



WASHINGTON DECLARATION ON INTEGRATING DEVELOPMENT OF ARTISANAL AND SMALL SCALE DIAMOND MINING WITH KIMBERLEY PROCESS IMPLEMENTATION

SUMMARY

In order to strengthen internal controls in producing countries with significant Artisanal and Small Scale Mining (ASM) diamond sectors, the Kimberley Process needs to leverage the work of the development community. As noted in the 2005 Moscow Declaration on Improving Internal Controls over Alluvial Diamond Production, better traceability, regulation, and enforcement are necessary.

Increasingly, economic security, formal regulation and sustainable development of ASM actors are also recognized as necessary tools to bring rough diamonds into legitimate chains of custody.

The Working Group on Artisanal and Alluvial Production (WGAAP) has been focused on these issues in recent years and has concluded that there is much the KP can do to support these efforts.

In June 2012, on the margins of the KP intercessional, the U.S. Agency for International Development (USAID), the Diamond Development Initiative, and the World Bank organized a conference on "Enhancing the Developmental Potential of Artisanal and Small-Scale Mining."

Building on past work, conference participants developed a number of ideas to integrate development objectives with KP implementation, including the establishment of a Mining Action Forum (MAF) to complement the efforts of the WGAAP and of the Diamond Development Initiative (DDI).

The concept of a MAF, which would serve as a one-stop-shop for technical expertise, training, and mining equipment that could be accessed by diamond producing governments and artisanal mining communities, is to be explored further.

Recognizing that it is not itself a development institution, the KP encourages the adoption of a number of best practices to facilitate improved integration of economic development principles and actions into the ASM sector and KP implementation. Further, a section should be added to Participants' KP annual reports describing development efforts within the ASM sector, including best practices and lessons learned.



BACKGROUND

Artisanal and Small-scale mining of diamonds represents approximately 25 percent of the world's rough diamond trade. The ASM sector presents challenges to initiatives such as the Kimberley Process because it often operates outside the formal economy and thus escapes the internal controls that form one of the pillars of the Kimberley Process. In response to this problem, the 2005 Moscow Plenary of the Kimberley Process adopted a declaration on "Improving Internal Controls over Alluvial Diamond Production.

The Moscow Declaration contained a series of recommendations seeking to improve the traceability of artisanal production from mine to export, regulate and formalize the artisanal mining and trade in alluvial diamonds, tackle illicit cross-border trade, and encourage artisanal miners to move into the formal economy.

The Moscow Declaration also recommended that KP Participants and the donor community support the establishment of effective traceability procedures, promote the formalization of the artisanal mining sector, and support regional efforts to address cross-border trafficking in rough diamonds.

Participants at the Moscow plenary also formed the sub-Working Group on Artisanal and Alluvial Production (WGAAP), with the aim of promoting more effective internal controls on the production and trade of alluvial diamonds. The WGAAP then became an autonomous Working Group at the Botswana Plenary in 2006.

Improved internal controls help to ensure that only rough diamonds produced and traded in accordance with national legislation and the Kimberley Process Certification Scheme (KPCS) enter the legitimate trade. The WGAAP, led by Angola as Chair, has engaged in wide-ranging discussions on how to ensure internal controls are improved in the artisanal sector and that overall development is improved.



JUNE 2012 DEVELOPMENT CONFERENCE

On the margins of the 2012 KP Intercessional in Washington, D.C., USAID, the Diamond Development Initiative, and the World Bank organized a conference called: "Enhancing the Developmental Potential of Artisanal and Small-Scale Mining".

The organizing principle of the conference was that, in order to improve internal controls in producing countries with significant ASM sectors and to build the development potential of the artisanal diamond mining sector, Kimberley Process Participants and Observers should examine ways to leverage the work of the development community to reduce the informal and precarious nature of artisanal and small-scale mining.

While better traceability, regulation, and enforcement are absolutely necessary, greater economic security and sustainable development are equally important goals if rough diamonds are to be brought into legitimate chains of custody and artisanal miners are to move into the formal economy.

The Kimberley Process does not have the mandate, the means, the resources, or the expertise to expand its role into the development field. However, the conference demonstrated that there are already a number of organizations involved in sustainable development of the ASM sector with which the KP and its participants could usefully collaborate.

These include inter alia the conference organizers: USAID's Property Rights and Artisanal Diamond Development (PRADD), which is working to secure enforceable property rights for artisanal miners in the Central African Republic and Liberia; the Diamond Development Initiative, which has been working to register artisanal miners and establish ethical standards that would apply to diamonds sourced from artisanal miners; and the World Bank's Sustainable Energy, Oil Gas and Mining unit (SEGOM) which is developing strategies to address some of ASM's social and environmental challenges.

Integrating development principles and outcomes with KP implementation can also be viewed as a necessity given the progress made by other initiatives, such as the International Conference on the Great Lakes Region and the Extractive Industries Transparency Initiative.

Producer nations are taking the initiative by adopting their own strategies to spur sustainable development and bring their ASM into the formal sector. Brazil and Liberia, for example, have established multi-stakeholder national task forces, bringing local civil society experts together with



industry representatives to help the government improve domestic enforcement and implementation, and Guinea recently piloted a program where government and civil society cooperated in the monitoring of artisanal production areas.

POLICY GOALS TO ADVANCE DEVELOPMENT OF ASM SECTOR AND IMPROVE KP IMPLEMENTATION

In order to build upon the Moscow Declaration, the Kimberley Process is encouraged to seek ways to advance and deepen development of the ASM sector in the interest of improving KP implementation. Such ways include promotion of the following policy goals:

A. Improve Formalization of Artisanal Mining

A.1. Lower Fees and Increase Accessibility of Mining Licenses:

Participants with an ASM sector are encouraged to consider establishing policies that give ASM actors a greater incentive to formalize their operations. Formalization of the ASM sector includes a broad range of activities, including, but not limited to: registration and licensing of miners and mining claims.

Reducing the cost of licensing fees and extending the duration of licenses has proven to be an effective incentive in many parts of the mining world, including, recently, in the Democratic Republic of the Congo, as demonstrated through the work of DDI.

In both the DRC and Central African Republic, reducing the fee for ASM licenses actually *increased* revenues for state coffers, as more artisanal miners entered the formal economy.

Governments are encouraged to also increase accessibility of mining licenses. Mining regions are often located far from government administration and require significant time and cost to reach: mobile licensing facilities offer a partial solution.

A.2. Enhance Data Collection and Analysis: Also as noted in the Moscow Declaration recommendations, KP participants are encouraged to collect demographic and geographical data in ASM areas. Participants may consider the use of available satellite imaging analysis to monitor artisanal and small-scale mining sites.

An example of this use of technology was recently successfully implemented in Ghana. The CAR government also uses GPS-technology



through the PRADD project to map diamond-producing areas and track the production and sale of alluvial diamonds within a geographic information system. Another example of using technology to support KP implementation is DDI's project in the DRC, which collected socio-economic and location information with GPS locators during the registration of miners on site. This system has been used to track artisanal diamond production, produce reports on socio-economic and production data, and map artisanal diamond mining areas.

Finally, the U.S. Geological Survey has worked in support of the KP and its working groups (WGDE, WGM) to develop a methodology for estimating production from artisanal mining zones and based on the analysis of satellite imagery, geological data and field surveys in several countries. In addition, the USGS has piloted a program in Guinea where government and civil society collaborated to conduct surveys and to monitor production from artisanal mining zones. Such information has proved critical both to governments and artisanal miners to monitor the development of their natural resources. The WGAAP could provide data such as information on the transfer of funds or carats traded from alluvial sources.

A.3. Strengthen Property Rights:

Strong property rights are a necessary condition to bring many forms of economic activity into the formal sector and complement the Moscow Declaration's recommendations with respect to establishing effective cadastre systems in order to maintain accurate and up-to-date information on production areas and mining licenses.

USAID's Property Rights and Artisanal Diamond Development (PRADD) project has demonstrated the value in strengthening artisanal miners' property rights. USAID research has confirmed a positive relationship between strengthening property rights and decreased property disputes, conversion of mining sites to other economic uses and increased revenue for artisanal miners.

Where applicable, KP Participants are encouraged to explore the feasibility of strengthening property rights through clarification, demarcation, and documentation of land and mining rights in accordance to national laws.



A.4. Financial Transparency and Good Governance:

Participants are encouraged to recognize that financial transparency and good governance reinforce that all citizens stand to gain from diamond mining, and all have a stake in the decision-making process.

A.5. Empower Artisanal Miners to Engage with Buyers and Investors:

Expanding access to buyers and investors can improve the lives of artisanal miners, ensuring that more rough diamonds enter into the formal supply chain.

Participants with an ASM sector are encouraged to establish legal frameworks that permit artisanal miners or cooperatives to market their diamond production directly on the international market as long as it is consistent with KPCS provisions.

Training in diamond valuation, business management, and administration can empower miners to better engage with new and alternative investors, indirectly benefiting the fiscal and regulatory authorities of the participant government.

A.6. Expand Access to Mining Inputs:

Expanding access to mining inputs can encourage formalization of the ASM sector. Experiences in the Central African Republic have demonstrated that equipment can be provided in a sustainable and cost-effective way through equipment rental pools.

Artisanal miners can be provided with the requisite skills training, allowing them to formulate a business plan, and rent and maintain mining equipment.

This strategy has proven effective in encouraging artisanal miners to formally register themselves while providing a means to overcome capital constraints, and introduce critical business skills. In addition, members of WGAAP have been provided by DDI with an extensive study on mechanization of artisanal diamond mining.

B. Improve Social Conditions in ASM Communities

B.1. Support Complementary Livelihoods in ASM Communities:



It is imperative that KP participants emphasize the importance of diversifying sources of income generation within ASM communities.

Participants should encourage artisanal mining communities to diversify incomes and develop complementary livelihood strategies.

An example of such diversification is in the Central African Republic, where large numbers of miners, working with the PRADD project, have converted exhausted mining pits into fish farms and vegetable gardens in order to supplement incomes and make use of land that would have otherwise been abandoned.

B.2. Working Capital and Organization:

The artisanal mining sector is plagued with disorganization and social conflict, making diggers vulnerable to many kinds of negative external influence.

It is encouraged that efforts be made to identify new forms of organization and to provide the working capital diggers need. Microfinance needs to be explored.

For these sorts of initiatives to take hold, development organizations with experience in the field must become involved in the sector, consistent with the aims of the Kimberley Process.

B.3. Mitigate Environmental Damage:

It is important to consider the environmental ramifications of artisanal mining.

Participants are encouraged to promote best practices in environmental management and restoration of artisanal and small scale mining sites and support artisanal miners in environmental mitigation and recovery programs during and after mine closure in accordance with national laws.

B.4. Harmonization of Legal Frameworks

Ministries of forestry, water, mining, agriculture, national park agencies, and land use planning commissions all have some jurisdictional responsibilities with respect to ASM. However, there is often little coordination across the sectors. As a result, policies often contradict each other, or work at cross-purposes.



Participants are encouraged to harmonize the laws, regulations and codes across relevant sectors in order to coordinate management of the ASM sector and ensure that artisanal mining does not continue to slip through legislative loopholes.

B.5. Occupational Health and Worker Safety:

Health and worker safety at alluvial and artisanal mine sites is often grossly inferior to that in industrial diamond mining areas.

Participants are encouraged to strive to minimize health and safety threats through specific programs targeted towards the ASM sector.

They should exchange best practices in occupational health and safety management. They are also encouraged to monitor potential hazards, injuries, and fatalities at artisanal mining sites and take appropriate preventive and protective measures in accordance with national laws.

Promotion of Gender Equity and Protection of Children

Women and children can be in particular danger within the ASM sector. **Participants are encouraged to promote gender equity and strengthen efforts to guarantee women equal access to land rights, education, credit and training programs.**

Participants are also encouraged to protect children in accordance with internationally recognized labor standards, and work to eliminate child labor throughout the artisanal diamond production chain.

ANNEX: ADMINISTRATIVE REVISIONS TO SUPPORT KP POLICY GOALS

In the interest of improving Kimberley Process implementation in a manner that is consistent with policies that promote development, Participants should facilitate the development and formalization of the ASM sector, as represented in the policy areas identified above, through the following steps in the KP framework:

1. Revise the terms of reference for the WGAAP to include a focus on coordinating development initiatives, disseminating best practices in the artisanal and small scale mining sector and mitigating development constraints as they relate to KP compliance;



2. Maintain the circulation of the “Technical Assistance Bulletin” as an ad hoc function of the KP Chair, Vice Chair, or, if adopted, the Administrative Support Mechanism;
3. Encourage participants to include in their annual reporting to the WGM details regarding ASM production and a list of steps taken to:
 - i. implement these policy goals or
 - ii. support implementation through technical or financial assistance;
4. Encourage participants with international development agencies and relevant international development organizations to focus on the particular development challenges of ASM communities as they pertain to KP implementation;
5. Encourage Participants to include in their annual reporting to the WGM details regarding action taken to support countries with ASM production to achieve policy goals;
6. Encourage peer review teams to discuss progress on development-related policy goals with participant being reviewed, recognizing that these do not constitute KPCS minimum requirements;
7. Request that KP review reports include discussions with Participants on the aforementioned policy goals to reinforce KP implementation; and
8. Have Participants that made progress on policy goals share their achievements in Intersessional and Plenary, jointly with the assisting agencies/entities.

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