



A Case For Formalizing Artisanal and  
Small Scale Diamond Mining in  
Zimbabwe



# Towards Implementation of the Washington Declaration in Zimbabwe

## Introduction

Zimbabwe is lagging behind other Kimberly Process Certification Scheme participants when it comes to bringing artisanal alluvial diamonds into legitimate chain of custody. The continued criminalization of artisanal diamond diggers in Marange is compromising Zimbabwe's internal controls - a key component of KPCS minimum standards. Since the government takeover of Marange diamond fields in November 2008, the area has been declared a no-go area to artisanal miners. However, despite the tough action taken against artisanal miners in Marange, the practice remains prevalent and is likely to continue for the foreseeable future. The government stance against artisanal miners has only helped to increase illicit financial flows and undermining the smooth implementation of the Kimberly Process Certification Scheme not only in Zimbabwe, but in many countries where the alluvial diamonds acquired from artisanal miners in Marange are received. Limited access to the diamond fields has resulted in artisanal miners cutting fences in order to enter company premises, resulting in fatal clashes with the army and private security guards. This has soiled the image of Marange diamonds due to the negative perception generated by the reports of human right abuses. Whilst the scale and intensity of abuses have been drastically reduced in recent years, violence remains the only method used to deal with artisanal miners.

A survey by Centre for Natural Resource Governance shows that on average 200 artisanal miners force their way into the diamond fields daily. Two patterns of entry have emerged. Majority of the artisanal miners form syndicates with the army and private security guards whom they pay bribes to gain entry. These are 'escorted' by the army and private security guards whilst they dig through the night. The other group prefers to go it alone, cutting perimeter fences under the cover of darkness and retreating with their bags of ore before dawn. If the second category of artisanal miners is caught they are treated ruthlessly by the private security guards who often respond by setting dogs on them or taking them to the military diamond base for punishment.

Whilst violence has been a deterrent to many artisanal miners, it has not addressed the push factors which force people to venture into the risky business, hence a significant number say they have no choice but to continue risking their lives by entering Marange in search of diamonds. They say either way death is waiting for them. If they stay at home their families will starve to death and if they enter Marange they may still meet their fate. Whatever the motivation, artisanal diamond mining cannot be wished away or be eliminated by law. It is a phenomenon which is here to stay as long as alluvial diamonds remain a viable option for sustainable livelihoods.

Artisanal and small-scale diamond mining (ASDM) provides a livelihood for an estimated 1.5 million people and their dependents in eighteen countries, including Zimbabwe. It produces approximately 25% of the world's rough diamonds<sup>1</sup> and 15% of gem-quality diamonds. Zimbabwe, now among the top 5 diamond producers in the world, has the largest alluvial diamond deposits in the world. Zimbabwe's artisanal mining sector, though drastically reduced in scale and output and operating outside the law, could be supplying over 5% of global artisanal alluvial diamond output. ASDM's contribution as a proportion of global output is expected to increase over time as fewer kimberlites are being discovered. (Estelle Levin et al, 2013). Whilst mining costs may supersede profits for corporations artisanal miners will continue with their operations for a long time due to the low costs involved in their activities.

## Background

In 2008, at the height of Zimbabwe's economic crisis, government viewed the Marange diamonds as a potential driver of short-term revenue collection and thus preferred rapid industrialization through foreign investment over artisanal diamond mining. However large scale diamond mining has failed to generate expected revenues and adequately compensate the people of Marange during the relocation process. Artisanal diamond mining on the other hand offers some potential for local development. Whilst it may be argued that artisanal diamond mining does not bring much to the government in terms of revenue due to challenges of regulating the sector, the question can be asked, with corruption, tax evasion, and the secrecy surrounding the large scale operations, are mining companies performing any better than artisanal miners in terms of contributing to the economy.

## Development of the artisanal alluvial diamond sector

From the end of the 20<sup>th</sup> century, the ASDM sector has been often associated with the financing of armed rebel groups in several countries. In Angola, the UN Panel of Experts established by the Security Council to investigate the armed conflict in that country concluded that UNITA has had access to diamond rich territories and has been able to extract diamonds for its benefit.<sup>2</sup> The committee also

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<sup>1</sup> Washington declaration on integrating development of artisanal and small scale diamond mining with Kimberley process implementation

<sup>2</sup> **Report of the panel of experts on violations of security council sanctions against UNITA**

noted 'the extraction by UNITA of a share of the production of diggers working in territory under its control - a "tax" normally taken in rough diamonds, but sometimes also paid in cash'. The city of Antwerp in Belgium was identified in the report as the major destination of UNITA's rough diamonds. It was this phenomenon of 'blood diamonds' which birthed the idea of the Kimberley Process Certification Scheme (KPCS), a multi-stakeholder initiative bringing governments, industry and civil society together to reduce the flow of 'conflict diamonds'. The KPCS now comprises of 54 participants representing 80 countries and it claims to account for an estimated 99.8% of the world's production of rough diamonds.

However, with some countries criminalising artisanal alluvial diamond mining, the claim by the KPCS that less than 1% of conflict diamonds still find its way to the world markets becomes hotly contestable. The Kimberly Process has been attempting to address the challenge of formalizing the artisanal diamond sector. During its Moscow plenary in 2005, the Kimberly Process adopted a declaration 'on Improving Internal Controls over Alluvial Diamond Production'.<sup>3</sup> The KPCS does not impose rules of internal controls on its participants. Rather it calls on participants to 'establish a system of internal controls designed to eliminate the presence of conflict diamonds from shipments of rough diamonds imported into and exported from its territory', adding that, 'as required, amend or enact appropriate laws or regulations to implement and enforce the Certification Scheme and to maintain dissuasive and proportional penalties for transgressions'.<sup>4</sup> Due to the voluntary nature of the KPCS and its reliance on governments to formulate own laws and systems to regulate the rough diamond value chain, the implementation of its minimum standards vary from country to country, depending on the strength of governance systems.

Artisanal diamond mining is usually spread over a large area which makes it difficult to monitor the exploitation and verify the origin of diamonds, especially in countries where governance systems are weak. In light of this, a new working group was created inside the Kimberley Process in November 2007: the Working Group on Artisanal and Alluvial Production (WGAAP). "The WGAAP was the natural evolution of an already existing (ad-hoc) subgroup of the Working Group on Monitoring charged with addressing the challenges facing alluvial producers. The new working group was specifically mandated to

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<sup>3</sup> Washington declaration on integrating development of artisanal and small scale diamond mining with Kimberley process implementation

<sup>4</sup> KPCS Core Document

ensure the effective implementation of the Moscow Declaration on improving internal controls over alluvial diamond production, adopted at the 2005 Moscow Plenary meeting of the Kimberley Process.

The Moscow Declaration firmly acknowledged the importance of ASM diamond mining, stating that it fully endorsed *“the finding of the sub-group that effective internal controls in alluvial mining areas are crucial to the overall effectiveness of the KPCS in preventing conflict diamonds from entering the legitimate diamond trade”*. In order to promote concrete steps toward more effective controls, the Moscow Declaration went on to identify a number of key recommendations to ensure traceability of production from mine to export, to regulate the mining itself, to regulate the trade in ASM diamonds, to tackle illicit cross-border trade, and to encourage artisanal miners to move into the formal economy. This last issue is particularly important, since there has to be a clear advantage for miners and diggers to do this. It is up to the government to provide them with incentives to join the formal economy. “ (Van Bockstael and Vlassenroot, 2009).

In 2012, KPCS participants introduced the Washington Declaration recognizing that the development of the artisanal and small-scale mining (ASM) sector through formalization initiatives and improved social conditions in ASM communities would be a strong incentive “to bring rough diamonds into legitimate chains of custody.”

### **Artisanal Diamond mining in Zimbabwe**

Artisanal diamond mining in Zimbabwe is mainly taking place in Marange diamond fields where it preceded large scale diamond mining. Marange diamond fields had been under the control of De Beers since 1994. After the De Beers Exclusive Prospecting Order (EPO) expired on 29 March 2006 and the subsequent takeover of the Marange claim by ACR, there was a remarkable influx of artisanal miners in Marange. By December 2006 over 10 000 artisanal miners were now mining in Marange. Hundreds of foreign dealers from as far as Dubai, Lebanon, Israel, Belgium and several West African countries settled in the town of Manica in Mozambique to buy Marange diamonds from artisanal diamonds. In 2008 Reserve Bank Governor Gideon Gono estimated that Zimbabwe was losing \$1.2 billion in revenues to artisanal miners every month.<sup>5</sup>

Dr. Gono's estimate is not a wild guess. In October 2006 government awarded a special grant to Minerals Marketing Corporation of Zimbabwe (MMCZ) to carry out 'mop up' operations 'designed to

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<sup>5</sup> Chiadzwa: Army Sent In To Quell Gun Battles. (2008, November 13). The Financial Gazette,

purchase illicit diamonds connected to the first rush on Marange.<sup>6</sup> This should have given government a rough idea of the value of artisanal alluvial diamonds in circulation. Thus the capacity of artisanal miners to contribute to the fiscus cannot be overemphasized. The city of Mutare, about 70Km north of Marange recorded brisk business at the height of artisanal diamond mining in Marange. The positive impacts of artisanal mining were felt throughout Zimbabwe where some artisanal miners invested their money in properties as livelihoods improved.

Nevertheless, at the height of Zimbabwe's economic meltdown in 2008, government decided to take over the Marange diamonds field from the artisanal miners and bring in corporations. Artisanal miners were accused of lawlessness by the Government leading to a violent crackdown know as '*Operation Hakudzokwi*', meaning 'you will not return'. The Government claimed the diamonds would be mined in an orderly manner for the benefit of all Zimbabweans.

However this has not been the case as most of the diamond revenues have not been accounted for and the people of Marange were displaced without compensation. During the artisanal mining era, the benefits of the diamond trade were evident as people bought cars, household property and houses which is a direct contrast to the situation now where some of the Marange families have become destitute as a result of relocation to Arda Transau. Some former artisanal miners have since returned to crime as a desperate measure to survive.

The sad reality is that the Marange diamond fields will not last forever. There is a limited opportunity to use the diamonds which are a non-renewable resource to advance the whole country. That window of opportunity is rapidly closing with no tangible benefit having been accrued by the country. It is in Zimbabwe's 'immediate and long-term economic interests *to make ASDM as developmental as possible, as soon as possible*' (Estelle Levin et al). Formalizing ASDM will empower locals and create employment. This is in line with the recently announce national economic blueprint: Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset). This document has four key clusters namely, food security and nutrition, social services and poverty reduction, infrastructure and utilities and value addition and beneficiation.<sup>7</sup> Formalizing ASDM will become a key measure towards reducing poverty and an upstream activity for value addition and beneficiation. The argument to bring the artisanal diamond mining sector into the formal economy is more compelling in Zimbabwe where unemployment

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<sup>6</sup> Kimberley Process Certification Scheme Review Mission to Zimbabwe 30 JUNE – 4 JULY, 2009, Final Report

<sup>7</sup> Theafricareport.com : [Zimbabwe government seeks economic transformation | Southern Africa](#)

is hovering above 70%. It will also lead to **the adoption and implementation of the Washington Declaration and strengthen domestic internal controls**. By improving economic conditions for miners their willingness and ability to participate in the legal chain will increase. The argument to bring the artisanal diamond mining sector into the formal economy is more compelling in Zimbabwe where unemployment is hovering above 70%.

Formalization of the artisanal diamond sector will likely **attract the attention and financial resources of donors** interested in supporting rural livelihoods and improved mineral sector governance and administration. Thus the government is likely to receive both technical and financial support to formalize the sector.

## **Indigenization and Economic Empowerment**

Zimbabwe Indigenization and Economic Empowerment Act of 2007, Chapter 14:33 aims 'to provide for support measures for the economic empowerment of indigenous Zimbabweans' and 'to increase, enhance and facilitate the involvement and participation in the national economy of indigenous Zimbabweans'.<sup>8</sup> This noble idea has however faltered on implementation. Focus has mainly been on the acquisition of 51% shares in foreign owned companies. However, in practice ordinary Zimbabweans do not know how to participate in the indigenization program. Further, due to the shrinking of the economy in recent years, there are too few viable companies whose indigenization will have an impact on the poor. Thus the 51% equity stipulated for indigenous Zimbabweans remain a pie in the sky.

However, artisanal mining can provide a viable model of indigenization. This comes at no cost to government or established companies. Rather, formalizing artisanal mining will also boost Zimbabwe's alluvial production, generate revenue for government, create jobs and wealth for indigenous Zimbabweans. The period 2006-2008 bear testimony to the ability of Zimbabweans to work and generate wealth for themselves.

## **Antidote to Human Rights Abuses**

The Joint Work Plan developed by Zimbabwe and the Kimberly Process Certification Scheme in November 2009 in Namibia called on the Zimbabwe government to identify and license small scale miners and 'urgently establish diamond buying structures in the Marange Diamond fields, allocated to small scale miners'.<sup>9</sup> This was after realizing that the vastness of Marange diamond fields vis-a-vis the

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<sup>8</sup> Indigenization and Economic Empowerment Act, (2007) Chapter 14:33

<sup>9</sup> Joint Work Plan developed by Zimbabwe and the KPCS during the 2009 plenary in Namibia

interests of local artisanal miners and international dealers requires that some form of regulation of artisanal miners could bring some normalcy as opposed to criminalization.

The continuation of violence against artisanal miners, especially by private security guards, is affecting the confidence of some stakeholders in the diamonds value chain. Government can turn around this negative image by formalizing the artisanal diamond mining sector. This will create jobs for Zimbabweans, share the benefits of the diamond wealth among many Zimbabweans (as opposed to the status quo where Marange diamonds are creating wealth and jobs for other countries more than Zimbabwe) and improve the image and value of Zimbabwe's diamonds

## Challenges

### 1. Illicit Financial Flows

Artisanal mined diamonds are prone to smuggling as the small stones are easy to mine, stash away and smuggle. This is why they can be easily used to fund rebel movements. Across the world, the main reasons why people opt to smuggle diamonds and not use the formal market are:

- Official prices are too low in the country
- The country's currency is overvalued
- High inflation which depresses the effective price
- The traditional trading route is informal.

## Recommendations

### 1. Recapitalization of RBZ and MMCZ

The MMCZ and RBZ should be adequately capitalized to offer competitive prices for diamonds from artisanal miners. This will encourage miners and diggers to join the formal economy.

### 2. International cooperation with neighbouring countries.

In order to discourage smuggling Zimbabwe should cooperate with neighbouring countries in order to crack down on cross-border smuggling and trade in uncertified rough diamonds.

### 3. Third-party certification of diamonds ("fair trade diamonds")

This will provide a warranty that the diamond in question was produced at an artisanal mining site where certain standards of environmental and working conditions were met. The added marketing value of these diamonds can be translated into a slightly higher price, giving consumers a guarantee that this will directly benefit the mining communities themselves, for instance through the setting up of special development funds. If successful, this can provide clear incentives to other artisanal miners towards self-organization and compliance with national legislation, in the hope of joining the scheme. It could do away with the massive mark-



ups of middlemen, and by keeping the majority of the diamond value inside the country; it could trigger the development of a more heterogeneous economy.

4. Empowerment
5. ASDM Zones

## Conclusion

It is important that Zimbabwe's natural resources be viewed as a vehicle for sustainable socio-economic development in the long-term. The end goal should be a well-functioning economy with alternative means of revenue-collection, for example through encouraging and helping artisanal miners to organize and formalize their activities in their own way, and evolving into responsible, productive, and tax-paying small-scale mining enterprises. In addition, careful consideration should be given to other, non directly measurable aspects such as the effect on local communities and economies, beside the amount of direct government revenue coming in when debating choosing between artisanal and industrial mining. If properly regulated, ASM diamonds can lift people out of poverty and misery, and encourage local growth and development.

## References

1. Washington Declaration Diagnostics Framework, Estelle Levin
2. **From Conflict To Development Diamonds: The Kimberley Process, And Africa's Artisanal Diamond Mines**, Steven Van Bockstael and Koen Vlassenroot, 2009

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