia-gets-additional-afdb-grant-to-boost-agriculture/, http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/LIBERIAEXTN/0,,contentMDK:21700491~menuPK:356200~pagePK:1497618~piPK:217854~theSitePK:356194,00.html (Accessed 4 August 2010).

21. In this paper, the terms 'artisanal mining' and 'small-scale mining' are used interchangeably. Artisanal and small-scale mining (ASM) is the most low-tech branch of the mining sector.

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'Grow what you Eat, Eat what you Grow': An overview of Livelihood Diversification in Rural Liberia

In recent years, the approach taken by donors to foster economic development in rural sub-Saharan Africa has come under fire. Donors often justify promoting what Ellis and Biggs (2001) refer to as a 'farm first strategy' in sub-Saharan Africa on the grounds that agriculture accounts for a significant share of the region's GDP (30 per cent) and employs most (65 per cent) of its population. But as Banchirigah and Hilson (2010) explain, a sector's contribution to GDP is rarely a representative indicator of economic prosperity; and, in this case, the employment figure is misleading because most of the region's rural populace, despite being engaged in agriculture, is not producing for markets but rather for subsistence (the household), typically on family plots. As pointed out by a number of scholars (e.g. Bryceson 1996; Ellis 1998; Barrett et al. 2001), in recent decades, smallholder farming has become an arduous undertaking in sub-Saharan Africa, in large part because of the sweeping changes that have taken place in the global agricultural market over the past three decades: the removal of subsidies on farm inputs such as fertilizers; the devaluation of cash crops such as coffee, tea and bananas; and the dismantling of state-run support schemes. With earnings from agriculture incapable of satisfying household needs completely, a growing number of the region's smallholders have 'branched out' into nonfarm activities to supplement their incomes. Reflecting on the evidence in support of this 'de-agrarianization', Ellis and Harrison (2004:15) note that 'people, as they say, "vote with their feet" and in SSA, agriculture tends to be taking a secondary role as the occupation of choice whenever plausible alternatives present themselves, such that members of rural resident families are increasingly mobile and involved in rural-urban interactions'. Donors and host governments, however, have been resolute in their approaches to rural economic development in the region, uninfluenced by such commentary, clearly sceptical about adopting more comprehensive and dynamic solutions. Most continue to champion a policy of 'small farm first' as the solution to the region's rural poverty problem – an approach that promises to be increasingly scrutinized as evidence of rural households moving into the nonfarm economy continues to mount.

Across sub-Saharan African, livelihood diversification is particularly common in rural areas where there are heavy concentrations of ASM – low tech, labour intensive mineral processing and extraction activity. Whilst the earliest literature overlooks the economic importance of ASM in the region, its role in fuelling rural diversification has recently attracted some scholarly attention. In Ghana (see e.g. Banchirigah 2008; Hilson 2010; Hilson and Garforth 2010) and Tanzania (Jonsson and Bryceson 2009; Bryceson and Jonsson 2010), for example, there is evidence that in gold-rich area, hundreds of thousands of families are now heavily immersed in both ASM and farming activity. The message being conveyed is that whilst a suite of tropical commodities can be grown in both locations – and in fairly large quantities – smallholders would face considerable challenges accessing markets for their crops and producing harvests capable of generating sufficient income to satisfy household needs. In ASM communities across sub-Saharan Africa, therefore, smallholder farming is certainly 'taking a secondary role as the occupation of choice', although not necessarily in the way in which Ellis and Harrison (2004) describe: whilst it is rapidly losing its position as the primary income-earning activity in many mineral-rich areas, where it now plays an ancillary role, as a source of income, to ASM, it is by no means being abandoned, nor are rural households necessarily decreasing their level of production. Smallholders are rather producing for the extended family, as opposed to markets. It is these rapidly changing dynamics which the PRSPs – and ultimately, the donors conceiving them – implemented in sub-Saharan Africa fail to capture, and policymakers must come to grips with if they intend on making a visible dent in the region's rural poverty problem.

Agriculturally, the situation in Liberia is somewhat unique. Unlike most countries in sub-Saharan Africa and as noted at the outset, the country is nowhere close to having a productive agricultural base. The ubiquitous sights that are frequently associated with rural sub-Saharan Africa – banana vendors, stockpiles of citrus, yams and cassava sold along the roadside in makeshift shelters, and scores of goats and sheep – are visibly absent from Liberia, yet to be restored following lengthy episodes of civil violence. But even during these trying times of reconstruction, when presumably people would appreciate any economic activity, there are signs in many rural areas that agriculture is already being relegated to a 'secondary income-earning' status. Much like many Ghanaian and Tanzanian families, Liberians, too, seem to have recognized the limitations of agriculture as an income earner, and have therefore 'branched out' into ASM to supplement their incomes. This section of the chapter examines the state of both economic activities in Liberia, in turn, underscoring why this pattern of livelihood diversification has taken root in many rural areas of the country. It is instructive to first critically examine the blueprint being followed by donors to alleviate poverty in rural Liberia. Where do ASM and smallholder farming feature in the country's economic development programs?

Smallholder Agriculture

The development of Liberia for Liberians is contingent upon concurrent support being administered in two strategic areas: agriculture and mining. But do donors recognize this, and more importantly, are they willing to extend such assistance so freely to such a vulnerable and desperate customer, given the innumerable benefits they stand to gain from attaching conditionalities to lending?

For citizens, perhaps the biggest source of frustration over the limited progress made over the past decade in achieving national food security is the vast agricultural potential of the country.[22] The bulk of what little scholarship has been produced on Liberia over the past two decades focuses predominantly on the country's politics and drivers of civil violence. Whilst insightful, this literature gleans very little on the country's industrial prospects and, more importantly, what can be done in the short term to establish some

22. Apart from staples such as rice and cassava, as historical accounts reveal, a host of other crops can be grown in rural Liberia, including coffee, tea and cocoa (Allen, 2004).

semblance of economic order in the country. Rather, detailed accounts are provided of the scale of damage caused by 'looting' rebels during the country's episodes of war. A deterioration of the agricultural base seemed inevitable, as farms were razed and neglected. Moreover, as Richards and Chaveah (2007:25) 'During the civil war several of these large plantations attracted armed factions' and as a result, 'Plantations compounds held out prospects of accommodation, facilities (water, electricity, communications equipment) and loot (vehicles, etc.)'.

Although the literature on agriculture in Liberia is limited, the few academic pieces and donor reports produced over the past four decades on the subject do provide some idea of what the sector *could* become if properly supported. The latter in particular offer detailed situational analyses and when pieced together, provide a snapshot of how the sector has changed over time. Prior to Master Sergeant Samuel Doe's ascent to power via a *coup d'état* in 1980, Liberia was the location of a pronounced ethnic cleavage between the country's indigenous peoples on the one hand, and, on the other hand, the 'Americos' or descendants of freed, resettled US slaves.[23] As Outram (1997) explains, the latter rapidly asserted themselves as a comprador class 'between the indigenes of the interior and the international market', effectively creating and dominating the Liberian state. Their influence over, and rule of, the proletariat was achieved through manipulation of administrative, financial and military resources – a pattern which continued even after 1904, when indigenous people were granted formal citizenship. Intra-settler disputes were resolved in 1871 following the victory of the True Whig Party, which would remain the *de facto* ruling government until Doe's military coup a century later.

The current state of Liberia's agricultural sector is indeed precarious, and its food security situation, by extension, serious. But a brief historical overview of the development achieved in the country between World War II and the Doe coup provides a glimmer of hope, demonstrating that with properly-channelled funding a foundation can be established. Although exhibiting a ruthless demeanour which a charismatic personality only partly masqueraded, President William Tubman (1944-1971), despite all of his wrongdoings, rightly earned the title of 'Father of Modern Liberia'. Tubman is famously quoted as saying 'We [Liberia] did not have the luck to be colonized'[24] in reference to how there was no European legacy left behind and to build upon: post offices and palaces, schools, hospitals, roads and other basic infrastructure. As *Time Magazine* pointed out at the time of his death, 'during his administration, he increased the budget from $1,000.000 to more than $65.2 million, and began a road and rail system'. He left behind the world's third-largest iron ore industry, largest rubber industry and largest mercantile fleet.[25] Although these achievements were made

23. Outram (1999) provides a brief – albeit, concise – history of Liberia. The country has never been a formal colony. In 1822, its first 'non-natives' arrived: freed slaves from America offered passage to the region by philanthropic organizations. The settler group, which number in the range of 40,000 people or 'Americos', proclaimed the Republic of Liberia in 1847.
24. http://www.time.com/time/magazine/article/0,9171,875582-1,00.html (Accessed 6 September 2010).
25. http://www.time.com/time/magazine/article/0,9171,878412,00.html#ixzz10c56S5bF (Accessed 6 September 2010).

at the expense of a free press, an opposition, and a corrupt civil service, and required appeasing and privileging the country's 'Americo' population, significantly, Tubman was the first Liberian president to give the country's hinterland tribes representation in the legislature.[26] This was particularly important for agriculture, a sector which could be developed by both the minority 'Americo' population and the scores of indigenous tribes occupying the hinterland: the Kpelle, Bassa, Gio, Kru, Grebo and Mano (after Duyvesteyn, 2005).

Drawing upon research carried out at the time of Tubman's death, Clapham's (1976) insightful analysis of pre-war Liberia shows how the his government was able to energize the country's farm production; the policy infrastructure implemented provided a badly-needed foundation for agricultural development in Liberia. In the early-1970s, urban and rural land could be acquired from the state for US$30 and $0.50 per acre, respectively, an indication of how, at the time, "that there [was] no land shortage in Liberia, except in areas such as Monrovia where all government land has long ago been sold' (Clapham 1976:113). Prospective landholders were first required to get a Tribal Certificate, which granted the consent of the local tribal authorities, including the Paramount Chief, Clan Chief and elders. Typically, to secure this, a payment was made – typically in cash – after which the grant needed to be confirmed by the president and registered with the courts in Monrovia. The procedure, explains Clapham (1976:114), made it possible 'for any Liberian to buy land, regardless of his place or community of origin, and a great many Americo-Liberians and educated hinterlanders, as well as chiefdom authorities, have taken advantage of it to acquire farms or plantations in the interior'. The relatively straightforward process of land acquisition and allied policies – particularly those aimed at attracting foreign investment – provided the bedrock for a vibrant three-pronged agricultural sector: a) foreign concessionaires, the classic example being the plot controlled by the Firestone Company; b) Liberian-owned commercial farmers – principally large-scale, indigenously-controlled rice farms; and c) smallholders, who, at the time of Tubman's death, controlled more than 90 per cent of agricultural holdings (after World Bank, 1975). It is largely an eroded version of this 'structure' that Liberians attempted to re-enter upon their return to the country they had fled during the civil war.

A central argument posed in this chapter is that – and in line with conclusions drawn by scholars elsewhere in sub-Saharan African Africa (e.g. Barrett et al. 2001; Ellis 2006) – today, smallholder agriculture is incapable of empowering and generating sufficient income for rural Liberian families on its own. Smallholders have recognized this and have thus sought to expand their income portfolios. As indicated, the largest financial rewards have been reaped from the 'branching out' into the rural nonfarm economy, particularly in ASM. As will be shown using the case of Tubmanburg, since the conclusion of the most recent episode of civil violence, scores of rural Liberians have begun engaging in both subsistence agriculture *and* artisanal diamond mining, in large part because of the inability of the former

26. http://www.time.com/time/magazine/article/0,9171,875582-2,00.html (Accessed 6 September 2010).

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to generate any substantive disposable income. The dearth of literature on rural Liberia makes it difficult to discern *when* this pattern of diversification began to emerge. Is it strictly a post-war phenomenon, or were there signs that rural livelihoods were 'transitioning' before the country's lengthy period of instability?

Despite the influx of foreign investment and economic prosperity experienced in Liberia under President Tubman, a World Bank report (World Bank 1975) published shortly after his death indicates that, during the heyday of his rule, Liberian smallholders were, indeed, income-deprived. It reports that 'the average income of the traditional smallholder is about $70 per capita, compared with a national average of about $250', chiefly because 'the traditional sector is largely outside the monetized economy, located in areas with minimal infrastructure' (p. 4). What seemed to be a precarious situation for smallholders was further aggravated by the decision by William Tolbert, Tubman's successor, to raise the price of subsidized rice from US$22 to US$26 per 100 lb. bag. The move would galvanize the masses; fuel a protest in Monrovia on Easter Sunday 1979 (April 14) that left over 70 dead and hundreds more injured; and proved to be the downfall of Tolbert and his Minister of Agriculture, Florence Chenoweth, who, as owners of several large rice farms, were accused of standing to benefit enormously from the price hike (Clapham 1991; Flomo 2007). The move, which was alleged to have been made to stimulate domestic farm production and discourage the movement of rural Liberians to Monrovia in search of jobs, would provide the impetus for the Doe coup. Under Doe's rule, the country's economy spiralled into further disarray.

The limited evidence suggests that the foundation of the cycles of farming and artisanal diamond mining now omnipresent in Liberia was laid well before for the civil war. The people returning to Liberia, therefore, probably arrived with a preconceived notion of what needed to be done in order to survive: recognizing that agricultural production has limited economic potential, and *preparing* to pursue alternative economic avenues to provide for their families. As noted, one of the most popular and potentially prosperous non-farm activity is artisanal diamond mining, something which the war and the warlord Charles Taylor helped put into the global spotlight.

The Rise of Liberia's Diamond Mining Economy

The civil violence that has unfolded in not only Liberia and neighbouring Sierra Leone but also Angola and The Democratic Republic of Congo has cast a dark shadow over artisanal diamond mining in Africa. There is little disputing that profits from artisanal-alluvial diamond mining fuelled violence in these countries, although deterministic arguments that diamonds themselves (and natural resource abundance in general) 'cause' conflict have sparked a controversy in academic literature (see for instance Marchal & Messiant 2002; Nathan 2005; Keen 2005; Richards 2005; Lahiri-Dutt 2006; Le Billon 2008).

Today, Liberian government officials are struggling to implement KP-mandated mechanisms to ensure that stones mined in Liberia flow to Monrovia for export and are not smuggled. This has proved to be a challenge of monumental proportions. The porosity of the country's borders, particularly areas shared with Sierra Leone, makes preventing smuggling almost impossible. The diamonds found in the soils of Liberia and those of its neighbours are concealable and occur in hard-to-reach places. The ease of 'extractability' of these stones enabled parties – in the past – to 'loot', with relative ease, deposits for personal gain during periods of instability, which, in turn, *perpetuated* civil violence.

The government appears ambivalent on what role artisanal diamond mining should play in the reconstruction of Liberia. Whilst the industry's activities are clearly vital to the livelihoods of tens of thousands of the country's people, policymakers and donors have done very little to help the industry shed its negative image. There was a golden opportunity to 'rebrand' the sector in the PRSP – to clarify how important alluvial diamond mining is to the livelihoods of rural Liberians, and how it can be harnessed effectively to alleviate poverty countrywide. But the document does little to disassociate the country's alluvial diamond mining sector from themes such as war and warlordism, electing, rather to continue painting a negative image of its activities:

'Gold and diamond mining in Liberia consists largely of alluvial and small-scale operations, with estimates of over 100,000 artisanal miners in Liberia. The sector faces *major challenges* with unrecorded production, poor working conditions, and a variety of environmental and social problems. During the PRS period, small-scale operations will be encouraged through the support of cooperative schemes, with an emphasis on formalizing their activities and reducing the potential for the sector *to fuel future conflict*. It is also important that royalty and tax payments, as well as their distribution, are fully reported in a *transparent* manner. This will help to ensure that Liberia's resource wealth in mining, as well as in forestry and potentially in crude oil, are used for the benefit of all Liberians, and not to fuel conflict (...) the Kimberly process will assist in ensuring that the proceeds from diamond exports are not *fuelling conflict*'. [IMF 2008:65-66, authors' emphasis]

A host of projects have been launched in an attempt to raise awareness of the centrality of alluvial diamond mining to rural livelihoods in Liberia, most notably, the UNDP's now defunct *Diamonds for Development* (D4D) initiative. Such interventions, however, have been far too small in scale to have had a lasting impact, and have therefore done little to convince a sceptical public, NGOS and donors of the reality of diamond mining in Liberia.

The government's fixation on promoting foreign-driven large-scale, industrial mine development could explain its ambivalence on alluvial diamond mining's role in the reconstruction process. The development of large-scale mining is viewed by the country's policymakers as a priority and seen as a key to facilitating economic growth and development in the country, something which is made clear in the PRSP and enshrined in the country's Mineral Development Agreements (MDAs). The recently enacted Mineral Policy of Liberia further underscores the value placed by policymakers on large-scale mine development, outlining the Government's ambition to 'establish an internationally competitive, stable and conducive business climate' (Republic of Liberia

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2010:6). The 90 per cent increase in FDI achieved between 2008 and 2009, a remarkable feat given that FDI to the African continent as a whole dropped significantly as a result of the global economic downturn and the fall in commodity prices, was mainly due to investment in the country's large-scale mining sector. The iron ore sector, in particular, enjoyed a rapid resurgence, facilitated in large part by the signing of an MDA worth US$3 billion with Australian mining giant BHP Billiton (Economist Intelligence Unit 2010). It is somewhat surprising, however, that the Government of Liberia would push for implementing a system of export-led growth in mining sector when it has failed miserably to generate substantive growth anywhere else in sub-Saharan Africa. In countries such as Ghana and Tanzania, for example, which are the second and fourth largest gold producers in Africa, mining accounts for only 5 and 3 per cent of national GDP, respectively. A similar phenomenon appears to be emerging in Liberia already: in 2007, the government earned only a paltry US$1.9 million from the 26 mineral exploration companies (which hold 53 licenses between them) operating in the country (IMF 2008).

The continued downplaying of the importance of artisanal diamond mining is an even bigger mystery. With the exception of the small production of limited number of exploration companies, virtually every Liberian diamond that enters the global marketplace is extracted by artisanal miners using picks, shovels, and other basic implements. But as noted, the highly informal nature of the sector makes it impossible to estimate the contribution of artisanal (diamond) mining to the Liberian economy. As part of its mining policy, the government is pushing for foreign investors to mine alluvial diamond deposits, in large part because of security. The idea is to replace informal and unregulated artisanal mining communities with tax-paying corporate entities – something which is deemed to help solve the spectre of armed violence and, ultimately, the vaunted conflict diamonds issue, which despite being a problem of the past, many seem to think can reignite at any time. Such an approach would be detrimental to rural livelihoods, disrupting the livelihoods of the rural poor, who otherwise are marginalized in the formal economy (Le Billon and Levin, 2009). As will be explained in greater detail using a case study of Tubmanburg, local livelihoods in diamond-rich rural areas of Liberia are inextricably linked to artisanal mining. There is a role for both industrial and artisanal mining to play in the reconstruction Liberia, but the task at hand is determining which party belongs where, taking into account economic rationality and state revenue, as well as direct employment and rural livelihoods.

Is Liberia's Donor Facility Making a Difference?

Do policymakers recognized that smallholder farming and artisanal diamond mining are interconnected in more ways than one? Moreover, how have donors conceptualized the country's rural poverty problem, and what course of action are they advocating?

In 2006, 76.2 per cent of the Liberian population was living below the poverty line (African Development Indicators, 2009); only Equatorial Guinea had a higher incidence of poverty (76.8 per cent of the population). As noted, one of the four main pillars of Liberia's PRSP is 'Revitalizing the Economy', the main priority being resuscitating a deteriorated agricultural sector. Poverty cannot be alleviated, nor can any meaningful economic growth be achieved, however, until the country is food secure: 'Without increasing agricultural growth now, it would be impossible to achieve the rates of agricultural and non-agricultural sector growth required to meet MDG1 objectives by 2015, estimated at 26% and 54% respectively. Food crops (rice, cassava and horticultural crops) and cash-export crops (rubber, coffee and cocoa) exhibit the highest levels of contribution to agricultural incomes. An additional 1% growth per year sustained until 2015 in either the food or cash crop sector would generate an incremental income of $24 million and $13 million respectively. The corresponding decline in the overall rate of poverty would be 5% and 5.72% respectively compared to projected rates at current trends' (USAID 2010:5).

Boisterous discussions in both policymaking and donor circles on poverty alleviation in Liberia, however, have failed to yield much improvement in the area of food security and agricultural productivity. A case could be made that work in this area has somewhat been stymied by the lengthy delays experienced whilst working toward the HIPC completion point: the move was necessary in order for the country's debt to be cancelled (US$4.6) and to qualify for new IMF and World Bank loans. Given that Liberia only reached its completion point in June 2010, it may be premature at this stage to label the donor effort to restore the country's agricultural base as 'sub-par' (see Table 1 for a list of programs). With the PRSP now finalized and fully operational, it may indeed encourage additional donor funding to support agriculture in a productive manner in Liberia.

Officers at the Ministry of Agriculture make clear in its *Comprehensive Assessment of the Agricultural Sector* that the resurrection of the country's agricultural is a national priority, noting that 'agriculture continues to be at the centre of reconstruction and development efforts' (MoA 2007:1). Liberia's principal donors also underscore the importance of making the country food secure by empowering smallholder farmers. The message being preached by USAID is that restoration of Liberia's agricultural base is a national priority, and is something which the organization is also prioritizing with its aid budget. It stipulates, on its Liberia Mission website, that 'USAID works to increase food production and generate income by building policy planning and institutional capacity at the Ministry of Agriculture, restoring smallholder livestock and food crops, and unblocking bottlenecks in the value chain, facilitating a commercial approach and enabling access to credit for smallholders [and that] these efforts [are key to] reducing food insecurity and relieving malnutrition in the poorest and war-affected rural segments'.[27] The United Nations Mission for Liberia acknowledges much of the same. Its officers point out that 'with few formal sector jobs available and returns from informal sector work low, job creation is a top priority. Increased access to decent and productive employment will also be a critical means of sustaining the peace',

27. http://liberia.usaid.gov/node/18 (Accessed 14 July 2010).

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against the background of which it states: 'The promotion of employment-intensive investment policies and practices, local economic development, and sustainable livelihood opportunities is needed (especially in agriculture for creating incomes, consumption and nutrition of the majority of the population and particularly vulnerable groups)' (United Nations 2008:11).

But despite these claims, neither organization is doing much to support agriculture. In fact, despite stressing how important resurrecting the country's agricultural base is, the actions being taken by donors in this area suggest otherwise: that they view it as a peripheral concern. The current budget allocation for agricultural development is particularly disconcerting. The PRSP outlines a series of tasks to be undertaken by the Ministry of Agriculture in the upcoming fiscal year, including providing strategic farm inputs, constructing essential market infrastructure and facilitating the provision of credit to smallholder farmers (IMF, 2008). But with only US$11.7 million of the US$526 million national budget for 2010/11 earmarked for 'Food and Agriculture', it is unrealistic that any of these tasks can be undertaken comprehensively. Even the country's president, Ellen Johnson Sirleaf, acknowledges that current level of public funding for agricultural development 'is woefully inadequate', pointing out in a recent speech that 'the share of our [Liberia's] national budget allocated to agricultural institutions and activities rose from US$3 million in 2006 to US$7 million in 2009 but this still represents a mere 2 per cent of our [Liberia's] budget' (Sirleaf 2010:2). Such paltry sums may be ideal for funding pilot exercises aimed at determining the viability of growing different cash crops in established agro-economies but will hardly make a difference in a country in desperate need of reviving its entire agricultural base following a lengthy period of civil violence. It furthermore casts serious doubt on the genuineness of donors and their commitment to restoring Liberia's industries: how could a PRSP which effectively pigeonholes all efforts aimed at reviving the economy – in particular, the agricultural sector – be endorsed by the likes of the World Bank and IMF?

As noted earlier, the development of Liberia's agricultural sector has been shelved in favour of improved security, an area which donors continue to be fixated on tackling. Ironically, improving the agricultural sector and other industries is probably the most significant move that could be made to shore up security because it empowers the unemployed, particularly the youth, whose mobilization made past episodes of civil war possible. As Laishley (2010) explains, 'with so many poor and angry young people in the armed groups that had ravaged their countries, the governments of both Liberia and Sierra Leone are clear on the danger of failing to provide employment for 15 to 35 year olds'. Even the head of reintegration, rehabilitation and recovery arm of the UN Mission in Liberia is quoted on record as saying, 'if they [the youth] have an alternative, they do not fight' (Laishley 2010). Why, then, is making a population believed to be susceptible to reverting to civil war if not mobilized food secure not being treated as a priority development issue?

One possible explanation is that despite their calls for restoring Liberia's agricultural base, donors may, in fact, be content with the current situation: that a market flooded with imported – predominantly-

American produced – foodstuffs is an effective temporary solution to the food security problem. If this is the case, however, it casts further doubt over the genuineness of the PRSP process and who its intended beneficiaries truly are. Although PRSPs are championed as being country-led and participatory, host governments are likely restricted in what they say during their development phases, cognizant that any perceived deviation from the *status quo* could prevent a country from attaining its HIPC completion point and therefore delay debt cancellation. Morrissey (2001:19) emphasizes this point:

> *'HIPC-II, in requiring a PRSP to be drawn-up by the country that meets Fund/Bank requirements may make eligibility more difficult to achieve for the poorest countries. The severity of conditionality is a major concern in any debt relief program. HIPC-II, by appearing to increase the conditions required, and by making these a criterion for pre-selection, is very demanding of poor countries'.*

In the case of Liberia, this could have entailed the government exercising a soft policy stance on rice. On the one hand, perhaps the government is aware that it should 'not only focus on dishing out seed rice to farmers, but also on building their capacity by providing grants to farmers that are monitored from time to time', a move that 'will halt the mass exodus of people who are turning away from agriculture to seek a new source of income and will provide food security, which is vital for a nation coming out of a decade-and-a-half-long civil conflict'.[28] But on the other hand, it likely recognizes that calls for re-orientating a local market flooded with subsidized imports of American-produced rice could strain relations with USAID, and would unlikely receive the endorsement of the World Bank and IMF.

As noted, over the past decade, there have been a series of agriculture-based projects launched in Liberia by the likes of USAID, the World Bank and more recently, the African Development Bank. But given the enormity of the challenge at hand, these efforts are unlikely to facilitate much change: a comprehensive, large-scale effort propelled by all donors is needed in order to make Liberia food secure over the long term. What makes donors' lack of financial commitment to help rejuvenate the agricultural sector most disappointing is that policymakers and the rural populous would willingly embrace any move to improve the productivity of farms. On 27 June 2009, President Ellen Johnson Sirleaf launched the 'Back to the Soil' campaign, which seems to have gripped the nation. The program is a nation-wide awareness and sensitization campaign launched in 15 of the country's counties, involving farmers, students, youth campaigners, musical artists, government officials, members of the private sector and civil society organizations. Its purpose is to encourage Liberians to engage in farming activities.[29]

The donor effort to restore Liberia's agricultural sector has been so wayward and neglectful that all eyes are on the 'Back to

28. http://www.liberianobserver.com/node/3693 (Accessed 15 September 2010).
29. http://www.reliefweb.int/rw/rwb.nsf/db900SID/SNAA-7TT3MF?OpenDocument (Accessed 31 August 2010).

the Soil' campaign, which, despite inspiring and mobilizing smallholders, simply does not have the reach, nor the financial support, to have a major impact on the country's food security situation. Whilst rice production increased from 85,000 metric tons in 2006 to 200,000 metric tons in 2009, the share of the national budget allocated to agricultural institutions is only a paltry two per cent of the national budget (Sirleaf, 2010). The program has attracted considerable criticism over its limited impact but this is likely a result of all hopes nationwide resting on its success. The unrealistic expectations being placed on 'Back to the Soil' are captured in a recent editorial, which notes that, 'the "back to the soil movement", which – if done right – may be the catalyst for radically revitalizing our [Liberia's] dormant agricultural sector'. After summarizing the state of smallholder agriculture in the country, the article criticizes the program, pointing out that 'the gap between what is needed and what is provided to farmers is still alarmingly disproportionate, as a result many of our farmers are unable to farm or even provide for themselves in other sectors' and that 'Liberians [should] be ashamed to utter out loud that our farmers are relying on handouts from NGOs for their survival'. Such criticism, however, is unjustified. It appears to have become a beacon of hope in the area of agricultural development because of the absence of effective donor programs. But even if executed successfully, the program, largely educational and campaign-based and which, in 2009/10, the Department of Regional Development and Extension supported with a modest US$100,000 in farm implements and an additional US$260,000 in agricultural supplies, is in no way capable of reviving Liberia's agricultural sector on its own.

Policymakers and critics must also be mindful of the limited economic impact a supported smallholder can have. As the evidence presented by a host of scholars (e.g. Bryceson 1996; Ellis 1998, 2006) suggests, the challenges posed by a liberalized agricultural market means that in most cases, the economic impact of smallholder production in sub-Saharan Africa will be limited, which makes the promotion of complementary economic activities imperative. Granted, the circumstances in Liberia are different to those in the likes of Ghana, Tanzania and Uganda in that the country is not close to producing its own food; but it is important that in the early stages of the reconstruction process that, Liberian policymakers recognize the limitations, economically, of smallholder farming – something which many of its neighbours have failed to do.

Although incapable of revitalizing Liberia's agricultural sector on its own, the 'Back to the Soil' campaign is having a powerful ideological impact. The series of 'Grow What You Eat, Eat What You Grow' placards found throughout the country have had a positive impact on the morale of the rural populace. Across Liberia's 15 counties, an average of 80-90 per cent of the populace is engaged in farming-related activities, and overall, 75 per cent of the overall population relies on subsistence agriculture for their incomes. But as noted, there are few economic prospects for Liberia's farmers: the market linkages in place before the war have long since vanished; infrastructure is poor; and competition from the subsidized imported foodstuffs widely available across the country is formidable. A growing number of rural farm families, therefore, are consuming inexpensive imported foods such as spaghetti, and using what few land

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resources they have as a means for 'financing' other economic activities with far greater potential, most notably, artisanal diamond mining. Drawing upon experiences from the town of Tubmanburg, the next section of the chapter explains how the use of farms to 'finance' artisanal diamond mining has become the most viable – however improbable – path out of poverty for rural Liberians. It is this dynamic cycle of industrial activity that donors must improve understanding of and support if they wish to alleviate hardship in rural Liberia.

Smallholder Farming and Artisanal Mining in Tubmanburg, Liberia: Exploring the Linkages

This section of the chapter reports findings from recent research carried out in the township of Tubmanburg, the capital of Bomi County, and the surrounding diamond mining villages of Bonga and Sackie Town.[30] According to the latest census (Government of Liberia, 2008), Tubmanburg's population stands at 13,114. The county itself is sparsely populated, the 2008 census placing the population at 82,036, although it is nearly 25 per cent higher than the figure (66,420) obtained on the last census undertaken pre-war (1984). The town, which is located only 50 miles from Monrovia, was a strategic rebel stronghold, largely because of its diamond reserves. This led the United Nations to establish an office in the heart of the town, as part of an effort initiated at the conclusion of the war to increase its presence in rebel-occupied territories. Tubmanburg, therefore, proved to be the ideal setting for the ceremonious gathering, on 2 May 2007, of UN officials and government ministers to announce the lifting of sanctions on the export of the country's 'conflict stones'. The UN Security Council officially lifted its six-year embargo on the exports of diamonds on 28 April 2007.[31]

The move has provided an opportunity – however small it may seem – for scores of indigenous farmers to improve their precarious conditions. As the discussion that follows illustrates, in Tubmanburg and surrounding localities, both rice farming and artisanal diamond mining are heavily relied upon, albeit in different capacities, by rural families for their livelihoods. It is important to recognize, however, that these dynamics have emerged in large part because of the ineptitude of the donor facility in Liberia, and are very much a *local response* to a post-war environment that has changed very little over the past decade.

Seizing an Opportunity

A market flooded with inexpensive imported American foodstuffs has provided many Liberian farmers with a badly-needed opportunity: to use what little prized rice crop they harvest on their small plots of land to drive a diamond

30. Interviews were conducted with 30 family heads in both villages and six local government officers. The findings reported in this section of the paper are drawn, verbatim, from these interviews.
31. http://www.un.org/apps/news/storyAr.asp?NewsID=22430&Cr=liberia&Cr1= (Accessed 5 September 2010).

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mining cycle that has the promise of generating significant financial returns. Along the Tubmanburg High Street, there are scores of shops selling, *inter alia*, cheap American-manufactured spaghettis, macaroni and sauces.

Most of the elderly people who have returned to their farms in Bonga Village and Sackie Town are 'seasoned' farmers. Even many of the township's middle-aged residents, who had fled the country before the war, have likely had few troubles entering a life of farming because of the training they received under the Doe regime: 'During the 1980s, all public schools required students to take a vocational class in farming. Students spent one afternoon per week cultivating a school-owned vegetable garden, learning the basic principles of agriculture and sharing equally the produce they cultivated' [FTF, 2010, p. 28]

Rural families in Tubmanburg and surrounding areas have no illusions about what rice farming can deliver, economically. As is the case across the country, interviewees were in agreement that a lack of labour, seeds, financial capital and pesticides confine smallholder rice production to a subsistence level (after Tsimpo and Woden, 2008).

This rice, however, is prized in both Sackie Town and Bonga village. It has enabled many of their smallholders to 'hire' workers to wash gravels for diamonds. Every day, landowners give each hired mine labourer one cup of rice and a 'Maggi' cube, which is mixed together with some fish and consumed for lunch. Whatever diamonds are recovered are sold, and the winnings shared 50:50 between the landowner and the team of workers. The movement of Tubmanburg's rural farm households into artisanal diamond mining is an illustrative example of what the literature refers to as 'distress-push' livelihood diversification (Barrett et al., 2001): the idea that changes which yield supplementary income are necessary for a family's survival. Villagers interviewed in Tubmanburg indicated as much – that moving into artisanal diamond mining was very much a survival strategy, although these days, due to depleting near-surface reserves, this appears to be less so in Sackie Town, where there are currently 75 subsistence farms. As one male household head explained, 'everyone [here] is farming' and that because of the shortage of accessible stones, there are 'only 10 local miners here [in Sackie Town] [who] don't have [many] materials to work with' and use their 'own local mining with tools', principally shovels purchased in Monrovia.

The impression conveyed was that artisanal diamond mining would be pursued far more proactively *if* labour was more widely available. As one farmer stated, 'many people don't have the money [to mine] and even the few who do don't have the workers'. This could explain the disproportionate gender balance and the abundance of young people present in Sackie Town: according to the latest census, there are 478 children, 329 women and 175 men. Most of the male household heads interviewed in the village reported having two wives and each had at least four children; all indicated that their family members worked on the farm, the latter, often at the expense of an education. The village's families work diligently to generate enough surpluses of peppers, cassava and most importantly, rice, to trade with merchants from Monrovia, who arrive with household goods for purchase every Tuesday (the village's market day). For household heads, putting the family to work on the farm effectively negates any labour costs, and has proved to be an effective strategy in times of hardship: at a minimum, families are producing sufficient food supply to satisfy their needs.

In both locations, all indications point to both farming and artisanal diamond mining being fairly well-integrated into robust year-long cycles, the former undertaken during the rainy season and the latter in the dry season. During interviews with miners in both villages, it was explained that during the dry season, diamondiferous ore is 'sorted' in anticipation of the rains, when stones can easily be separated from uneconomic alluvial gravels. During visits to a number of mine sites, labourers were seen stacking piles of ore alongside river banks in preparation for the rains. One miner provided details on the year-long cycle of the typical Tubmanburg household. This miner, his two wives and eight children work year-round, harvesting cassava and rice, selling surpluses at the local market in Sackie Town every Tuesday. As is the case with most residents, rice is the primary focus of his household agriculturally, picked in September following 10 months of preparation: 'brushing' in October and November; burning in March, following a three month 'rest'; 'squashing' in April and May'; and 'growing' in June. He explained that when 'all goes well' with diamond mining, which is undertaken concurrently with the preparation of rice fields during the dry season, his wives take over the farm work.

The literature identifies seasonality as an example of 'demand-pull' diversification: the idea that households do not necessarily 'branch out' into nonfarm activities because of necessity but rather do so because of it is anticipated that there are financial rewards in doing so (after Barrett et al., 2001). The patterns of seasonality in both Sackie Town and Bonga Village, however, are by no means associated with entrepreneurial behaviour and are therefore not an example of 'demand-pull' diversification in the conventional sense. It is, rather, poverty that has given rise to this regimented way of rural life structured around seasons, any deviation from which could be detrimental to the wellbeing of the household. This pattern of seasonality, which again, can be seen as a coping strategy given the very difficult circumstances faced by the township's rural households, is a mirror image of what has unfolded in neighbouring Sierra Leone. As Maconachie and Binns (2007: 372) report, in the early-1970s, across Eastern Province 'diamond mining and farming activities "dovetailed", with mining being undertaken in the dry season when river levels are low, whilst farming was the dominant activity during the rainy season', a pattern which, despite the country's decade-long civil war, remains very much intact today (see R. Maconachie's chapter in this volume).

This raises important questions about the dynamics of livelihood diversification in rural Liberia, an improved understanding of which would go a long way towards improving policy and tackling poverty. The dearth of analysis on rural livelihoods in the country prior to the war makes it difficult to ascertain whether diversification – particularly the interlocking of farming and diamond mining activity – was widespread, or if it is simply a post-war phenomenon. Interviews conducted in both Sackie Town and Bonga Village cast important light on this important issue. All signs point toward the former, as many miners reported having been heavily active in diamond mining *before* fleeing their farms. One miner for example, indicated that he secured a mining claim at 'Small Creek' in 1987, started mining in 1988, hired numerous workers to wash gravels, and sold all of his diamonds to a Malian broker named Bashiro. In 2002, when LURD[32] rebels arrived in his village, he fled to Monrovia but would return in 2005, beginning with rice farming and eventually, resuming work at 'Small Creek' with his team of four labourers.

Other interviewees reported having an even longer mining history. One interviewee indicated that he has been mining since 1971, citing that the 'reason why I like mining is I want to get plenty of money to do'. He currently has four mining claims in Sackie Town, and another two in Bopolu County. He worked and resided in Bopolu up until 1988, when he moved to Tubmanburg. In 1992, he fled to Cote D'Ivoire but returned to Sackie Town in 2001, where, in addition to establishing a rice farm, he attempted to forge an investment deal – unsuccessfully – with an Italian man named Colombo. Another miner, a naturalized Liberian who arrived in the country in 1966, reported much of the same, indicating that he had obtained a mining claim in 1987 but which he failed to renew. He reported that, in an effort to secure monies to renew his lease, he worked in Kombo as a mine labourer but fled when Charles Taylor seized power. He sought refuge in neighbouring Sierra Leone, where he stayed until 1992, and upon his return, farmed cassava and rice, and attempted to reinvigorate his diamond mining activities.

These findings suggest that, in both Sackie Town and Bonga Village, the interlocked nature of diamond mining and farming is very much a pre-war phenomenon. This particular pattern of livelihood diversification has proved sufficiently robust, the lengthy episodes of civil violence failing to dissuade people from returning to what they know. Perhaps most importantly, for rural households in both villages, a diversified livelihood portfolio comprised of diamond mining and farming has proved to be an important buffer *against* income poverty. The war certainly raised the profile of diamond mining in Liberia considerably, providing a badly-needed opportunity for returnees to improve their livelihoods.

More Seizing of an Opportunity

The aforementioned livelihood diversification could not happen, however, if local government officers did not also derive some benefit from allowing it to unfold. A main target identified under the 'Economic Revitalization' pillar of the Liberian PRSP is to improve transparency in the country's diamond mining economy; in fact, the impression conveyed is that the sector will be at the heart of the revitalization effort. But whether the measures put in place to improve governance in the sector have actually reduced corruption is open to debate. The establishment of a National Diamond Task Force to implement the Kimberley Process Certification Scheme (KPCS) has helped establish a

32. The Liberians United for Reconciliation and Democracy (LURD) was a rebel group active between 1999 and 2003.

much-needed trail of paperwork but it has also spawned diamond mining regulations and policies that have not only fuelled corruption among high-ranking officials in Monrovia but most importantly, have done little to address concerns in the areas where diamonds are being sourced.

One such concern is the woefully under-resourced local government offices scattered across the country, which are empowered with a range of important tasks, including valuing diamonds and regulating activities. Concerns over the ability of the country's mineral inspection agents to enforce regulations were expressed in a United Nations Security Council report in 2005 (UN, 2005), which states that 'while the Panel commends the efforts of the Ministry of Lands, Mines and Energy in respect of those training initiatives, it remains concerned by the lack of funding required to place those personnel on the payroll and successfully deploy them to the field' (p. 4). Evidently, the Liberian Government addressed these regulatory inadequacies to the satisfaction of the United Nations because the country gained membership to the Kimberley Process in 2007. But findings from Tubmanburg suggest that the 48 mineral inspectors now in place countrywide to enforce the KPCS continue to be unsupported. The argument posed here is that this has resulted in very weak enforcement of the KPCS because there is little incentive for mineral inspectors to do their jobs. As illustrated in the case of Tubmanburg, inspectors have jumped at the opportunity to extract monies from local populations in exchange for turning blind eye on unlicensed artisanal diamond mining activities. These bribes or 'dashes', though relatively small, nourish a cycle of livelihood diversification that is central to the survival of hundreds of rural families, granting villagers access to diamondiferous territories.

Under the Taylor government, the *Minerals and Mining Law* was implemented. It was approved by the senate, House of Representatives and Taylor himself in April 2000 and came into force in September of that year. As detailed by Elder (2002), the law established three types of distinguished mining licenses: 1) the Class *C* mining license, which may only be granted to Liberian citizens, is valid for one year but can be renewed annually, and covers no more than 25 acres; 2) the Class *B* mining license, which is also only open to Liberians, is valid for five years with the option of further five year renewals but unlike the Class *C* scheme, authorizes holders to use industrial processes; and 3) the Class *A* license, which is open to all citizens, may be granted to the holder of an exploration license, can be issued for an area of up to 1000 km^2, and is good for a period of 25 years with the option of further 25-year renewal periods. The restrictions attached to the Class *C* license – namely, the requirement that holders not use 'large-scale, heavy duty or earth moving equipment', and the costs involved with securing it – have proved crippling for Liberians: prospective license holders are confined to engaging in strictly manual methods during the dry season, and have experienced considerable difficulty securing their papers. The one option available to the few people who have managed to secure a Class *C* license is to try and mobilize the US$5000 needed to 'graduate' to a Class *B* license – a move which, for a party with few funds or international connections, is practically impossible.

The inability of Liberians to cover the US$150 registration fee and the US$150 'demarcation' fee for a Class C license has created the opportunity for the local mineral inspectors to extract bribes from locals. But the process is rarely straightforward, requiring several visits by prospective applicants to the Ministry of Lands, Mines and Energy and payment of innumerable bribes to even get an application assessed – a laborious process that is both time consuming and costly. This point was discussed at length during an interview with the Secretary of the Federation of Miners Association of Liberia, who explained that:

> *'[The] license fee is exorbitant – to acquire the licensing takes a lot of time. Starts off at district, travel to Monrovia, Ministry of Mines (...) survey fee, transportation, ID card (...) people grow frustrated. The faster nickel is better than the slow dime'.*

In Tubmanburg, villagers who are mining but are not in possession of a Class C license have been granted permission by the local mineral inspector, who authorizes activities, in exchange for a nominal fee of US$30-50 on the condition that the remaining finances for the license and demarcation fee are paid within a reasonable time. Typically, people are given two-three months to mobilize these monies but few manage to do so, which leads to another payment of US$30-50 and the start of another two-three month cycle.

Mineral inspectors have willingly accepted these 'dashes' because of their own economic situations. Despite being charged with monitoring illegal mining activities and providing timely reports on the state of diamond digging in their respective districts to Monrovia, they are paid less than US$70 monthly and are required to pay for their own transport to ministry headquarters whenever a meeting takes place. Interestingly, the problem seems to be recognized by officers in Monrovia. It was emphasized in particular by one official during an interview:

> *'If I don't have a vehicle to monitor Monrovia (...) the people under me don't have bicycles (...). Our mining agents are human, and the incentives are meagre, so they compromise with the illegal miners. So we also have to look at the incentives for the inspectors, so if someone is sent there, they have to pay himself, lodge there for a week. So if there is someone who discovers a diamond, then he can just bribe the guy'.*

Although the scale of the bribery itself is of little concern, the level of responsibility given to mineral inspectors is worrying. Again, they are relied upon to inform the minister about boundary disputes, illegal activities, the status of licenses, and, most importantly, whether plans for licensed mining activities have targeted an appropriate place, where there is minimal possibility of land disputes occurring. But as one senior official admitted in an interview, 'sometimes I cannot verify the report from them, can't get to them [so] they bring a report but...'. Given the level of financial remuneration being provided to inspectors, the delays with paying their salaries, and the expectation that they will cover all of their expenses for field inspections, not surprisingly, few willingly visit mine sites and are therefore potentially supplying Monrovia with inaccurate information.

Whilst acknowledging this problem, officials in Monrovia are unlikely to address it. At present, there is considerable preoccupation at the highest policymaking levels over 'missing' diamonds. According to a devastating report by the General Auditing Commission, the Ministry is unable to account for over 9000 carats of diamonds,[33] which could threaten its KPCS membership. This distraction of senior officials, however, bodes well for both mineral inspectors and rural Liberians because there is little threat of their ongoing 'arrangements' being abolished.

Perspectives on Diamond Mining, Rice Farming and a 'Maggi Cube'

The lives families in both Sackie Town and Bonga Village have re-entered are quite fragile, based around artisanal diamond mining, subsistence rice (and cassava) farming and 'Maggi Cubes'. As the experiences of interviewed residents has revealed, rice is harvested on family plots and used to feed workers who are hired to dig for diamonds. As noted, each worker is given one cup of rice and a Maggi (bouillon for flavouring), and whatever stones are recovered are distributed (typically 50:50) amongst landowner and hired hands. Whilst this way of life, which has become the norm in Tubmanburg, is not generating much economically, it has proved to be an effective survival strategy in what are very difficult circumstances.

Household heads consulted in Sackie Town and Bonga Village seemed satisfied with the current setup in large part because it is an effective buffer against outright starvation. The ability, in the worst of cases, to satisfy the food requirements of the household is indeed a luxury in an environment where aid is elusive and which is devoid of even the most basic of facilities. In Bonga Village, there are no schools, medical facilities or water pumps, and whilst there is a small health clinic in Sackie Town ('Sackie Town Clinic'), it has no drugs. The methods used to mine diamonds in both villages are manual and inefficient, and therefore unlikely to yield much in the way of returns. But importantly, current labour arrangements provide households with a lifeline: households can fall back on agriculture whilst patiently searching for a potentially life-changing diamond discovery, however improbable it may be. The case of 'Sando Freeman', a resident of Bonga Village, is one of numerous illustrative examples of such an attitude. Mr Freeman explained during an interview that he got involved in mining because 'it is the best way to sustain [himself] and [his] family'. Prior to 1997, however, he was farming, and therefore 'never cared at the time about mining' – a mind-set that has helped him to survive in the current difficult economic climate. Mr Freeman explained that, when he does not have any diamonds, and does not have money, he 'will just do farming', stating that 'even when I don't get money, I get food for the family', consuming the rice from his farm, and selling the *gari* he processes from his cassava patch. Another resident of Bonga Village similarly explained that after mine work 'became difficult', he 'jumped back into farming business'. Most of the other household

33. http://allafrica.com/stories/201004220344.html (Accessed 4 October 2010).

heads consulted seemed appreciative that when times are difficult, they are able to subsist off of their own crops.

Hope seems to be the pervading theme in both villages, the regimented lifestyles of households epitomizing the most monumental of struggles. Residents seem willing to subject themselves to such difficult lifestyles because they genuinely believe – as unlikely as it may seem – that they will one day discover diamond riches which will change their situations forever; peoples' hopes and dreams are made possible by the local mineral inspector, who again, in exchange for a nominal fee, allows people to continue engaging in what appears to be an exercise in futility. Mr Freeman explained that 'every year, [he] has to go to the mining agent and give money in order to mine', which typically amounts a payments of US$50 every three months. His entire life seems to revolve around making these payments: he sells his *gari*, a bag of which fetches US$18, for the sole purpose of covering these payments, although he professes that 'US$50 is too much for poor people in the bush'. Another miner's circumstances are slightly different. He claimed to be 'trying hard to earn money to pay for license', and not being concerned about potential government persecution because he had already been awarded a mining license at one point, noting that 'if I get gravel, I can definitely for and get a license because I have an old license'. Another resident of Bonga Village has adopted a similar strategy, paying local mineral inspectors small amounts, believing that his expired license has value. This miner employs 35 workers and a supervisor to wash gravels on his plot, driven by the belief that 'one stone that comes can carry you far off'.

What is the government's view on these dynamics? The rural inhabitants interviewed in both Sackie Town and Bonga Village sense some sympathy on the part of the government towards their illegal mining activities: as one interviewee boldly put it, 'even if the license expires, government is lenient, even after few months after expiration, they will be fine'. Consultations with government officers suggested much of the same. Most seemed oblivious to the situation that has unfolded on the ground and also sympathized with rural peoples' struggles. As expected, local government officers are particularly sympathetic, particularly one official, who was interviewed in Harmon Hill in Tubmanburg City. The officer posed the question: 'many of these people don't have the money to eat, so how can they pay to process the documents?' The high-ranking officials consulted in Monrovia echoed similar views, particularly those based at the Ministry of Lands, Mines and Energy. The testimonial of one senior officer was particularly revealing:

> *'How can you dispossess these communities? Can you expect them to come to Monrovia? In Weasua, people don't even have farms. They mine diamonds and come to Monrovia to buy peppers'*

But despite the rhetoric, changes capable of having a meaningful impact on peoples' lives have not been forthcoming.

The government's *laissez-faire* attitude towards licensing may, however, be more helpful to the country over the long term. First, and perhaps most significantly, it has built trust between local government officers and diamond diggers. With as many as 70 per cent of Liberia's diamonds

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being transported across its porous borders, these networks could prove instrumental in helping to buffer against smuggling. Whilst Tubmanburg is fairly centrally located, the positive views villagers have of mineral inspectors has helped to minimize any chance of excavated stones *not* being transported to Monrovia for inspection and exported through legitimate channels. Second, the informal diamond mining widespread in Liberian towns such as Tubmanburg has helped unify rural societies. As one government official in Tubmanburg explained, 'in theory, 97 per cent of Liberians don't have to have a deed but in reality, no one can mine land without permission or negotiations with landowners and local authorities'. It was explained that even though Class C licenses are rarely issued, a prospective miner must still go through the motions before mining: consulting the paramount chief, town chief or clan leader, and where applicable, the mayor. Traditional custom requires the miner to obtain permission to, *inter alia*, secure access to water and local toilet facilities. There are signs that artisanal diamond mining is bringing together factions of a community in need of unification.

It is important, however, not to lose sight of what these dynamics are: households' coping strategies in a challenging economic environment. In Tubmanburg, the stalls flooded with subsidized imported rice have stiffened the competition with, and diminished the agricultural prospects considerably for, local rural households. But this is not to say that the locality's farmers have not put their rice crop to good use. As explained, many have used the rice they have to feed workers hired to dig for diamonds on their plots. A successful move into diamond mining is one of few routes out of poverty in rural areas of Liberia – a country where donor efforts are having little impact on the poor.

Concluding Remarks

The phrase, 'Grow what you Eat, Eat what you Grow' would normally be seen as mockery in an environment which is receiving minimal agricultural support. But in rural Liberia, it has fast become the motto for survival. The country's PRSP, which prioritizes security despite there being little chance of recurring civil violence, neglects two economic activities that must be supported in order for country to have any chance of progressing developmentally: agriculture and alluvial diamond mining. Despite the scores of projects sponsored by the World Bank, USAID and the United Nations launched to develop the former, the agenda of these donors and the current orientation of the world's food markets has meant that the impact of a supported smallholder sector on rural poverty has been, and will continue to be, negligible. The latter, which could offer considerable relief *if* also supported properly, is very much being neglected in favour of large-scale mine development, in line with the orientation of most extractive industries across sub-Saharan Africa,

In Tubmanburg, the 'Grow What You Eat, Eat what You Grow' approach espoused by the Ministry of Agriculture has spawned a survival strategy referred to in this chapter as 'Diamond Mining, Rice Farming and a Maggi Cube'. To recapitulate, upon their return to Liberia, villagers had little to work with: farms had deteriorated; markets were not readily penetrable because they were flooded with imported American-produced foodstuffs, and farm support was non-existent. Many, however, began producing for themselves, generating rice crop for personal consumption as opposed to markets. In time, these rice yields would prove invaluable, enabling the landowner to lure gangs of labourers to plots, where they are 'fed' in exchange for mining for diamonds, the earnings from which are divided evenly between themselves and the landowner.

But whilst a change in approach towards agricultural production and poverty alleviation has helped landowners survive in a landscape devoid of support and, by putting them in a position to collect diamonds, provide an opportunity to escape poverty, many will struggle to escape their subsistence lifestyles. Continued use of rudimentary implements to search for scarce diamonds, and the difficulties with getting a license, have been the most significant barriers to improved quality-of-life. If donors and policymakers are genuinely committed to alleviating poverty in rural Liberia, careful analysis of the cycle, 'Diamond Mining, Rice Farming and a "Maggi Cube"' is needed and supported.

Chapter 3
Diamond mining, smallholder production and a 'Maggi cube': deconstructing the poverty trap in rural Liberia

Gavin Hilson & Steven Van Bockstael

Introduction

Why do so many people who are engaged in artisanal and small-scale mining (ASM) – low tech, labour-intensive mineral extraction and processing activity – across sub-Saharan Africa struggle to accumulate earnings and improve their quality of life? This chapter argues that in the case of Liberia, a main reason why is that many of the people involved in artisanal diamond mining are trapped in a vicious cycle of poverty. As an explanation for miners' hardships, the 'poverty trap' hypothesis first emerged over 15 years ago but has yet to be developed. In Liberia, the cycle that has emerged in many rural areas is not a poverty trap *per se* but rather a series of dynamics that prevent households from progressing beyond a subsistence level of earning. As will be explained in the analysis that follows, many farm families have 'branched out' into artisanal diamond mining, with the aim of accumulating additional income. But whilst this has proved to be an important buffer against outright poverty, after making the necessary changes to their lifestyles to facilitate a move into the diamond mining sector, many farm families have found it difficult to accumulate the requisite earnings to progress beyond a subsistence level of operation. Two major barriers prevent Liberia's rural families from accumulating disposable incomes: inappropriate policies and under-resourced institutions. Drawing upon findings from recent research, the chapter will explain each in turn.

Poverty Traps in African Artisanal Mining Communities: An Overview

The prolonged hardship endured by tens of thousands of people engaged in ASM across sub-Saharan Africa has attracted a number of explanations, most of which are highly anecdotal. Why do so many people working in the industry struggle to accumulate the earnings needed to improve their quality of life? It would be premature to assume that the answer is linked entirely to the motivations behind why people gravitate towards ASM camps in search of work in the first place because individuals' circumstances can change, and do so quite often.

According to the crude typology of drivers of livelihood diversification developed in the literature, the motivations behind rural inhabitants 'branching out' into the nonfarm economy fall into one of the following two categories (after Barrett et al. 2001:1) 'pull factors', which are linked to rural inhabitants' decisions to exploit complementarities, following recognition of 'better returns in the nonfarm sector relative to the farm sector' (Meikerink and Roza, 2007:18); and 2) 'push factors', or sets of motives linked to distress that are commonly associated with risk aversion (Wouterse and Taylor 2008). The two popular narratives that have emerged as explanations for why people actively pursue employment in ASM camps across sub-Saharan Africa – to 'get rich quick', and 'poverty' or personal hardship – are aligned closely with these categories of drivers.

But as noted, peoples' situations can change following entry into ASM. In fact, even in the same communities, peoples' circumstances can be radically different, as studies by Hilson and Garforth (2010), and Banchirigah (2008), both of which were carried out in the Eastern Region of Ghana, illustrate. The former reports that many people driven to work as artisanal miners due to personal hardship have managed to accumulate incomes, which have proved to be an indispensable pool of supplementary earnings to those generated from their farms. They have used these monies to, *inter alia*, finance the construction of houses in the country capital of Accra and to send their children to better-quality schools. These people are clearly better off financially as a result of 'branching out' into ASM. The latter study reports that in the same region, other miners who were in a fairly stable position economically before entering into ASM have since lost considerable sums of money and consequently, are now struggling financially. These people find themselves trapped, unable to deal with mounting debts. The dearth of statistical data and published studies on the dynamics of ASM communities in sub-Saharan Africa – particularly, information that casts some light on *which* groups employed in the region's camps have enjoyed some level of improvement in their lives following their entry into the sector and, the subject of this chapter, those that have not – makes identifying demographic patterns difficult. The message, however, appears to be clear: that not all poverty-stricken people, once immersed in ASM activity, necessarily remain poor and *vice versa*.

This leads to a second point concerning why assuming that peoples' fates in African ASM camps are linked to the circumstances that drove them there in the first place is premature: the range of employment opportunities available in the sector. The literature published in the 1980s and 1990s on ASM in sub-Saharan Africa and other areas of the developing world (e.g. Alpan 1986; Noetstaller 1987; UN 1996) conveyed the impression that the sector was comprised exclusively of people driven to mining because they believed they could earn personal fortunes from doing so. But the more recent literature paints an entirely different picture. Detailed studies of ASM camps across the region (e.g. Fisher 2007; Bush 2009) reveal that the sector is a micro-economy, offering a host of employment opportunities, ranging from manual jobs such as digging, hauling and washing, to skilled and semi-skilled posts, including bookkeeping, security and management (see Figure 1). With so many work opportuni-

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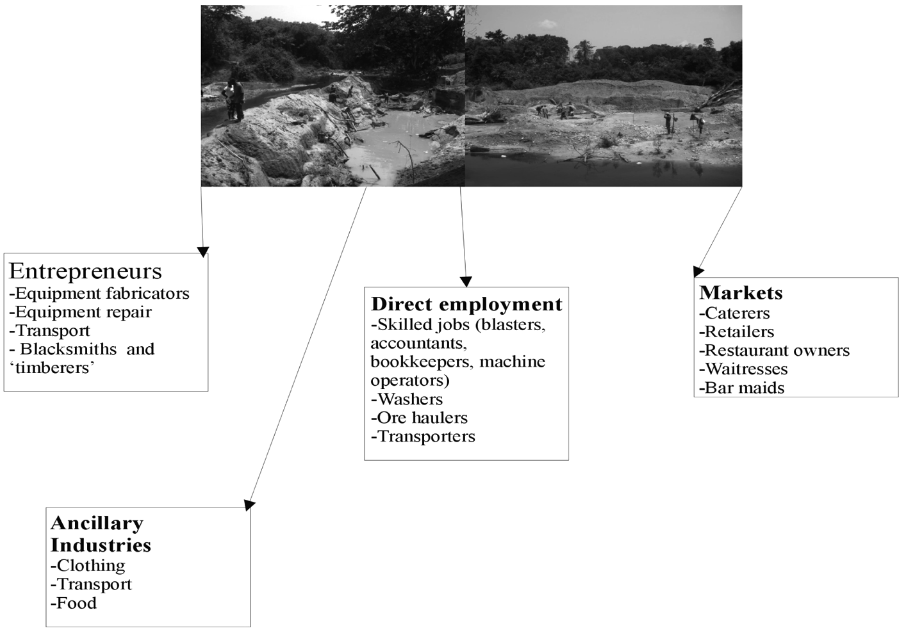

Figure 1: The small-scale mining 'employment engine'

ties available, camps attract people from all walks of life, a point which Werthmann (2009:19) elaborates on, drawing upon research experiences in Burkina Faso: 'As in other migratory settings, people from one particular region sometimes form networks, associations or neighbourhoods in a mining camp. People from all walks of life come to the mining camps: farmers during the dry season, labourers who have lost their jobs, unemployed school leavers, and ex-convicts. A mining camp can have several thousand inhabitants and thus attain urban dimensions. Likewise, patterns of consumption and leisure are urban: in the shops and stalls of a mining camp, even if located in a remote rural area, one can purchase products such as bottled beer, instant coffee, white bread, cigarettes, manufactured clothing and shoes, and electronic gadgets'.

Whilst direct links have not yet been made, there is reason to believe that the salaries of many of these positions are unaffected by the quantity of mineral extracted: that people earn a *fixed* wage regardless of how many gold nuggets, diamonds or gemstones are discovered on a given day. The fortunes of others – in all likelihood, the 'pit owners' and individuals involved in the sponsorship side of the industry – are, however, inextricably tied to the amount of product 'discovered', mined and processed daily.

There are two – rather divided – schools of thought on why, across sub-Saharan Africa, the latter group of people – that is, those whose economic fates are tied to daily production – remain mired in state of poverty once immersed in ASM activity. The first is cultural, namely the idea that people, for whatever reason, are

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drawn to ASM camps, after which, they accumulate wealth but subsequently lose it because of desired lifestyle changes. Walsh (2003), for example, reports that in Northern Madagascar, the earnings accumulated by young men mining sapphire stones, which many refer to locally as 'hot money', is consumed rapidly and not invested, squandered on prostitution, drugs and alcohol. Mwaipopo et al. (2004) report much of the same in rural Tanzania, reporting that in the villages of Nyarugusu and Mgusu, 'the large number of small shops, entertainment places (video-halls, snooker tables, bars, etc.), generators supplying electricity, and petty businesses (...) suggest both a high dependence on cash transactions and people with money to spend on entertainment' (Mwaipopo et al.:40). The authors furthermore report cases of 'lavish spending', including details of the habits of one claimholder, who allegedly 'moved to stay in the so-called up market hotels that the team leaders were living in and started to spend extravagantly on food and drink and other items and dream of taking trips in aeroplanes, like a winner of a lottery' (Mwaipopo et al.:56). These studies support the argument that there is indeed a 'mining culture' that draws funds from operators, tempts them to spend carelessly, and which can cripple them financially.

The second view is that artisanal miners remain poor because they are caught up in a vicious cycle of poverty. The idea of an ASM 'poverty trap' was first introduced at the *World Bank Roundtable on Informal Mining* in 1995 in Washington DC (Barry 1996). As illustrated in Figure 2, the argument being made is that a number of factors, including limited finances, the application of rudimentary technologies and geological uncertainty – in combination – severely hamper the artisanal miner, preventing him or her from accumulating funds which could be used to increase yields, principally through the acquisition of improved technologies and hiring of additional labour. The idea, however, remains underdeveloped: whilst there is a fairly sizable body of literature on poverty traps in rural sub-Saharan Africa, few studies have been undertaken to explore the idea in the context of the region's ASM sector. Specifically, key questions such as *who* is trapped in poverty in the region's ASM camps, *what* elements are driving the cycle, and *where* does it occur, have not been answered. Based on what little evidence is available, it appears that the factors potentially keeping people poor at different ASM sites are unique, and that some feature more prominently than others, depending on the setting.

In the case of Liberia, monies are scarce amongst villagers, many of whom, driven to neighbouring countries during periods of civil violence, have only recently returned to their villages. Their monies have been used prudently to regenerate deteriorated subsistence farms that, with time, have managed to yield a rice crop. Apart from feeding their families, landowners have used this rice to 'hire' labourers to mine diamondiferous soils on their plots. But whilst this arrangement has helped the rural masses avoid starvation and positioned them to escape a life of perpetual subsistence, for most people, the accumulation of disposable incomes has proved elusive. As will be explained in the next section of the chapter, barriers prevent landowners from increasing their diamond production, one of few avenues out of poverty in a post-conflict environment with few viable employment alterna-

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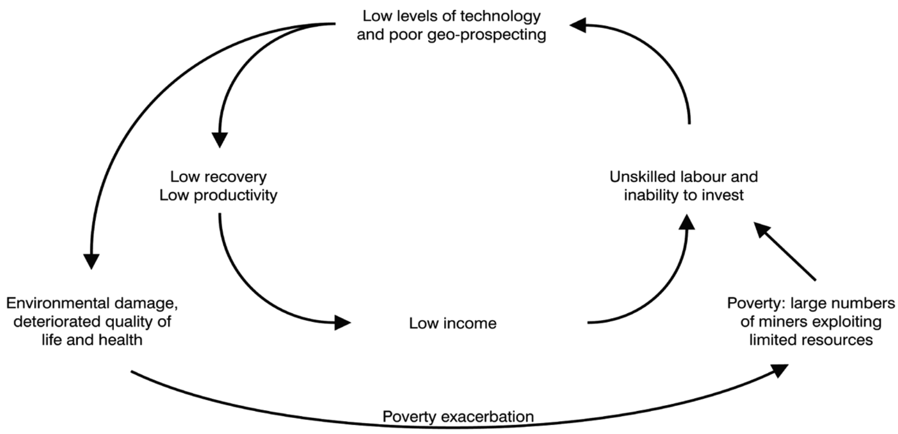

Figure 2: The artisanal and small-scale mining (ASM) 'poverty trap'

Source: Hilson and Pardie, 2006

tives. Tens of thousands of landowners and their workers now find themselves trapped in a subsistence lifestyle, or, if looked at a different way, a cycle of poverty. Drawing upon recent research undertaken in Weasua, Tubmanburg and Lofa Bridge, three of Liberia's major diamond-producing areas, an attempt is made in the discussion that follows to explain what is driving this cycle.

'Diamond Mining, Rice Farming and a Maggi Cube': Deconstructing the Poverty Trap in Rural Liberia

As noted, when the idea of the ASM-poverty trap was first introduced at the *Roundtable*, the message conveyed was that there were various elements at play which prevent operators from accumulating wealth and improving their quality of life. But whilst the 'poverty trap' seemed at the time to be fashionable explanation for why so many African miners remain poor, little work has since been carried out to explain, in greater detail, what these elements could be: specifically, determining, *inter alia*, *why* miners have few funds to invest, *what* geological challenges they face, and *why* they are unable to access efficient technologies – an improved understanding of which would help to explain *why* so many remain poor.

There is, however, a small collection of studies on ASM in sub-Saharan Africa that has emerged over the past decade which make reference to a 'poverty trap' (see e.g. Hoadley and Limpitlaw 2004; Chupezi et al. 2009). Some have even attempted to make sense of it. For example, in a recent study conducted in The Eastern Democratic Republic of Congo (International Alert 2010), the exploitative relationship forged with landowners and middlemen is identified as the main factor contributing to diggers' hardships.

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The study argues that 'despite its effect of creating jobs, mining activity is a poverty trap' – that 'behind the illusory appearance of sudden enrichment, it generates a dynamic of impoverishment' (International Alert 2010:57). It furthermore contests that in the eastern Democratic Republic of Congo, scores of men and women enter mining because they see it as a 'way of stepping into the modern world and a chance of making – or so it is believed – easy money' (International Alert:58) but that outside of the social structures of their villages, these miners are easily exploited by middlemen and 'pit owners'. A study by Hilson and Pardie (2006) reports that a dependency on mercury, used to amalgamate gold, is a significant element of the poverty trap that has emerged in many artisanal mining communities in Ghana. Here, many individuals in possession of a gold buyers' license are also licensed mercury dealers, which enables them to develop exploitative relationships with miners who are desperate to increase their yields, particularly the people they sponsor.

The idea of ASM being characterized by a unique poverty trap, particularly in sub-Saharan Africa, also appears to have gained some currency in policymaking circles. In fact, there have been scores of donor documents published on ASM and livelihoods that are punctuated with some – albeit superficial – analysis of the subject. For example, in a recent report published by the World Bank, *The Millennium Development Goals and Small-Scale Mining*, it is argued that 'the most significant problem within ASM is the poverty trap, since ASM tends to exist in marginal and remote rural regions, where alternative livelihoods are few or non-existent' (World Bank 2005:26). Perhaps most importantly in the case of the present study is that the United Nations Economic Commission for Africa (UNECA) has openly acknowledged that poverty traps are a trademark feature of the continent's ASM communities. Its views are made clear in a report recently published by UNECA, *Reports on Selected Themes in Natural Resources Development in Africa: Artisanal and Small-Scale Mining and Technology Challenges in Africa*:

> *'In a given area, the increase in the numbers of artisanal and small-scale miners, with inadequate human and social capital, on limited and marginal resources, lowers productivity and income per head, which as a result affects the technology choices that miners can make. Working from a low capital and asset base, most [small-scale mining] SSM activities are of a rudimentary nature, with little mechanization (Shovels, hoes, picks and wheelbarrows are the tools commonly used). Where there is mechanization, equipment and techniques are inefficient and hazardous to the environment and to the miners. In consequence, productivity, ore recovery and yields continue to be low and income remains at subsistence level. This hinders re-capitalization and upgrading of mining operations and keeps small-scale miners in a vicious cycle of poverty'. [UNECA 2003:2]*

Importantly, policymakers and donors appear to be in some agreement that in particular African contexts, ASM activities are strongly associated with poverty traps.

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But whilst the literature appears to recognize that poverty traps are playing a significant role in keeping people employed in ASM camps across sub-Saharan Africa poor, again, the details concerning which *specific* elements are driving or 'trapping' them remain sketchy. It is against this background that Fisher et al. draw attention to how generalizing about the 'poverty trap' or 'poverty cycle' runs the risk of being 'unhelpful' as a means for explaining miners' plights because such approaches 'tend to homogenise the complexity of change in ASM communities' (Fisher et al. 2009:32-33). Based on what little evidence is available, it is clear that the elements driving poverty cycles in ASM camps across sub-Saharan Africa are, indeed, context-specific, as noted: the hardships of operators in the likes of Ghana, Mali and Tanzania, for example, have potentially arisen because of similar reasons, but each is unique and location-specific. In many areas of rural Liberia, many people engaged in artisanal diamond mining are generating adequate food supplies from their plots for their households but are struggling to generate earnings beyond a subsistence level. This 'poverty trap' is, in large part, a product of inappropriate policies and under-resourced institutions.

Setting the Scene

This chapter draws heavily upon findings from research carried in 2010 out as part of a reconnaissance study in Liberian artisanal diamond mining localities. The aim of the study was to gain a better understanding of rural livelihood dynamics in Liberia, and to identify strategies for alleviating rural poverty. The first town visited was Tubmanburg, the capital of Bomi County and located approximately 60 kilometres north of the country capital of Monrovia. Fairly accessible by road, Tubmanburg, which is situated in the mineral-rich Bomi Hills, was a main target by rebel groups during the war. The second area visited was Lofa Bridge, which is located in Gola Konneh District, Grand Cape Mount County. Because of its proximity to the border with Sierra Leone, Lofa Bridge, along with a number of adjacent localities, suffered enormously during both countries' civil wars. It continues to lack basic services; the United Nations Mission in Liberia provides whatever few amenities are available in the town and surrounding areas. In fact, most of the country's diamonds are dispersed over a relatively large area (60 x 120 km) between the Mano River and Lofa River along the western border with Sierra Leone. Two of Gbarpulu County's six districts fall entirely within this area, including Gbarma, where Weasua, the third town visited in this study, is located (Government of Liberia 2008; Government of Liberia 2010). Prior to the war, Weasua had a population of approximately 9000 but today, it is home to only 3100.[34] It is the most deteriorated of the three areas visited, highly disconnected from Monrovia and lacks basic of infrastructure: it has only one elementary school, which is dilapidated; an abandoned airstrip that doubles up as the town's 'high street'; and is home to the 'Weasua Health Clinic', which employs six people (including a certified midwife and registered nurse) and services 17 surrounding communities. Figure 3 (p. 58) shows the locations of the study sites.

34. http://www.reliefweb.int/rw/RWB.NSF/db900SID/EKOI-6QB3YC?OpenDocument (Accessed 12 September 2010).

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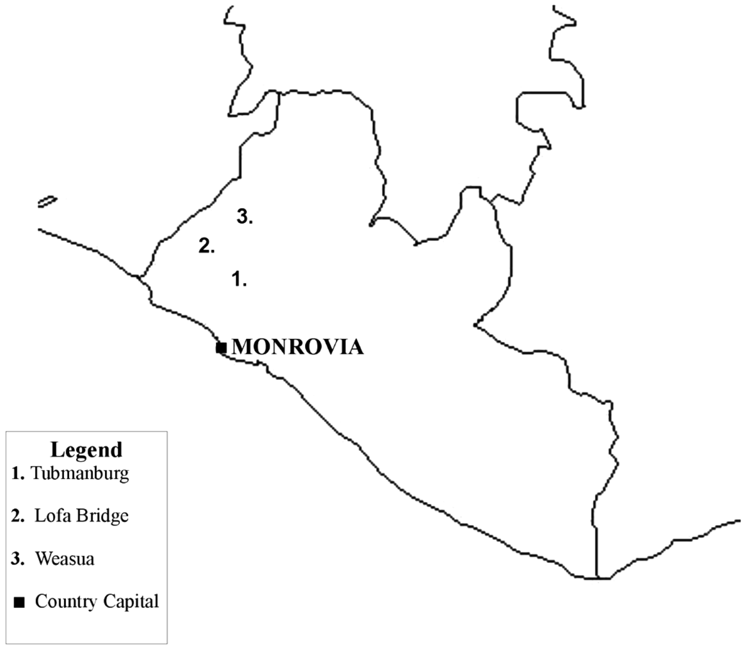

Figure 3: Location of the study sites

In each of the three localities, interviews were conducted with the major claim-holders, numerous household heads and local government officers. Interviews were also conducted with senior government officials in Monrovia. The aim was to access a range of opinion on poverty traps and rural livelihoods in diamond-rich areas of Liberia. From the findings, it is clear that a unique pattern of livelihood diversification has emerged across the three localities which, in all likelihood, is the norm in most of Liberia's diamond-rich territories. Here, rural households have 'branched out' into alluvial diamond mining in an attempt to escape hardship. As a result of this move, however, many now find themselves trapped, with little choice but to continue following a regimen that is doing little to improve their livelihoods.

It is important to clarify, however, that this is not a poverty trap *per se*; it is rather confinement to a life of subsistence. Nevertheless, the idea is the same: although people are not starving, they are struggling to generate the disposable incomes needed to improve their quality of life. They have – quite proactively – engaged in diamond mining, which has fast become the heart of a cycle of poverty they now find themselves trapped in. This cycle has emerged, quite ironically, because of a lifestyle of interlocking activities, referred to here as 'Diamond Mining, Rice Farming and a "Maggi Cube"',[35] which rural inhabitants have adopted to avoid out-

35. A 'Maggi Cube' is a dried soup cube.

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right poverty. As revealed in interviews with claimholders in all three locations, the farming of rice and other foodstuffs makes diamond mining possible, providing, in a landscape devoid of external assistance, a much-needed 'carrot' to hire the labourers needed to work diamondiferous fields. Although their fine details may differ slightly, the 'arrangements' forged between landowner (claimholders) and labourers are generally the same: that in exchange for food and drink, they will mine, and whatever stones are found will be divided evenly between the workforce and their boss. One interviewee in Tubmanburg, for example, reported in an interview that he pays 'one cup of rice and a bottle of schnapps per day, part of a 50:50 arrangement, and sometimes we get 200 [Liberian] dollars, sometimes 500 dollars'. Another landowner also of Tubmanburg, reported as much in an interview, explaining that he farms rice and cassava and 'supports my boys [i.e.labourers] with it'. The sponsorship provided by another miner, who has a concession in Weasua, is slightly more. He explained in an interview that he is able to sponsor 11 groups (a combined 45 people) each of which is given 'Maggi Cubes' to prepare chicken soup, LIB$40 and eight cups of rice. Even a man working in the medicine dispensary at the health clinic in Weasua sponsors diggers in much of the same way. He stated in an interview that he sponsors four boys, indicating that he splits winnings 50:50, and provides a range of support (in his own words, 'one pit needs four bags of rice, oil, cubes, cutlasses, shovels and machines').

But it as will be explained, many claimholders who have 'transitioned' into the artisanal diamond mining sector now find themselves trapped in a cycle which confines them to a subsistence lifestyle. Inappropriate policies and under-resourced institutions, each of which will be examined in the discussion that follows, are two elements driving this cycle.

The Policy Environment

An initial – and indeed major – reason why Liberia's rural inhabitants struggle to accumulate earnings once immersed in artisanal diamond mining activity is because of inappropriate policies. The ILO (1999) explains how unsuitable policies and legislation can exacerbate artisanal miners' hardships:

> *'Sometimes the regulations serve to stifle small-scale mining, trapping it in suboptimal operations rather than promoting it as a sustainable, profitable entrepreneurial activity that can provide significant employment in rural areas. There is a need to decide at the outset whether the objective of legislation is to control or confine small-scale mining – to limit its impact – particularly with respect to large mining operations, or whether it is to enable small-scale mining to flourish as a viable entrepreneurial economic activity'.*

The contentious legislative issue in the Liberia case is a licensing system that fails to empower the artisanal diamond miner. As Elder (2002) explains, the country has the following three basic categories of mine licenses: 1) *Class C Licenses*, which may only be granted to Liberian citizens, do not cover more than 25 acres in surface area, and are valid for one year, with the option of subsequent annual renewals; 2)

Class B Licenses, which are open to Liberian citizens (with the option of up to a 40 per cent stake being controlled by a foreign party), and are valid for five years with the option of further five-year renewals; and 3) *Class A Licenses*, which are granted to the holder of an exploration license (the holder can be either a domestic or foreign party), are valid for 25 years, with the option of 25-year renewal periods, and apply to a plot of up to 1000km^2 in size.

For the prospective licensee, there is first the issue of cost. In order to secure a *Class C License*, an applicant must make a US$150 payment and, through the local Ministry of Lands, Mines and Energy (MLME) minerals inspector, pay an additional US$150 as a demarcation fee. But in a country where annual GDP per capita is in the range of US$222 (UN 2009), how can people possibly mobilize such an amount – particularly people who are slowly re-entering their lives following lengthy absences? Prohibitive licensing costs undercut the explicit rationale behind attempts to formalize artisanal diamond mining: to capture *hitherto* illicit production and bring existing informal mining operations into the legal economy. But if illicit miners are required to pay exorbitant fees for licenses, there is little reason to operate in the legal domain, particularly in countries such as Liberia, where there is weak state capacity and low levels of monitoring (Van Bockstael and Vlassenroot, 2008).

The issue of cost was the message voiced by many claimholders consulted in each of the three diamond mining areas visited. One license holder in Weasua who got involved in mining because 'it was bringing in good profits, [and] had to take care of family' was particularly vocal on the issue. Another license holder in the same town, who has managed to only renew one of his three concessions, explained that when the 'paper' reaches the MLME, one has 'to go through a lot to get a license': an individual must move from ministry to ministry to secure signatures and an ID card, requiring applicants to 'have to pay tips', meaning that the cost of securing a license can reach upward of US$450. He further explained that the 'first time [i.e. getting a license] is difficult because of the demarcation fee [but that the] second time (renewal) [is] a bit easier'. Most people, however, do not have the finances to secure a license the 'first time'. More specifically, and as one local government officer put it in an interview, 'a lot of people cannot afford licenses'.

One simple solution would be to reduce the licensing fee to a negligible level. The experience of Guyana has recently been used to illustrate how diamond miners can rapidly improve their living standards when the licensing fee is not a barrier. As Blore (2010) explains, here, a digger's license and dredging license are only US$5 and US$50, respectively. But it could be the case that in Guyana, because the development of diamond mining is such a peripheral economic concern, issues such as licenses and other regulatory concerns attract little interest, and therefore resistance, from government. However, despite high government and donor interest in reconstructing the diamond sector, the Liberian diamond industry has always been dwarfed by those of neighbouring countries. Current levels of government revenue from diamond exports can barely pay for the costs of implementing the Kimberley Process' minimum requirements, and diamond mining (largely because no deposits viable for commercial large-scale extraction have been identified) remains a secondary player in the country's emerging mining industry.

When an agenda of ASM formalization is pursued, it is imperative that a comprehensive cost-benefit analysis is conducted with the cash-strapped operator in mind. If, as is the case in Liberia and other small diamond-producing nations, the benefits associated with formalization are modest, the entry requirements should also be straightforward. Having to pledge more than US$300 for entitlement to 25 acres of land is prohibitive in a country where GDP per capita is far less than the amount a prospective licensee will end up paying to secure a license. It is also wasteful, given that the holder will only end up using a small fraction of this plot.

This raises a second important issue: the policy stance on artisanal mining. Refusal on the part of policymakers to address the issue of the license fee suggests that the Liberian Government seems willing to promote foreign large-scale mining at the expense of the welfare of indigenous artisanal diggers. The exorbitant fee would not be as serious an issue if individuals in possession of a *Class C License* were permitted to use machinery. Holders of this license, however, are prohibited from using any 'large-scale, heavy-duty or earth moving' equipment (Elder 2002:201). This virtually ensures that licensees are restricted to digging for gravels manually, which, in turn, limits productivity and their ability to accumulate earnings. Holders of a *Class C License* can, of course, 'graduate' to *Class B* territory: a holder of such a license is permitted to use industrial machinery such as excavators, backhoes and other heavy-duty equipment that could improve productivity and by extension, increase the fortunes, of Liberia's subsistence diggers. But in order to secure a *Class B License*, a prospective holder must pay a fee of US$5000, an impossible undertaking.

This has forced desperate diggers such as one interviewee, who resides in Tubmanburg but has concessions in the Lofa Bridge area, to search frantically for potential foreign investors. While this man has a garage full of equipment, including loaders, generators and jackhammers, because he is in possession of *Class C Licenses*, he cannot use them – at least, legally. He is attempting to forge ties with an American or European investor, the idea being that they cover the US$5000 fee needed to 'graduate' to *Class B* status, the equipment is activated, and the extracted stones are distributed. But many investors, recognizing the precarious negotiating positions of miners are quick to take full advantage. In 2008 for example, a resident of Sackie Town, a village near Tubmanburg, forged a deal with a local of Marine Recycling Solutions, a British company. The mining company representative produced the funds to acquire the *Class B License*, after which, he brought heavy-duty equipment to work on the concession. The agreement was a 25:75 split of diamond finds between the company's site manager; and the interviewed miner. When complaints were voiced by this miner over not seeing his share of mined diamonds, the company quickly changed the terms of the agreement, electing to dispense US$5000 monthly to cover his financial and societal concerns. The interviewed miner agreed in principle to the deal but apart from an initial payment, claims he has not received any money from the company, which, after a period of intensive activity, abandoned the claim on 16 February 2009, allegedly bringing '98 pieces' (diamonds) to Monrovia.

An interviewee whose claim is in Weasua, an area which again, is far more isolated than Tubmanburg, reported having gone through a similar experience. In 2008, he was put into contact with a potential supplier of equipment, seen as a lifeline at a time of desperation. Following a short meeting, an agreement was reached: in exchange for covering the expenses for the equipment, the partner received 70 per cent of profits from all diamonds mined, with the local miner promised the remaining 30 per cent. Although only in possession of a *Class C License*, obtained after he paid US$350 for a 'license fee, demarcation fee and bribe', the interviewee, taking advantage of the relatively isolated location of his concession, instructed his contact to bring his heavy-duty machinery to Weasua. But it quickly emerged that his business partner was withholding significant shares of sales. In 2008, for example, Mr Mitchell claimed he was only given US$1000 as his share of a 7ct discovered in the rainy season. Two more diamonds were discovered shortly after – a 4.38ct stone and 3.98ct stone – for which he was awarded, collectively, US$1500. Not wanting to continue being exploited, the Weasua miner travelled to Monrovia, instructed his partner to remove all of his equipment from Weasua, and sold all '16 pieces' (diamonds) he had on him at the time (for US$500). He has since re-entered the subsistence 'Diamond Mining, Rice Farming and "Maggi Cube"' cycle, hiring two labourers whom he feeds and clothes.

These cases illustrate how vulnerable claimholders are. Most are unable to mobilize the monies needed to secure a license and to bribe the officials in charge of processing it. Desperate to increase their yields, many resort to forging inequitable partnerships with foreign investors, with the hope of securing monies to facilitate the acquisition of a *Class B License* and by extension, machinery. But as both cases show, many investors have, quite unscrupulously, exploited the vulnerable claimholder, forging deals that have *furthered* their plight.

Under-Resourced Institutions

The situation in localities such as Weasua and Lofa Bridge is nothing short of a 'free for all'. Liberia's porous borders, the lack of regulatory enforcement in its diamond-producing heartland, and severely under-resourced local government institutions have spawned a culture of corruption and smuggling. People consulted on the ground were in agreement that between 50 and 70 per cent of the diamonds mined in the country are lost via smuggling into neighbouring Guinea and Sierra Leone. This point was echoed during interviews with senior government officials in Monrovia.

For people who have very little money aside from the meagre earnings generated from their farms, working in an environment where bribing is the norm has been crippling. These 'dashes' have not enabled diamond miners to get ahead; rather, they have filled a financial void created by the ministries in Monrovia – namely, an incapacitated local government. The ILO explains how under-resourced institutions, in tandem with inappropriate policies, can further artisanal miners' hardships:

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> *'Restrictive provisions, both technical and administrative (such as short-term permits, and lack of security of tenure), constrain development, trapping small-scale mining in a suboptimal state, or they encourage illegal mining. Engulfing small-scale mining with many regulations and short-term, non-negotiable permits makes expansion difficult, credit virtually impossible to obtain, and consideration of environmental impact most unlikely'. [ILO 1999, np]*

In other words, when government actions towards ASM are conducted in a 'piecemeal, ad hoc manner with an imbalanced emphasis on punitive measures', coupled with a general lack in state capacity to adequately enforce these regulations in the first place, the formalization of the artisanal sector will remain elusive – 'informality begets informality' (Hinton 2010:43).

At the heart of the problem is, as noted, an incapacitated local government, hamstrung by a shortage of finances. Of particular concern are the low salaries of the MLME minerals inspectors, who, paradoxically, are among the most important actors in the Liberian KPCS chain, charged with the onerous tasks of verification, monitoring and enforcement. How can these activities be carried out, however, on a salary of US$60 per month and a paltry office budget? As one MLME officer explained in an interview, 'We are the beginning of the chain of custody for the Kimberley Process but this man has the task of closing illegal miners down has no protection though'. The same officer did not seem discouraged by not being able to travel to 'the bush' to monitor activities and apprehend illegal miners. He explained in an interview that, to track illegal miners, he 'visits a tire shop or nearest bar/entertainment centre in town' where they are believed to congregate, put[s] on my big hat, big cigar, and use disguise[s] to find information – you will have to develop good ideas'. What are KP officials' views on such an inspection strategy?

Perhaps more importantly, what incentive are there for minerals inspection officers to do their work regularly, if at all? This was the main message voiced at local MLME offices visited in Tubmanburg, Lofa Bridge and Weasua. One officer summarized the difficult situation he and his colleagues face in an interview:

> *'I find it very difficult to curtail illicit mining (...) to curtail, it is our mandate, our constitution but the assets, the logistics are not available to do the job – cell phone, radio, vehicle, laptops – these are all my personal things. I pay for office, housing, everything (...). At ministry workshops, things are said, you don't see it. It is asked "what are the constraints you are operating under?" "How do we deter illegal mining?" One workshop was held in May 2 2003 and also at MLME headquarters, 2-3 years ago. Message of these workshops is "You must do this but you cannot be given support"'.*

To facilitate monitoring, each of Liberia's counties is divided, geologically, into sections called 'agencies'. During an interview with the MLEM officer at the Lofa Bridge office, it was explained that 'there are maybe four agencies in this county and more than 71 claims in this particular agency [area of jurisdiction for the office]'. But without a motorbike, are inspectors expected to travel to areas which, as one officer put it, 'are in the forest' and where 'hooligans' who use 'local hunters to inspect [and patrol] are believed to be working and 'criminals too are also involved'? As another government official explained, 'this land is vast, [with] lots of forest' and because of the dangers it harbours, 'you cannot chase anyone in the forest'. Even if MLME officers succeed in their interrogations, they are expected to travel to Monrovia, using their own finances (at a rate of US$4-5 each way on public transport) to present their reports in person. As was witnessed in Lofa Bridge, to assist them with their work, minerals inspectors often hire a 'tracer', whose job, the MLEM officer explained, is 'to find people in the bush' – presumably, illegal miners. But the tracer post is unpaid, his only source of finances being the minerals inspector, who occasionally provides him with food and subsistence funds but out of his own pocket.

Local GDO officers enjoy only slightly better circumstances, despite also being integral actors in the KCPS chain. In line with KPCS requirements, the office registers all diamonds produced in the respective region: 1) Lofa Bridge Regional Office, for the Lofa Bridge Region; 2) Weasua for Weasua; and 3) Camp Alfa for Northwest Liberia. These offices are required to appraise the diamond, based on its colour and clarity, place them accordingly into 'gems' and 'industry' categories, and describe them. This information is recorded on a mineral voucher, one copy of which is given to the miner, the local office, the broker and the GDO head office in Monrovia. As one officer explained in an interview, 'we do this to authenticate that diamonds are indeed from Liberia', marking the starting point of the KPCS.[36] According to the law, local GDO officers are required to ask miners for their mining license and ID number but whether this is done is open to debate. At US$243/month, the remuneration for GDO officers is significantly higher than their MLME counterparts, but they, too, must finance their own transport to Monrovia when called for meetings and are employed only on a contract basis. Local GDO officers consulted expressed their disappointment with this arrangement. As one officer explained:

> *'We have no mobility now (...) we try on our own to hire motos. Not a dime is paid here for any services rendered (...). Biggest problem is transportation – we are consulting with our bosses because it is US$20 back (...). My job is on a contract basis (...). I just do what I can do'.*

Although the local GDO officer's salary is well above the breadline, why would the government test the resolve of yet another important KPCS player?

Diamond miners have reported receiving sums of money for rough stones that are well below their market value. If GDO officers were empowered to establish standard price lists that could be consulted by miners when they sell their diamonds to brokers, or provide miners with a basic valuation of their diamonds, however, perhaps this could be overcome. Per-

36. A point raised by a number of miners visited at all three study sites was that they saw no benefit of having to liaise with the local GDO officer, and secure paperwork on their stones prior to selling them to brokers.

haps if the central government equipped and resourced its GDO field officers properly, they would lobby much harder for these responsibilities. But if Monrovia does not appear interested in accounting for the needs of GDO officers, what incentive is there for GDO officers to account for the concerns of the artisanal diamond miner?

The problem with not paying such important field officers adequate salaries is that they turn elsewhere for their finances, in this case to the burgeoning groups of artisanal diamond miners. During a number of interviews in Weasua, Tubmanburg and Lofa Bridge, it was explained that minerals inspectors often extract a 'clearance fee', typically a payment of US$40-80 which grants a claimholder a reprieve of approximately 90 days, with the expectation that he/she will mobilize the requisite funds for a *Class C License* during that time period. But most miners struggle to mobilize these funds. An interviewee in Bonga Village, for example, grows cassava on his plot, processes it into *gari* and, with these earnings, managed to secure the finances for his US$50 clearance fee, which is good for three months. But as a claimholder in Weasua, explained in an interview, for others, securing these fees is not as straightforward as it seems. He explained that many are forced to 'solicit money from friends, people from abroad' because 'most people are financially incapacitated'.

Rarely do claimholders generate the US$350-400 needed to secure a *Class C License* and are forced to pay yet another 'clearance fee'. This is significant because a license provides operators with security of tenure (ILO 1999), putting them in a far more advantageous position to negotiate prices for their diamonds. As one miner in Weasua put it, 'I do it the African way – if I find a diamond, I sell it to a licensed claim', which inevitably results in a lower price for a stone. Moreover, and perhaps most importantly, being 'legitimized' miners in the eyes of the law not only helps lure investors but also improves the negotiating positions of claimholders. As already indicated, several explained during interviews that they were being quoted 'unfair' prices for their diamonds – that local agents and buyers take advantage of their unlicensed status.[37] Mr Freeman also pointed out that a lack of information – interpreted as the government having little interest in local concerns – makes the situation even more difficult for miners, explaining that 'we want government to publish prices for the diamonds [to] provide scales: the range of diamond prices can work in Liberia, lots of different diamond sizes, which makes standardization of rates difficult'.

The payment of a 'clearance fee' is significant because it makes breaking the 'Diamond Mining, Rice Farming and a "Maggi Cube"' cycle extremely difficult, if not impossible, therefore assuring that miners never produce beyond a subsistence level. If local government officers were being properly remunerated, they would be less interested in extorting 'clearance fees', which could be argued are necessary for their own survival, and more inclined to assist claimholders. These

37. Technically, a diamond cannot be 'inserted' into a system that is KPCS-endorsed unless it is sourced from a legal operation. A stone without the requisite paperwork would have diminished value in Liberia. 'Inserting' it into the system to show that it is coming from a licensed claim, therefore, would likely entail some form of bribe or selling the stone at a reduced price. This is often referred to as a 'chopped' price. Many diamond buyers freely admit to supporting both licensed and informal miners.

monies, in turn, could be used much more to the benefit of claimholders themselves – principally, towards covering the fee for the license they so desperately covet.

In summary, the ASM-poverty trap thesis appears to have some application in rural Liberia. Here, several rural households have 'branched out' into artisanal diamond mining in an attempt to accumulate disposable incomes that can be used to improve their quality of life. But whilst the move has served as a buffer against outright poverty, most households now engaged in diamond mining have found it difficult to progress beyond a subsistence level. Importantly, there are barriers preventing such progression, two of which have been identified in this chapter: a prohibitive policy framework and under-resourced institutions. Until these problems are adequately addressed, rural Liberian households will remain 'trapped' in this cycle of subsistence.

Concluding Remarks

The implementation of an effective system of internal controls would be an expensive undertaking in Liberia. It would require the government to pledge a significant amount of money to strengthen and sustain a network of local MLME minerals inspectors and regional GDO offices. But regardless of the financial commitment required, as this chapter has shown, increased support to local government is a key to alleviating rural poverty. The low salaries of government officials are impeding formalization of the artisanal diamond mining sector. This has potentially created a climate in which officials are prone to colluding with illicit buyers, or lured into bolstering their meagre incomes on the back of informal miners who are struggling to collect the necessary funds to legitimize their operations. For most artisanal miners not supported by a diamond broker/dealer, attaining a *Class C License* is exceedingly challenging. Few rural inhabitants have the resources to finance full-time mining activities. Many have not found a sizeable diamond in a long time, and a year's worth of labour is often spent on removing unproductive overburden removal.

Those in possession of a *Class C License* find themselves in much more advantageous position to secure assistance, and to negotiate financing and prices for diamonds. Many miners recognize its importance and have sought 'permission' from local government officers to carry out illegal mining activities with the promise that they will obtain a license once the funds become available. But most of their earnings are lost as temporary payments made to these officials for 'authorization' and in costs needed to cover the expenses of their diggers.

Barring the discovery of viable primary deposits, the diamond industry in Liberia will continue to remain artisanal in scale. Artisanal mining provides menial rents to the government. But for the ordinary rural Liberian citizen, it is one of few activities capable of bolstering the paltry incomes derived from sales of surplus farm produce. If the goal of formalization is to capture the production of these sometimes-micro mining operations, existing regulations need to be reconsidered. As this chapter has shown, for most, making a US$300 payment for a license is difficult,

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if not impossible. Simplifying the licensing procedure and reducing the cost would enable rural Liberians to accumulate disposable income, which could then be reinvested to further develop mining activities, used to finance the education of their children, and to develop the local economy at large. Whilst the government would indeed lose monies from licensing fees, this would be more than offset by the export royalties earned from the diamonds *not* smuggled into neighbouring Guinea or Sierra Leone as a result, and instead sold by a licensed miner to a licensed diamond dealer, and subsequently legally exported from Monrovia. Based on the evidence presented in this chapter, intensifying support to local government is a key to providing tens of thousands of Liberia's rural inhabitants with a route out of poverty.

Chapter 4
Analysis of past and current interventions in the Liberian artisanal diamond sector

Nicholas Garrett & Marie Lintzer

Introduction

This desk-based report analyses a number of past and current donor interventions in the artisanal diamond mining (ADM) sector in Liberia. After fourteen years of civil war that ended in 2003, the Government of Liberia is now working with international partners to cement peace and to revive its economy (Republic of Liberia 2008b:13). It has been able to attract interest from selected large-scale mining (LSM) companies, such as ArcelorMittal, BHP Billiton and China Union. These projects are at the time of writing still in exploration and presently artisanal and small-scale mining (ASM) operations contribute 98% of mineral and metal exports. This statistic will change when iron ore industrial mining commences.

In the context of the analysis of these donor interventions, the guiding questions for this chapter are: what kind of work has already been undertaken; what is the appraisal of these activities and, more importantly, have they established lasting change that is tangible or visible following the end of implementation?

In 2009, government revenue from the export of diamonds amounted to approximately US$ 274,000.[38] However, an estimated 90% of diamonds remain traded informally.[39] These numbers, combined with the dominance of the ASM operations in the country and the belief that natural resources can kick-start development, increasingly donor interventions were devised with the aim to generate a more tangible development dividend from Liberia's natural wealth. While some observers of Liberia's mining sector believe industrialisation will do more good for consolidating peace and kick-starting development, a number of donor interventions focus on the ASM sector and in particular the ADM sector. Proponents of industrialisation believe LSM operations would yield a more substantial fiscal contribution from mining and allow the state to more effectively govern the sector as a result of a smaller number of major corporate partners. However, the vital employment function the ASM sector provides has been recognised and many interventions see a role for ASM in helping to underpin sustainable resource-based growth and development. In theory, professionalization and formalisation of the sector can contribute to GoLiberia revenues and peace-building, provide economically vital foreign exchange earnings, create employment, stimulate ancillary economic activities, develop human capital and technology, and improve

38. For more details on the diamond trade figures, please refer to Annex 1.
39. Estimate provided by Dealers and Brokers Association of Liberia, Monrovia, November 2009.

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social infrastructure (Le Billon & Levin 2008).

The development benefits of formalised ASM include: high numbers of employment and the potential to economically empower disadvantaged and vulnerable groups (including women) and the generation of economic linkages and livelihoods in rural areas (Hayes 2008). It is conservatively estimated that around 9 million people in Africa directly work in artisanal mining, and that some 50 million – many of them women – are dependent on the sector for their livelihoods. Whether or not the sector is a net contributor to sustainable development, the fact remains that ASM activities will continue as long as no viable and financially competitive livelihood alternatives are available (D'Souza & De Pooter 2008).

This chapter analyses some of the past and present donor interventions in the ADM sector in Liberia and attempts to draw out the lessons learned from these initiatives. It is divided into five major sections: (1) an analysis of donors' approaches to ADM in Liberia; (2) an appraisal of the strengths and weaknesses of the principal interventions of direct relevance to Liberia's ADM sector; (3) an analysis of the limitations of current approaches to artisanal mining issues in Liberia; (4) the development of an outlook of what can be done in the future; (5) a brief conclusion.

Approaches to ADM reform in Liberia

Despite attempts by many African governments to assist artisanal and small-scale miners and to professionalise and formalise ASM, it continues to be an activity beset with problems of sustainability. Overall, inadequate legal and regulatory frameworks, unsympathetic to the needs and capacities of the miners, together with a lack of government capacity, makes monitoring and control of this sector, which by its very nature defies easy organisation, a complex, expensive and potentially impossible proposition (D'Souza & De Pooter 2008).

In response to these challenges, developed initiatives follow different and sometimes complementary approaches. While all of the donor interventions in the ADM sector in Liberia share a general common aim, which is to strengthen governance of the sector, they differ in specific aspects. We have identified in total five principle approaches: 1) control mechanisms with the aim to prevent conflict, 2) capacity building, 3) institutional-strengthening, 4) regulatory-strengthening, and 5) incentive-strengthening to push artisanal miners to join the formal sector. Table 2 (p. 71) summarises these approaches in relation to the five interventions analysed in this chapter.

Table 2: Donor approaches to the ADM in Liberia

Intervention	Approach	Focus
Kimberley Process Certification Scheme (KPCS)	Promote effective internal controls over the production and trade of diamonds to prevent armed groups to benefit from their exploitation and trade.	Conflict-prevention; Regulatory-strengthening; Incentive strengthening
Diamonds for Development (D4D)	Improve equity, transparency and accountability in the diamond revenue management to induce more diamond revenue to flow back into the community.	Capacity building
Governance and Economic Management Assistance (GEMAP)	Ensure that the funds generated by natural resources accrue to the government of Liberia and that they are managed well and transparently, in part by strengthening the Ministry of Lands, Mines, and Energy.	Institutional-strengthening; Capacity building
Property Rights and Artisanal Diamond Development (PRADD)	Strengthen property rights and production accounting to improve compliance with the KPCS, to put an end to insecurity, and to incentivise miners to join the formal sector.	Conflict-prevention; Incentive-strengthening
Liberia Extractive Industries Transparency Initiative (LEITI) –	Make sure that decisions made about extractive resources are transparent and subject to public oversight; and incentivise the ASM sector by including ASM stakeholders (dealers and brokers) in the EITI process and in the national dialogue around transparency and state building; formalise and strengthen the fiscal linkage from the sector.	Capacity building; Incentive strengthening

Note: The difference between capacity building and institutional-strengthening is subtle but consistent. The latter can be, but is not necessarily included in the capacity building process. According to the UNDP, 'capacity building' can be defined as "the creation of an enabling environment with appropriate policy and legal frameworks, institutional development, including community participation, human resources development and strengthening of managerial systems."[40]

Analysis of the main donor interventions in the ADM sector in Liberia

D4D programme

The Diamonds for Development (D4D) programme, which ran from 2005 to 2009, was a joint United Nations Development Programme (UNDP) – Government of Liberia initiative, focusing on the sustainable use of revenues from mineral resources for poverty reduction, with a specific focus on mining communities. The overall objective of the programme was to facilitate the establishment of a transparent and accountable revenue management system based on a fair and

40. UNDP website: http://www.undp.org/capacity/our_approach.shtml (accessed on 05/06/2010)

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equitable distribution of revenues from diamonds. By improving equity, transparency and accountability in diamond revenue management, the programme aimed to strengthen the governance capacity of the Liberian government at all levels, as well as to ultimately improve the living conditions of diamond mining communities (Van Nieuwenhuizen 2008).

The D4D Programme was also intended to complement and further the KPCS by 'going beyond Kimberley by avoiding conflict diamonds and turning them into diamonds for development' (Van Nieuwenhuizen 2008). The goal of the programme was to support a pro-development approach to the management of Liberian diamond endowment – and revenues generated. At the local level, the aim was to induce more diamond revenues to flow back into/or to be retained in the community; while at the macro-level, the aim was to reduce bureaucracy and encourage transparent legal framework governing the mining sector (UNDP 2005).

In order to achieve its goals, the D4D Programme conceived a threefold strategy: (a) improve the governance capacity in the field of diamond extraction; (b) improve the living conditions of individuals and communities in mining areas; and (c) pave the way for the coexistence of ADM and industrial mining. For example, the D4D strategy included the revision of the legal mining framework, in particular the licensing and land use laws, as well as the current relationship between central and local structures, interventions at all levels of the Liberian government (local, central and sub-regional) and across the whole revenue cycle, strict environmental regulations and a revision of local governance structures (included in a wide public administration reform) (UDNP 2005).

The D4D Programme was also to develop and implement a revenue management policy in order to increase the fiscal linkage and increase transparency of the trading system, as there was no legal framework on the management of revenue from mineral resources at the time. The revenue management policy was expected to get the Liberian government use resources for future generations and for the diversification of the economy. The D4D project suggested that implementing a new legal framework for the management of revenues would have included in particular (i) the creation of an escrow account and funds for future generations, (ii) the retrocession of a quota – up to 25% – of profits/taxes/incomes to local government, and (iii) the creation of a Diamond's Fund with a compensatory mechanism (UNDP 2005). While the establishment of an escrow account and future generations fund is nonsensical in Liberia's present development stage, where revenues are required to quickly improve the development of the country, the implementation of a retrocession quota and a Diamond's Fund may have yielded dividends. However it is not clear how these two structures would have worked in practice.

The initiative did organise a conference in 2006 that addressed conflict issues on the regional scale. The aim was to create a dialogue on the harmonisation of policies, coordinating and monitoring responsibilities and the standardisation of the diamond market in the region. The conference bought together participants from the governments of Côte d'Ivoire, Guinea, Liberia and Sierra Leone, as well as representatives of the private sector in diamond mining and representatives of other African countries as well as of the United States and of the United Kingdom. The main progress achieved with the conference was the acknowledgement that diamond mining in West Africa is largely a trans-boundary phenomenon, the optimal control and regulation of which requires sub-regional cooperation by national governments, and the decision to set up a sub-regional task force to meet regularly, bringing together local and central governments, civil society, and the private sector, ensuring that appropriate interaction takes place between stakeholders at local, national and the sub-regional level and facilitating the mobilisation of resources and ensuring that they reach all appropriate stakeholders (Van Nieuwenhuizen 2008).

Recognising the complementarities existing between initiatives in the diamond industry implemented nationally and sub-regionally is very important. A sub-regional approach should be adopted by projects focusing on the artisanal exploitation of mineral resources, particularly for those located in border areas. In this sense, 'the intergovernmental cooperation and harmonisation provides the most important best practice lesson from the D4D project' (Van Nieuwenhuizen 2008).

Despite acknowledging the importance of working together and committing to harmonise taxes and laws on mining, environmental and land tenure in public, regional governments are facing difficulties in making good on these commitments in practice. This is particularly relevant on issues such as tax harmonisation where the political and economic complexities require further analysis and understanding of the dynamics and implications of taxation (International Alert 2006). It is worth noting, however, that Liberia and one of its neighbouring countries, Sierra Leone, have adopted similar export taxation rates (around 3 per cent) for artisanally mined diamonds, discouraging smuggling between the two countries. The export royalty rate differs between the two countries for industrially mined diamonds only, but as Liberia produces mainly artisanal diamonds, this lack of harmonisation is therefore not the most urgent issue (Oomes & Vocke 2003).

While promising on paper, the D4D strategy proved too ambitious in that it tried to tackle too many issues at once, thus drowning in complexity. Right from the beginning, there were too many preconditions to fulfil for the D4D initiative to be implemented successfully in practice and the initiative never progressed beyond the conceptual stage.

GEMAP

On the macro level, the Liberian government has taken a range of measures to overhaul its financial management systems and to spur renewed economic activity: it has introduced expenditure control mechanisms and strengthened the enforcement and collection of customs, duties and other taxes.[41] Through its endorsement and implementation of the Governance and Economic Management Assistance Program (GEMAP), the government has allowed international experts (from the United-States Agency for International Development (USAID), the Inter-

41. GEMAP website: http://www.gemapliberia.org/pages/components (accessed on the 15/05/2010)

national Monetary Fund (IMF), the World Bank, and the European Commission (EC)) to support several of its key financial agencies such as the Ministry of Finance Cash Management Committee, the Central Bank of Liberia, the Bureau of Budget and the Ministry of Lands, Mines and Energy (MLME) (IMF 2008).

The GEMAP programme, which operated from April 2006 to September 2010, aimed to improve governance and enhance transparency and accountability in an effort to bring greater control over the country's public finances. More specifically, the aim was to ensure that the Liberian government manages natural resources revenues well and transparently, and spends them effectively on activities relevant to the building of the political and economic fabric underlying the nation-building process (USAID 2008). It targeted six components: securing Liberia's revenue base, improving budgeting and expenditure management, improving procurement practices and granting concessions, establishing processes to control corruption, supporting the government and building capacity.[42]

A mid-term evaluation of GEMAP in August 2008 concluded that institutions made some progress on GEMAP goals, particularly related to commitment control, institutional restructuring and strategic planning. Capacity building, procurement and automation were seen as main challenges across institutions (European Commission 2009). In April 2010, USAID and the MLME completed the installation of an automated Mining Cadastre System, which aims at streamlining mineral rights granting processes, avoiding ownership conflicts, and increasing revenues. Regarding the artisanal diamond sector, the USAID GEMAP contractor has been assisting MLME with the development of its mine-to-market diamond tracking system (in compliance with the KPCS) since September 2007. A critical element in that system is a qualified independent 'diamond evaluator' – to determine the value of the 3 per cent royalty to be paid to the Ministry of Finance. Pending the MLME's recruitment of its own international diamond evaluator, USAID has been providing an internationally recruited diamond evaluator. His task has been to help the MLME relaunch exports after five years of sanctions.[43]

Overall, GEMAP has achieved some success with regard to formalising artisanal mining operations, in particular with the advancement of the Mining Cadastre System, which is expected to enhance transparency, boost investor confidence and increase mining revenue. It is too early to assess the impact that the Mining Cadastre System can potentially have on the formalisation of the artisanal diamond sector, but it is a clear step forward for the mining sector overall. The automated system makes license granting and management processes more efficient and transparent by streamlining licensing processes and should avoid ownership conflicts by clarifying boundaries (Spatial Dimension 2010). Up until the implementation of the computerised Mining Cadastre system, the processing of mineral sector licenses has been manual with no way of detecting and eliminating corrupt practices. However, 'greater involvement in the ASM sector and a focus on artisanal miners' incentives to join the formal sector are a neces-

42. GEMAP website: http://www.gemapliberia.org/pages/components (accessed on the 16/05/2010)
43. Interview with EC consultant

sity for more tangible accomplishments in ADM.'[44] According to an independent financial expert, 'the only shortcoming of GEMAP may be that it did not do so well in the area of transferring knowledge to Liberians and that more should be done in the areas of capacity building and knowledge transfer'.[45]

PRADD project

Property Rights and Artisanal Diamond Development (PRADD) is a pilot effort to identify and test methods for achieving clear, secure, and publicly acknowledged rights to property – including mineral resources at specific sites – that are confirmed in publicly accessible records. PRADD responds to a recognised need: existing statutory records of artisanal diamond miners' property rights are often unorganized, out of date, difficult to access, and non-transparent; while mining claims based on customary rights are generally informal and undervalued (PRADD 2008).

The mining regulations in many African nations include registration and record-keeping requirements for diamond miners intended to ensure alluvial diamonds enter the chain of custody as required by the KPCS. However, without proper incentives and in the absence of clear enforcement regulations and implementation, artisanal miners have little reason to comply with such requirements. PRADD's objectives are to strengthen property rights and production accounting in order to improve compliance with the KPCS, and to raise the incomes and living standards of miners and mining communities (PRADD 2008). A driving rationale behind this approach is to put an end to insecurity and enforcement of prices by middlemen, and to incentivise miners to maintain legally proscribed production records. PRADD is a joint initiative of the US Department of State and USAID. It was launched in January 2007 in the Central African Republic (CAR) and a scoping mission in April 2010 in Liberia led to implement the PRADD programme there.[46] USAID is thus hoping to replicate the model in Liberia and has already identified three diamond-bearing areas where interventions will be concentrated (along the Lofa River, near the town of Wuesua, and near Lofa Bridge).[47] The project is intended to support the KPCS through the strengthening of the internal chain of custody of the artisanal diamond mining sector with a focus on identifying and formalising the claims of diamond miners in up to four pilot sites. As the project is at a very early stage, it is difficult to assess its achievements. However, the CAR experience can shed some light on prospects of success.

In CAR, PRADD has been working with the government and has developed and implemented processes for public, multi-stakeholder acknowledgement and validation of artisanal miners' customary property claims. This has translated into the resolution of some property right disputes. PRADD and the Ministry of Mines have also conceived and developed a simple information management mechanism to facilitate the tracing of diamonds from

44. Interview with dr. Gavin Hilson
45. The Analyst, Liberia: GEMAP has succeeded, 30 September 2009, http://allafrica.com/stories/200909300741.html (accessed on 06/06/2010)
46. http://ltpr.rmportal.net/news/pradd-project-expansion-into-liberia (accessed on 20/10/2010)
47. Interview with PRADD consultant, May 2010

extraction to export, consisting of a geo-referenced property rights registry in which each validated holding is assigned a unique code corresponding to the mine location and artisanal miner. The database links the property rights registry to production and sales information, providing – for the first time – a platform for registering newly produced diamonds in relation to known actors and sites. The project suggests that project implementation had a net positive effect on miners' awareness and their negotiating capacity was reinforced, which bettered mining communities' decision-making power over land use (PRADD 2008).

LEITI

The Natural Resource Charter states as a precept: 'extractive resources are public assets and decisions around their exploitation should be transparent and subject to informed public oversight' (World Bank 2008:73). The Extractive Industry Transparency Initiative (EITI) is a central mechanism to help achieve this. The key outcomes of the EITI process are the disclosure of companies' payments and government receipts, their reconciliation, and the dissemination of this data (Paris & Bartlett 2009). Overall, 'the aim of the initiative is to improve the governance of extractive industries by demonstrating a national commitment to transparency, increasing public scrutiny of revenue collection, and helping to establish a constructive dialogue between the government, civil society and private sector around extractive industries' (World Bank 2008:5).

Liberia became an EITI candidate in 2007 and on 10 July 2009, President Johnson-Sirleaf, signed into law the *Act Establishing the Liberia EITI* (LEITI). Liberia formally includes the ASM stakeholders, such as brokers and dealers in the LEITI. The situation in Liberia supports the inclusion of stakeholders from the artisanal mining sector in the LEITI as the benefits transcend a rational cost benefit assessment, based purely on implementation costs compared with additional revenues captured. In other words, even though including the ASM sector in the LEITI will not greatly increase the state revenue, it is likely to help professionalise the sector by including ASM stakeholders in the national dialogue around transparency and state building. With more professionalization, further formalisation could be achieved, which could ultimately translate into the ability to strengthen the fiscal linkage of the ADM sector further (Carstens et al. 2009).

Another positive consequence of the inclusion of the artisanal mining sector in the LEITI process concerns the incentive structure for the dealers and the brokers. The LEITI is a means to allow them to have an established platform to take demands to the government around the recognition of their tax contribution which enhances their social license to operate. In the long-term, it may open up investment opportunities in the ASM sector (Carstens et al. 2009).

Overall, implementing the LEITI in the ASM sector can have a positive impact on the sector by strengthening national coalition building around the goal of utilising Liberia's natural wealth for development. The data generated by the LEITI can be used as a basis for the ASM operators to demand recognition of governments as an economic and political constituency.

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However, the initiative faces considerable challenges regarding the inclusion of the artisanal and small-scale miners, owing to the low formalisation of the sector and underdeveloped oversight structures, and overall capacity constraints to organise more inclusive outreach to the miners.[48]

DDI

The Diamond Development Initiative (DDI) – founded by De Beers, Global Witness, Partnership Africa Canada, diamond sector analyst Martin Rapaport and the World Bank – is not specifically involved in Liberia but, as a global initiative that intends to impact artisanal diamond mining reform, is worth mentioning. It brings together governments, NGOs and the diamond industry, and aims to promote a more developmental focus that centres on the miners and mining communities themselves (Maconachie 2008). It was founded in 2005 in recognition that the KPCS could not cover the entire 'pipeline' of diamond production and that essentially there was an important gap between mine and export (D'Souza & De Pooter 2008). The objectives of the DDI are to gather and disseminate information on ADM, to promote better understanding of, and possible solutions for, among others, government and mining regulations, distribution and marketing channels, and organisational aspects of artisanal production.

The initiative, launched in October 2005, has been working on different projects within the artisanal diamond mining sector in sub-Saharan Africa, and is now currently working on a policy dialogue project, which involves the creation of Development Diamond Standards. The initiative is cross-sector and is established to promote communication and information sharing among companies and civil society groups. Development diamond standards merge several interests, including the consumer demand for ethically mined and produced diamonds, shareholders' interest in reputational enhancement in corporate social responsibility, and the beneficiation for artisanal miners with the participation of large-scale companies.[49] In the future, this initiative may provide further benefits to the Liberian ASM sector, such as diamond marketing opportunities.

Limitations of past and current approaches

A limited effect on peace-building? – Commodity control systems (e.g. KPCS)

Discussions on the KPCS have shown that commodity control systems have a limited effect on peace-building unless they are integrated into a broader strategy that includes conflict prevention and good governance of all income sources. Taken in isolation, the KPCS is a regulatory system focused on preventing diamonds from contributing to the funding of conflict, not a wider conflict prevention tool. As countries have both a right and a duty to conceive and implement mineral policies that reduce poverty and promote develop-

48. Interview with LEITI Secretariat, Monrovia, November 2009
49. see http://www.ddiglobal.org/pages/projects-dds.php (accessed on 20/10/2010).

ment, 'the long-term success of the KPCS will only be achieved if a development perspective accompanies the short-term trade control incentives' (D'Souza & De Pooter 2008).

In the short-term, reforms of the security sector and the reconstruction of governance structures, which could provide the foundation for the effective and conflict-aware management of mineral resources, are necessary in combination with any certification initiative. While larger reform processes, like the GEMAP project, may strengthen governance structures, in particular state finance organisations, trade control approaches, and the governments tasked with implementing them, should not underestimate the capacity of the informal sector to adapt and reinvent itself.

Too broad and ambitious objectives? – Sectoral reform initiatives

Some wholesale sectoral reform approaches such as the D4D project, are based on unrealistic expectations of the regulatory and implementation capacities of the relevant institutional and organisational infrastructure, which is fundamental to effective application and enforcement of their recommendations. In the case of the D4D project it is unclear whether the institutions that were supposed to impose the new regulatory regime over existing rule systems could have been provided with sufficient resources and expertise, but most importantly incentives to build the capacity to do so effectively. On top of that, the objectives of the programme were considered too broad, too ambitious, and too expensive, and they were thus working against successful project implementation.

Adopting a broad multi-dimensional approach should be a positive aspect in a donor intervention. However, it is imperative that any intervention be locally-owned and driven, informed by robust output oriented research data, be strategically linked to other key national policy initiatives (which was the case with D4D project with the KPCS), and above all work within the current national capacity and obvious limitations (D'Souza & De Pooter 2008). The numbers talk for themselves: it was estimated that to successfully implement its recommendations, the project needed US$18 million of funding from different donors, which may not have been sufficient given the plethora of large tasks. Instead, the project only received a small amount in funding. Some actually argue that even with the necessary resources, the lack of capacity and the absence of necessary legal and policy prerequisites in Liberia could not have turned the project into a success.[50]

Intervening in isolation of ASM?

Focusing on artisanal and small-scale mining when intervening in the mining sector should be a key priority in countries where ASM is a key livelihood activity. Nevertheless, the GEMAP project seems to have focused only to a limited degree on artisanal mining. Also, the Liberian government in its implementation of the Kimberley Process minimum requirements, seems to operate largely in isolation of the realities governing the artisanal

50. Interviews with artisanal mining experts, by phone with Jennifer Hinton, 12/05/10May 2010

diamond mining sector, and fails to provide incentives to artisanal miners to professionalise and formalise. When interviewing miners on the ground, it transpires that even if they are aware of the procedures they are supposed to follow to comply with the law, they do not understand why they need to do so.[51] Following the KPCS procedures involves travelling to Monrovia, which is often a long way from the rural mining areas, which makes it expensive for miners, who also struggle with complex formalities. The PRADD project aims to try and find solutions to incentivise miners to join the formal sector, but it is too early to judge whether their approach will be successful.

Overall, with regard to the Liberian implementation of the KPCS, the level of monitoring needed to ensure substantial economic benefit streams from the artisanal diamond mining sector accruing to the Liberian state remains largely absent. Vast distances have to be covered in difficult terrain, yet there are few vehicles available and not enough trained, appropriately paid and properly resourced staff. The MLME may be highly motivated and committed to assisting with the professionalization, formalisation and regulation of the sector, but in reality the central and field units lack the resources to competently undertake their statutory duties or implement and monitor policies, programmes and action plans. Integrity issues within the entire tracking system of rough diamonds also clearly impede the appropriate regulation of the sector.[52]

Lessons for the future

The transformation of Liberia's mineral wealth into a sustainable mining sector that contributes more substantially to development will require institutions that are capable of transforming incentive structures in ways that support the professionalization and formalisation of the region's mineral economy. The large majority of mining and trading in Liberia's artisanal diamond mining sector remains informal and the development dividend from the sector remains weak. The response to this situation may be twofold. On the one hand, when informal operations can be sufficiently disincentivised, operators may become more willing to formalise. On the other hand, to positively incentivise miners, brokers and dealers to professionalise and formalise, whilst implementing transparency along the value chain may be a route to build a significant political constituency that will help to tackle the remaining smuggling and in the longer-term, formalise a larger share of the sector (Garrett & Mitchell 2009).

Professionalization and formalisation are the basis for successfully transforming ASM into a productive sector generating a development dividend as opposed to supporting pure subsistence. In and of itself, formalisation should offer miners security of tenure and protection from harassment

51. Interviews with artisanal mining experts, May 2010 by phone with Paul Temple (05/05/10) and Steven van Bockstael (13/05/10)
52. Interviews with artisanal mining experts, May 2010.

by authorities. The implementation of formalisation programmes, however, are often accompanied by additional services, which support the development of the sector as a whole, such as capacity building and education on the mining law (making miners aware of their rights and responsibilities), improving the ability of authorities to enforce environmental and occupational health and safety regulations, extension services related to training and access to capital and equipment, et cetera. The question is then how should it be done. When looking at the different practices implemented in Sub-Saharan African countries to move from a shadow economy to a formal economy, internal control approaches based on new structures that do not take into account the political, social, and economic rationale of the existing trading system, have so far failed (Mitchell, Garrett & Levin 2008).

Often these interventions have been designed with unrealistic expectations of capacity of artisanal miners to actually become legal, but also of the regulatory capacities of the relevant organisational and institutional infrastructure, which is fundamental to effective application and enforcement. This is a misjudgement in two ways. Firstly, the fact that existing informal institutions are internally functional (although often inequitable) has been disregarded, and secondly, the organisations that were supposed to impose the new regulatory regime over existing rule systems were not provided with sufficient resources and incentives to build the capacity to do so effectively (Mitchell, Garrett & Levin 2008).

In other words, interventions should seek to formalise the status quo first and rationalise it second. Instead of aiming at a dramatic transformation of the sector, formalising ADM is most likely to work if the political, economic and social value of the existing structures is acknowledged (Vlassenroot & Van Bockstael 2008:269). Professionalising existing mining and trading structures so that it becomes easier, more desirable and cheaper for operators to work legally is a promising avenue (Mitchell, Garrett & Levin 2008). This can be done by providing positive incentives to participate in the formalisation process to the 'informal' artisanal miners, brokers and dealers, which would contribute to both bottom-up reform of governance structures and opportunities for those structures to strengthen. The challenges of sustainably mobilising Liberia's mineral wealth into socio-economic development is thus inextricable from a political process that inspires the creation of institutions that can transform incentive systems and therefore go far beyond the technical aspects of professionalization and formalisation (Garrett & Mitchell 2009).

The current situation in Liberia offers limited security of tenure, participation and financial security, but it is flexible, adaptable, and self-disciplining (as miners protect their share of the profits by vigilantly preventing other gang members from stealing diamonds). In addition, it functions and is clearly economically and politically viable in conditions of minimal official governance (D'Souza & De Pooter 2008:93). It is for the moment, often less expensive for a miner to work informally than to enter the formal system. Therefore, if artisanal miners are to voluntarily join the formal economy, the Liberian government must show that formalisation will not just benefit the State, but will also directly improve the miners' situation.

Providing various financial incentives is one option, and assuring swift and effective procedures can also go a long way in avoiding the common complaint that taking the legal road consumes too much time and money (Vlassenroot & Van Bockstael 2008:268).

In order to progress a formalisation process it is first of all important to understand the present licensing system in place and to build on that system rather than establishing a brand new one. In Liberia, both surface and underground minerals are the property of the Republic of Liberia.[53] The Minerals and Mining Law governs any exploration, development, mining and export. The government's rights as owner of minerals in the country are absolute and supersede the rights of any landowner or occupant (UNDP 2005). In 2009, license fees contributed US$ 296,000 to the State revenue, which is more than the revenue generated by the diamond exports. Improving the scope of licensing would thus increase State revenues, and help formalise the ASM sector. From the government's perspective, formalising the artisanal mining sector through compulsory licence registration has advantages: it would give diggers access to land tenure; potentially reduce smuggling, increase revenues, potentially improve returns to communities, if the government can implement an effective mechanism, and aid the enforcement of responsible mining practices so improving environmental management and occupational health and safety (Phillips 2007). In practice, however, licensing does not appear as easy as many obstacles to compliance exist for artisanal miners, brokers and dealers.

Transforming Liberia's natural wealth into a sustainable mining sector entails the professionalization and formalisation of the ADM sector. To achieve these objectives, the Liberian government and its international donors need to positively interact with already-existing structures of the sector to professionalise and ultimately formalise them.

Conclusion

Donors have developed and/or supported a number of approaches intended to reform the ADM sector in Liberia but they are often faced with difficult challenges, many of which have been discussed in this chapter. The common goal underlying most responses to these challenges is to improve mining sector governance. While some have focused on preventing conflict and building peace through trade control mechanisms such as the KPCS, others, such as the GEMAP and D4D project, have concentrated their efforts on capacity building, institutional and regulatory strengthening in the sector. Some complementary interventions, in particular the PRADD project, also looked at how the artisanal diamond miners can be incentivised to join the formal sector. However, despite some legitimate approaches and some important successes, the overall result in terms of delivering tangible benefits and positive change to the artisanal diamond sector in Liberia remains weak at the present stage, but there is room for optimism as some of the interventions dis-

53. New Minerals and Mining Law of 2000, amended in 2004 (chapter 2, section 2.1)

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cussed in this chapter, which clearly have a longer term outlook, have only just been implemented or await implementation. One important element this chapter has argued for is that the professionalization and formalisation of the artisanal mining sector is a precondition for the further development of the Liberian mining sector, and in particular for certification schemes such as the KPCS. Streamlining mineral rights through a cadastre system, like the one implemented by GEMAP, is a first step towards this process.

Regarding the capacity building and institutional strengthening approaches rooted in interventions like the D4D project, a lesson is that proposed reforms need to be based on realistic expectations of the regulatory and implementation capacities, as well as incentives of the relevant institutional and organisational infrastructure. Working with existing structures and involving all stakeholders of the mining sector when implementing reforms like the DDI is hoping to do by disseminating information artisanal diamond mining, may be a further condition for success. Additionally, in order for the vision of development diamonds to become reality, actions are inextricable from a political process, as their success or failure critically depends on the Liberian government's political incentives and technical capacity, as well as its ability to attract partners to progress the process.

Finally, assessing the different donor interventions in the artisanal diamond mining sector also shows that aid should be provided in sectors that complement mining. ADM is likely to make a more meaningful contribution to Liberia's prosperity if other drivers of development and growth complement it. For instance, restoring agricultural production and other alternatives is of utmost importance to allow people to leave an overcrowded ASM sector, and enable them to choose their preferred livelihood (Vlassenroot & Van Bockstael 2008:12). In Liberia particularly it looks like the country is not self-sufficient in food production. Developing this part of the economy therefore seems a priority along the development of the ASM. The success of one sector is therefore dependent on the successful development of interlinked alternatives. Furthermore, diamonds are not forever and economies must be prepared to offer alternatives to former artisanal miners in the future.

Annex 1: Trade Figures

Table 3: Liberia Rough Diamond Exports

	2009			2008			2007		
	Carats	Value	Av/Carat	Carats	Value	Av/Carat	Carats	Value	Av/Carat
January	792.06	$778,369.37	$982.72	2,429.05	$588,996.56	$242.48			
February	498.35	$331,779.00	$665.75	5,239.42	$503,171.00	$96.04			
March	231.37	$171,702.03	$742.11	4,646.57	$676,708.32	$145.64			
April	1,008.35	$722,835.20	$716.91	5,112.10	$895,500.98	$175.17			
May	2,046.25	$2,091,104.00	$1,021.92	3,361.65	$505,221.54	$150.29			
June	3,611.13	$848,984.03	$235.13	4,347.71	$1,838,966.36	$422.97			
July	2,614.27	$774,469.02	$296.25	7,648.84	$2,007,827.56	$262.50			
August	2,908.08	$516,131.49	$177.48	5,233.92	$1,055,039.35	$201.58			
September	4,328.98	$1,163,212.17	$268.70	4,455.97	$1,045,608.51	$234.65	2,886.03	$327,963.31	$113.64
October	6,359.41	$326,193.00	$51.29	2,937.01	$488,974.49	$166.49	11,746.02	$1,520,301.97	$129.43
November	47.00	$97,991.00	$2,084.91	221.12	$55,771.08	$252.22	2,466.32	$404,728.62	$164.10
December	3,286.68	$1,302,865.45	$396.41	1,373.14	$229,999.59	$167.50	4,601.37	$404,547.68	$87.92
TOTAL	**27,731.93**	**$9,125,635.76**	**$329.07**	**47,006.50**	**$9,891,785.34**	**$210.43**	**21,699.74**	**$2,657,541.58**	**$122.47**

Stock Pile Exports in 2007: 12,100.55 carats valued at $1,501,440.47
Source: Ministry of Lands, Mines and Energy, 2010

Conclusions and recommendations

Steven Van Bockstael & Koen Vlassenroot

As the authors of the previous chapters in this volume have tried to argue, the importance of artisanal diamond mining as a key livelihood in impoverished rural areas cannot be underestimated. For many ordinary Liberians, the artisanal mining of diamonds and, increasingly of gold, presents one of the few opportunities available to them to enhance their incomes. As farming remains largely a subsistence affair, due to the absence of market connections and therefore of buyers for surplus production, for many customary land-owners mining represents their best chance of gaining additional funds. These funds are often used to pay for children's education, buy additional foodstuffs, set-up small businesses, and generally provide an extra layer of protection for livelihood shocks such as bad harvests.

Unfortunately, many of these 'mining farmers' lack the required capital to engage in full-time, licensed diamond or gold mining. Chapter **X** in particular, describes how many of these land-owners try to attract diamond boys to come to mine on their properties by feeding them with agricultural surplus and what little money they have managed to save. Obviously, in most cases such miners rarely reach the financial threshold of being able to pay for a mining license, with the little mining going on being conducted informally, and the mines simply left unexploited for significant amounts of time.

Others who are fortunate enough to have found external support are able to mine on a more permanent basis, yet are wholly dependent on the prices offered by their supporters. For many of these as well, mining remains an informal activity, with profits being spent quickly on consumption, distribution to the extended family, and the repayment of outstanding debts. Thus leaving little cash left to pay the hefty mining licensed necessary to become legal mining operators.

Past formalisation attempts of artisanal diamond mining, in Liberia and elsewhere, have focused primarily on the responsibility of the government to enforce its internal control agenda and encourage the legalisation of illicit mining and trading activities on the one hand, and root out persistent illicit miners and diamond smugglers on the other hand. This has often led to an unnecessary criminalisation of artisanal miners, regardless of whether they actually have the means or capability to become, in the eyes of the law, legitimate mining operators. While miners and their diamond boys are evidently the ones doing the mineral exploitation, they are completely dependent on the willingness of third parties to provide them with the necessary funding. Instead of the miners, it is thus the supporters who are the determining factors in whether mining operations are conducted legally or illicitly. If miners are supported by informal middlemen as opposed to licensed brokers, it is clear that, even if they were to possess the required funds to apply for a mining license, they have no interest in doing so, as their dealings with informal middlemen would still leave them in the same legally precarious position.

Instead of targeting illicit miners, often mining deep in the bush, it would therefore seem that a better recourse for the government would be to concentrate on the individuals making these activities possible in the first place. Monitoring and, eventually curbing, the activities of informal middlemen would be a far more effective way for the government to encourage licensed mining operations than the current focus on artisanal miners. Indeed, the current formalisation strategy treats artisanal miners as if they are independent economic operators when in fact they can be considered temporary employees of their supporters, agreeing to provide a service to them (mining diamonds and selling them to their supporters) in return for an agreed compensation (the price the supporter is willing to pay for the recovered diamonds).

The government of Liberia should therefore put more effort in formalizing such middlemen, rather than the miners who work on their behalf. The key assumption of the current formalisation strategy for illicit artisanal diamond mining in Liberia, focusing on the artisanal miners, is maladjusted to the reality of diamond mining, whereby the legal status of the supporter largely determines the legal status of the mining operations themselves. Additionally, while some brokers do provide the miners they are supporting with the necessary legal papers, a number of brokers have acknowledged supporting both legal and illicit mining operations, whereby illicit production is easily camouflaged as coming from licensed mines.

Previous chapters have also argued that another key reason for the current high levels of informal diamond mining is the lack of government capacity to adequately implement the Mining Code and the Kimberley Process' minimum requirements. Local MLME staffs are rarely provided with the necessary logistical support to adequately perform their duties, such as motorbikes and fuel to allow for regular patrols. This lack of capacity, making it on the one hand difficult for the government to curb illicit mining, is on the other hand making it easier for illicit miners to offer bribes to or come to an agreement with underpaid MLME officials to keep one eye closed. Another key aspect, one that is rarely mentioned by MLME officials but frequently heard when interviewing miners and diamond boys, is the still wide-spread distrust of government. Decades of predatory politics and civil conflict in Liberia, coupled with the lack of visible government interventions to encourage economic development in rural areas, have led some miners to question their legal obligations to possess a mining license. Indeed, one of the key promises made by the government when introducing the Kimberley Process implementation to artisanal miners was that, in return for formalisation of their production and registration of all recovered diamonds to the GDO, the government would invest the diamond export benefits in development of mining communities, something which is nigh-on impossible given the limited income the government receives from the diamond sector and the high costs associated with implementing the Kimberley Process.

In short, many miners argue that they do not see the need for formalisation, adding that it brings them no tangible benefits. This, coupled with the dominance of informal supporting networks, the lack of government monitoring capacity, as well as the high costs associated with formali-

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sation, is one of the main reasons explaining the protracted high levels of informal diamond mining and trading. If the main objective of the government is to formalise illicit mining and improve the quality of its internal controls, addressing these grievances should be a top priority. In addition to the detrimental effects of past government policies on the mentality of artisanal miners and the socio-economic realities of diamond mining today, further explanations can also be offered by the inherent geological realities of artisanal diamond mining in Liberia and other countries. As artisanal miners focus on alluvial deposits in riverbeds and in shallow depths, such minerals are easily exploitable and even the most capacitated governments cannot totally exclude illicit access to these minerals.

Therefore, the common position of the legislator to induce compliance with the law by 'top-down' regulation is no viable option here. In such cases, the aim of the legislator should be to encourage compliance, making it attractive for informal miners to 'opt-in' when the government is not in a position to force them to do so. With regard to artisanal mining, such laws should aim to maximize positive incentives for miners to comply with the relevant legislation (i.e. miners should see clear benefits to formalization as opposed to maintaining the informal status quo), and significantly reduce the costs of doing so. Concerning the key livelihood role of artisanal mining in developing countries, some legal scholars have suggested that governments should go beyond purely economic reasons when determining property and mining rights, arguing instead for 'property as propriety', whereby purely economic motivations (i.e. the preference for large-scale mining) should be weighed against other motivations whose importance cannot be adequately measured in monetary terms (i.e. the relative importance of artisanal mining for ordinary citizens), particularly in the light of the government's ownership of mineral rights 'for the public good of the country' (Clausen, Barreto, Attaran 2011).

One of the key issues inhibiting a further formalization is indeed the current legal framework, which does not adequately reflect the realities of diamond mining in Liberia. It is clear that current formalization strategies have attained their maximum effectiveness, even though the majority of mining and trading operations are still conducted informally. This means that those miners that are currently not yet formalized are not adequately targeted by the current strategy, and that a fundamental overhaul of this strategy is required.

A lot of ink has been spilled in various reports and papers, this volume included, on the precarious financial situation of artisanal diamond miners in impoverished rural areas. In this regard, heavy criticism has been levelled at the high price of a Liberian Class C diamond license. Although the official price for a first-time Class C miners is 300USD (150USD for a demarcation fee, and 150USD for the actual license), in reality this figure quickly rises to anywhere between 400 and 600USD, accounting for multiple trips to Monrovia, and various 'hidden costs' to expedite the sometimes lengthy licensing process. Miners, diamond buyers, and MLME officials have all agreed that these prices present a fundamental obstacle for increasing formalization levels. These prices can, however, be reduced

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fairly easily. First, a decentralization of the licensing process should be considered, in line with President Johnson-Sirleaf's focus on decentralization and devolution of power. Making it possible for mining agencies, in cooperation with their Monrovia headquarters to be the main focal points for the licensing process, will not only reduce the total cost by eliminating the necessity to undertake several costly trips to Monrovia, it will also bring the government closer to the people, the value of which cannot be underestimated in post-conflict settings. Furthermore, while the Liberian Class C mining license can be considered cheap in relation to the offered 25 acres, it is wholly unrealistic to assume that artisanal mining operations can successfully cover this vast territory in just one year. Therefore, a significant reduction in the acreage, with a corresponding reduction in price, is urgently necessary.

Another thorny issue is the prospecting licenses. The Mining Code is unclear about this, stating on the one hand that eligible applicants for a Class C mining license 'may apply' for a prospecting license (Section 5.2), while Section 6.2 clearly states that the law 'shall be construed to require that an exploration license first be obtained in order to acquire a mining license'. Obviously, this runs counter to the dynamics of artisanal mining, where most deposits are identified by prior illicit mining operations, which provides yet another hurdle for artisanal miners wishing to formalise their operations and runs counter to the formalisation process, which is about legalising existing illicit mining operations rather than attracting new claimants. In practice, however, this requirement does not seem to be frequently observed, although some miners have mentioned the requirement, indicating that local mining agents' personal preferences on the matter seem to play a role.

While many have identified the need for reforming the Class C mining license, previous attempts to do so have run into obstacles such as the out-dated Mining Code itself, which is completely unadapted to the realities of artisanal mining, as well as other pieces of legislation such as the Public Procurement and Concessions Act, which usurps all concessioning power from the MLME.[54] However, if artisanal diamond mining is to become a more open and transparent element of the Liberian economy and if the power of artisanal mining as a significant, as of yet untapped, poverty-alleviation mechanism is to be harnessed, reforming the relevant legislation should be considered a priority for the Liberian government and the international donor community.

54. See Hinton 2010 for further details

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