

# IPIS Insights

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## **Diamonds in the Central African Republic**



Since May 2013 the Central African Republic has been suspended from the Kimberly Process (KP) – a measure maintained by the mechanism’s annual plenary in Guangzhou, China, this November. The CAR’s transitional authorities have been seeking at least a partial lifting of this export ban so that the country might benefit from the much needed revenues its diamonds can generate.<sup>1</sup> However, the authorities in this beleaguered state have thus far failed to secure control over both the security situation and the country’s diamond trade: a recent UN expert report estimates that the CAR has lost US\$24 million worth of diamonds to smuggling since May 2013.<sup>2</sup> Indeed, IPIS’ own investigations – the findings of which are outlined in a report released end November 2014 – have found that large tracts of diamond producing areas in eastern CAR remain under ex-Seleka control, with stones continuing to access international markets.

This *IPIS Insight* will elaborate on IPIS’ findings in its recent report, *Mapping Conflict Motives: the Central African Republic* – the latest in our conflict mapping series. It gives some insight into the modes of exploitation used by armed groups in the CAR to profit from diamonds and the role these stones have played in the complex and shifting dynamics that characterise the on-going crisis, both in the east and west of the country. It will then briefly consider the KP’s role in this context.

### Box 1. IPIS in the CAR

Diamonds in the CAR have come within the purview of IPIS’ research in a number of investigations and projects, starting initially in 2003 with a paper building upon findings of the Diamonds and Human Security Project, and most recently with an analysis of the country’s gold and diamond mining sector and related environmental and socio-economic issues.<sup>3</sup> Whilst not exclusively concerned with diamonds, *Mapping Conflict Motives: the Central African Republic* provides useful analysis to those seeking to understand their role within the wider context of armed violence taking place in the CAR. It is a follow up to IPIS’s 2009 publication *Mapping Conflict Motives: Central African Republic*, which canvassed the presence, behaviour and motivation of the armed groups operating in the CAR in 2008. The report is based on information gathered over three research trips to the CAR and neighbouring countries, extensive consultation of existing sources, and a thorough analysis of a series of interactive maps. It is accompanied by an unprecedented web map of the CAR (available at: [www.ipisresearch.be/mapping/webmapping/car](http://www.ipisresearch.be/mapping/webmapping/car)). The web map offers various layers that can be toggled on and off, including security incidents, areas of armed group control, natural resources, and other features.

## Background to the conflict in the CAR

Central Africa’s post-colonial history has shown the use of force to be the most effective strategy to follow for those seeking to occupy the country’s highest office. Bozizé himself rose to power in just the latest of the country’s coups in March 2003. Facing armed opposition from the outset of his presidency, particularly in the north and east of the country, armed groups nevertheless appeared relatively localised and disparate pre-2012, showing only limited political and territorial ambitions, and representing local movements defending more narrow community interests.<sup>4</sup>

<sup>1</sup> Constituting 40% of export earnings, according to KP Permanent Secretary for the CAR, Dominique Youane. See, “RCA: les diamants de la guerre circulent toujours” 10 November 2014, RFI.

<sup>2</sup> UN Panel of Experts on the Central African Republic, *Final report*, S/2014/762, 29 October 2014.

<sup>3</sup> C. Dietrich, *Diamonds in the Central African Republic. Trading, Valuing and Laundering*, January 2003, IPIS; *Central African Republic: Hard Questions Ahead for Kimberley?* C. Dietrich, March 2003, IPIS; S. Spittaels & F. Hilgert, *Mapping Conflict Motives: Central African Republic*, February 2009, IPIS; K. Matthysen & I. Clarkson, *Gold and diamonds in the Central African Republic. The country’s mining sector, and related social, economic and environmental issue*, March 2013, IPIS. For more IPIS publications visit: <http://www.ipisresearch.be/publications.php>.

<sup>4</sup> For more information on the motives of the rebel groups in 2009, see: Spittaels S. & Hilgert F., *Mapping Conflict Motives: Central African Republic*, IPIS report, February 2009, pp. 33-34 & p. 38.

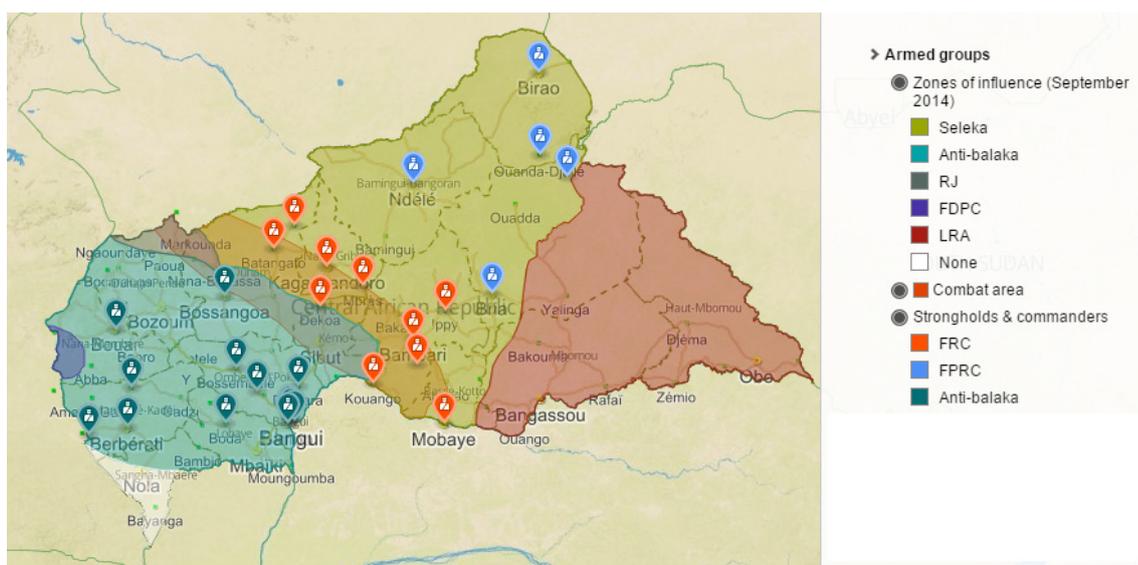
The end of 2012 however saw several armed groups from the northeast of the country come together to challenge Bozizé's authority by forming the Seleka alliance (Sango for 'coalition'), headed by former UFDR leader Michel Djotodia. Three Central African armed groups were originally at the Seleka's core: two breakaway factions of the *Convention des patriotes pour la justice et la paix (CPJP)* and the *Union des forces démocratiques pour le rassemblement (UFDR)*. The Seleka relied heavily on Sudanese and Chadian mercenaries and entered into tactical alliances with other armed groups, such as the *Front populaire pour le redressement (FPR)*, as they advanced towards the capital. Between December 2012 and early January 2013, the Seleka seized military bases and towns in quick succession, putting pressure on the regime. Despite negotiating a peace agreement in January 2013, the alliance continued its advance, entering Bangui and staging a coup d'état on 24 March 2013.

During its short reign from March 2013 to January 2014, the Seleka perpetrated widespread and serious abuses against the civilian population. This gave rise to the reformation of long-standing village self-defence groups calling themselves anti-balaka.<sup>5</sup> These, mostly Christian, groups were reinforced by former soldiers loyal to ousted President Bozizé. Following international pressure, Michel Djotodia finally resigned his Presidency on 10 January 2014. Accordingly, disbanded Seleka forces began withdrawing from Bangui and their positions in the west, moving to the northeast of the country, as a Transitional Government headed by Catherine Samba-Panza was established.

From January 2014, violent clashes ensued in central and western CAR between Seleka and anti-balaka fighters. Brutal revenge attacks were also visited upon civilians, characterised in many areas by ethnic cleansing. In September 2014, Muslim civilians were still being targeted by anti-balaka militia in Bangui and the west of the country, as regular confrontations between Seleka and anti-balaka continued in central CAR.

In September 2014, tensions within the Seleka (rebranded the *Front populaire pour la renaissance de Centrafrique (FPRC)* in August 2014) resulted in a split in the movement. Leading Seleka commanders, Mahamat Al Khatim and Ali Darras, left the alliance citing disagreement with the FPRC's belligerent stance towards the interim government and renaming their fighters the *Front républicain pour le changement (FRC)*.<sup>6</sup> Both groups respectively retain exclusive control over some areas in eastern CAR, where they continue to profit from mining activities – the FPRC (under Nourridine Adam) being more in control of diamond mining areas and the FRC more concerned with gold.

Map 1. Armed group zones of influence



<sup>5</sup> Explained by many anti-balaka as meaning anti-machete, this name is derived from the term "anti-balles AK" – a reference to AK47 bullets in French

<sup>6</sup> "Senior commanders quit Central African Republic rebel group" 22 September 2014, Reuters. Reports indicate that this split has seen further factioning: see for example, "Centrafrique: L'ex-rébellion Seleka désormais divisée en trois factions", 21 November 2014, RFI.

The Transitional Government and international armed forces have struggled to contain inter-communal violence and armed activity in the state, with the full deployment of international forces (UN MINUSCA peacekeepers joining French Sangaris troops and the EU's EUFOR RCA force) taking some time to complete. Presidential elections in the CAR were recently rescheduled for mid-2015, representing a six month extension to the country's current transitional period.<sup>7</sup>

## Diamonds in the CAR

The Central African Republic has traditionally been a source of high quality gemstones, with 80% of its diamond production said to be gem quality, ranking it approximately sixth globally in terms of value in 2009.<sup>8</sup> Indeed, diamonds were found to constitute 39.8% of the country's total official export value before the crisis.<sup>9</sup> Historically, over 84% of mineral exploitation in the CAR has been undertaken artisanally at small alluvial deposits in rivers and riparian areas.<sup>10</sup> Such activity was estimated to provide at least some component of income for around 13% of the population before the crisis.<sup>11</sup>

According to official production figures, south-western CAR produces considerably more diamonds than the east (an estimated 80% of total production).<sup>12</sup> However, accurate production estimates for the east are difficult to ascertain as even before August 2012, armed groups controlled certain mining areas in this region, particularly around Sam Ouandja. From their beginnings in 2006, UFDR commanders and recruits were reported to be extorting money and imposing taxes on business men in the trade in Sam Ouandja, allegedly acting as collectors, pre-financing diggers and extorting payment since their arrival in the area.<sup>13</sup> As part of peace negotiations in 2007, Zacharia Damane, then operational commander of the UFDR, was allowed to continue controlling the Sam Ouandja area in exchange for an end to the group's rebellion against the state.<sup>14</sup> Likewise, the establishment of the mostly Runga CPJP in response to UFDR exclusion of non-Gula communities in 2008 reportedly saw the group appeal to ethnic solidarity in drawing youths to work in mines around Ndele in early 2009,<sup>15</sup> whilst at least two CPJP commanders had extensive diamond mining and trading experience.<sup>16</sup> Thus, even though 2010 estimates indicated that around 30% of diamonds left the CAR illegally at that time, lack of production data for the east and armed involvement in the diamond trade are likely to render this a considerable underestimate.

### Box 2. The CAR and the KP

The CAR joined the Kimberly Process in 2003. That year, the country fleetingly brushed with KP suspension after concerns that Bozizé's rise to power had been diamond sponsored – a concern apparently allayed by the KP's first review mission to the country in mid-2003. Consternation about armed group involvement in the CAR's diamond sector was expressed by International Crisis Group at the end of 2010.<sup>17</sup> At that time, lack of open rebellion against the CAR government saw these diamonds technically fall out with the Kimberly Process definition of conflict diamond. Nevertheless, violent clashes between rebel movements in the east led the KP's Chair to take enhanced vigilance measures

<sup>7</sup> International reportage on the crisis in the CAR has been criticised for its inadequacy. Indeed, unlike conflicts with a higher profile, there are said to be only a dozen international journalists covering the conflict from Bangui. For those looking for coverage of the crisis in the CAR, IPIS prepares a weekly briefing that includes summaries and links to news items concerning the conflict, which is available at: <http://www.ipisresearch.be/weekly-briefings.php>.

<sup>8</sup> See official KP statistics, Annual Global Summaries from 2004-2007 and 2009. According to the KP's statistics the country's production ranked 10<sup>th</sup> in 2012.

<sup>9</sup> Economist Intelligence Unit, *Country Report: Central African Republic, March 2012*, p.6.

<sup>10</sup> K. Matthyssen & I. Clarkson, *Gold and Diamonds in the CAR*, International Peace Information Service (IPIS), March 2013, p. 12.

<sup>11</sup> S. Spittaels & F. Hilgert, *Mapping Conflict Motives: Central African Republic*, February 2009, IPIS, p.27.

<sup>12</sup> For a geographical overview of diamond mining sites in the CAR see IPIS' web map for the CAR, available at: <http://www.ipisresearch.be/mapping/webmapping/car/>.

<sup>13</sup> International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010, pp.16-18.

<sup>14</sup> *Ibid*, p.16.

<sup>15</sup> *Ibid*, p.18.

<sup>16</sup> *Ibid*.

<sup>17</sup> International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010.

regarding diamonds originating from eastern CAR in September 2011, prompting the mechanism's Working Group of Diamond Experts to begin work on a footprint for the region.<sup>18</sup>

With the Seleka advance in late 2012, the KP issued an enhanced vigilance notice regarding the illicit introduction of diamonds into the supply chain by Seleka elements, in December 2012. At this time, diamonds in the west of the country were continuing to provide a legitimate income for stakeholders, and Bozizé – then seeking what became a failed attempt at power sharing – had appealed to the KP to allow continued trade. A further vigilance notice was issued after the coup in April 2013, with a suspension on exports finally imposed on the CAR in May 2013.

## Diamonds and grievance in the CAR

Whilst it is important not to overstate the role of diamonds in the CAR's conflict to the detriment of other, more subtle and complicated factors at play, they have undeniably been a notable factor in the development of the CAR crisis.

Divisive policies influenced by ethnic allegiances have a long pedigree in the country,<sup>19</sup> and have likewise affected the diamond sector. Over his presidency, Bozizé concentrated political control over mining for himself and his ethnic Gbaya elite, securing key positions in both the public and private sectors of the diamond trade for family members whilst replacing the large majority of civil servants in the mining ministry with members of his own tribe.<sup>20</sup> In October 2008, Bozizé sought to tighten his control over the trade by carrying out 'Operation Closing Gate'. Under this operation, diamonds from buying offices and collectors were seized, and licences from eight of the CAR's eleven buying offices withdrawn.

One of the principle aims behind Operation Closing Gate is said to have been the takeover of the market share of those pushed out of the business, thereby establishing a near monopoly for diamond traders close to the regime. Moreover, diamonds confiscated as part of that operation were not disposed of through the proper channels, thus denying their proceeds to both the original owners and the national treasury. Indeed, the Seleka's official political grievance discourse on its advance towards Bangui in late 2012 made reference to the incident (amongst other grievances),<sup>21</sup> demanding the immediate and unconditional restitution of all diamonds, gold and other goods seized in 2008. In addition, media coverage after the coup reported blunt admissions of Seleka funding on the part of diamond sector actors operating in the country, with some stating that they had been asked to sell Central African stones in Sudan.<sup>22</sup>

In its latest report, IPIS has highlighted the conflict role of deeply rooted socio-economic grievances bound up with frustrations concerning the perceived dominance of the Muslim population and foreign Muslims in business and trade in the CAR. This backdrop has likewise been observable in the CAR's diamond sector, where miners are predominantly Christian and collectors and traders predominantly Muslim. Even before the crisis, the disposition of local populations to collectors was ambivalent and much discussed.<sup>23</sup> Whilst buying offices and collectors provide much needed capital and investment, even subsidising miners in hard times, relations between collectors and miners in the CAR have been described as "tense and asymmetrical", with miners experiencing high levels of control from collectors who could offer uncompetitive prices and had been known to harass those selling elsewhere.<sup>24</sup> Being price takers, it is extremely hard for miners to climb the social ladder and escape poverty.<sup>25</sup> The potential

<sup>18</sup> See "Footprint" or characteristics of the diamond production from the Eastern region around Bria in the Central African Republic, Kimberly Process Working Group of Diamond Experts, 2012.

<sup>19</sup> International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010, p. 18.

<sup>20</sup> *Ibid*, p.19.

<sup>21</sup> The Seleka also demanded political reform of the regime and the investigation of 'gross human rights violations' committed by Bozizé, and financial compensation for its combatants.

<sup>22</sup> "Centrafrique: des diamantaires reconnaissent avoir financé la Seleka", 10 April 2013, RFI.

<sup>23</sup> K. Matthysen & I. Clarkson, *Gold and Diamonds in the CAR*, International Peace Information Service (IPIS), March 2013, p. 15.

<sup>24</sup> *Ibid*, p. 16.

<sup>25</sup> *Ibid*, p. 16.

for such socio-economic grievance to translate into anti-Muslim/xenophobic sentiment may further be found in the fact<sup>26</sup> that:

*As almost entirely Central African Christians, they [miners] face the added challenge of breaking into a profession dominated by foreigners and Muslims. Shared language and religion play an important role in fostering trust among collectors and between collectors and buying office agents. They also create a closed trading network with few openings for Central Africans.*

In this way, a mix of socio-economic grievance and cultural exclusion – not isolated to the diamond sector – appears to have combined with other factors, including the deployment of foreign predominantly Muslim Seleka mercenaries to western CAR to claim spoils of war (exacted brutally and rapaciously), to escalate into the religious hatred characterising anti-balaka violence in the mid-2014.

## **Modes of diamond exploitation**

Since the start of the CAR crisis, diamonds have been exploited by a number of conflict parties using a variety of means, with notable variation between east and west. These geographical differences appear to be determined by the identity of the actors operative in these areas. Diamond exploitation since March 2013 can be characterised as falling within one of four principle modes:

1. The levying of parallel taxes on artisanal miners and selling parallel mining authorizations.
2. Pre-financing artisanal activities and then trading and smuggling diamonds, especially by Seleka fighters in the east.
3. Looting and extortion, perpetrated particularly in Bangui and the west of the country by Seleka fighters (especially foreigners, ex-liberator and FPR fighters) before January 2014, and anti-balaka fighters thereafter.
4. The circumvention of official procedures regarding the granting of industrial concessions and payment of signing bonuses on the part of Seleka political representatives in office, including former President Djotodia and ex-Minister for Mines, Herbert Djono.

### **Box 3. The impact of the crisis on diamond production and trade**

According to local mining officials, diamond traders and artisanal miners interviewed by IPIS, the production of diamonds in eastern CAR steeply declined since the start of the crisis. An initial decrease in production was caused by extensive Seleka recruitment of young miners in December 2012. Production further decreased following the CAR's suspension from the KP, which has meant that buying offices no longer have the necessary cash flow to invest in the development of new mining sites. This lack of cash flow has led buying houses to prefer to buy diamonds to ensure a return on past investments, whilst reducing prices offered per carat by up to 40 or 50 percent.<sup>27</sup> This reduction has also seen unofficial buyers and smugglers with access to the international market lower their own prices to increase profit margins, whilst still being able to offer more competitive pricing than official traders due to their relative lack of restrictions on cash flow.

Nevertheless, there have also been reports of localised production increases. For example, in the Manovo-Gounda National Park and its surrounds, Seleka pre-financing of mining operations has seen a marked increase in diamond mining activity, especially since early 2014. Upon returning to the east in January 2014, many Seleka fighters settled in the area to hunt and mine. Moreover, KP Satellite imagery indicates that diamond production in several areas around Sam Ouandja has likewise increased in spite of the country's suspension from the KP Process.<sup>28</sup> This suggests that in Haute-Kotto, mining operations are pre-financed through parallel networks.

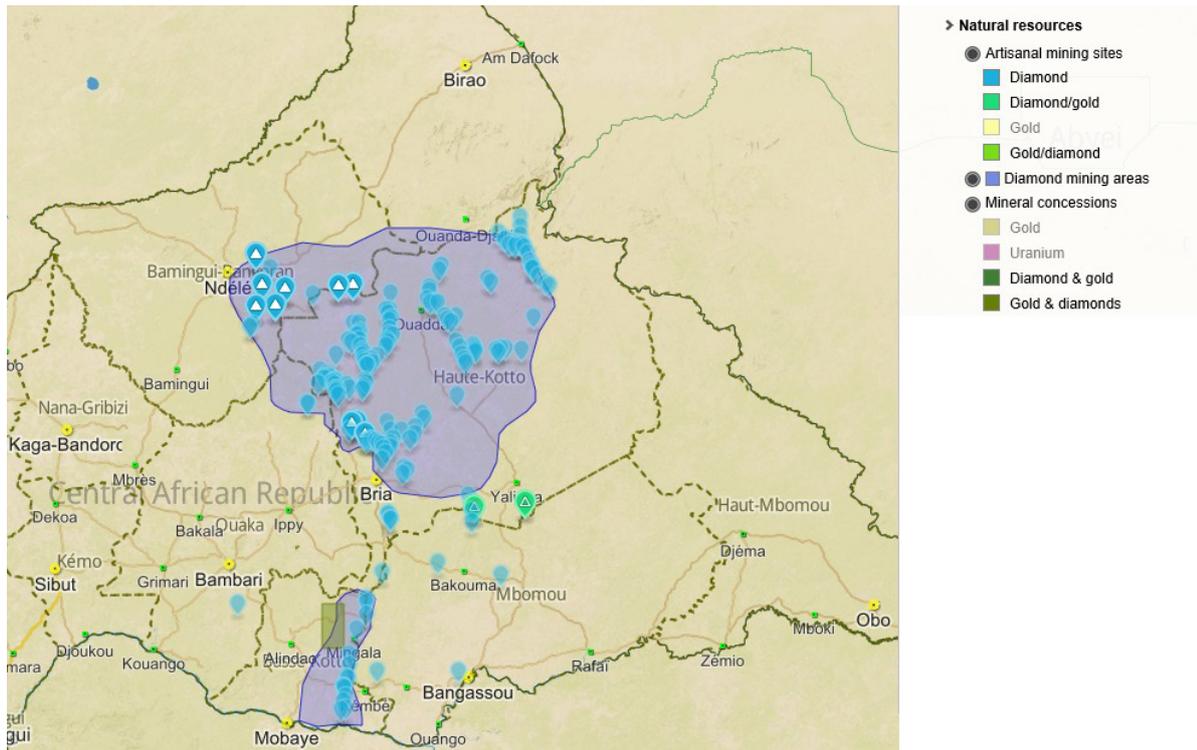
<sup>26</sup> International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010, p.10.

<sup>27</sup> IPIS interviews with buying offices and regional directors of mining service, Bangui, July 2014.

<sup>28</sup> The analysis of this imagery was conducted by KP participants and covered the period between October 2013 and March 2014 (June 2014).

## Eastern CAR

Map 2. Diamond mining areas in eastern CAR



Seleka forces took control of all eastern diamond mining areas during their December 2012 offensive, consolidating and expanding the territory previously under their control. These forces were mainly comprised of former UFDR and former CPJP fighters with previous experience in the diamond sector. As soon as they gained new territory, these Seleka fighters started implementing an organised system aimed at controlling and benefitting from mining activity. They established a presence at the main mining sites and introduced a system of parallel mining authorizations and illegal taxation, supplanting the mining administration in those towns over which they took control.

This situation continued unabated throughout the east until September 2013,<sup>29</sup> when measures to secure the lifting of the CAR's KP suspension were implemented, including the deployment of regional mining authorities. These measures reportedly occasioned a marked initial improvement in armed interference in artisanal mining, with Seleka gradually refraining from levying taxes and beginning to redeploy away from mining sites. However, IPIS was told that many mining authorities had since returned to Bangui and that those mining police still in place are hindered by the volatile security situation and dire lack of means. As a result, whole swathes of territory in the eastern diamond producing regions continue to be under the exclusive control of former Seleka fighters – now the FPRC and FRC. By September 2014, the area around Sam Ouandja had been under continuous UFDR (and then Seleka) control since before the crisis. Meanwhile, mining sites south of Manovo-Gounda national park had seen a notable rise in rebel presence since the start of 2014. It was unclear whether fighters were operating at sites around Dimbi in September this year, though mining officials and artisanal miners had indicated that mines around Bria were free from rebel group control.<sup>30</sup>

Seleka fighters have also benefitted from the trade and smuggling of diamonds, as well as pre-financing mining activities. Several senior Seleka figures, such as General Omar 'Sodiam' Younous and Zakaria Damane (both formerly top UFDR commanders in the Bria – Sam-Ouandja area) have always been heavily

<sup>29</sup> IPIS interviews with regional directors of mining service in the east, Bangui, July 2014.

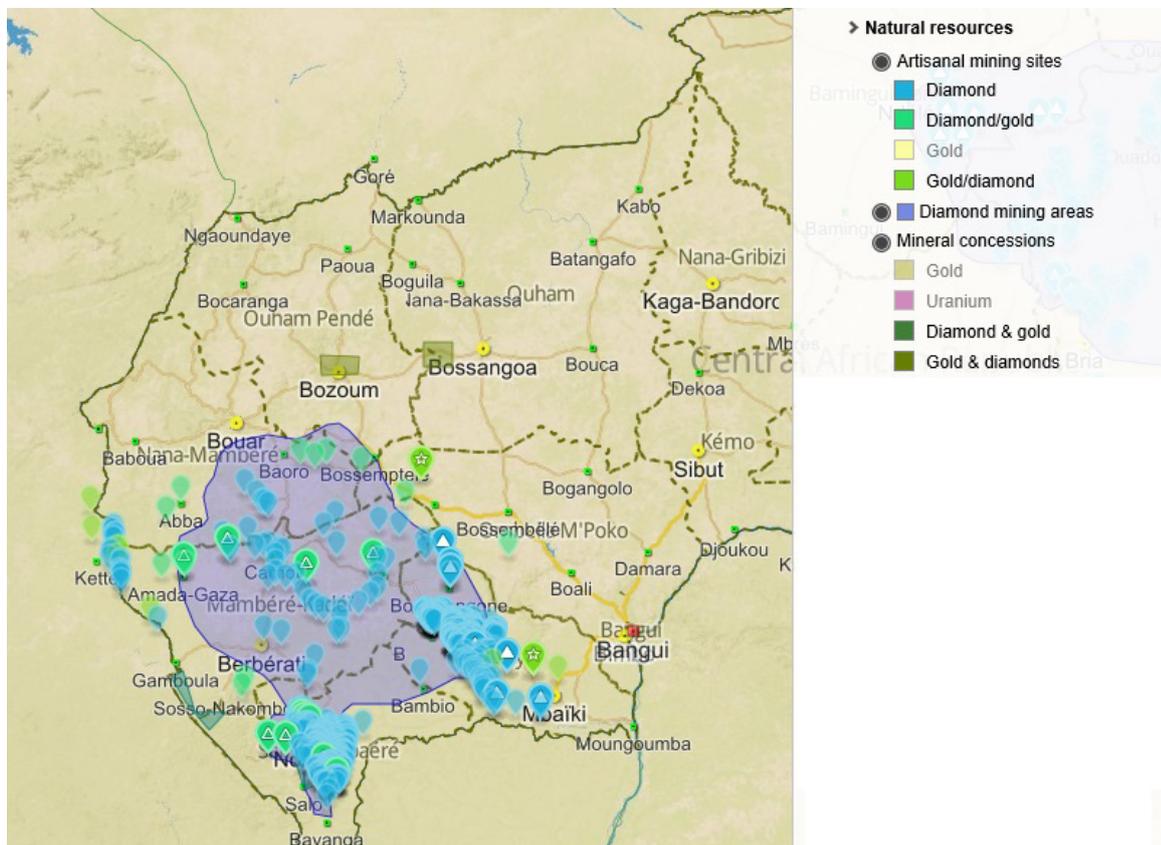
<sup>30</sup> These observations were corroborated by interviews conducted by the UN Panel of Experts during a field mission to Bria in May 2014: UN Panel of Experts on the Central African Republic, *Interim report, S/2014/452*, 1 July 2014, p. 18; IPIS interviews with mining officials and artisanal miners, Bangui, July 2014.

involved in such activities.<sup>31</sup> Moreover, around Manovo-Gounda national park Seleka have sought to profit by investing in small diamond mines, rather than imposing taxes. Money from looting, bush meat and 'taxes' paid by Sudanese and Chadian pastoralists has been used to make investments in small-scale mining, with diamonds reportedly being sold either in Chad or to larger Seleka collectors. Satellite analysis carried out by KP participating countries also showed some increased diamond production around Nzako, indirectly corroborating accounts of the Seleka's involvement in pre-financing activities in that region earlier this year.<sup>32</sup> Acting as unofficial collectors or artisans, local commanders oversee site activities, feed the miners and buy diamonds at derisory prices.

Mapping analysis of armed group zones of influence shows that the main diamond producing area in eastern CAR currently falls under the influence of the FPRC. Moreover, it seems that within the FPRC, former UFDR commanders and fighters have established a firmer military and economic grip on these sites than former CPJP fighters. The FPRC's control over the eastern diamond producing areas to a large extent corresponds to the pre-December 2012 situation, though fighters have since strengthened their grip over areas that previously fell beyond their traditional strongholds.

## Western CAR

Map 3. Diamond mining areas in western CAR



Establishing control over mining activities in the west was clearly a strategic Seleka objective. Immediately after the March 2013 coup, the Seleka moved into the western diamond and gold regions of the country, quickly taking control of the main towns.

In comparison to the control over and profiteering from mining activities exercised in eastern CAR, Seleka activities in the west were characterized more by pillage and extortion. Moreover, whilst illegal taxes were levied in some areas, very few investments were made. Unlike in the east, the majority of Seleka elements in this region were reportedly Chadian and Sudanese mercenaries, ex-liberators and

<sup>31</sup> Both had been appointed by Djotodia to senior positions in the presidential administration. They decided however to stay in the east rather than going to Bangui.

<sup>32</sup> IPIS interviews with regional directors of the mining service in the east, Bangui, July 2014.

FPR elements.<sup>33</sup> Hosting far more foreign fighters and non-UFDR/CPJP armed groups, the western hinterlands appear to have been used by these rebels for the more short-term objective of claiming their spoils of war.

In certain areas, some – mainly Muslim – collectors managed to strike a deal on the payment of protection money.<sup>34</sup> At most other mining sites, Seleka levied taxes though did not seem to physically mistreat miners.<sup>35</sup> Around Nola, however, control over sites was less structured, with frequent pillaging and extortion of miners.<sup>36</sup> As a result of insecurity at these sites, many artisanal miners ceased their activities, causing a drop in production further to that already occasioned by the crisis (see Box 3).<sup>37</sup>

Apart from establishing control over mining sites themselves, Seleka also collaborated with or extorted from diamond traders and collectors. Seleka reportedly offered protection to some collectors so that they might then impose lower prices on artisanal miners, creating a business arrangement between them.<sup>38</sup> Other collectors, such as Muslim collectors of Cameroonian Peuhl origin in Berbérati, were extorted into giving money and fuel to the Seleka.<sup>39</sup>

After the Seleka's departure from western CAR, anti-balaka militia too sought to gain from mining in the region. These groups have focused more on exploiting gold than diamonds, largely because it is often easier to extract without investments and to sell without a network.<sup>40</sup> Nevertheless, at the outset of their targeted attacks on Muslims in the west, anti-balaka militias looted mineral buying houses, mining sites and collectors.

Being predominantly Muslim businessmen, often from abroad,<sup>41</sup> almost all diamond collectors had left the country with the emergence of anti-balaka attacks, causing a steep drop in demand and new mining investments, further contributing to production and price declines. Several Central African and foreign businessmen have since sought to take the place of these collectors. However, they often lack the buying power of the latter, who had access to capital from the buying houses in Bangui. Some local anti-balaka commanders, such as Léonard Bakongo in Guen and Grégoire Moussa in Sassele, nevertheless operate as unofficial diamond collectors.<sup>42</sup>

As Sodiam is the only buying office with an active branch in the west, buyers on the market are scarce. The buying office Sud-Azur told IPIS that anti-balaka have frequently contacted them in Bangui to request that Sud-Azur return to the west to invest and buy diamonds.<sup>43</sup>

Indeed, the anti-balaka have also earned money by positioning themselves as “protectors” of economic operators, especially collectors.<sup>44</sup> Anti-balaka members interviewed by the UN Panel of Experts in Carnot, admitted that their section chief had contacted collectors associated or formerly associated with buying houses to negotiate a protection arrangement.<sup>45</sup>

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<sup>33</sup> For instance, Colonel Saad, the zone commander for Carnot and Berbérati, an important diamond-producing region, was a former FPR top commander. The former zone commander of Kabo and Moyenne Sido was ‘General’ Al-Khatim, a Chadian ex-liberator linked to the CPJP Fondamentale and currently second-in-command of the FRC/UPC (IPIS interview with former Prime Minister, Bangui, July 2014). The zone commander in Paoua was ‘Colonel’ Haroun, reportedly a Chadian national with no command of French or Sango (IPIS telephone interview with international NGO worker, September 2014). The zone commander of Nola was however of UFDR signature and moreover reportedly a cousin of Djotodia (IPIS interviews with former administrators, NGO workers and conservationists, Bangui, July 2014).

<sup>34</sup> This was for instance the case at the large diamond mine at Banagbele (IPIS interview with supervisor mining site Lobaye, Bangui, July 2014).

<sup>35</sup> IPIS interview with mining officials and regional directors, Bangui, July 2014.

<sup>36</sup> IPIS interview with park conservationists, Bangui, September 2014.

<sup>37</sup> IPIS interview with supervisor mining site Lobaye, Bangui, July 2014.

<sup>38</sup> International Crisis Group, *La crise centrafricaine : de la prédation à la stabilisation*, 17 June 2014, p.13.

<sup>39</sup> *Ibid*, pp. 13-14.

<sup>40</sup> IPIS interview with Regional Director of Mines of Lobaye, Bangui, July 2014.

<sup>41</sup> For example from Libya, Mali, Senegal, Mauritania, Nigeria.

<sup>42</sup> UN Panel of Experts on the Central African Republic, *Interim report*, S/2014/452, 1 July 2014, p. 17.

<sup>43</sup> IPIS interview with Director General of Sud-Azur, Bangui, July 2014.

<sup>44</sup> According to the Chadian press, anti-balaka forces protect the house of the Lebanese diamond trader Ali Hassan Fawaz in Berbérati, and the businessman supposedly pays them an approximate 55 USD per day (“Le diamant est une fois de plus à la cause de la pérennisation d’un conflit en Afrique”, 29 May 2014, Chad Actuel).

<sup>45</sup> UN Panel of Experts on the Central African Republic, *Interim report*, S/2014/452, 1 July 2014, pp. 17-18.

According to mining officials, anti-balaka fighters did not exert full control over the diamond sites around Berbérati and Carnot, though were reported to have a presence in these mining areas as diggers and intermediary traders. They were also reported to assault artisanal miners or collectors coming from the sites and returning to town.<sup>46</sup>

## Procedural irregularities

The Seleka's rulership appears to have dealt with several mining companies regarding concessions in respect of which it used a number of tactics to evade scrutiny and failed to follow official procedures. This has caused serious concerns of possible corruption and embezzlement.

On several occasions, President Djotodia and Herbert Djono, the then Minister of Mines, circumvented official procedures for issuing decrees concerning mining concessions. Mining company requests for concessions were reportedly not transmitted to the mining administration for preliminary examination.<sup>47</sup> Moreover, decrees were systematically signed when the Prime Minister was indisposed or on mission,<sup>48</sup> and reportedly without ever informing him of these decisions.<sup>49</sup> Such tactics enabled Djotodia, Djono and their entourage to avoid scrutiny from both the mining administration and the Government in their dealings with these companies. One such case involved concessions granted to Swift International for diamond and gold exploration. Whilst the decrees granting these concessions were at least eventually published in the Official Journal, 34 decrees issued under Djotodia's Presidency – at least two of which also related to concessions – were never transmitted to the administration for publication. IPIS investigations have found that such decrees have often disappeared from the archives at the Presidency as well.<sup>50</sup>

In dealings with possible investors, the cabinet of the Ministry of Mines also repeatedly deviated from established procedures for the payment of signing bonuses, reducing the traceability of these funds and making them more susceptible to embezzlement. According to the 2009 Mining Code, a signing bonus has to be transferred to the Mining Development Fund when the Government declares its intention to facilitate the research activities of a company.<sup>51</sup> Nevertheless, in a departure from established procedures, an Italian investor was requested to transfer a sum of US\$ 150,000 to the Permanent Secretariat of the Kimberley Process in Bangui.<sup>52</sup> Although the investor wired the funds to a Ministry of Mines account with the reference "Permanent Secretariat of the Kimberly Process" in December 2013, this sum does not appear on the Secretariat's balance sheet. In another case outwith the Ministry of Mines, Abdoulaye Issène, CPJP President and ministerial adviser to Djotodia, allegedly received 150,000 euros in cash from a Congolese businessman to act as a middleman in the acquisition of diamonds from the Nzako region in August 2013.<sup>53</sup>

## Routes onto the international market

Like many alluvial diamond producers the CAR has a long history of diamond smuggling. The size of the country, its low population density, the inaccessibility of mining areas and scatterdness of deposits render monitoring and control difficult, particularly for a poorly resourced mining authority. Indeed, the CAR's lack of institutional capacity leaves it heavily reliant on the KP to guard against illicit trading and smuggling.

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<sup>46</sup> IPIS interview with mining officials, Bangui, July 2014 and September 2014; UN Panel of Experts on the Central African Republic, *Final report*, S/2014/762, 29 October 2014, p. 33.

<sup>47</sup> IPIS interviews with mining officials, Bangui, May and July 2014.

<sup>48</sup> IPIS interview with former Prime Minister, Bangui, July 2014; IPIS interview with adviser to former Prime Minister, Brussels, April 2014.

<sup>49</sup> *Ibid.*

<sup>50</sup> IPIS investigations at the Presidency, Bangui, July 2014.

<sup>51</sup> Articles 7.2 and 52.7 of the CAR 2009 Mining Code.

<sup>52</sup> The only official revenues of the SPPK are taxes on the export of diamonds. As such, they do not receive signing bonuses, which are usually paid directly to the Ministry of Mines itself. (IPIS interview with SPPK secretariat, Bangui, July 2014; IPIS interview with former official Ministry of Mines, Yaoundé, August 2014; IPIS telephone interviews private sector, September 2014).

<sup>53</sup> La lettre du continent, *Le très étrange business d'un ex-Seleka*, n°678, 12 March 2014.

Certain government measures occasioning a reduction in competition, particularly between buying houses and collectors, have been known to exacerbate smuggling from the CAR.<sup>54</sup> Indeed, the KP Secretariat reported a rise in illegal exports from 20 to 30% following Operation Closing Gate.<sup>55</sup> Moreover, illicit traders, unencumbered by high taxes, licence fees and other regulatory burdens, can offer more competitive prices for high value stones. They can therefore be at a competitive advantage in sourcing such stones vis-à-vis their official counterparts. Certainly, a fall in the per carat value of the CAR's diamonds over the three years preceding 2013 may represent an indicator of a rise in the smuggling of high value diamonds from the country.<sup>56</sup>

Diamond smuggling from the CAR into Cameroon, which joined the KP in 2012, is a longstanding phenomenon. As most Cameroonian diamonds are extracted artisanally along the Kadeï river, which runs into Mambere-Kadeï in the CAR, these stones are virtually identical to those from western CAR, making it nearly impossible to determine origin. As the origin of diamonds is determined on the spot at a buying office based on the declaration of the finder, smuggling is relatively easy.<sup>57</sup>

Central African diamonds smuggled to Cameroon are generally sold just across the border, e.g. in Garoua Boulaï, west of Bouar, or in Kentzou, west of Berbérati. Western CAR's buyer scarcity and depressed prices in the country have reportedly seen traders paying their way past rebel checkpoints on the border to take advantage of the favourable buying climate.<sup>58</sup> According to mining officials interviewed by IPIS, higher numbers of diamonds have entered Cameroon since the start of the CAR's crisis, and its subsequent suspension from the KP.<sup>59</sup> Moreover, Cameroonian diamond production is thought to have increased due to the engagement of Central African refugees in the sector. Despite this, Cameroon's official diamond exports decreased between 2013 and the first semester of 2014,<sup>60</sup> and remain far below the estimated Cameroonian production capacity. Authorities in Yaoundé suggest that this drop in official exports implies that the sale of Central African diamonds on the parallel market, as opposed to through official Cameroonian channels, is either easier, more lucrative, or both. Otherwise smugglers might be expected to try declaring CAR diamonds as Cameroonian, leading to a surge in official export figures.<sup>61</sup>

It is very difficult to estimate the volume of diamonds smuggled into Cameroon.<sup>62</sup> Forged Cameroonian KP certificates presented abroad indicate however that the volume of illegal exports is significant. In 2013, the Kimberley Process Secretariat in Cameroon confirmed that a total of 6,722 carats worth of would-be Cameroonian KP certificates presented abroad were counterfeit. With a potential Cameroonian diamond production of only 5,000 carats, these almost certainly include Central African diamonds.<sup>63</sup> As such, it seems that forged Cameroonian KP certificates have acted as one avenue for attempts to access the international market – an avenue no doubt incentivised by the likeness between Cameroonian and west Central African stones.

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<sup>54</sup> See for example, the outcome of Patasse's attempts to increase the number of diamonds leaving the country legally by introducing quotas for buying houses in the late 1990s, at International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010, p.3.

<sup>55</sup> *Ibid*, p.7.

<sup>56</sup> According to KP statistics, the per carat value of CAR diamonds ranked as follows: fifth in 2004; sixth from 2005 to 2007; tenth in 2008; sixth in 2009; eighth in 2010; tenth in 2011 and 2012. See Kimberly Process Annual Global Summaries for 2004-2012.

<sup>57</sup> IPIS interviews with officials from the National Secretariat for the Kimberly Process, Yaoundé, July-August 2014.

<sup>58</sup> "Gold and diamonds feed Central African religious violence", August 2014, Business Insider.

<sup>59</sup> IPIS interview with Director General of *Cadre d'Appui et de Promotion de l'Artisanat Minier* (CAPAM), Yaoundé, August 2014.

<sup>60</sup> In 2013 the total export amounted to 2,421 carats, in the first semester of 2014 to 786 carats. This reduction is due to the halted exploration activities of the C&K Mining Company (National Secretariat of the Kimberly Process, Export statistics 2013 and 2014).

<sup>61</sup> IPIS interview with Director General of Mines and Director of CAPAM, Yaoundé, August 2014. Moreover, smuggling networks in Cameroon have been operative since long before the country's admission to the KP and are said to have been reinvigorated since the CAR crisis, whilst a surge in Cameroonian export figures would attract further KP attention if it went beyond the country's production threshold.

<sup>62</sup> IPIS interview with Director General of CAPAM, Director General of Mines and officials from the KP Secretariat, Yaoundé, August 2014.

<sup>63</sup> One extreme past example of a fraudulent export through Cameroon of diamonds most likely coming from the CAR, was a parcel of 281,869 carats, with a certificate of origin from Cameroon as well as a fake KP certificate from the CAR, which left through Douala Airport at the end of 2009.

In addition to Cameroon, other neighbouring states have acted as conduits for embargoed CAR diamonds. Even before the crisis, collectors in Sam Ouandja were reported to have identified smaller quantities of diamonds being trafficked out through the Republic of Congo and the Democratic Republic of Congo.<sup>64</sup> Indeed, late May this year saw Antwerp's Diamond Office intercept and seize a parcel of falsely KP certified diamonds whose match with the CAR's footprint rendered their likelihood of being Central African "highly probable". The parcel was later reported to have entered the country from Dubai, where the Dubai Multi-Commodities Centre stated that it had been accompanied by a valid KP certificate from the Democratic Republic of Congo.<sup>65</sup>

Evidence presented at this June's KP inter-sessional meeting of international shipments containing CAR diamonds entering the legal trade in this way led the KP to step up measures in an attempt to curb such flows. This included further origin determination research that recently saw a sample shipment sent from the CAR to South Africa to update footprinting analysis and facilitate further work on fingerprinting.<sup>66</sup> Certainly, given that international aviation can render any country a proximate – if not neighbouring – state, procedures that extend beyond simply requesting a valid KP certificate will be key to the KP's success in stemming the flow of Central African conflict diamonds.

#### Box 4. Smuggling through neighbouring non-KP member states

Chad and Sudan are likewise diamond trafficking routes, with reports of smugglers selling Central African diamonds in the South Darfurian capital Nyala going back to 2010. Indeed, north-eastern CAR has stronger cultural and commercial ties to Sudan than Bangui. As such, previous reports had estimated that much illegal traffic from Sam Ouandja was smuggled out of the country by Sudanese traders frequenting the mines.<sup>67</sup> Regular migration through the region and strong ethnic ties makes this hardly surprising in an area where national boundaries are barely acknowledged and the same ethnic groups reside on all sides of the border. Certainly, the CAR's Mines Ministry is said to have reported that trafficking through Sudan has increased since May 2013.<sup>68</sup> The KP's footprint for diamonds from the area affected by such smuggling indicates that the trafficking of such stones may represent sizable gains for armed groups, with 85-90% being high to medium gem quality.<sup>69</sup> Prompted by the KP, mid-June saw the Chair of the UN Security Council Sanctions Committee for the CAR write to the CAR's neighbouring states, including Chad, Sudan and South Sudan, reminding them of travel and financial bans on those supporting armed groups, and expressing concern about rough diamonds originating from Sam-Ouandja, Bria and Mambéré -Kadeï (in Western CAR).<sup>70</sup>

## The future for CAR's diamonds

Given that armed groups expressly opposed to the CAR's incumbent government are profiting from diamond exploitation, particularly in the east, were the KP to lift its suspension on the trade in such stones, one might readily question the mechanism's function. Here, ensuring that conflict diamonds cannot access the legitimate pipeline further downstream seems clearly to be the KP's role in aiding the

<sup>64</sup> International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010, p.14.

<sup>65</sup> "Diamonds: Looking for CAR Diamonds in Dubai and Gemesis Becomes Pure Grown Diamonds", 14 September 2014, JCK Online. For further details see UN Panel of Experts on the Central African Republic, *Final report, S/2014/762*, 29 October 2014, paras 115-121.

<sup>66</sup> Final Communiqué from the Kimberley Process Plenary Meeting, 14 November 2014, Guangzhou, The People's Republic of China, para.21. Diamond footprinting encompasses the characteristics of diamond production from specific localities, taking into account characteristic features such as size, morphology, quality and value. Fingerprinting technology however has the potential to enable the identification of a more localised DNA structure for stones, facilitating origin tracing by assessing, amongst other things, uranium traces in stones. Such technologies are nevertheless costly at present and therefore their use for more expansive tracing has been limited.

<sup>67</sup> International Crisis Group, *Dangerous Little Stones: Diamonds in the Central African Republic*, December 2010, p.17.

<sup>68</sup> Enough Project, *Behind the Headlines: Drivers of Violence in the Central African Republic*, May 2014, pp.8-10.

<sup>69</sup> See "Footprint" or characteristics of the diamond production from the Eastern region around Bria in the Central African Republic, Kimberley Process Working Group of Diamond Experts, 2012. The footprint covers the Mouka-Ouadda sandstones with diamonds said to increase in size and quality from the north to the south of this area.

<sup>70</sup> UN Panel of Experts on the Central African Republic, *Final report, S/2014/762*, 29 October 2014, para.113-114.

CAR to end its violent crisis. This is particularly so given the upstream challenges posed to stemming illicit flows by both international aviation and trafficking through non-KP member states.

However, suspending legitimate international trade in Central African diamonds is not without repercussions. IPIS' research team has spoken to buying houses and collectors who have highlighted the difficult situation the country's suspension has created internally. These actors claim that falls in production and prices, to which the suspension has contributed, have seen some miners turn either to gold mining or, in some cases, armed militias for income generation. Whilst it is true that miners in some regions appear to have been recruited by rebel groups and are preventing access to mine sites, any link between this and the KP suspension would require further examination.

However, it cannot be doubted that legitimate central African traders appear to have suffered from the loss in trade occasioned by the KP ban more than armed groups. Where people are highly dependent on the diamond trade (and security permits), such trade has simply been conducted illegally – a fact affirmed by estimates that 80% of the CAR's production currently leaves the country fraudulently.<sup>71</sup> Particularly where certain armed actors have copied the previously operative system of buying houses, the continued ability of illegal traders, including armed groups, to access the world market through illicit networks has enabled them to seize the market share formerly belonging to legal traders, whose hands are tied by KP suspension. On the ground, this has generated frustration. It may also raise concerns about the entry of wholly criminal actors onto the market through the expansion of the shadow economy.

So what lies ahead for Kimberly's handling of the CAR? Much will depend on the ailing state's ability to recover some modicum of security and stability. It may be that suggestions for a partial lifting of the export ban on Central African diamonds receives more widespread support at that stage. An acceleration of the transition with the holding of a 2015 election could be one step closer in that regard.<sup>72</sup> Certainly, whilst insecurity and armed group interference prevail in a number of regions, it seems that there may be pockets of production where controlled trade might be feasible if security in these areas can be guaranteed. Such a move would require careful monitoring and risk management on the part of the KP, however,<sup>73</sup> as well as support from security forces on the ground. Moreover, it may also need to be backed by certain oversight guarantees if it is truly to generate much needed state revenues and avoid the kinds of irregularities observed under Seleka rule. Indeed, such irregularities would undermine confidence in the transition efforts of the Central African authorities, as illustrated by the recent Angolagate debacle.<sup>74</sup>

Regardless, it seems that any lifting of the KP embargo remains some way off. Indeed, even were the KP to partially lift its suspension, if armed groups are no longer to profit from Central African conflict stones, efforts to ensure that they are kept off the world market will need to be intensified by KP participants further downstream. This is where the bulk of the KP's work will need to remain. Here, it will be interesting to see how the outcome of attempts to develop a fingerprint for Central African diamonds could contribute.

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<sup>71</sup> Ibid, para.111.

<sup>72</sup> "Delay Looms for CAR Elections Next Year", 13 November 2014, Voice of America. The recent anti-balaka announcement of plans to lay down arms in favour of political engagement may, if actualised, also be one step closer in this regard. See "Anti-Balaka group to lay down arms in CAR", 30 November 2014, Reuters.

<sup>73</sup> The Marange crisis has given the KP some experience of monitoring such a partial ban, though compliance further downstream was more readily aided in that instance by the distinctive characteristics of most Marange stones.

<sup>74</sup> The transitional authorities have recently found themselves subject to allegations of the mismanagement of funds donated to the country by Angola. See "RCA: le CNT veut des explications sur l'utilisation des dons angolais", 13 October 2014, RFI.