

RAPAPORT®

UN Global Compact Communication on Progress

Initial COP

Rapaport Group

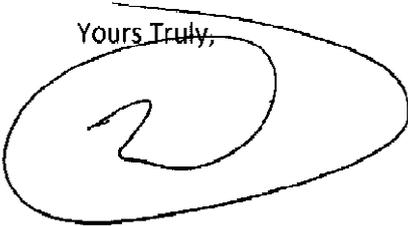
3/9/2009

In this document **the Rapaport Group** describes how it upholds and supports the ten principles of the United Nations Global Compact Initiative.

Statement of Support

From the outset, founding the Rapaport Group was about conducting business equitably. Membership in the United Nation's Global Compact is a continuance of this belief. On behalf of the Rapaport Group, I would like to extend the company's continued support to the United Nation's Global Compact and commend the prominent works conducted thus far. Membership in the Global Compact is an obvious fit for the Rapaport Group. We do more than merely uphold the ten principles of our business practices; we serve as leaders in our industry for many of these principles. In this Report we have described how the Rapaport Group supports these ten principles. Also included is a description of how our company is working towards furthering the principles within the company and for the greater global community.

Yours Truly,

A handwritten signature in black ink, consisting of a stylized 'M' and 'R' intertwined, enclosed within a large, hand-drawn oval.

Martin Rapaport
Chairman
The Rapaport Group

The Ten Principles of the United Nations Global Compact:

Human Rights

Page 1

- Principle 1: Business should support and respect the protection of internationally proclaimed human rights;
- Principle 2: Make sure they are not complicit in human rights abuses.

Labor

Pages 2-3

- Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor;
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Pages 4-6

- Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility;
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Pages 7-8

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Human Rights

Principle 1: Respect the protection of international human rights.

Principle 2: Make sure that they are not complicit in human rights abuse.

GRI indicators represented: HR1, HR2, HR3, HR4
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The Rapaport Group does not endorse conducting business with companies or organizations that do not have company-wide human rights statements or conduct business with strict levels of human rights practices. To this effect, one hundred percent of significant investment agreements include human rights clauses or have undergone human rights screening.

The processing of the Rapaport Group's infrastructure via RapNet, INDEX – Internet Diamond Exchange and other sectors does not currently facilitate for each individual supplier to be screened on human rights. However, it is required that suppliers and contractors agree to uphold the "Rapaport Users Code of Conduct" (Appendix A) when subscribing to, or interacting with Rapaport services. International and national human rights laws are upheld through the Rapaport Users Code of Conduct. Suppliers have been and will be removed from various aspects of the Rapaport network if they are identified as non-compliant.

Training for employees on human rights is routed through the company's fair trade operations. The Rapaport Group is a strong advocate of fair trade and Rapaport employees are educated in a number of ways. When attending the numerous Rapaport functions throughout the year, an employee will be educated in fair trade and human rights through speeches and possible individualized on-site training. Employees also have the opportunity to learn about human rights via on-line Rapaport Fair Trade programs without structured instruction. It is for this reason that it is not currently possible to determine the percentage of employees trained in aspects concerning human rights, though it could be as high as 100%.

To this point, there have been no incidents of discrimination and therefore no consequent actions have been necessary. The Rapaport Group employs a culturally and geographically diverse work force. Keeping an open flow of communication allows the Rapaport Group to continually benefit from such a diverse group of capable workers. The Rapaport Group prides itself on maintaining a high level of transparency both within the company, the industry and the global community.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Rapaport workforce comprises 126 employees situated in 9 countries around the world. They are contracted on equal terms. All employees are required to sign an employment contract regulating their terms and conditions of employment with the company. Most employees are employed on a full time basis for a permanent period. Some are employed as independent contractors on a contract basis for a determined period. The success of our company is dependent on our human capital, their motivation and work satisfaction. Being mindful of our employees` needs, their satisfaction with their work environment and conditions of employment is critical to Rapaport management and company success.

Although none of our employees are covered by formal collective bargaining agreements in any of the countries in which Rapaport operates and in which they are employed, Rapaport is committed to upholding employees` freedom of association as a basic tenet as determined by international declarations and conventions. As such they are free to form or participate in any employee or worker committees or associations they choose, but none have chosen to do so preferring to utilize more informal channels of communication directing all work related complaints, grievances and suggestions and employee issues personally to senior management. They are furthermore encouraged to communicate directly with the Group Chairman & CEO on any matter affecting their well -being and service conditions within the Company.

Principle 4: The elimination of forced and compulsory labor

GRI Indicators Represented: HR7

The operations conducted by the Rapaport Group are not on the radar screen of having any risk for incidents of forced or compulsory labor. A typical day for the majority of Rapaport employees entails working in an office setting. The Rapaport Group is a leader in the diamond and jewelry industries contributing to the elimination of forced and compulsory labor. This is first of all shown in the Rapaport User`s Code of Conduct referred to above, where forced labor is explicitly discussed:

“Forced Labor: No diamonds that were mined, cut, polished or in any way produced using child labor, forced labor, prison labor, indentured labor or exploited bonded labor may be listed, or traded through Rapaport businesses, including RapNet and INDEX – Internet Diamond Exchange.”

Principle 5: Abolition of child labor

GRI indicators represented: HR6

The Rapaport Group does not run the risk of employing any child labor. There are significant measures being taken by the Rapaport Group to contribute to the elimination of child labor. Programming in Sierra

Leone directly addresses reduction and elimination of child labor through the advancement of fair trade and related programs.

The actions and activities taken to achieve the above:

1. The Rapaport Group has been an active participant since the outset in the Kimberley Process as a founding member. The Kimberley Processes' objective is to end the trade of conflict diamonds, and thereby human right is one of its highest priorities.
2. The Rapaport Group funded a U.S.-AID program in Sierra Leone in which child labor and forced/compulsory labor were topics on hand. Global Witness drew up monitoring guidelines for the project, which included prohibiting children under the age of 18 to work. Refer to attached briefing document by Global Witness dated May 2006 (Appendix B).
3. Numerous documents have been published making known the harsh conditions that many impoverished workers have endured in the name of mining. Including:
 - a. View a copy of the article, "One who scratches the Mountain," from the Rapaport Diamond Report with photos (Refer to Link 1)
 - b. View the Special Edition Rapaport Diamond Report: Vol. 30 No. 1 from January 5, 2007 (Refer to Link 2)
4. Global outreach and education regarding human rights including child labor and forced labor is conducted numerous times a year through speeches, conferences, booth displays, and various other events. Fair Trade Conferences and Speeches are available on the Rapaport Fair Trade Website.
5. Members of the Rapaport Group were filmed in the making of a documentary entitled, Diamond Road which started airing worldwide in 2007. For more information on Diamond Road please view their website (Refer to Link 3). This documentary allowed a new audience to learn about topics afflicting diamond miners. In their initial education, many have further contacted the Rapaport Group to gain additional information, thus generating side projects and a greater population being educated on human rights.
6. The Rapaport Group has directly employed personnel in Sierra Leone to monitor and evaluate mining operations.

Principle 6: The elimination of discrimination in respect of employment and occupation.

There is no discrimination in the company's employment practices on the grounds of race, color, creed, religion, national origin, gender, age, or sexual orientation and the company is an equal opportunity employer. The sole criteria for hiring and promotion being based on employee qualifications, abilities and competencies required to do the job.

Environment

Within the diamond industry, the Rapaport Group takes a unique operating position. Unlike many mining corporations and their mining operations, this business is an international network of companies which provides added value services to the diamond industry. In a clearly different role than that of the diamond mining industry, the core of our business does not involve the environmental risks associated with diamond mining companies, and the business strategy for the Rapaport Group is variant from those of mining corporations. The economic, social, and environmental aspects of our company demonstrate that unlike the conventional mining corporations that may have a direct and deleterious impact on the degradation of the environment, the Rapaport Group focuses more on the realm of human rights.

Yet, where we have been involved in diamond mining, for example, in Sierra Leone where we funded the first Sierra Leone digger's co-operatives in coordination with U.S.-AID and U.K. DFID, it was ensured that these co-operatives mined rough diamonds responsibly by using acceptable environmentally - friendly techniques and practices. It is certainly our intention should we ever once again get involved in mining in the future that all mining activities be undertaken in a similar environmentally- friendly manner. Moving forward, in forming partnerships with organizations, the Rapaport Group is working to assist Sierra Leone digger's co-operatives to reclaim mining land that has been mined out, which once completed will be able to be used to grow agricultural crops. This improvement in local environmental conditions provides for sustainable economic and agricultural development and allows the local population to benefit.

The role that the Rapaport Group best plays in the matter of environmental responsibility and awareness is not in its own practices, but in that of advocacy and influence on the diamond mining and trading sectors and on the diamond consumer public. This advocacy and influence also extends to the company's own work force through best practices in the office and through leading by example. One of the ways that the company leads through example in the sphere of the environment is through the promotion of fair trade. The Rapaport Group supports four tenants of fair trade. One of these tenants is 'Do No Harm'. It is within "Do No Harm" that no harm to the environment is included. This is a very public pronouncement that is given online and through public addresses and articles year round and globally.

Principle 7: Support precautionary approach to environment

GRI indicators represented: 3.13, 4.13
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The Rapaport Group is not currently seeking external assurance for this report. There are currently a number of methods of external assurance in place. The numerous Rapaport websites, memberships, press releases, and public policies and positions will be the external assurance reporting used for this first annual COP.

The actions and activities taken to achieve the above:

1. External assurance is demonstrated throughout the Rapaport Group's main website, Diamonds.net, as well as their subsidiary, RapNet and INDEX trading platforms operated by Rapaport.
2. Rapaport's memberships can be found on their website (Appendix C)
3. Public policies and positions can be viewed on their website (Appendix A and Appendix C)

Principle 8: Undertake initiatives to promote greater environmental responsibility

GRI indicators represented: EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16
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In order to have a complete set of reporting, please consider that the Rapaport Group is a company that operates out of rented offices and so does not weigh materials, or have a percentage of inputted materials that are recycled. Waste recycling is practiced, though not weighed. There is not a record of direct or indirect energy consumption as a result of all utilities being included in rents. As a result of energy consumption not being kept track of, energy savings due to efficiency improvements are therefore not kept track of and recorded. The Rapaport Group is an information services company and therefore does not have initiatives to provide energy-efficient or renewable energy based services, nor does it have related products. As such, there are no reductions in energy requirements as a result of these initiatives. Replacing light bulbs to be more energy efficient, printing on two sides of a page only when necessary, and on recycled paper have reduced indirect energy consumption, though these reductions are not measureable. Total water withdrawal is included in rents and is therefore not kept track of. Water sources are not significantly affected by withdrawal of water. Percentage and total volume of water recycled and reused is not applicable. There is no land owned, leased, managed in, or adjacent to protected areas of high biodiversity value outside protected areas. There have been no significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. Habitats have not been protected or restored. There are currently no strategies, current actions or future plans for managing impacts on biodiversity. There are zero IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. As a result of operations, at this time total direct and indirect greenhouse gas emissions by weight are not measured.

The actions and activities taken to achieve the above:

1. Electricity savings /energy savings –using eco- friendly fluorescent lamps for our office lighting. We have switched over to energy saving eco- friendly fluorescent lamps to reduce electricity bills and electricity consumption.
2. Document production, printing and photocopies are made, wherever possible, “double- sided” and using recycled paper.
3. When unnecessary, printing will not take place. In the future, the ‘green PDF’ logo could be added to print screens to encourage employees not to print at all.

4. Waste recycling takes place in Rapaport Group offices

Principle 9: Development and diffusion of environmentally friendly technology

GRI indicators represented: EN17

The Rapaport Group has positioned itself predominantly as an internet-based business. This has allowed the company to conserve in a number of arenas. One of the areas that this holds true is in greenhouse gas emissions. Having such an internet-based industry has allowed the company to do much of its business via the internet, reducing the need for commuting, travel, publication, and rental of unneeded property. The predominant greenhouse gas emissions that are expended include daily commuting of employees, international travel of a select few executive level company members, shipping of products, and publishing of the monthly Rapaport Diamond Report magazine. Various other minor day-to-day office events also contribute to greenhouse gas emissions. At this time, the combined greenhouse gas emissions by the Rapaport Group are not being tabulated. This is an area that could be looked into in the future as a way of quantitatively ensuring the reduction of the company's footprint.

The actions and activities taken to achieve the above:

Future activities could be taken in recognition of achieving the above. It has previously been mentioned that in regards to reducing greenhouse gas emissions by weight, first an identification of the expenditure of emissions by weight be carried out of what the company is currently expending. This would be beneficial for the purpose of COP reporting, but would also bring awareness to individuals on the topic of environmental conservancy and thereby potentially magnifying the experience beyond that of reducing the company's expenditures.

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

GRI indicators represented: 4.8, 4.9, 4.10, 4.12, 4.13, 4.17, SO3, SO4, and SO5

The Rapaport Group of Companies takes a strong proactive role promoting and implementing ethical business practices. We will not tolerate dishonest, illegal and unethical activities or behavior, such as bribery, fraud, corruption, money –laundering, or the trading in conflict diamonds. This is clearly laid out in Rapaport User`s Code of Conduct to which all customers, suppliers and users of our Rapaport diamond trading network services must subscribe.

We are proud of our tradition of conducting our business in accordance with the highest moral and ethical standards and in compliance with applicable laws of the countries in which we operate. Rapaport is committed to legal compliance and ethical business practices in all its operations and seeks to do business only with those who share that same commitment and who obey the laws of the country in which they operate.

Rapaport will only do business with entities or individuals who have certified to us that their business practices are lawful, ethical and in compliance with the following principles:

Legal and Ethical Business Practices: All Rapaport users, subscribers, customers and suppliers must fully comply with all applicable local, state, federal, national and international laws, rules and regulations. Subscribers, customers and suppliers must be ethical in their business practices and act in such a way so as not to bring the diamond, gem and jewelry industry or Rapaport into disrepute.

Conflict Diamonds: We recognize the great harm done to local populations as a result of illegally mined diamonds exported from conflict diamond mining/trading areas. Rapaport will not purchase, sell or in any way deal with conflict diamonds, nor will it contract with subscribers, customers or suppliers who purchase or trade in diamonds which were used to fund conflict or are traded in any way in violation of any United Nations resolutions or the Kimberley Process. No subscriber may list or trade diamonds through Rapaport or any service offered by Rapaport businesses which does not meet the Kimberley Process standards. Should one of our suppliers ever be found in violation of these standards, we would cease business relationships with them.

Anti-Money Laundering: Internal controls and audits, policies and procedures ensure that Rapaport is in full compliance with the anti-money laundering provisions of the US Patriot Act and other regulations applicable to the diamond industry. Rapaport has introduced an anti-money laundering program, which includes the adoption of policies and procedures and employee educational programs for detecting money laundering transactions and the existence of entities or individuals making unlawful use of Rapaport trading systems, business methods and platforms to facilitate money laundering or terrorist financing. The group`s in-house compliance team, which includes experienced lawyers, monitor and audit all group activities to ensure strict adherence to anti-money laundering laws, policies, procedures and controls.

Treatment: Rapaport is committed to the highest level of disclosure regarding any treatment to natural diamonds and requires all subscribers, customers and suppliers to fully disclose any and all treatment and processes performed on any diamond listed or traded through Rapaport businesses. No heat treated (HPHT) or synthetic diamonds may be listed or traded through Rapaport businesses, without prior permission. All other types of treatment must be fully disclosed when listing the treated diamond.

Conclusion of Sale: Subscribers, customers and suppliers must honor all commitments entered into when using any service offered by Rapaport businesses. Online as well as other agreements made shall be final and binding.

The actions and activities taken to achieve the above:

1. The introduction and implementation of policies and procedures, best practice principles and programs have ensured full compliance with all aspects of the Kimberley Process, US Patriot Act, anti-money laundering regulations and other regulations relating to the diamond industry and the business activities of the group. Rapaport's Policies and Procedures are available through their websites (Appendix C and Appendix D).
2. Regular monitoring and auditing of group activities and business dealings ensure proper and strict compliance and adherence to laws and serve to promote sound and ethical business practices.
3. Ongoing employee educational programs re-enforce and strengthen employee knowledge and methodology for carrying out of employee functions for customer identity verifications, checks and procedures for detection of money laundering activities and fictitious transactions. To date, 5 company employees have received anti-money laundering training.
4. Rapaport supports the Kimberley Process. All diamonds sold and traded on Rapaport systems and networks are warranted to be conflict free. We require all suppliers to adhere to the standards and /or requirements set forth in the Kimberley Process. Rapaport is a member of the original group that evolved the Kimberley Process, regularly participates in Kimberley Process meeting and is an active member of the World Diamond Council.
5. Rapaport has not hesitated to prosecute and report to relevant law enforcement agencies any instances of suspected fraudulent and illegal activities discovered to have taken place on its networks and trading platforms. Two instances of suspected fraudulent activity were recently discovered to have taken place over our internet diamond trading network known as RapNet. A complaint was duly and promptly filed with IC3 Internet Crime Complaint Center (an online FBI/US Justice department joint initiative) for further investigation and immediate steps were taken to notify and warn other RapNet users and subscribers of the suspected fraud.

**Index of GRI Performance Indicators Relevant to the
Implementation of the Global Compact Principles**

GRI Indicator	Description	Reported Under	Page
HR 1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Principles 1 & 2	1
HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Principles 1 & 2	1
HR 3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Principles 1 & 2	1
HR 4	Total number of incidents of discrimination and actions taken	Principles 1 & 2	1
HR 6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	Principle 5	2
HR 7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	Principle 4	2
3.13	Policy and current practice with regard to seeking external assurance for the report.	Principle 7	4
EN 1	Materials used by weight or volume	Principle 8	5
EN 2	Percentage of materials used that are recycled input materials	Principle 8	5
EN 3	Direct energy consumption by primary source	Principle 8	5
EN 4	Indirect energy consumption by primary source	Principle 8	5
EN 5	Energy saved due to conservation and efficiency improvements	Principle 8	5
EN 6	Initiatives to provide energy efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Principle 8	5
EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	Principle 8	5

EN 8	Total water withdrawal by source	Principle 8	5
EN 9	Water sources significantly affected by withdrawal of water	Principle 8	5
EN 10	Percentage and total volume of water recycled and reused	Principle 8	5
EN 11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Principle 8	5
EN 12	Description of significant impacts of activities, products, and services on biodiversity in protected areas of high biodiversity value outside protected areas	Principle 8	5
EN 13	Habitats protected or restored	Principle 8	5
EN 14	Strategies, current actions, and future plans for managing impacts on biodiversity	Principle 8	5
EN 15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction	Principle 8	5
EN 16	Total direct and indirect greenhouse gas emissions by weight	Principle 8	5
EN 17	Other relevant indirect greenhouse gas emissions by weight	Principle 8&9	5 & 6
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Principle 10	7
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Principle 10	7
4.10	Processes for evaluating the highest performance body's own performance, particularly with respect to economic, environmental, and social performance	Principle 10	7
4.12	Externally developed economic, environmental, and social charters, principles, or other indicatives to which the organization subscribes or endorses	Principle 10	7
4.13	Membership in associations (such as industry associations) and /or national /international advocacy organizations in which the organization: has positions in	Principle 7&10	4 & 7

	government bodies/participates in projects or committees/provides substantive funding beyond routine membership dues or views membership as strategic		
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting	Principle 10	7
SO 3	Percentage of employees trained in organization`s anti-corruption policies and procedures	Principle 10	7
SO 4	Actions taken in response to incidents of corruption	Principle 10	7
SO 5	Public policy positions and participation in public policy development and lobbying	Principle 10	7

Appendix

Appendix A: Rapaport Code of Conduct

Appendix B: Global Witness Monitoring Report

Appendix C: Rapaport Corporate Responsibility Statement

Appendix D: Diamonds.com Policy on Conflict Diamonds

Appendix A

Rapaport Code of Conduct

RAPAPORT
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Rapaport User's Code Of Conduct

Wed, Mar 4, 2009
10:40 New York

Last updated: January 9, 2005

We at the Rapaport Group of Companies ("Rapaport") are proud of our tradition of conducting our business in accordance with the highest moral and ethical standards and in compliance with the laws of the countries in which we operate.

Rapaport is committed to legal compliance and ethical business practices in all its operations and seeks to do business with those who share that commitment.

Rapaport will only do business with those who obey the laws of the country in which they operate and follow the principles expressed in this Code of Conduct.

Rapaport will only do business with entities or individuals who have certified to us that their business practices are lawful, ethical and in compliance with the principles set forth in this Code of Conduct.

Legal and Ethical Business Practices: All Users, Subscribers, Customers and Suppliers must fully comply with all applicable local, state, federal, national and international laws, rules and regulations. Subscribers, customers and suppliers must be ethical in their business practices and act in such a way so as not to bring the diamond, gem and jewelry industry or Rapaport into disrepute.

Conflict Diamonds: We recognize the great harm done to local populations as a result of conflict in diamond mining/trading areas. Rapaport will not purchase, sell or in any way deal with conflict diamonds, nor will it contract with subscribers, customers or suppliers who purchase or trade in diamonds which were used to fund conflict or are traded in any way in violation of any United Nations resolutions or the Kimberley Process. No subscriber may list or trade diamonds through Rapaport or any service offered by Rapaport businesses, including RapNet® and INDEX® - Internet Diamond Exchange, which do not meet the Kimberley Process standards.

Forced Labor: No diamonds that were mined, cut, polished or in any way produced using child labor, forced labor, prison labor, indentured labor or exploited bonded labor may be listed, or traded through Rapaport businesses, including RapNet and INDEX - Internet Diamond Exchange.

Treatment: Rapaport is committed to the highest level of disclosure regarding any treatment to natural diamonds and requires all subscribers, customers and suppliers to fully disclose any and all treatment and processes performed on any diamond listed or traded through Rapaport businesses. No heat treated (HPHT) or synthetic diamonds may be listed or traded through Rapaport businesses, including RapNet and INDEX - Internet Diamond Exchange, without prior permission. All other types of treatment must be fully disclosed when listing the treated diamond.

Conclusion of Sale: Subscribers, customers and suppliers shall honor all commitments entered into when using any service offered by Rapaport businesses. Online as well as other agreements made shall be final and binding.

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While the information presented is from sources we believe reliable, we do not guarantee the accuracy or validity of any information presented by Rapaport or the views expressed by users of our internet service.

Appendix B

Global Witness Monitoring Report



global witness

Experiences and lessons learned

Monitoring the Integrated Diamond Management Program's diamond tracking system in Sierra Leone



A briefing document by Global Witness
May 2006

Project Aim

Global Witness was contracted by Management Systems International (MSI) in 2004 to serve as monitor of the Integrated Diamond Management Program's diamond tracking system that is being jointly implemented by MSI and the Peace Diamond Alliance (PDA). This system is intended to maximise benefits to local producers and to ensure that all diamonds mined by their member cooperatives are exported officially to the investor. Global Witness carried out 3 visits in 2005 to Kono district in Sierra Leone to observe how the diamond tracking system was working in practice and to interview all stakeholders in this process. Global Witness' role was to provide input on how effectively the systems were working and to provide concrete recommendations for how to strengthen the system and address problems identified. Based on its monitoring activities, Global Witness believes that the diamond tracking system, if implemented fully and effectively, offers a promising approach in Sierra Leone and elsewhere to help ensure that diamonds mined are going through official channels.

The findings of Global Witness' three visits are highlighted in three reports that follow which outline how the systems were designed, how they were working on the ground and specific recommendations for improving the system. It is hoped that these reports will not only be useful for helping to increase the effectiveness of the diamond tracking system in Sierra Leone but will also provide valuable information and lessons learned that can be applied to initiatives in other countries that are aimed at strengthening controls of the alluvial diamond mining sector and bringing greater benefits to local producers.



Artisanal diamond diggers at Tayorma ("Progress") cooperative in January 2005

Report from scoping trip to Sierra Leone, 17-25 January 2005

A two-person Global Witness (GW) team visited Sierra Leone from 17 to 25 January 2005. As GW has been involved in the Peace Diamond Alliance (PDA) over the last two years, we wanted to contribute to their work by visiting Koidu and making suggestions and recommendations on how to effectively implement the 'earth to export' system. GW also went to scope out its task as potential future monitors of the Integrated Diamond Management (IDM) diamond tracking system, to be jointly implemented by Management Systems International (MSI) and PDA. This system is intended to maximise benefits to local producers and to ensure that all diamonds mined by their member cooperatives are exported officially to the investor.

At the time of GW's visit diamonds were not yet being mined and the tracking system was therefore not in place. Nevertheless, Global Witness intended to provide input on the establishment of such a system. This report outlines the findings of GW's visit and specific recommendations for how to establish such a system.

Appendices include a list of our meetings as well as notes from our visits to each cooperative.

Background

Integrated Diamond Management (IDM) is a pilot initiative set up by the consultancy company Management Systems International in partnership with the PDA and primarily with the support of USAID.¹ IDM aims to change the incentive structure for diamond diggers and ensure that local people benefit from the diamonds by forming cooperatives that get credit to start mining. They intend that cooperative members will receive greater profits from the diamonds. MSI and PDA share an office in Koidu, Kono District, and have opened a second office in Tongo Fields, Kenema district. The latter has not begun to form cooperatives.²

MSI staff have actively worked over the past few years to lay the groundwork for this pilot project. After the MSI/PDA initiatives were promoted by the President of Sierra Leone in 2003, many people joined to create cooperatives with

approximately 50 members. Many members previously worked as diamond diggers, or in agricultural work. MSI/PDA only accepted cooperatives with at least 15 women members.

The program has carried out workshops to train cooperatives on working together, to develop mission statements and business plans and to develop how they work professionally. The objective of one workshop was to develop a Code of Conduct. Training has also been provided to educate cooperatives on how the tracking system will work, how to register for shares in the cooperative and how to divide profits fairly and equitably, and diamond valuation. The program also advises on all other matters relating to the establishment and running of the cooperatives.

The IDM program has not developed strict criteria for accepting cooperatives, but only four submitted all the necessary paperwork, including budgets and work plans as well as agreeing to uphold the PDA Code of Conduct. They therefore qualified. These are Danaya (which means Truth), Tayorma (Progress), Komafeneh (Experiment) and Koakoyima, the name of the village in which its members live. These cooperatives have an executive committee and 50-70 members in total. While many members have experience with diamond mining, some have other jobs and have not yet fully committed their time to the cooperative.³

At the time of our visit credit had not been provided. Funds were expected to arrive from USAID in 2004 but were delayed pending the results of an environmental impact assessment to be produced for USAID. PDA/MSI have had to manage expectations of the cooperatives that had been expecting the funds to arrive more quickly. At the time of our visit, The Rapaport Group had made a verbal agreement with PDA/MSI to provide credit for up to four cooperatives this season. As the rainy season is over and mining can begin, all four cooperatives selected have begun working on their sites to varying degrees without receiving any funds. Unless carefully monitored by the program, GW believes that this could undermine the system before it has a chance to prove itself.

¹ The PDA is supported by a Secretariat hired by MSI, and has an Executive Committee. Members are elected each year from their constituent groups: digger/miner, traditional leader, dealer/broker/exporter, Ministry of Mineral Resources, civil society representatives, and the donor.

² www.resourcebeneficiation.org

³ See appendix for more information on each cooperative.

Activities on first visit

At the time of GW's visit the cooperatives had started to remove the overburden, but no diamonds had been mined. GW therefore focused on identifying possible loopholes in the proposed system and makes recommendations in this report to address these loopholes.

GW carried out interviews with the stakeholders identified in Freetown and Kono district, and visited all four cooperatives' mine sites. This included members of cooperatives, Mines Monitoring Officers, Mines Wardens, and the head of the regional department of mines, MSI staff, PDA Executive Committee members, the Rokel Bank, and head of the Kono diamond dealers' association in Koidu. In Freetown, this included the Minister of Mineral Resources, the Gold and Diamond Department, DCI independent valuers, as well as NGOs working on diamond issues. GW also spent a great deal of time talking to staff members about the practical workings of the project. A list of meetings held is attached.

We did not study the proposals for the system past the point of export from Freetown because this has not been finalised. MSI/PDA are still working out the details of how the sale will work, and how a percentage of the sale of the diamonds will be returned to the cooperatives.

Monitoring the system in context

It is widely recognised by all the stakeholders GW has interviewed that effective monitoring is central to ensuring the credibility of the 'Earth to Export' system. However, the domestic system established to support the Kimberley Process in Sierra Leone does not provide sufficient oversight to ensure that diamonds from IDM-supported cooperatives can be tracked effectively to the point of export. The government monitoring system is largely ineffective, due mostly to the lack of government capacity to support and enforce this. This has been identified by the Kimberley Process as one of the key weaknesses in the certification scheme in all alluvial diamond producing countries, as guarantees cannot be provided of the origin of the diamonds they export. GW believes that it is crucial that the government receives financial and technical support to build capacity to ensure that it can carry out effective monitoring.

Last year, over 1,100 artisanal mining licences were granted in Kono district, but the department of mines has only one office in Koidu, and just 64 Mines Monitoring Officers to

check that all diamonds are going through official channels.⁴ Everybody we interviewed stated that there are not enough MMOs to monitor the work of all artisanal mines. Staff at the regional department of mines in Koidu are paid between \$40 and \$50 a month, have received little or no training and are therefore lacking the incentives to carry out their jobs professionally. In addition, they have scarce resources, such as transport and communications equipment, to ensure they can regularly visit and monitor all mining sites. USAID has given the Koidu Mines Ministry ten motorbikes but transport remains scarce.

Mines Wardens are also involved in monitoring the mines. They are responsible for demarcating the plot when it is initially applied for, and following up on health and safety issues at mines. They are paid even less than MMOs, and do not have transport either to visit mine sites regularly.

Other monitoring and mining committees exist at the regional level, as part of the various chiefdom councils, and district councils. The work of all these committees is not coordinated, with the potential for duplication or missing things completely.

Chiefdom mining monitors report any mine-related problems to the Paramount Chief, who then refers this on to the Department of Mines to deal with. The chiefdom monitors also do not have the resources or capacity to ensure effective monitoring of all the sites.

Earth to Export Scheme

The Earth to Export Scheme has not been formalised yet since gravels are not being mined. MSI has prepared a draft manual which states that the system will work in the following way:

Cooperatives will sell directly to buyers overseas, reducing the transactions and possibilities for diamonds to fall out of the system, while improving prices for diggers. All winnings will be bagged and sealed on the day they are discovered. Information on the stone will be affixed to the bag together with a digital photo of the find. The bags will then be stored in safe custody in Rokel Bank, in Koidu. The stones will be valued by a local diamond dealer who is a member of the PDA to ensure that the cooperative has an idea of how much its stones are worth. After a certain amount of diamonds has been collected, which is yet to be decided by PDA/MSI, they will be taken to the Gold and Diamond

⁴ Department of Mines, Government of Sierra Leone.

Department in Freetown where they will be valued. Once a value has been agreed, they will then be sold to the investor.

MSI has identified washing of the gravels as the main potential weak point in alluvial diamond mining, and aims to ensure that all washing will be properly monitored and that all diamonds will be properly recorded. GW agrees with this assessment.

GW believes that the following areas are potential weaknesses in the IDM system at this point:

Digging has begun

At the time of our visit, all four cooperatives had started work on their plots. Three had started to remove the overburden, while one had just done some 'slash and burn'. We were told that one cooperative would be removing gravels within one week.

GW believes that it is important that the program ensures that cooperatives do not start washing gravels and extracting diamonds now, as they may then want to sell to local dealers to get some money to support themselves while waiting for the funds to arrive through the IDM program. GW believes that this would undermine the whole project and continue the status quo that IDM seeks to break.

Hired Labour

As the mining season has started, two of the cooperatives have hired diggers to mine. GW saw them working, digging to remove the overburden. The cooperative executive committees say they plan to pay hired labour a daily wage of 7,000 leones, which is just over \$2. However, the hired men that GW was able to talk to at one cooperative plot said that they are not yet being paid. Once financing arrives, they have been told they will be paid 5,000 per day in arrears for the days worked, and 7,000 per day from the date the funds arrive. The hired labour will not receive a percentage of the winnings; they simply receive a daily wage. The hired labourers do not have contracts with the cooperatives and there are no guarantees that the cooperative will indeed pay the labourer.

GW believes that this is problematic and could undermine the system. Hired labourers may not be committed to ensuring that all diamonds mined leave officially. They would receive more money if they took diamonds and sold them to local dealers. In addition, the cooperatives will be in debt when the funds arrive, and one of the program's conditions for participation is that cooperatives are debt free.

Storing Gravels

While the first major weak spot is recognised by diamond experts to be at the point of washing gravels, it is not clear how cooperatives intend to ensure that nobody will touch their gravels before the washing. In order to maximise time for mining during the dry season, all four cooperatives plan to wash at the end of the season and will store gravels until then.

GW believes that it is important to ensure that the gravels are stored securely.

Washing Gravels

As the cooperatives have not received funding to start operations, they have not yet bought the equipment that they intend to use to wash the gravels. One cooperative said they intend to involve hired labour in the washing of the gravels. Alluvial miners that GW interviewed say that washing may take place during the night and over the weekend. Each cooperative currently plans to work on one plot, but all want to extend their operations. One cooperative is currently over one hour's drive from Koidu, in an isolated spot next to the Baffin river.

GW believes that effective monitoring is essential at the point of washing but that due to the situation outlined above this will be a major challenge for the program. MSI fully recognises this constraint and at the time of our visit was planning security, surveillance and monitoring measures at the mine sites with the head of the regional department of mines. GW believes it is critical to ensure that a government monitor and MSI/PDA monitor closely monitor this part of the process.

Weighing and Sealing

At the end of each day after the gravels are washed, the IDM manual states that the day's find will be weighed, sealed and photographed on site and transported to the bank, where it will be held in safe custody. Diggers and supporters that GW spoke to said that it is standard practice for diggers (outside the program) to take what they find to their supporter's office to weigh and seal it there.

GW believes that this may be difficult in practice, and that this stage of the process may need to be adapted to ensure it's practical once the system is up and running.

Banking the diamonds

All diamonds found are supposed to be taken to the bank at the end of each day by a MSI staff member, government mines monitoring officer and a cooperative member

according to the preliminary draft IDM Implementation Manual. Once at the bank the diamonds will be held in safe custody to which only two high-level bank staff has access. A receipt will be provided on delivery of the diamonds, to be shown on collection.

Banking hours are Monday-Friday 9am-3pm. Washing usually continues until dusk, and may carry on into the night. Washing is also done at weekends. In addition, one of the cooperatives is currently around one and a half hours away from Koidu town. The cooperative members are planning to build a road to the mine site, which would speed up the journey.

GW believes that the short bank opening hours, the distance from the bank, and the washing of gravels during the night could all undermine the system and that the diamonds must be securely stored at a trusted location that can be easily reached by all cooperatives.

Koidu to Freetown

This part of the process has not been formalised, but when a certain amount of diamonds have been collected, a member of the cooperative and a MSI staff member plan to take the diamonds from Koidu to Freetown. On arrival, they will be taken to the Gold and Diamond Department (GDD) to be valued and for KP certificates to be issued. The GDD is considering opening an office in Koidu but no definite date has been set.

GW believes that there are security considerations at this stage to ensure that all the diamonds safely arrive in Freetown. The opening of a GDD office in Koidu could facilitate the tracking of the diamonds. All diamonds could be registered at the Koidu office. This would make them easier to track and to keep secure prior to export.

Additional Issues

Other business interests

A large proportion of the population is dependent on diamond mining and familiar structures have been long established. While the diggers we spoke to were positive about the PDA and the cooperatives, GW believes it may be easy for diggers to fall back into familiar patterns and habits. There are a number of diamond dealers in Koidu that are wealthy and powerful. If the project is a success they may feel undermined and attempt to jeopardise its work. Also, diamond diggers are used to receiving money for diamonds they find almost immediately. One of the major challenges facing this initiative is the fact that diamond diggers will not be paid right away for the

diamonds but will have to wait until the diamonds have been sold.

Corruption

One cooperative has already had to remove their financial secretary because he was involved in taking money from the cooperative. His actions were discovered by other members of the executive committee. GW believes that it is important that the program effectively oversees the workings of the cooperatives, carries out checks and asks for regular financial reporting to ensure that members of the executive committee are not engaging in corrupt practices.

Agreements

The agreements between the investor and the PDA, and between the PDA and the cooperatives had not been finalised at the time of our visit. These will be a very important part of the scheme, contracting what all parties have signed up to do.

Involvement of chiefs

In at least one cooperative that we interviewed, some of the local chiefs were involved in the cooperative. One cooperative member told Global Witness staff that they would give some money to local chiefs and to the Paramount Chief, if they found a big diamond. GW believes that this may not be a problem if agreed on by all cooperative members, but may need to be watched by program staff.

Standards against which 'earth to export' system can be measured

The program needs to establish clear standards that can be measured against in order to effectively to monitor and evaluate the tracking system. GW hopes to provide input and assist in the development of these standards, and suggests the following as first steps to be built on.

- ▶ All members of the cooperative must be individually registered with the PDA
- ▶ All diamond washing should be monitored by MMOs
- ▶ All diamonds must be stored securely
- ▶ All diamonds found must be weighed, logged and photographed on the same day that they are found.
- ▶ All diamonds found must be registered on a daily basis by cooperatives. Daily production sheets must be kept by each cooperative.
- ▶ The program should collect production figures from the cooperatives weekly and check the figures against the diamonds they have received/registered/store themselves.

Recommendations

GW makes the following recommendations but is mindful that some of these are suggestions at this stage and may be changed as the 'earth to export' procedure gets underway and practical difficulties are encountered.

The program should:

1. Clearly outline its Earth to Export procedure and makes sure that this is clearly communicated and understood by all members of the cooperatives and everyone else involved in the project.
2. Require all cooperatives to keep daily production sheets providing information on the stones found, their weight, and when they were found. The program should also keep a record of all stones delivered to them and these figures should be tallied at the end of every week. The program should maintain a computerised database to capture this data.
3. Make sure that cooperatives are not washing gravels unmonitored.
4. Aim to ensure that no hired labour is used. If hired labour is a necessity due to a lack of cooperative members able to mine, they must receive a contract and must be paid a daily wage.
5. Hire and train monitoring officers to be responsible for monitoring each plot mined by the cooperative, and to be present during the washing stage. These monitors should be paid a reasonable salary, commensurate with an average NGO worker in this area and receive necessary training.
6. Think about placing a safe in the PDA/MSI office that is accessible to deposit diamonds in 24 hours a day 7 days a week.
7. Ensure that all diamonds are securely transported from Koidu to Freetown. Times of travel should be varied on each trip.
8. Put in place a mechanism to ensure that the distribution of winnings can be re-visited if problems and conflicts arise.
9. Be involved in distribution of money and monitoring equitable distribution, as well as seeing that those mining get a daily wage.

10. Continue to provide training and carry out ongoing work with cooperative members to make sure they understand how systems work, benefits of system, valuation for longer-term sustainability, budget/accounting skills, etc.
11. Continue to engage with the diamond industry, particularly if plans are developed for future mining seasons, to ensure that their understanding and cooperation is gained so as not to undermine or jeopardise the project.
12. Think about the sustainability of the initiative in the long-term and plan how monitoring will continue.
13. Identify and engage with groups involved in Fair Trade, labour issues, and the environment to ensure that progress is made in these areas. This includes Earthworks, WWF Australia, Max Havelaar, the Fair Trade Federation, ICEM – the world federation of unions, as well as the World Bank's CASM project.

The international community should:

14. Provide financial and technical assistance and support to ensure that the government's monitoring of diamond mining and diamond controls is strong and effective and upholds the standards set out in the Kimberley Process.
15. Think about possibilities for using this project as a model in other artisanal diamond mining areas if it works.

The government of Sierra Leone should:

16. Ensure that MMOs are situated at each cooperative site during the washing period. They should be rotated on a regular basis, every two weeks. All MMOs involved should have the necessary transport (motorbikes) and communication to be able to effectively monitor all mine sites.

Conclusion

Global Witness believes that this is an important and worthwhile initiative. There is broad support for this project in Sierra Leone from all the key stakeholders and others observing the project. The team are committed and enthusiastic, while understanding the possible problems they will need to address.

It must be stressed that this is a pilot project and as the mining gets underway various challenges will need to be tackled. Initial problem areas that Global Witness has outlined above will need to be addressed. It is particularly important to clearly

spell out what the procedures are that all cooperatives must adhere to in order for everyone involved to understand and implement this. Other challenges will arise over the course of this first season and Global Witness is committed to working with the PDA to come up with creative suggestions and recommendations to give this process credibility and to make sure that it works according to the standards set.

Appendices

i. Meetings held by Global Witness, Freetown and Kono district, 17-25 January 2005

Freetown:

Nicholas Webber, country director, CARE International
Minister Deen, Minister of Mineral Resources,
M.S. Mustapha-Rogers, Permanent Secretary
Merlai Bai Kamara, Deputy Minister of Mineral Resources
Ernest Tucker, Gold and Diamond Department
Mustapha Juray and Tim Redston DCI, independent valuers
Tennyson Williams, country director, Actionaid
Tani Pratt, CEMMATS

Koidu:

Paul Temple, team leader, PDA
Sahr Nyaama, community mobilisation, PDA
Tamba Sandi, project coordinator
Dr Sahr Tongu, deputy team leader
Babar Turay, environmental officer
Paramount Chief Fengai
Jonathan Sharkah, Head of Department of Mines, Koidu
John Simbo, Senior Mines Monitoring Officer
J.P.Koroma, F.A.Kausia, Area Superintendents,
Mines Wardens, Kono district
A A Tarawally, senior mines warden
Abdul Jawara, Actionaid Koidu
Tamba Seisay, Manager, Rokel Commercial Bank
Prince Saquee, local dealer
Chaim Even-Zohar, diamond consultant
Tim Shorten, Mark White, DfID
Security Advisor, Africa Diamonds

ii. Report from each cooperative

22 January 2005

Koakoyima

18 members of the cooperative were present on site to meet us, including two women. The cooperative has 62 members and they think they have 35 strong men that will be involved in the actual mining. They became a cooperative on 12 October 2003. They also have a cassava garden. They mined an adjoining plot in 2004. They are supporting themselves using individual member contributions. Some of the cooperative members have

had PDA small stone training. They anticipate having to hire labour. They will pay them 7,000 leones each day. There is a stream next to the plot that will not dry up during the rainy season so they can wash the gravels on site. Members of the cooperative will guard the gravels, pumping water up from the stream. It takes them less than an hour to walk to the plot from their villages. They anticipate working from 9-5.30. They will also mine at weekends sometimes, and will definitely wash at the weekend. They have 12 shovels already, and a billing machine. They think it will take 5 to 6 months to finish all the washing of the gravels and backfilling the hole.

They have done 'slash and burn' of the plot, and started digging away the overburden. One digger was working when we visited. 23 people are on the management committee. Some of them will be digging, others supervising. One cooperative member paid for the licence and he will get his money back from the money provided to the cooperative. It costs 25,000 leones to become a member of the cooperative. In addition, one share costs 10,000 leones. However, if you buy two shares, you do not receive twice as much winnings as somebody with one share. They need to work out how much they will receive. The executive committee decided how the money will be divided, and then the whole cooperative voted on this. They think it will take them two months to reach the gravels.

Tayorma cooperative

When Global Witness visited there were 9 hired labourers digging, while none of the cooperative members were working. The cooperative members said they were paying the diggers 7,000 leones each day. The cooperative has 58 members. They have a second plot to mine at Peyema in addition to the one we visited. They are planning for 20 cooperative members to mine at the second plot. They say they are saving the strength of these men by hiring labour to dig this plot. They have 23 women members who will be responsible for fundraising, and providing food for the members. The cooperative has started to mine. They say the cooperative existed in a skeletal way in 2003 but was then 'sensitised' by the PDA. In 2004 they mined using their own funds. It costs 5,000 leones to become a member of the cooperative, and each share costs 20,000 leones. The cooperative jointly paid the licence fee of 460,000 leones for the plot. Other members of the cooperative have other jobs, for instance office jobs. They are waiting for the money to arrive before starting to mine. They have 12 shovels. If cooperative members mined, the executive committee say they wouldn't have to pay the diggers as they have a share, they could just feed them.

We talked to nine of the hired labourers there. Apparently 17

are working there but the others were out collecting wood. They haven't been paid yet and started work 12 days ago on the site. They have been told that as soon as funds arrive, they will receive a back payment of 5,000 leones per day for the days already worked, and 7,000 per day onwards. The men we talked to said they thought it was a good project, and wanted to work for the good daily wage and also because the work was stable. At other artisanal mines, you may have work one day, then turn up the next and be told you aren't needed. They are working every day as they receive more money this way. Other diggers want to get involved in the project but these 17 have been hired already.

The cooperative members say they will choose the reliable and trustworthy hired diggers to wash the gravels. They will select the people that they trust.

Danaya cooperative

The site that this cooperative has chosen is far from their home in Yengema. It is a 20-minute drive followed by a 45 minute walk at the moment. They are keen to mine for gold as well as diamonds, and think that there is more gold than diamonds in Sierra Leone. If they cannot interest the investor in buying their gold as well as diamonds, they will sell it in town to a local dealer. They have had trouble with their financial secretary, who is also their town chief and was their treasurer. He was one of the signatories of the cooperative bank account but he stole some of the cooperative funds and went to Freetown.

They have chosen this site so far from home because they think it is a very rich area. It is on the edge of the Baffin river and diamonds are mined on the other bank, as well as gold along the river. They say they have a geological survey of the area and know it is really rich. The paramount chief has been really supportive and has given them 8 plots, but they currently only have the licence paid for one plot. There are 60 members of the cooperative and 35 of them will mine. They set up in October 2003. The river is very muddy and diamond mining will add to this. Communities use this river to wash in. The first thing they will do is to rebuild the path so that bikes can get through. They also want to buy a powersaw to do some logging as an alternative livelihood. One member of the cooperative told us that he sold a diamond before for \$160 000 although he heard the dealer sold it for \$1 million.

If they find a big diamond they may give local chiefs a share of winnings. The town chief is a member of the cooperative anyway so he will receive a share of the winnings. They will

also hire labour at 7,000 leones a day. They will also work at night when necessary. They think it will be fine to travel to Koidu each day by bike. It will take 45 minutes to make this journey if they rebuild the road. They will start on the road before extracting any gravels.

They will give bonuses to diggers if they find a 10+ carat diamond to encourage them not to steal any of the big diamonds. They will use a plant to wash the gravels, and the cooperative members will do this themselves, not hired labourers.

Komafeneh cooperative

This cooperative was set up in 2003 and has 70 members, including 30 women. They chose this site because somebody that worked for NDMC previously gave them the information about it and they have a mineral map. A stream forms one of their boundaries but will this dry up. Their plot is 100x200 feet. They have applied for a second one. Many members have mined before but not as a cooperative. We talked to the Secretary and the Financial Secretary. They think that the PDA will be involved in monitoring everything including the sales. They will work every day except Friday. The majority of their members, over 85% are from MOCKY.⁵ The senior members will organise the ones that can mine. They say MOCKY members benefit from the experience of having worked together before and been part of an organisation. The membership of the cooperative costs 5,000 leones and it is 25,000 leones per share. After paying back the loan 15% will go to the co-op account as a reserve fund and they would share the balance.

They think it will take 90 days to get rid of the overburden. They will also need to build a camp near the site as the distance to town is too far. It takes two hours for diggers to get to the site at the moment. This camp will just be men, as female members of the cooperative have families to go to. Women may cook and then leave again, as well as supervising and getting a sense of the production. During extraction women can help to move the gravels.

A cooperative union has been set up. Twenty five cooperatives have come together to form an umbrella group. They have only formed recently and are about to write a constitution.

They will hire labour if they need to and they have enough money. Co-op members that mine will be given food and 7,000 leones a day. At the moment they are just getting money for food. Supervisors will only get their share winnings, they won't get a wage.

The Movement of Concerned Kono Youth (Mocky) is a community-based organization. MOCKY is a member of the Peace Diamond Alliance.

Second report from visit to Sierra Leone, 18-25 April 2005

Two Global Witness staff travelled to Sierra Leone from 18 to 25 April 2005 in accordance with our agreement with Management Systems International (MSI), with funding provided by USAID under the Integrated Diamond Management Program (IDMP). This visit follows an initial scoping visit in January 2005. Under this agreement, Global Witness has been charged with evaluating the IDMP 'earth to export' scheme to ensure that all diamonds mined by the cooperatives are exported through the official system, and that diamonds do not fall in or out of the PDA production. Global Witness was also contracted to make recommendations and suggestions to improve plans for the system.

When Global Witness visited in January this year, three cooperatives had started to remove the overburden. The fourth was still clearing the area but no funds had arrived to disburse to the cooperatives to enable them to purchase equipment and start working. Since then each cooperative has made significant progress and a fifth cooperative has also been funded by a new investor. Four cooperatives have now begun to extract the gravels, while one had just reached the gravels. One cooperative hopes to start washing in May, while the others plan to wash within the next two months. Global Witness will carry out a third visit once washing has started and is committed to providing support in ensuring the effectiveness of the 'earth to export' system at the next crucial stage, the washing of gravels, planned later this year.

This report documents the findings of this second visit to monitor the cooperatives in Koidu.⁶ Notes from meetings held and cooperatives visited are included in an annex. Findings and recommendations from this report should be shared with the relevant IDMP staff, and the cooperatives' Executive Committees and members as appropriate.

Background

Five cooperatives are now working with the PDA under the Integrated Diamond Management Program. The Rapaport Group has provided funding for four cooperatives (Danaya, Tayorma, Komafeneh and Koakoyima) and Joseph J James and his company Kono's Hope have also become involved and are funding a fifth cooperative, Peyee. Private investment was sought to replace funding that was

expected from USAID but did not materialise. Initial contracts have now been signed between the investor, the cooperative, and the IDMP as project manager. The agreed payment system is:

When the diamonds arrive in Koidu, they will be valued by the government diamond valuator based in Koidu, and 50% of that valuation price will be immediately paid to the cooperative. The diamonds will then be sent to Freetown and exported in accordance with the Kimberley Process. The diamonds will be sold at tender, and the investor will take 10% of the price as commission as well as costs. He will also recoup his original loan. The remainder of the money, 90% of the sale price (minus the 50% already given based on Koidu valuation) will return to the cooperative to be split.

The project staff continue to work hard with the cooperatives, and on other diamond management issues, and appear committed to the success of this project.

Summary of problems found on first trip and how they have been addressed

In the last report, Global Witness documented its main findings and concerns following visits to four cooperatives and meetings with key stakeholders. The main findings were:

- ▶ Lack of government monitoring of cooperatives and artisanal diamond mining.



The Danaya cooperative in April 2005

⁶ At the end of our visit we provided the Project Coordinator with some initial findings and recommendations which are contained in this document.

- ▶ Cooperatives had hired non co-op members to dig. Some of these men weren't being paid.
- ▶ Security along the pipeline – the need for monitoring at point of washing of diamond-bearing gravels, and weighing and sealing diamonds on-site, and dealing with the fact that banks are not open after 4pm and at weekends when diamonds would need to be deposited, securing travel from Koidu to Freetown.

In addition, Global Witness noted further issues that may affect the scheme:

- ▶ Agreements between the funder and cooperatives had not been finalised
- ▶ Need for regular financial reporting from cooperatives to monitor expenditure and prevent corruption
- ▶ Possibility of local diamond industry undermining work if it is seen as a threat
- ▶ Involvement of local chiefs
- ▶ Development of clear standards against which to monitor and evaluate the tracking system

Significant progress has been made since this first report, and many of these issues are ongoing and are being dealt with or have been resolved. Global Witness welcomes the progress made: only cooperative members are now working at the sites, and an ID card system is being introduced in order to regulate this, and increase security. In addition, each cooperative has two members responsible for security and somebody is present 24 hours a day to guard the gravels extracted. Alternatives to the formal bank are being sought, such as installing a safe on the project premises, and a Government Diamond Valuator has been hired in Koidu who will be able to value the diamonds as soon as they are brought to Koidu. This expedites payment to the cooperatives, and increases transparency, both of which are strongly welcomed. Agreements have also been signed, and plans to help cooperatives in their financial reporting are underway with the aim of ensuring regular and adequate financial reporting.

As the washing of gravels has not yet started, many of our concerns about how that will work remain, and will be addressed on the next visit to Sierra Leone. Cooperatives have members on site 24 hours a day providing security to the gravels, and if once washing starts, gravels are highly productive, there will need to be a strategy to increase security.

The lack of government monitoring is a long-term problem that is not the responsibility of the project, but that needs to

be addressed in order to underpin the system if it is to be sustainable in the long-term. In the meantime, the PDA has hired two monitors and plans to hire more to ensure that each cooperative is monitored throughout washing times.

Activities on second visit

Global Witness visited each of the five cooperatives once, and also carried out surprise visits to two cooperatives. We spent time talking to PDA staff, and to representatives from the Ministry of Mineral Resources, including the Head of the Department of Mines, Mines Monitoring Officers and the newly-appointed government diamond valuator in Koidu.

During the field visits, we interviewed members of the Executive Committee of each cooperative, supervisors, diggers and women. We observed the activities being carried out at each cooperative site and asked questions relevant to the mine to export system. The two project monitors that have been hired to carry out regular monitoring visits to the cooperatives accompanied Global Witness and provided support in translation where needed. As all the cooperatives are now in the process of extracting gravels, Global Witness focused its monitoring work on issues pertinent to this stage as well as looking further along the chain at any concerns that may arise once washing begins when the system will be tested.

Monitoring the system

Global Witness focused on the importance of monitoring in its last report. Global Witness' role is to evaluate the earth to export system on visits every two months, as well as monitor the tendering process. The last report recommended that the project hire monitors to provide regular supervision. The last report also stressed the need for increased government monitoring by the Mines Monitoring Officers.

PDA monitors

Two monitors have now been hired by the project, one started in March and the second in April 2005. The program aims to hire three additional monitors to be present at each cooperative throughout the washing of the gravels. Currently, the two monitors share one motorbike and are therefore visiting cooperatives together, but at the time of our visit they were awaiting delivery of more bikes and planned to work separately in order to cover more ground. The two monitors recruited so far seem to be getting quickly acquainted with their job and regularly visit each cooperative.

The work of the monitors is crucial for the success of the project. Global Witness recommends that all monitors receive some training and support so that they have a clear idea of what is expected of them, how to undertake field visits and what to look out for. The monitors are going to receive some training in technical diamond valuation, which will be extremely useful, and Global Witness believes they should also receive training on how to carry out effective monitoring, what are the important things to look out for, what to do if conflicts arise in a cooperative, and the content of the agreements for example.

Global Witness welcomes the creation of a monitoring questionnaire to be filled in on each visit to a cooperative by the monitors, and has some suggestions that should be added to the questionnaire to provide further guidance of what to look out for. These questions can then be used as the basis for the monitors' daily reports. This is crucial as it will help them raise the relevant questions and note down all issues that are important to report back on. Additional questions to ask are an annex to this report.

Global Witness also welcomes the plan for monitors to produce weekly and monthly monitoring reports, and recommends that these reports be as detailed as possible using the monitoring questionnaire as a framework for reporting.

The monitors should continue to build relations with all members of every cooperative so that people should feel they are approachable, and should make themselves available to all members during their visits. The monitors need to spend enough time with members of the cooperative – not only those in charge – addressing all these issues. A clear contract and job description will enable them to know what is expected from them. They must be paid a reasonable wage for their job.

Global Witness also encourages PDA monitors to carry out visits at different times of day, including at the end of the day when payments are made to cooperative members, as well as carrying out visits on Fridays when some cooperatives may be working.

Mines Monitoring Officers:

In a meeting with Global Witness, the department of mines stated that it has deployed five Mines Monitoring Officers (MMOs) to monitor the cooperatives, and that they are there 'permanently'.

Although project staff have met the regional head of the department of mines to ask for Mines Monitoring Officers to visit each cooperative, this was not happening at the time of our visit. We did not see one MMO at any of the cooperative sites during our field visits. At one cooperative we were told that an MMO had been there that week, but at another site, cooperative members told us that no MMO had ever visited.

Global Witness recognises all the work that the IDMP staff has undertaken in building relations with the department of mines, including by providing transport, communication and training. In addition, Global Witness recommends regular communication between MMOs and PDA monitors which will be important to update each other on a regular basis (daily, weekly, monthly, as appropriate) on their findings at the mine sites, and any concerns they have. Experience can be shared and official monitors may be motivated by seeing how IDMP staff operates. Global Witness is contracted to carry out a monitoring workshop with the PDA, and believes that the relevant MMOs should also attend these meetings to increase coordination and communication.

The sustainability of monitoring the cooperatives must be thought about as it will not be possible to continue to hire monitors to ensure that one is working at each mine site. In order to be successful and sustainable, it is important that the project has sufficient political support. MMOs must visit each site to monitor activity, and a strategy developed that will adequately address security issues if the project expands.

Key Findings

Global Witness found that the majority of cooperative members interviewed feel very positively about the potential of the project and have high expectations. Global Witness supports the aims of the project and hopes that this report will contribute to the strengthening of the system while recognising the complexity of issues and the necessity of dealing with the reality on the ground.

Some of the issues raised may not seem immediately relevant or directly related to the integrity of the earth to export system but Global Witness believes that they all have the potential to impact the system, and may undermine it if not addressed. An additional note provides observations made by Global Witness that fall outside its scope of work.

Clear understanding of the agreement

All cooperatives have signed a Memorandum of Understanding that is between the investor, the cooperative, and the PDA. However, there have been subsequent minor administrative changes, and a new copy needs to be signed. Project staff are planning to read the contract to all members of each cooperative once it has been signed so that it is clear to everybody.

When Global Witness staff visited cooperatives, it wasn't always apparent that all cooperative members clearly understand what they have committed to, and what they are entitled to. It appears that some members are still not clear about the functioning of the system and what their rights are in terms of salary, shares of the findings and loan repayment as Global Witness was asked several times for information about these issues. Clarity and transparency now will avoid misunderstanding and potential conflicts down the line. It is established in point 7 of the PDA Code of Conduct that *'[...] workers opting for winning share will be informed of the percentage of winnings in advance [...]'*.

Global Witness encourages the PDA to continue its work with cooperatives, going over all the concepts in very clear terms, to ensure that all members understand the financial agreement they have made and what this means in reality.

It is crucial that all members of the cooperative fully understand what they have committed to, both the Executive Committee and all the members. If they are not completely clear, this may undermine the system as the incentive structure will not change. People may continue to feel exploited, or that they could reap more benefit to themselves by selling the diamonds to a local dealer.

In future cooperative meetings, relevant sections of the contract could be re-read and discussed to ensure everybody knows what they have signed to and do not have unrealistic expectations or misconceptions of the PDA. This is particularly important as some cooperative members are illiterate and cannot read the contract themselves.

In order to be clear with all members what their rights and responsibilities as co-op members are, Global Witness recommends that PDA produce a paper containing some of the key aims of the PDA, as well as other important do's and don'ts. This could perhaps be done in picture form for those that are illiterate.

Pay

The PDA code of conduct states that everybody working in the cooperative should get paid and the MoU states that *'borrowers [the cooperatives] shall compensate all its members for their labour [...]'*. However, Global Witness talked to some cooperative members that are digging without being paid for their work. This not only breaches one of the fundamental aspects of the agreement but increases the likelihood of diamond smuggling by those members who receive no income.

The amount of money provided by private investors, while substantial, has not allowed cooperatives to cover all their needs adequately. Several cooperatives talked to us about budgetary constraints they face, resulting in difficulties providing payment to all members of the cooperative.

If cooperatives become self-sustaining in the future they will need to prioritise certain things, such as daily wage, in their budgets. If they are not able to do so, adequate funding should be sought that enables, at the least, all working members of the cooperative to be paid daily for their work.

Global Witness urges that all workers receive adequate and reasonable pay for the work that they carry out and that they are paid on time. In addition, there should be a clarification about whether all cooperative members are supposed to be paid. If this is not the case, the Code of Conduct and MoU must be adjusted accordingly to reflect the reality. This must be addressed immediately as it has the potential to undermine the system.

Buying not digging diamonds

One cooperative member that Global Witness talked to expressed his intention to sell any diamonds he finds in his own private mining operation to the cooperative that he is a member of. He didn't see any problem with this, and was not clear why this would be seen as a problem.

Global Witness strongly recommends that it should be clearly and continually explained to all cooperative members why bringing non-cooperative diamonds into the IDMP system is problematic. This does not currently appear in either the MoU or the Code of Conduct and Global Witness recommends that it is added to these documents.

One of the lynchpins of this system, as Global Witness understands, is to enable diamonds mined by cooperatives to

be tracked through export and beyond and ensure that miners of those diamonds benefit financially from their work. No diamonds mined outside the cooperative should be added to the cooperative's production, as this would undermine the whole system. No diamonds should leak out either.

The maintenance of daily production sheets, combined with effective monitoring and security measures, should help to identify any discrepancies in daily production figures and alert suspicions which would help to prevent this.

ID system

The project is in the process of setting up an ID system, whereby each cooperative member will have photographic ID, and their records are stored by the project.

Global Witness strongly welcomes this and hopes that it gets up and running as soon as possible.

Monitoring on Friday

It is accepted as tradition that nobody mines on Friday, but at least one of the cooperatives say that it works every Friday. When Global Witness carried out unannounced visits to two of the cooperatives on Friday, neither were working but one told us that diggers had been working that day and had only just left. Currently both monitors do not work on Friday.

Once transport arrives for all monitors, Global Witness suggests they work in rotation so that somebody works on Friday and can be present at that mine during the washing period.

Recommendations

Global Witness makes the following recommendations for ensuring an effective earth to export scheme in the PDA Initiative:

The program should:

1. Ensure that all those working within the cooperatives are paid.
2. Clarify whether all cooperative members are supposed to be paid. If this is not the case, the Code of Conduct and MoU must be adjusted accordingly to reflect the reality. This must be addressed as a matter of urgency.
5. Work continually with cooperatives so that they understand problems that arise and what is being done



Cooperative members at Komafeneh cooperative, April 2005

- about them. Explain as many times as needed what all cooperative members have agreed to. Provide reminders of this. Provide other information on key rights and responsibilities.
6. Make sure the MoU clearly sets out what is expected. Don't assume things are taken as read when they are not included. Be explicit in what is expected on both sides.
 7. Look at how to increase coordination between MMOs and PDA monitors.
 8. Expand the monitoring questionnaire that is filled in on each visit to the cooperatives.
 9. Give monitors a clear contract and job description that will enable them to know what is expected from them and pay them a reasonable wage.
 10. Amend the contract to state that no diamonds mined outside the cooperative should be added to the cooperative's production, and that no diamonds should leak out either. This should be included in the agreement immediately, and it should then be made clear to all members.

11. Monitors should work in rotation so that somebody works on Friday and can be present at that mine during the washing period.

Project monitors should:

12. Write detailed monitoring reports using the monitoring questionnaire as a framework for reporting.
13. Continue to build relations with all members of every cooperative so that people should feel they are approachable, and should make themselves available to all members during their visits. The monitors need to spend enough time with members of the cooperative
14. Witness payments made to cooperative members, carry out spot checks on Fridays to ensure no activity is going on, etc.

The project, with Global Witness, should:

15. Continue to think about the different options to ensure the sustainability of monitoring the project in the long-term.

Conclusions

There has been significant progress in activities since Global Witness last visited Sierra Leone in January 2005 and there is general optimism and enthusiasm amongst cooperative members. As well as the physical progress at each cooperative site, the project has been working hard to ensure the effective implementation of the project, and have taken initiatives to improve the system. Many of Global Witness' concerns from the last report have been taken up.

Global Witness is very encouraged to see that monitoring staff have been hired who are already carrying out regular visits to the cooperatives, since the monitors will form a crucial part of the project. Monitoring questionnaires and reporting have also been developed that will help in carrying out this function. However, Global Witness remains concerned at the lack of MMO presence at the cooperatives.

Following this visit, Global Witness believes that the issue of pay needs to be addressed as a priority so that all those working are adequately compensated. Another key need is to ensure that all cooperative members clearly understand what they have agreed to, and to make sure that this is set out clearly in writing.

In the longer term, the sustainability of the project, and the monitoring component, needs to be considered. There are plans to expand the project to cover 25 cooperatives in 2006 and it is highly unlikely that one MMO and a project monitor will be present throughout the washing of the gravels at each cooperative. Therefore it is important that the project, together with Global Witness, thinks realistically about what can be sustainable.

Appendices:

i. Visits to cooperatives

ii. List of meetings held

iii. Additional questions to include in monitoring questionnaire

iv. Note on environment and labour issues

v. Draft findings submitted to IDMP staff on 23 April 2005

i. Visits to cooperatives

Wednesday 20 April

Peyee cooperative

- ▶ There are 51 members in the co-op including 19 women who are mainly charged with cooking, and fetching water.
- ▶ They have already reached the gravel in the pit and are piling it up. They plan to start washing in 1 month.
- ▶ Co-op executive committee say that MMOs come regularly, about twice a week.
- ▶ They aren't using machinery to dig, although they'd like to – the cost of renting a caterpillar is US\$1,300 a day, and it is US\$1,500 for an excavator.
- ▶ This co-op has so far received about 26 million leones. The second tranche was 7 million, of which they still have 2 million left.
- ▶ Co-op members say that they all get paid the same (4,000 leones and two cups of rice) and work from 8am to 4pm with a half-hour break from 1.30 to 2pm. They also mentioned an incentive of around 7,000 leones that they receive.
- ▶ They have a bank account whose signatories are the secretary, the chairman and the coordinator. The chairman is the local chief.
- ▶ They have two co-op members responsible for security who stay in the premises permanently. They are part of the coop. One of them is also a mechanic. They would like to see the security increased to more than 10 staff when washing starts.
- ▶ One member told us that he gives his wife all the money he gets which she looks after. He is extremely happy with the co-op and is already benefiting more than he was with previous digging jobs. He told us

that they are hopeful of finding diamond as a Japanese company mined in this area last year.

- ▶ There is some medical provision and the secretary has taken sick co-op members to the doctor and paid for medicine.
- ▶ Co-op members feel this is a major improvement from their previous situation, where most worked for foreign supporters.
- ▶ This co-op has a farm as well as a mine and some members said they hope to stop digging and be able to farm full-time.
- ▶ Co-op members said that PDA monitors come here often and look mainly at security issues (potential dangers to workers), child labour and any other problems.
- ▶ Some members weren't sure how winnings would be split and thought that hierarchy rather than shares bought would determine who gets what.

Koakoyima cooperative

- ▶ They have 58 members, of which they say about 32 are digging.
- ▶ They have moved plot since they started activities.
- ▶ They got to the gravels approximately one month ago and are piling them up prior to washing.
- ▶ About half of the people here have shoes, whereas in the previous one virtually every digger was barefoot.
- ▶ Co-op members said that women were present at the time of the visit in order to see us. They usually work on the farm which is about 5 miles away from the mine. Their village is about 4 miles away from the mine.
- ▶ At the time of the visit workers were piling gravel, passing buckets to one another in a line. They were moving the initial pile of gravel to a different spot as advised by the PDA monitors, as its previous situation was too close to the pit and rain could have washed it away.
- ▶ This co-op plans to mine gold as well as diamonds. At a neighbouring plot women had found gold.
- ▶ They expect to start washing in August but will keep extracting at the same time.
- ▶ The system is organised in shares. Those who work harder will get more shares and hence more money.
- ▶ The head of the co-op asked us about the loan and how this is to be repaid; this may have been just to confirm what they know already, but may also suggest a lack of understanding.
- ▶ We were told that an MMO came once last month and another one once this month. They have focused on looking at hazards and have provided advice to the co-op.
- ▶ They see the co-op as a significant improvement from

the previous situation and they identify the fact that it gathers them together as the main advantage. They are also hopeful that they will get benefits in the future and are very positive that the system will succeed.

- ▶ Other benefits identified were the medical facilities provided and the 'good example' they were setting for others and for future generations. A sick woman was on the site and she complained that she could not have her treatment covered. It costs 50,000 leones to have a consultation with a doctor and over 350,000 leones to have an operation.
- ▶ One of the members looked younger than 18. When we asked how old he was, he replied he was 22 but we realised we had no way of checking.

Thursday 21 April 2005

Visit to Danaya

- ▶ There are about 60 co-op members, 40 of which are active diggers.
- ▶ When we visited they had just reached the gravel in one corner. They are still digging to get to the gravel.
- ▶ They are just beside the river and digging a deep pit. The wall separating the pit from the river does not seem very well supported and there may be a risk of collapse. The co-op chairman did not feel that this was a problem, and seemed happy with levels of safety.
- ▶ They plan to mine gold as well as diamonds.
- ▶ There was some confusion about amounts that co-op members are receiving. But Global Witness understands that each digger receives 2,000 leones per day, but not necessarily on a daily basis. A further 2,000 leones is spent on food for the day. Two cups of rice are also provided each day to eat. They may also receive a bonus at the weekends, but this was not completely clear to us.
- ▶ They hope to start washing in July.
- ▶ This co-op looked pretty professional and everybody was focused on their work.
- ▶ The plot they have is 400x400 feet. They are working in a particular spot now but will move on to mine the rest of the plot when they are finished with the current one. They hope this plot can provide them with work for at least 10 years.
- ▶ Apparently no MMO has visited yet, although the department of mines had said they would come.
- ▶ The advantages that diggers pointed out about working in a co-op are the good food, the medicines, the tools the co-op provide to enable them to do their work, having a break during the day and not being shouted at anymore.
- ▶ Diggers said they would like extra equipment such as boots.

- ▶ There seemed to be only one woman around, and she was in charge of the cooking.
- ▶ The diggers are divided in 8 groups of five people each, to provide some competition and motivation for each group to work as hard as possible. We were also told that winnings would be split amongst a group, but not amongst the cooperative.
- ▶ The local chief is a member of the cooperative and he has a private mining operation. He told us that he hopes to sell any diamonds he finds to the cooperative. We discussed the problems of this with him and the PDA monitors.
- ▶ We checked their register.

Visit to Tayorma cooperative

- ▶ There are more than 60 co-op members, of which 25 are active diggers.
- ▶ Diggers get 2,000 leones per day while 2,000 leones goes towards food each day, and they receive two cups of rice. We were told that payments are made two weeks in advance.
- ▶ Working hours are 8am to 4-5pm, with a maximum of one hour break.
- ▶ Only diggers are currently being paid. However, we also talked two men, one who was digging and another working the pump, who apparently don't receive anything. The supervisors also do not receive anything.



Tayorma cooperative in April 2005

- ▶ We saw their registration book with the name of each member, their attendance record and the money and rice that has been given to them every day. They use fingerprints as signatures. They record 2,000 leones for each day's work and 12,000 cumulative leones that are given on weekends.
- ▶ They told us that the delay in receiving funding caused problems. Money arrived 12 days late, and this resulted in the diggers stopping work for one day.
- ▶ There are currently three members responsible for security. There used to be five, but they lack sufficient funding to keep them. We were told they are being paid by a contribution from the executive committee members.
- ▶ They told us that they will start washing the gravels in two months, but rely on the project staff to tell them when they can start.
- ▶ We were told that MMOs come here every day.
- ▶ Two women working in the co-op complained that they hadn't been paid anything for their work. One said she came about twice a week, the other one had been away sick for three weeks and was angry that her medical treatment hadn't been paid for. She and the chairman both got extremely angry, the chairman complaining that they didn't have enough money to be able to pay everybody or pay for their medical treatment. One of the PDA monitors skillfully diffused the situation and said he intended to follow up on the situation.

Friday 22 April 2005

Unannounced visit to Koakoyima and Tayorma

- ▶ Both had the co-op members responsible for security there and no digging was going on. However, the security staff at Tayorma reported that co-op members have been digging all morning as they didn't finish the work planned for the previous day. We were told that Tayorma usually works on Friday and takes Sunday off.

Saturday 23 April 2005

Visit to Komafeneh

- ▶ When we visited there were about 30 men there including two supervisors, three men responsible for security and a manager. There are about 60-70 members in total.
- ▶ We were told that the daily wage is 2,000 leones, two cups of rice and lunch. The money is given once a week, and there is a bonus of 2,000 leones on Fridays.
- ▶ They have seen MMOs on the site twice, and they stayed for about 10 minutes and interviewed various people.
- ▶ PDA monitors are here almost daily.

- ▶ Washing will begin next month.
- ▶ They would like to work faster, and therefore would like to have one or two caterpillars, but have no budget for them.
- ▶ The shares will be split equally.
- ▶ They have a register of people, with daily records of times in and out and fingerprints or signatures.
- ▶ Sickness is a problem, especially malaria and other pains. When this happens, the person is taken to hospital.
- ▶ They would like to have raincoats for the rainy season and transport resources (a motorbike). These diggers were by far the most outspoken of all the co-ops visited.
- ▶ They would also like 'assistance', as they feel all eyes are on them and they need to deliver.
- ▶ Talking to diggers, they identify getting shares as the main advantage. Elderly people advised them to join.
- ▶ One digger said he got 1,500 leones and two cups of rice from his previous supporter. Another said 4,000 leones, rice and housing.
- ▶ They would like to have more food and transport facilities.
- ▶ These diggers were by far the most outspoken of all the coops visited.
- ▶ We also checked their register.

ii. Meetings held with:

Sahr Nyaama, Tamba Sandi, Dr Tongu, Babar Turay,
PDA staff

Tamba Sandi, Project coordinator, IDMP

Tamba Sam Sheku and Christopher Kamanda, PDA
Monitors

Joseph Sembo Kabia, Senior Mines Monitoring Officer,
Ministry of Mines

David Sheku, Abraham Bungi Paila, Sam Tembe, Assistant
Senior Mines Monitoring Officers, Ministry of Mines

Jonathan Sharkah, Government mining engineer, Ministry
of Mines

Hettie Cole, Government diamond valuator, Kono

Joseph Ansumena, Network Movement for Justice and
Development

iii. Additional Questions

Monitoring questionnaire

The IDM monitor's guide raises many questions that are essential to address on each visit to the cooperative and Global Witness recommends that monitors make sure they can answer all these questions after their visits to cooperatives. However, some of the questions are relatively broad and it would be helpful to break these

down into more measurable and defined questions. A document that Global Witness saw, which was produced by project staff, entitled, 'Areas to take special note of on Co-operative supervision' contains some more specific questions that should help monitors to recognise changes or difficulties encountered that can be checked against on subsequent visits. This also contains some general guidelines that will help monitors, such as:

- ▶ Interview workers in group and separately as often as possible on payments, general terms and conditions etc.
- ▶ Make a roll call (if possible) on each visit
- ▶ Ensure regular site meetings are held and encourage members of the co-op to speak up and express their concerns in private if need be.
- ▶ Know and be known to both Coop's Executive Members and the entire membership

It is crucial for every cooperative member to feel able to raise issues with the monitors comfortably.

General questions included in the guide questionnaire could be explained, giving examples of the possible problems to look out for. For instance, "Were all diamonds stored correctly" could be broken up into specific questions about security, listing the stages of the earth to export system:

- ▶ Are security personnel present throughout washing? Names of men responsible for security?
- ▶ Are any non-cooperative members on site?
- ▶ Did anybody try to sell diamonds from outside the cooperative to cooperative members?
- ▶ Were diamonds weighed, photographed, bagged and labelled in a secure environment?

Other questions outside Global Witness' scope of work relating to environmental and labour concerns could also be broken down into more specific questions which would further aid monitors on each visit to cooperatives.

As well as being more specific in questions to be asked, it is also important that all the monitors understand what they are looking for, and how to answer all these questions. In order for information they collect to be useful, and comparable over time, it will be useful for monitors to receive training enabling them to monitor effectively and be able to report back on what they have monitored in a meaningful way.

iv. Note on additional issues:

Labour, environmental and other issues associated with this initiative also need to be looked at. Global Witness is not the expert on these issues but believes that they could undermine the project. On our two visits, we noted the following, which we recommend are looked at:

Pay

The PDA Code of Conduct states that: *Alliance members must ensure that their workers receive a fair and decent living wage commensurate with their services.*

At the start of the year, the cooperatives planned to pay their members that take part in mining a daily sum of 7,000 leones. However, on our second visit we were told that diggers receive 2,000 leones per day, an additional 2,000 leones per person is used to buy food, and two cups of rice daily are given. While it is likely that a daily amount combined with a share of the winnings is more than diggers received under other systems involving supporters, Global Witness believes that this daily payment is not ideal. Members of the cooperatives that are not diggers receive no money.

Global Witness believes that ensuring workers receive a fair and decent living commensurate with their services could be problematic if some feel they are working harder than others but do not feel that they are being compensated adequately. There appears to be four different categories of involvement: cooperative members that dig, cooperative members that supervise, women cooperative members who will cook and help move gravels, and hired labourers who are not cooperative members.

Global Witness hopes that if cooperatives can become self-sustaining they will need to prioritise certain things, such as daily wage, in their budgets. If they are not able to do so, efficient and adequate funding should be sought that enables, at the least, all working members of the cooperative to be paid daily for their work.

Splitting earnings

The PDA Code of Conduct states that, Workers in PDA related mining activities opting for winnings share must be informed of the percentage of winnings in advance and will be paid according to sale receipts. There is still a lack of clarity about the share system and how the winnings will be distributed amongst some cooperative members. Cooperatives have different ways of sharing, some cooperative members have bought one or two shares and will get returns accordingly, and in others everybody has one share.

In one cooperative, active digging members have been divided into eight groups of five people. The hard work of one group is intended to act as an incentive to other groups. For example, at the time of our visit, one group had reached the gravel but none of the others had. The chairman was encouraging other groups to work as hard as that team. This may not in itself be problematic, but when Global Witness asked about the distribution of winnings amongst cooperative members, it was told that the group that found the diamond would get the money for it and that they might share it with other groups if they wanted to but it was not obligatory. This was discussed for some time with different people providing different answers to the question of division of winnings.

In another cooperative, some members that we talked to did not believe that they would receive the same as other members that had the same stake in the cooperative, particularly Executive Committee members and local chiefs that are cooperative members.

Global Witness believes that it is essential for each cooperative to clarify how any winnings will be split, and ensure that all cooperative members are clear, before the first money arrives, what their share is and what everybody else's share is. All members need to reach a consensus over this in order to see the benefit of their work, avoid disputes, and be motivated to stick to the agreed system. The project staff should make sure there is understanding and awareness of how this will work among all cooperatives' members.

Project staff will be present when winnings are distributed which will help to ensure that all money is distributed fairly and transparently, but work needs to be done before then so that everybody understands, before delivery of the money, what they will receive and what everybody else will receive.

Child labour

According to Sierra Leone regulations it is illegal for children under 18 to work. This is potentially problematic as in Sierra Leone people do start to work earlier than 18 and children have been known to take part in diamond mining from an early age. In addition, some people do not know their age. All cooperative members that we talked to expressed their commitment to ensuring that those under 18 do not mine. Project staff said that if people looked under 18, they would be prevented from mining, and that all stakeholders in IDM were aware of this rule. We did see one

young looking miner, asked his age and were told he was 22, and wondered how this rule can be enforced and checked effectively.

Medical care

In several cooperatives visited, medical issues were raised. Some members were happy that they had received medication paid for by the cooperatives, but others were unhappy that medical treatment had been paid for some and not others. One seriously ill woman was unhappy that the cooperative could not pay for her operation. Global Witness saw a conflict at one cooperative stemming from a disagreement over medical treatment.

Global Witness believes that a decision should be taken about what medical care each cooperative is responsible for. This may be only mine-related sickness and injury, as the cooperatives do not have an endless pot of money, but all cooperative members should know what to expect.

Environment

The PDA Code of Conduct states that: *All members of the Alliance must be required to mine in an environmentally safe manner.* The engineering consultancy firm, CEMMATS, has been contracted to provide environmental training to the cooperatives but unfortunately this work had not yet started at the time of our visit. The cooperative members that we spoke to had an understanding of the importance of minimising the environmental impact, with a focus on filling in the pit at the end of mining, but they did not have a wider sense of how to mine in an environmentally safe manner. As the environmental work is behind schedule, cooperatives are starting to mine without a full understanding of the environment and potentially could do some harm. The team member responsible for the environment is trying to convey this to the cooperatives but it is important that CEMMATS start their work as soon as possible.

General awareness of the environmental impact of mining is not high, including at the Ministry of Mineral Resources. The program has done well to raise awareness amongst the cooperatives to its current level, thanks to committed staff members.

The Code of Conduct states that: *All members commit to fill in alluvial work sites at the end of mining and to assist community members to return the area to agricultural use.* All the cooperative members that we interviewed stated their commitment to fill in the pits that they dig at the end of the

mining season. It will be important to continue educating them on environmental issues as well as following up to ensure that they do in fact fill in the sites. As part of their budget, the program is requiring cooperatives to include costs associated with reclamation. If cooperatives do not find diamonds on their site, they will not then be interested in returning there to fill in the pit so the PDA intends to keep back a percentage of the money provided by the investor for this infilling.

One cooperative has destroyed a small section of the forest in order to build a settlement as they lived too far away from the plot to be able to travel to and from the site each day, and protect their gravels. They also talked about diversifying into logging and buying a power saw with some of the proceeds of the diamonds. Their plot is on the edge of the Baffin river, and they will be chopping down a significant number of trees and undergrowth along the edge of the river. They have also talked about trying to change the watercourse.

Communication

In one cooperative that Global Witness visited, a dispute had been going on for two weeks between one of the executive committee members and another member. One of the IDMP staff members knew about this, but had not passed the relevant information onto other staff members that had to deal with the problem.

Global Witness believes that in order for the project staff to work as best they can with cooperatives, it is important to share information amongst project staff about issues that may affect the functioning of the cooperative and could hinder the effectiveness of the system.

Mining other resources

At least two cooperatives state that they plan to mine gold as well as diamonds. In the MoU there seems to be no specific mention of 'diamonds'; instead it talks generally of 'winnings' and 'production'. The MoU should explicitly state what resources are covered and this should be made known to all cooperative members, and the investor, to ensure everybody is aware of and accepts what has been agreed to.

If gold is added to the agreement, the project should consult organisations with expertise in gold extraction and trade to ensure that adequate procedures and systems are developed for gold extraction. Global Witness recommends that this issue is clarified before the extraction of gold, and any other minerals, begins.

Exit strategy – short-term and long-term

Every cooperative member interviewed appears very confident that they will find diamonds. However, there is a risk, particularly with artisanal diamond mining in which prospecting work is not formally undertaken, that diamonds will not be found. At present, it is very difficult to assess what the consequences of such a situation might be for the individual cooperatives and also for the project itself, but it may result in difficulties and tensions if not prepared for.

Global Witness encourages PDA to work out a contingency plan should this situation arise in any of the cooperatives. Global Witness also appreciates that cooperatives are being encouraged to engage in other activities such as farming so as not to be reliant on diamonds and welcomes efforts by PDA to continue to actively encourage these kinds of activities.

v. Draft findings submitted to IDMP team, submitted 23 April 2005

These are some early suggestions based on the initial findings of our trip. Many of these ideas have come up in discussions with PDA staff.

Pay

- ▶ Everyone who works should be paid.
- ▶ Payments need to be registered.
- ▶ Everybody should be clear as to what everyone else is paid.
- ▶ The PDA needs to be clear about the payment arrangements at each cooperative – when salaries are paid, whether a portion of the salary is spent on food, etc.

Equipment

- ▶ The necessary equipment should be provided, including working boots.

Clarity of procedures

- ▶ The PDA should ensure that every member of the cooperative has an understanding of what they have agreed to.
- ▶ There should be regular updates to raise upcoming issues and monitor that everybody is aware of what their responsibilities and rights are. This includes what the agreement is with the investor, what share of winnings and benefits they are entitled to, what is and is not acceptable, etc.
- ▶ It would be helpful to draw up a list of the key requirements of the work, so that everybody knows what's expected of them and can remind themselves as this can be pinned up, in verbal or pictorial form, at the mine site.

Medical facilities

- ▶ The contract should spell out more clearly what the members are entitled to in terms of medical cover.
- ▶ A first-aid kit should be available in each cooperative.
- ▶ The health and safety regulations need to be spelt out clearly.

Contract

The contract should include:

- ▶ Cooperative members must not buy diamonds intending them to be passed through the PDA system.
- ▶ Clear medical provisions
- ▶ Provision for other minerals, such as gold

Communication

- ▶ PDA monitors and MMOs should regularly exchange information and updates on findings and any concerns at the cooperative mine sites.
- ▶ Within the PDA there should be a constant flow of information, in particular concerning any issues or concerns arising from meetings or discussions with cooperative members that will need follow-up.

PDA monitoring

- ▶ Monitors should work on rotation to ensure that at least one person is on duty every day of the week.



Cooperative information in the IDMP office, April 2005

Third Report from visit to Sierra Leone, 11-18 July 2005

One person from Global Witness visited Sierra Leone from 11th to 18th July. This was Global Witness' third visit to evaluate the IDMP's earth to export scheme to track all diamonds mined by the cooperatives, and to make recommendations where relevant to improve the system.

At the time of the visit, four cooperatives were washing the diamond-bearing gravels that they have been extracting for the last months. One cooperative, that had started washing gravels several weeks ago, was extracting more gravels from an area of their site that seems to be particularly high in diamonds. Global Witness visited each cooperative at random and without warning the cooperative or the PDA monitors. At two cooperatives, diamonds were found at the time of the visit which gave Global Witness the opportunity to track these diamonds from the mine as far as the bank.

This report documents the findings of this third visit. Notes from meetings held will be included in an annex, along with findings that do not directly relate to the earth to export scheme but that Global Witness observed during the trip.

Activities on third visit

Global Witness visited each cooperative once, and tracked the diamonds from two cooperatives as far as the bank. At the cooperatives, GW talked to members of the cooperative, and executive committee members, as well as PDA monitors on site. GW also talked to a Mines Monitoring officer at one cooperative. GW spent from two to five hours at each cooperative observing the work and how it was being monitored. GW travelled to each cooperative with a driver. GW visited two cooperatives with a visual anthropology Masters student making a film about the lives of diamond diggers.

GW also talked to PDA staff, including interviewing PDA monitors again at the office. GW interviewed the Ministry of Mineral Resources representative in Koidu, Mines monitoring officers, and the government diamond valuator in Koidu. GW also spent a day watching a shipment being valued and prepared for export at the Gold and Diamond Department in Freetown.

Progress made following GW's last trip

In the last report, GW's recommendations mainly focused on: ensuring that all cooperative members were paid,

ensuring that all cooperative members were fully aware of the agreement and what they have signed up to, as well as ensuring that the agreement fully reflected what is expected of all parties. GW also made recommendations regarding the work of the PDA monitors.

GW did not talk to any cooperative member on this trip that was not receiving pay for their work. However, many of the other recommendations made in the last report have not been acted on. GW recognises the heavy workload of all project members that may not have allowed all recommendations to be acted upon and hopes that these recommendations and suggestions will be taken into account before the next mining season begins.

Monitoring

PDA Monitors

5 PDA monitors have now been hired to ensure that washing of diamond bearing gravels is monitored.

PDA monitors were present at every site visited. GW tried to visit one site during heavy rains and although no work was going on, the PDA monitor was present in case the rains stopped and diggers arrived. Some monitors have not been rotated since washing began, in some cases from 9th June. At one cooperative, the PDA monitor talked about the cooperative as "we", and another was called part of the cooperative washing team by the cooperative members.

PDA monitors should be rotated every week to ensure that they do not get too involved in the work of the cooperative. It is important that, while providing advice and resolving disputes, the monitors do not get too close to any member of the cooperative. This is difficult as some sites are at some distance from Koidu town, and PDA monitors may be required to stay on site. Currently the monitor for one cooperative is sleeping in the village. This should be avoided where possible but in any case monitors should rotate every week.

While the majority of the PDA monitors were observing each stage of the washing closely, when GW visited one cooperative, the monitor was sitting inside a hut from where he couldn't clearly observe the washing. GW arrived during the first stage of washing where it is less likely that diamonds will be found but it is still a possibility.

The PDA monitors must be scrupulous and pay full attention to their work.

GW understands that PDA monitors do not have contracts, and this may also be true for other members of the project team. PDA monitors expressed their concerns about this, and worry that they will not have a job once washing finishes. GW believes that this has the potential to undermine their commitment to working thoroughly.

Not every PDA monitor has a motorbike available to ride to and from work, and other monitors are not sufficiently proficient at riding a bike, apparently, to be able to drive themselves to and from the mine site. GW urges that if possible transport should be available for each cooperative member, along with training to ride the bike, so that no monitor has to sleep alongside those he is supposed to be monitoring and that he can retain a healthy distance from other cooperative members. This is important for every cooperative, particularly those that are far from Koidu town and are not often visited by any other project staff.

PDA monitors have a daily questionnaire to fill out, but the questions are very broad and this often means that the monitors do not answer the questions posed. GW recommends that this questionnaire can be modified to make it more specific.

Mines Monitoring Officers

Mines Monitoring Officers are not present for washing at



The first stage of washing diamond-bearing gravels at Peyee cooperative, July 2005

every cooperative, despite a request from the project to the local Ministry of Mineral Resources representative. MMOs and others stated that monitors are usually 'seconded' to a site, and they will be paid by those that they are supposed to be monitoring. The MMO interviewed did not feel that he could come to work every day on the salary he is being paid. He earns 130,000 leones as his 'basic' salary and expects that to be substantially augmented by whoever he is monitoring.

The PDA is not giving money to ensure the presence of MMOs during the washing at each cooperative. The only MMO on site was being driven to and from the site by the PDA monitor; this is apparently happening at two cooperatives. At one cooperative site co-op members said that the MMO has his own mining site in the area he is supposed to be monitoring and he therefore does not have time to monitor the cooperative.

Global Witness has been informed that the international community is focusing its attention on how to achieve meaningful monitoring that is an effective tool to crack down on illegal mining and illegal sales. Global Witness recommends that lessons from the PDA inform future discussions and that a monitoring system can be established that is targeted and effective and that will have an effect in curbing much of the illicit trade.

Global Witness monitoring

As agreed, Global Witness has approached representatives of different groups to read its reports and comment on them before they are finalised and published. In the future, Global Witness intends to hold a face to face meeting together with all these readers to enable a discussion of their work before reports are finalised. As this has not happened so far, on this trip Global Witness approached possible members of such a 'reading committee' and asked them whether they would be happy to take on this role, and to read and comment on the first two reports submitted. Global Witness was able to get comments from the representative of the Ministry of Mineral resources, a local District Council member, and an NGO representative based in Koidu. A town chief also tentatively agreed to be part of the committee although we did not have a chance to meet and go through the report.

GW hopes that this report will be presented to this committee for feedback by telephone or in person, and that in future, whoever is responsible for monitoring will be able to hold meetings bringing together all these people.

Earth to Export system

This is an outline of the procedure once a diamond is found, according to GW observations of two cooperatives. This may not be exactly how the system works each time a diamond is found as it is a new system that may still be slightly modified. However this is what was observed.

When a diamond is found during washing, it is passed to the mines manager of the cooperative, who is present for the washing. He places it in a small plastic bag that he holds until washing is over. Additional diamonds that are found are added to this bag. At the end of the washing for that day, the PDA monitor weighs the diamonds found individually and notes the weight. If an MMO is present, he also notes the weight of the diamonds found. The cooperative also has a book detailing each day's finds. They note carat weight of each individual stone, and the day it was found. The project has decided that diamonds less than one carat are not worth taking immediately to the bank as they do not have a value that would make others interested in taking them.

After the diamonds have been weighed, the mines manager takes them with him. The mines manager at one cooperative has an office with a safe (he was a diamond dealer) where he locks the diamonds found each day. At another cooperative, the mines manager keeps the diamonds in a drawer in his house. Each day's find is kept in separate plastic bags with the date and weight of the diamonds recorded on it. Not all members of the cooperative know where the diamond is being kept.

Approximately once a week, if the cooperative has found several stones, the project coordinator makes an agreement with the cooperative mines manager to bank the diamonds. A vehicle is sent to collect the mines manager and he goes to the PDA office. They then go to the government diamond valuator's (GDV) office, along with the project coordinator. The GDV then values the diamonds. At the valuation GW witnessed, all the stones found were put together and were not kept separately according to the date they were found. This makes it easier to value them.

The diamonds were then stored together in a small plastic bag within a paper envelope. Previously, each day's winnings had been valued and kept separately. After the valuation, the group goes directly to the bank. At the bank, the cooperatives' safes are left in the bank manager's room. The cooperative representative has one key, the project coordinator has the second, and the third key has not yet

been allocated. The cooperative representative places the diamonds in the safe, it is locked, and the bank manager signs a book, which he keeps, to witness that the safes were removed and returned from the bank vault.

Some cooperatives have also recovered gold. However, no agreement has yet been reached with current investors about this.

Key findings

Accompanying the diamonds

Although currently finds are very small in some cooperatives, it's important to make sure that everybody fully understands how the system should work. At the time of my visit, no member of the project team, and no monitor, was travelling with the cooperative mines manager to Koidu to bank the diamonds and was not present to watch stones being stored or taken out of storage.

GW believes PDA monitors, and MMOs, should be present when the diamond is stored and taken out of storage, and should accompany the stones from the cooperative to Koidu.

Security of gravels

Security guards at each site told GW that they are awake guarding the gravels all night. GW did not have a chance to verify this, but believes that it is extremely difficult for security guards anywhere to stay awake all night.

GW recommends that at least 3 security guards are present each night, and that they are on guard for a period of 6 hours each, and that these times are staggered so that at any one time there are two people on duty, who can help to keep each other awake.

Accurate recording of information

Cooperative members are not always recording information about the diamonds accurately. Through no apparent ill-intent, one cooperative had not labelled 2 of their plastic bags with the weight of each stone, one of the dates on the bags was incorrect, and at least 2 of the figures entered into their record book was wrong by a decimal point. This is easily correctable but could cause problems if not done correctly.

In addition, at one cooperative visited, the PDA monitor's scales only measured to the nearest 0.05. The weight of diamonds as recorded at the mine site was 0.2 carats different to the weight recorded at the government diamond valuator's office.

It is important that all monitors have accurate scales, that are regularly calibrated, and that measure to the nearest hundredth the weight of the stones. Otherwise, inaccuracies in equipment could lead to accusations of theft, or of cooperatives finds being augmented by diamonds brought in from elsewhere.

Cooperative members and PDA monitors (and MMOs), should make sure that the correct weight and date is written on each parcel and also that the correct weight is entered into all record books.

Taking register and ID cards

All cooperatives have a register which they are supposed to take each day. Some get the cooperative member to sign or place their finger print next to their name. At one cooperative, the person responsible for taking the register had not gone to the site for three days running for personal reasons, so the register was not taken.

The PDA monitor also has to fill in a register each day as part of their daily monitoring questionnaire. Not every monitor is doing this, and others that are doing this, appear to be either copying from the cooperative register, or relying on members of the cooperative to tell them who is present.

Global Witness believes that the PDA monitor should take the register every day and should call out the names of those present, using the co-op register to show who is supposedly on site that day. He should also check their ID cards at the time of taking the register. Those without an ID card, and who are not the known members of the coops that do not yet have a card, should not be allowed to take part in the work.

Changing membership

At several cooperatives there is new membership. Some old members have left, for various reasons, and new ones have come. The new members are the ones that do not have ID cards, as they joined the cooperatives after photos were sent to Freetown.

Global Witness believes that the project, and the cooperatives, should make every effort to ensure that those members that initially buy a share to join the cooperative stay and that if they leave, new members are also made to pay a share. This may be confusing regarding splitting of winnings however, so for now it may be easiest to make a rule that after the initial purchasing of shares and provision

of ID cards, no new members are allowed to join the cooperatives. If this is not adhered to, there is little reason why a newcomer would fully understand the aims of the project, and would be committed to the cooperative and to ensuring that all diamonds are exported through the cooperative system.

Government Diamond Valuator

The government diamond valuator based in Koidu is not being utilised as much as hoped by local diggers and dealers. She also does not have the necessary equipment to carry out accurate valuations, nor is the equipment she does have in full working order. She told Global Witness that she may look at taking on additional work, such as buying for companies, because she is not busy in her role as government diamond valuator. The impartiality of a government diamond valuator could be undermined if they are working for somebody else, and valuations could be affected.

GW believes that if the valuator has to take on additional work, this should be clearly understood by the project and the valuator should provide assurances that this will not in any way affect valuations.

Licensed exporters

An exporters licence costs US\$40,000. The cooperatives do not have an exporters licence, although they will be the ones exporting the diamonds. If a mining licence holder wants to export diamonds, he has to pay 6% tax on those exports, rather than 3%.

The project may well have found a solution to this, but Global Witness believes that the cooperatives will not be encouraged to export officially if they are paying 3% more tax on their exports than others.

Future of the project

At the moment, without a close look at environment and labour issues, one of the tangible differences about the work of the cooperatives to other artisanal diamond mining is that as well as getting a daily amount of money, the cooperative members will get a large percentage of the profits from the sales of the diamonds.

However, if not enough diamonds are found to equal the loans provided, the cooperatives will receive no money in return for the sale of their diamonds. This will then not provide them with money to invest in future mining, agriculture or other projects. At each cooperative,

members expressed their concerns about what would happen to them once the washing is over whether they find diamonds or not.

If no diamonds are found in one season, other than receiving a daily amount of money for a few months, the cooperative members may not see what tangible long-term gains there are.

As washing draws to an end, if valuable diamonds have not been found, there is little incentive for the cooperative members to ensure that all their diamonds go through official cooperative channels.

GW believes that additional education and awareness-raising must be done with cooperative members to ensure that they fully understand what to expect in the future, and can see the benefits of the cooperative system, even if they will receive no return on the diamonds they mine. Some cooperative members are expecting the PDA to support them for the foreseeable future, and to provide loans for agriculture projects.

Equality within cooperatives

Cooperatives are made up of a number of able bodied strong men along with women and often older members of their community. Not all members can take part in the mining. Older members of cooperatives are responsible for oversight and are members of the executive committee. While it is usual to respect elders, in some cooperatives there is a distinct two tier system: diggers feel that they are working extremely hard but are not given information about cooperative finances, nor are treated as equal members of the cooperative.

GW believes that more work needs to be done with cooperatives to ensure that those responsible for intensive physical labour feel fully involved with the cooperative and all decision making processes it makes.

Sharing with local chiefs

At least one cooperative plans to share any profits with the local chief. He is not officially a member of the cooperative and he has not bought a share.



Looking for diamonds at the final stage of washing the gravel at Koakoyima cooperative, July 2005

Global Witness believes that this is not necessarily a problem, as it may be something that all cooperative members are happy and willing to do, but that each cooperative member must agree to this at the same time as the distribution of winnings is discussed. This must be a transparent decision that every member of the cooperative accepts.

Environment

In the last report, GW highlighted its concerns that no environmental training had been carried out with the cooperatives and that other than the plan to reclaim the land mined, there are no other environmental requirements. Since then, the rainy season has begun. At two sites situated beside waterways, much of the overburden intended to refill the pit has been washed away. In one area, a large number of trees have been chopped down without any advice provided on how to replant or how to mitigate the results of the deforestation. Such advice could have considerably helped the process of ensuring that the land can be successfully returned to something approaching its previous condition. Although the contract has been signed, Cemmat has still not started to assess the environmental impact, and has not carried out any work with the cooperatives.

Before the next season begins, environmental impact assessments must be carried out in order to ensure that the PDA cooperatives are setting a standard on environmental issues.

Conclusion

This visit provided the first opportunity to watch the first stages of the earth to export system, and Global Witness believes that this system, if implemented fully, provides a much higher level of assurance that all the diamonds mined will pass along the official system. This system is not 100% watertight, and it has not yet been fully tested as no diamonds of significant size or value have apparently been found. Global Witness is pleased that 5 PDA monitors have been recruited, and strongly believes that the work of these monitors is crucial. If carried out effectively this provides a key pillar of the system.

As well as ensuring strong monitoring, and continuing to work with the government to ensure their oversight of the project, the future of the project itself needs to be discussed with cooperative members. Work needs to be done with cooperative members to ensure that they do not have false expectations of the assistance that the project can provide. Global Witness offers these recommendations and observations in the hope that they can help to improve the earth to export system to help prevent the smuggling of diamonds.

Recommendations

The government of Sierra Leone, with the assistance of the international community, must take action to provide meaningful monitoring of the diamond pipeline.

In addition to previous recommendations made, the program should:

1. Make sure that PDA monitors are rotated weekly.
2. Continue, where possible, to enable PDA monitors to collect MMOs to transport them to and from the cooperative mine site.
3. Make sure that every PDA monitor has accurate scales that are checked and recalibrated regularly.
4. Give monitors a clear contract and job description that will enable them to know what is expected of them and pay them a reasonable wage.
5. A PDA monitor or the project coordinator should accompany the diamonds found from the cooperative to Koidu.
6. Ensure that if the cooperative plans to give a percentage of their winnings to the local chief, this is done transparently and with the full knowledge and approval of every member of the cooperative.
7. If all cooperative members do not know where the diamonds are stored, for security reasons, it is essential that the PDA monitor knows where they are stored, and is present when they are placed into storage and when they are removed from storage.
8. Encourage cooperatives to have 3 members responsible for security that can work in rotation to ensure that 2 work while 1 sleeps each night.
9. Ensure that the PDA monitor calls a register each day, and checks ID cards of all those present at the site. Those without ID cards, who are not the cooperative members known to not have a card, should not be allowed to work on the site.
10. Ensure that the exact weight of each stone, and the date of the find, is recorded in the daily production records as well as on the bags in which the diamonds are stored.
11. Ensure that the government diamond valuator in Koidu openly divulges any business interests.
12. Plans for the future of the project and of the participation of each cooperative must be decided and clearly articulated to every cooperative member.
13. More work needs to be done with cooperatives to ensure cohesion among members.

Postscript

At the end of the mining season in 2005, all five cooperatives had banked approximately \$2,000 worth of diamonds between them, despite an investment of over \$40,000 by private investors, and the considerable amount of aid money that went in to set up and train cooperative members. This was an extremely disappointing result for cooperative members, for the investors, and for the IDMP staff that had been working so hard on this project.

Various suggestions have been put forward as to why production was so poor, including that:

1. Sites were chosen in a haphazard manner. Allocation of mining site depended largely on land that chiefs were willing to donate to cooperatives rather than land that was geologically proved to be rich in diamonds. No prospection work was carried out.
2. Due to the late arrival of funds, mining started late in the season allowing less time to extract diamond-bearing gravels from mine sites.
3. Cooperatives only mined one site. It has been suggested that if they spread the risk and mined several sites, they may be more successful.
4. Diamond production in Kono district is decreasing as areas are being mined out and are no longer producing great quantities or qualities of diamonds.

5. Cooperative members smuggled out production. This is always possible, even in the most secure industrial mining operations as people find ways to smuggle diamonds. In the cooperatives, all members did not share the same understanding of the benefits of working as a cooperative, and there was not equality amongst cooperative members. This could have encouraged some members to steal diamonds for personal benefit. In addition, PDA monitors were close to cooperative members and could have worked with cooperatives to steal production.

When Global Witness visited two cooperatives in early 2006, members had not been told whether the cooperatives had a future, and whether further funding would be secured. Due to the lack of production in 2005, cooperatives had no profits to plough into the next year's mining, and were looking at agricultural alternatives to work as a cooperative. Some individuals had found other mines to work in. Global Witness is not an expert on cooperatives, but believes that, at the least, lessons should be learnt from the experiences of the PDA cooperatives and built on by others developing programmes to tackle artisanal diamond mining.

Although the cooperative scheme was not successful in 2005, Global Witness believes that the diamond tracking system offers a promising approach if implemented fully and effectively to help ensure that diamonds mined in Sierra Leone and elsewhere go through official channels.

Global Witness is a British based non-governmental organisation, which focuses on the links between environmental and human rights abuses, especially the impacts of natural resource exploitation upon countries and their people. Using pioneering investigative techniques Global Witness compiles information and evidence to be used in lobbying and to raise awareness. Global Witness' information is used to brief governments, inter-governmental organisations, NGOs and the media.

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Appendix C

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Rapaport's corporate responsibility activities extend well beyond commercial activities. Our mission transcends the standard corporate goals of profit maximization and "adding shareholder value." We believe that the private sector has a critical and irreplaceable role to play, driving sustainable economic development in the poorest countries of the world. We are committed to using our economic power and strategic positioning in the diamond and jewelry industry to help artisanal diggers and other disadvantaged groups obtain economic self sufficiency. The Rapaport Group regularly donates at least ten percent of profits to charity and initiates programs to alleviate poverty in Africa and elsewhere.

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- Conflict Diamonds. Member of the original group that evolved the concept of the Kimberley Process. Active member of the World Diamond Council. Regularly participates in Kimberley Process meetings.
- Development Diamonds. Established and funded first Sierra Leone diggers cooperatives in coordination with U.S.-AID and U.K. DFID. Director of Development Diamond Initiative (DDI). Establish educational fund for the children of Sierra Leone in coordination with US-AID.
- Fair Trade. Established Fair Trade Diamond and Jewelry Association. Funds annual Fair Trade Jewelry Conference and fair trade jewelry exhibit at the Las Vegas Jewelry Show. Establishing programs for fair trade diamonds and gold from Sierra Leone. Joint venture partnerships with jewelry cooperatives in Africa.

Industry Participation includes: Members of World Diamond Council, New York Diamond Dealers Club, U.S.-Diamond Manufacturers and Importers Association, Jewelers Vigilance Committee, Antwerp Diamond Bourse, Israel Diamond Exchange, Israel Diamond Manufacturers Association, India Gem and Jewelry Promotion Council, Dubai Diamond Exchange, Shanghai Diamond Exchange.

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Appendix D

Diamonds.com Policy on Conflict Diamonds

DIAMONDS*COM

POLICY ON CONFLICT DIAMONDS

POLICY OVERVIEW

Diamonds.com recognizes the great harm done to local populations as a result of conflict in diamond mining/trading areas. Diamonds.com will not purchase, sell or in any way deal with conflict diamonds, nor will it contract suppliers who purchase or trade in diamonds which were used to fund conflict or are traded in any way in violation of any United Nations resolutions or the Kimberley Process. Only diamonds meeting the Kimberley Process rules and regulations and ethical industry standards are sold through Diamonds.com.

POLICY ON TRADING ONLY IN CONFLICT- FREE DIAMONDS

1. Diamonds.com is committed not to sell, trade in, or in any way deal with diamonds which were used to fund conflict or are in violation of any United Nations resolutions or the Kimberley Process. Only diamonds meeting the Kimberley Process rules and regulations and ethical industry standards may be listed or sold through Diamonds.com.
2. Diamonds.com purchases from reliable suppliers who are known to us. Our suppliers are required to affirm to us that they do not deal in conflict diamonds and that the diamonds sold to us or listed for sale by on Diamonds.com are “conflict free.”
3. Only diamonds meeting the Kimberley Process rules and regulations and industry standards may be advertised for sale or sold on Diamonds.com. No diamond will appear on Diamonds.com unless:
 - o The diamond was purchased from suppliers who have warranted to the subscriber or Diamonds.com that the diamond is “conflict free” ; or
 - o The subscriber or supplier can guarantee from personal knowledge that the diamond is conflict free.
4. All Diamonds.com suppliers must supply invoices to Diamonds.com. All diamonds sold to Diamonds.com must contain one of the following declarations on the invoices:

- *The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.*

OR

- *The diamonds herein invoiced were acquired by the seller prior to January 1, 2003 and were purchased from sources believed to be reliable. The seller hereby guarantees that they have no personal knowledge or reason to believe that these diamonds are conflict diamonds which have been traded in violation of any United Nations Resolution.*

5. If there is any suspicion as to the source of the diamonds and that they are not “conflict free”, we do not deal with the supplier.

