

Gold and diamonds in the Central African Republic

The country's mining sector, and related social, economic and environmental issues

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Editorial

Gold and diamonds in the Central African Republic. The country's mining sector, and related social, economic and environmental issues

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Front Cover image: artisanal diamond miners sifting gravel near Sam-Ouandja (IPIS 2008)

Antwerp, February 2013

Acknowledgements:

This report was funded by ActionAid Nederland and Cordaid. The report reflects the views of the authors and can in no way be taken to reflect the views of the funders.

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Introduction

Gold and diamonds in Central Africa easily conjure up images of conflict, rebel funding, human rights violations, and smuggling. As a country landlocked within an unstable region, neighbouring the Democratic Republic of Congo (DRC), and recently the scene of another coup attempt, the Central African Republic (CAR) might be considered an appropriate candidate for analysis within the conflict-mineral perspective. Yet this framework would ignore the country's mining sector's very specific characteristics. The sector offers an essential livelihood to many households, represents the country's second most important export product, and is organised in a particular way. Nonetheless, a wide range of issues regarding the country's mining sector persist.

This report aims to analyse both the Central African Republic's gold and diamond mining sector and related environmental and socio-economic issues. The results of the study will be used to organise a sensitisation workshop for Central African NGOs in which the threats to and opportunities of the mining sector on the country's development can be explained and discussed.

The first chapter offers general background information on the CAR's mining sector, including a short overview of the sector's history in the country, and some general features and figures. There is also an analysis of the CAR's national legislation, and some international initiatives relating to the country's mining sector.

The artisanal mineral supply chain and the main actors involved are analysed in the second chapter. An important point of attention here is the level of informality in the artisanal mining sector; this has significant consequences on other issues related to mineral extraction in the country.

In Chapter Three, the industrial extraction of the country's minerals will be discussed. This involves a general analysis of the prospects of the industrial mining sector and some related issues. The chapter then looks at the Passendro Gold Project of AXMIN, the most advanced mining project in the country.

The socio-economic and environmental consequences of the CAR's mining sector, which mainly constitutes artisanal mining, will be considered in the fourth chapter. The chapter also includes an overview of the current initiatives, and lack thereof, to address these issues.

Chapter Five, the last in the report, includes some conclusions and recommendations on the country's mining sector and related socio-economic and environmental issues.

Some maps, intended to be of interest to the reader, can be found in the annexes of the report. The first gives an overview of mineral deposits in the country; the second shows the exploration and exploitation permits that have already been granted by the CAR.

Chapter I: Gold and Diamond Mining in the Central African Republic: a general perspective

1. History of the CAR's mining sector

Diamonds and gold were discovered for the first time in the Central African Republic in the early twentieth century, when the country was still under French colonial rule. The colonial administration exerted strong control over access to the natural resources and granted concessions to private companies to exploit rubber, coffee, cotton and mineral resources. Diamonds soon became the CAR's second export product, after cotton.¹

International mining companies experienced their heyday in the CAR in the 1950s, with diamond production figures amounting to 147,104 carats in 1954. As these figures declined and exploration results flagged towards the end of the 1950s and early 1960s, mining companies confined their operations to the commercialisation of minerals extracted from their concessions by artisanal miners.²

During the colonial period, exploration exercises were carried out for gold and diamonds. After independence, however, international mining companies retreated from the country and investments in exploration disappeared.³ Diamond production, on the other hand, increased considerably after the end of colonial rule in 1960. The new Central African government liberalised the diamond sector, opening the mines to all citizens, which resulted in a rush to mining zones.⁴ Annual diamond exports consequently rose from 70,000 carats in 1960 to almost 537,000 in 1965.⁵

After CAR's independence, successive rulers treated the country's mining sector as an important cash cow to sustain their patron-client network. Rulers would demand a share of production and impose high taxes on mineral exports. The most striking example is president/emperor Jean-Bédél Bokassa, who came to power in 1966. After an initial period of high production figures, diamond exports soon fell back because of Bokassa's greed, the exhaustion of the most easily exploitable deposits, and a lack of investment in new exploration.⁶ By the end of Bokassa's rule in 1979, production fluctuated at around 290,000 carats per year.⁷

During the next decade, however, export statistics were revived once again with the introduction of a certification system developed by the World Bank, the creation of the *Bureau d'évaluation et de contrôle de diamant et d'or* (BECDOR)⁸, the lowering of export taxes,⁹ and the tapping of deposits that are less easily exploitable.¹⁰

Former president Ange-Félix Patassé also openly did business in the mining sector during his reign. His company Colombo Mines possessed several mining sites and he commissioned middlemen to collect diamonds for him. Furthermore, he awarded concessions to mining companies and exempted them from legal obligations.¹¹

¹ International Crisis Group (ICG), *Dangerous little stones: Diamonds in the Central African Republic*, December 2010, p. 1.

² Barthélémy F., Eberlé J. M. & Maldan F., Transborder artisanal and small-scale mining zones in Central Africa: Some factors for promoting and supporting diamond mining, in: Vlassenroot K. & Van Bockstael S. (eds.), *Artisanal diamond mining: perspectives and challenges*, Antwerp, Academia Scientific, 2008, pp. 20-40, p. 33.

³ EITI-CAR, *Premier rapport de l'ITIE-RCA: Collecte et reconciliation des données statistiques du secteur minier année 2006*, March 2009, p. 25.

⁴ Barthélémy F. et al (2008), op. cit., pp. 32-33.

⁵ International Crisis Group (ICG), *Dangerous little stones: Diamonds in the Central African Republic*, December 2010, p. 1.

⁶ Barthélémy F. et al (2008), op. cit., p. 33; ICG (December 2010), op. cit., p. 3.

⁷ 286,007 in 1976, 296,909 in 1977 and 284,246 in 1978. (Source: N'Zolamo-N'Zilavo (Civil servant at the Mining service), *Note mines inachevée*, unpublished document, 2012)

⁸ This state service still exists today and will be discussed in more detail in section 2.1.2.

⁹ ICG (December 2010), op. cit., p. 3.

¹⁰ N'Zolamo-N'Zilavo (2012), op. cit.

¹¹ ICG (December 2010), op. cit., p. 3.

2. General features of the CAR's mining sector

Agriculture is the primary economic activity in the CAR; more than 70% of citizens are engaged in subsistence farming¹² and agriculture represents 54% of the country's Gross Domestic Product (GDP).¹³ With its vast forests, logging is the country's second key economic activity. The export value of the forestry sector narrowly outruns that of the diamond sector, earning the country respectively \$52.3 million and \$49.3 million in 2009, or 42.2% and 39.8% of the country's total export value.¹⁴ The mining sector in total accounted for 7% of GDP in 2007,¹⁵ and fiscal revenues from the sector came to 9% and 11% of the State's total fiscal revenues in 2009 and 2010 respectively.¹⁶

Export values demonstrate that diamonds are by far the country's principle mineral. In 2011, the CAR officially exported 323,575.30 carats, worth CFA¹⁷ 29.7 billion, or \$61.4 million.¹⁸ Official gold exports were only 72.8 kg, which equated to an export value of CFA 1.25 billion.¹⁹

	2010	2011	2012 (January –June)
Diamonds (Carats)	301,557.62	323,575.30	210,684.78
Gold (Grams)	56,475.70	72,834.51	30,670.40

Source: BECDOR

However, the CAR's diamond production volume is still far below that of the Central African region's other top producers, the Democratic Republic of the Congo (DRC) and Angola. The DRC and Angola produced 27.7 and 13.8 million carats respectively in 2010, which clearly overshadows the CAR's 310 thousand carats²⁰ (See table 2). The regions' other diamond producers are Cameroon, the Republic of Congo and Gabon, however the precise production outputs for these countries are unknown.²¹

In terms of quantity, the CAR is therefore a relatively minor diamond producer compared to Angola and the DRC. The quality of diamonds is however quite a different matter (See table 2). While the DRC mainly produces industrial diamonds, 80% of the CAR's diamonds are gem quality.²² In order to have an idea of the difference in quality, Barthélémy compared the average prices per carat in 2008. The average price per carat was \$30 in the DRC, \$150 in Angola, and \$180 in the CAR.²³ The quality of the CAR's diamonds ranks fifth in the world.²⁴

Countries	Gemstones	Industrial diamonds	Total
Angola	12,500	1,300	13,800
CAR	250	60	310
DRC	5,500	22,200	27,700

Source: Olson D. W., 2010 Minerals Yearbook: Diamond, Industrial, USGS, June 2012.

¹² Chupezi T. J., Ingram V. & Schure J., *Impacts of artisanal gold and diamond mining on livelihoods and the environment in the Sangha Tri-National Park Landscape*, CIFOR/IUCN, 2009, p. 14.

¹³ This figure concerns the year 2009. (Source: Economist Intelligence Unit, *Country report: Central African Republic*, March 2012, p. 6.)

¹⁴ Economist Intelligence Unit (March 2012), op. cit., p. 6.

¹⁵ USAID, *Country profile: Central African Republic*, Property rights and resource governance, October 2010, p. 13.

¹⁶ EITI-CAR, *Rapport de l'Administrateur indépendant de l'ITIE pour les revenus de l'année 2010*, December 2012, pp. 7, 16.

¹⁷ CFA is the symbol for Central African Franc. It is the abbreviation for *Communauté Financière Africaine*. US\$1 currently equals CFA 505.75 and 1 euro equals CFA 655.96.

¹⁸ BECDOR diamond statistics 2011.

¹⁹ BECDOR gold statistics 2011.

²⁰ BECDOR statistics report a slightly different production figure for 2010: 301,557.62 carats. See table 1.

²¹ Barthélémy F. et al (2008), op. cit., p. 21.

²² Olson D. W., 2010 Minerals Yearbook: Diamond, Industrial, USGS, June 2012, p. 21.10.

²³ Barthélémy F. et al (2008), op. cit., p. 21.

²⁴ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 15.

The CAR's actual diamond production figures are considerably higher than the official ones mentioned above. Several sources, such as the Kimberley Process secretariat, the CAR authorities and the World Bank, estimate that 30 per cent of the country's diamonds leaves its territory secretly.²⁵ The value of these diamonds might even represent a higher percentage of the total value, as the biggest diamonds are more alluring to smuggling than the smaller ones.

Regarding the gold sector there's even more lack of knowledge. Roughly estimated illegal exports might even represent more than 95% of the country's actual gold exports. Gold production estimates exceed two tonnes per year.²⁶ Explanations for these high levels of informality will be discussed in section 2.1.3.

In order to give a complete picture of the country's mining sector, it is important to note that official diamond production figures have decreased in recent years. The main reasons behind this seem to be the global economic crisis and the consequent diamond price collapse on the world market.²⁷ The CAR's average annual diamond production in the pre-economic-crisis period 2004-2007 amounted to 404,550 carats. Average production in the 2008-2011 period came down to 328,530 carats²⁸ - a 19% decrease. Diamond production figures in the 1990s were on average even 460 thousand carats.²⁹ In contrast, official gold production figures have risen from an average 20 kg per year in the 2004-2007 period to an average 60 kg in 2008-2011.³⁰ A similar move has been observed in the DRC's *Province Orientale*. Since the beginning of the global financial crisis, Congolese miners have abandoned diamond-mining sites and turned to the extraction of gold, of which the price is more stable.³¹

Due to the abovementioned high level of non-registered exports, it is difficult to give a precise list of the destinations of the countries' mineral exports, especially for gold. However an overview of the probable final destinations of the countries' diamonds includes Dubai, Bombay, Beirut, Tel Aviv³² and Antwerp. Official statistics report that Belgium is the main destination of the CAR's overall exports; in 2010, Belgium accounted for 26.6% of the total exports.³³

Another burning issue is a lack of knowledge of the CAR's gold and diamond reserves. As the previous section illustrated, mining companies have long struggled to find ground in the CAR. Exploration exercises for gold and diamonds have considerably decreased since independence; even before, only the southwest and the northwest were subject to serious exploration. Consequently, it is reasonable to say that the CAR's subsoil is still largely unknown.³⁴

There remain numerous other issues pertaining to the mining sector, including a lack of transparency, an insufficient legal/institutional framework, and the poverty trap of local mining communities. Current president François Bozizé has harnessed a number of measures to address some of these issues and to improve the situation of the mining sector. Initiatives undertaken have included a revision of the Mining Code, participating in the Extractive Industries Transparency Initiative (EITI), the creation of an office for geological research, and the creation of a national union for artisanal mining cooperatives. However several issues still remain; most of these will be addressed in the following sections.

One issue that will not be discussed further on in this report, as it is not within the scope of this study, is whether revenues from the country's natural resources are still unfairly distributed. Divisive policies,

²⁵ However, these are no more than rough estimates, no one really knows what quantity actually leaves the country. (Source: World Bank, Central African Republic Country Environmental Analysis: Environmental Management for Sustainable Growth, November 2010, p. 21; ICG (December 2010), op. cit., pp. 7 and 13; Spittaels S. & Hilgert F., *Mapping conflict motives: Central African Republic*, IPIS, February 2009, p. 27; IPIS interview with a buying office representative, Bangui, July 2012.)

²⁶ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 15.

²⁷ The August 2008 price per carat of 47,643 CFA, or 95 dollars, was less than half of the average price during the year 2000 (Source: DeJong T. U. (March 2012), op. cit., p. 16.)

²⁸ <http://www.kimberleyprocess.com/web/kimberley-process/participant/central-african-republic>, last accessed on 29 October 2012.

²⁹ N'Zolamo-N'Zilavo (Civil servant at the Mining service), *Note mines inachevée*, unpublished document, 2012

³⁰ Ibid.

³¹ Matthysen K., Hilgert F., Schouten P. and Mabolia A., *A detailed analysis of Orientale Province's gold sector*, IPIS/GIZ/ICGLR, December 2011, unpublished, p. 40.

³² ICG (December 2010), op. cit., p. 14.

³³ Economist Intelligence Unit (March 2012), op. cit., p. 6.

³⁴ EITI-CAR, *Premier rapport de l'ITIE-RCA: Collecte et Reconciliation des données statistiques du secteur minier année 2006*, March 2009, p. 25.

influenced by ethnic allegiances, are an old sore in the CAR. The reign of the president's predecessors André Kolingba and Ange-Félix Patassé, offer perfect examples for this.³⁵

3. National, Regional and International Regulatory framework

The Central African Republic's legal framework

After Bozizé seized power in March 2003, he soon suspended all mining exploration permits and set up a panel to check their legality in order to clean up the sector.³⁶ Following this, in February 2004 the national assembly issued a new Mining Code that was in line with international standards. However, within five years World Bank consultants had revised the 2004 Mining Code and a new code was adopted in 2009. The government was eager to accept the revision; it was a precondition to qualify for a US\$800 million debt relief.³⁷ The government did however alter a few things in the final version of the law. It has been claimed that these changes had been made without consulting the World Bank and that they added some obligations that can potentially deter investors.³⁸ Senior government officials however refute these claims, explaining these obligations had been the subject of thorough discussions with World Bank representatives. Furthermore, in the end, these representatives would have agreed with the alterations.³⁹ These obligations include the payment of a front-end bonus, the grant of certain percentages of the operations' capital to the government and private CAR investors,⁴⁰ and the requirement to give the State a 15% share in any mining operation.⁴¹

The 2009 Mining Code, law 09.005 of 29 April 2009, stipulates that all mineral resources, in the ground or on the surface, are the property of the Central African State.⁴² The State can consequently grant any person access to these resources.⁴³ Decree 09.126 stipulates the associated regulations.⁴⁴

The government's claim that the State owns the national territory and its resources is deemed much less legitimate in rural areas, far away from Bangui, the country's capital. As State presence is thin in these isolated areas, customary law is much more prevalent.⁴⁵ However the Mining Code does recognise customary property rights to a certain extent by ordering mining licence holders to compensate holders of customary rights for any loss of land due to the mining activities.⁴⁶

Another regulation that is applicable to the mining sector is the 2007 Environmental Code, law number 07/018. The Code mandates the Ministry of Environment and Ecology to supervise environmental issues within the mining sector. The accompanying regulations to bring this mandate into force are yet to be published.⁴⁷

Regarding the environmental and social consequences of industrial miners' activities, there seems to be a tension between the ministry of environment and the ministry of mining over the question of who is eligible to assess the industrial miners' policies in this field.⁴⁸ To date, an inter-ministerial commission, including representatives of both the Ministries of Mines and Environment, has taken this responsibility.⁴⁹

³⁵ Small Arms Survey, *A widening war around Sudan: The proliferation of armed groups in the Central African Republic*, Human Security Baseline Assessment: Sudan issue brief, Number 5, January 2007, p. 3; Africa Confidential, *Patassé's problems*, Vol. 39, No. 5, 6 March 1998, p. 6.

³⁶ Africa Mining Intelligence, *All Mining Licenses Suspended*, No. 60, 23 April 2003.

³⁷ ICG (December 2010), op. cit., pp. 4, 12.

³⁸ Africa Mining Intelligence, *Confusion over New Mining Fund*, No. 203, 20 May 2009.

³⁹ Personal communication IPIS with senior government official, 4 March 2013.

⁴⁰ Africa Mining Intelligence, *Confusion over New Mining Fund*, No. 203, 20 May 2009.

⁴¹ USAID (October 2010), op. cit., p. 14.

⁴² Loi No. 09.005 portant code minier de la République Centrafricaine de 29 avril 2009, Article 6.

⁴³ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 16.

⁴⁴ Décret No. 09.126 fixant les conditions d'application de la loi No 09.005 du 29 avril 2009 portant code minier de la République Centrafricaine.

⁴⁵ ICG (December 2010), op. cit., p. 10.

⁴⁶ USAID (October 2010), op. cit., p. 13.

⁴⁷ IPIS interview with civil society representative, Bangui, July 2012.

⁴⁸ IPIS interview with senior official at the Ministry of Environment, Bangui, July 2012.

⁴⁹ IPIS interview with senior official at the Ministry of Environment, Bangui, July 2012; Association Centrafricaine des Professionnels en Evaluation Environnementale (ACAPEE)/SEEAC, *Rapport sur l'état des lieux des EIE des projets miniers en Afrique Centrale: Cas de la RCA*, September 2010, p. 9.

However the Environmental Code stipulates that it is the Ministry of Environment who should bear the authority for controlling environmental matters in all sectors, including mining. Nevertheless, as long as the accompanying regulations are not released, the mandate will not come into force. In order to decrease the tension between the two ministries, the regulations implementing the Environmental Code need to be released urgently. The regulations should clearly outline the roles and responsibilities for environmental and social issues for each ministry, with the primary responsibility allocated to the Ministry of Environment. However it will also be necessary to involve the Ministry of Mining because of its specific mining expertise.⁵⁰

The Kimberley Process

The Kimberley Process Certification Scheme (KPCS) was created in 2003 as a tool to fight the problem of 'conflict diamonds'. It demands its members to install sufficient controls on their diamond production and trade in order to certify them as 'conflict-free'. Furthermore, Kimberley Process (KP) members are supposed to comply with the prohibition of trading diamonds with non-member countries.⁵¹ KP claims that its members currently represent about 99.8% of the global production of rough diamonds.⁵²

The CAR has been a KPCS participant since the scheme's foundation in 2003. BECDOR, the government body responsible for overseeing the country's tracing system, checks whether diamond-buying offices hold the necessary paper trail for their diamond exports. In case BECDOR encounters no irregularities, the shipment is certified as KP compliant.⁵³

In order to support Bangui to improve compliance with the Kimberley Process, USAID has established the Property Rights and Artisanal Diamond Development Project (PRADD). US diplomatic documents have, however, complained about the governments' 'obstructive' behaviour towards the project in its initial phase.⁵⁴ Next to the technical KP assistance, PRADD also aims to improve artisanal diamond miners' livelihoods by achieving secure rights to land and resources.⁵⁵ In chapter IV, the latter will be discussed in more detail.

This assistance should definitely be encouraged, as the implementation of such international regulatory frameworks often requires considerable means and technical capacity. It is therefore advisable that international donors consider establishing similar initiatives to assist the Central African government in implementing the range of other international initiatives that relate to the country's mineral resource sector.

The Kimberley Process has undeniably accomplished some considerable achievements. A few serious shortcomings do persist however, demonstrated, amongst other things, by the fact that an estimated 30% of the CAR's diamond production leaves the country in secret.

Over the years, KPCS implementation in several countries shows that certifying minerals as "conflict-free" does not automatically yield developmental benefits for local mining communities.⁵⁶ The narrow purpose of the Kimberley Process, to halt the use of diamonds to finance rebellion activities, was at the root of the scheme's original success and wide acceptance. Nowadays, it has become clear however that there is much more to conflict than diamonds, and vice versa.⁵⁷

Another issue relates to the reliability of the tracing mechanism. The guarantee offered by the KP certificate is only as strong as internal controls of exporting countries.⁵⁸ The huge number of scattered

⁵⁰ World Bank (November 2010), op. cit., pp. 24, 28; Mazalto M., *Réhabilitation écologique des sites miniers artisanaux de diamants en République Centrafricaine et leçons des expériences en Sierra Leone*, USAID-PRADD, June 2009, p. 41.

⁵¹ Verbruggen D., Francq E. & Cuvelier J., *Guide to Current Mining Reform Initiatives in Eastern DRC*, IPIS, 2011, pp. 21-22.

⁵² <http://www.kimberleyprocess.com/web/kimberley-process/kp-basics>, last accessed on 28 October 2012.

⁵³ The diamond paper trail and the role of buying offices and BECDOR will be discussed below, respectively in sections 2.1.1. and 2.1.2.

⁵⁴ US Diplomatic Cable, *Diamonds in the CAR: Deleterious to Development*, Wikileaks, January 2010.

⁵⁵ <http://usaidlandtenure.net/projects/central%20african%20republic>, last accessed on 28 October 2012.

⁵⁶ Verbruggen D., Francq E. & Cuvelier J. (2011), op. cit., pp. 21-22.

⁵⁷ Blore S. & Smillie I., *Taming the resource curse: Implementing the ICGLR Certification Mechanism for conflict-prone minerals*, Partnership Africa Canada, March 2011, pp. 19-20.

⁵⁸ ICG (December 2010), op. cit., p. 13.

alluvial diamond deposits makes it nearly impossible for the relevant state authorities, which are often short of means and equipment, to adequately control all trade and production of diamonds.

Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a voluntary multi-stakeholder initiative which brings together business, governments and NGOs. In order to be compliant, member-countries need to publish their revenues from the extractive industries on a regular basis. Companies, on the other hand, should publish all the payments that they have made to governments.

In Central Africa, the CAR is currently the only EITI compliant country. It achieved this statute in March 2011. The DRC, Gabon, the Republic of Congo, Cameroon and Chad are all candidate countries, meaning they are implementing EITI, but do not yet meet all requirements.⁵⁹

The country established its EITI structures with the issuance of Presidential Decree No 08.260 of 18 July 2008. In March 2009, the CAR-EITI structure published its first report, covering the year 2006. A second EITI report has been released in December 2010, which discusses the 2007-2009 period. The 2010 report will be published by the end of 2012.⁶⁰

ICGLR

The International Conference on the Great Lakes Region (ICGLR) is an intergovernmental organisation that was established in 2004. It is based on the recognition that political instability and conflicts involving its eleven member states have a considerable regional dimension and thus require addressing through concerted efforts.⁶¹

In December 2006, the ICGLR adopted the Pact on Security, Stability and Development in the Great Lakes Region. The pact includes ten legally binding protocols covering a wide range of regional issues, from mutual defence and judicial cooperation, to the illegal exploitation of natural resources.⁶²

The Protocol on the fight against the illegal exploitation of natural resources provides the legal basis for the Regional Initiative on Natural Resources (RINR). In December 2010, the Heads of State of the ICGLR member countries adopted the Six Tools that form the RINR, with a view to combat the illegal exploitation of selected natural resources, namely tin, tungsten, tantalum and gold. The Six Tools include: (1) Regional Certification Mechanism (RCM), (2) Harmonisation of National Legislation, (3) Regional Database on Mineral Flows, (4) Formalisation of the Artisanal Mining Sector, (5) Promotion of EITI and (6) the Whistle Blowing Mechanism.⁶³

The RCM is due to become mandatory in all ICGLR countries, including the CAR, within the next three years. So far, only the DRC and Rwanda have enacted legislation that incorporates the RCM into their mining codes.⁶⁴

The certification scheme includes four main pillars: mineral tracking from the mining site to the point of export, regional mineral tracking through an ICGLR database, independent third party audits, and independent mineral chain auditing.⁶⁵

The thorough implementation of the procedures described above should improve the current status of collection and sharing of information relating to on-site security, revenues generated at export, and all payments made along the gold supply chain.⁶⁶

At the moment, there is very little knowledge in the CAR about ICGLR and its certification mechanism. During the field research carried out in July 2012, the research team observed that this knowledge gap

⁵⁹ <http://eiti.org/countries>, last accessed on 28 October 2012.

⁶⁰ <http://eiti.org/CentralAfricanRepublic>, last accessed on 28 October 2012.

⁶¹ <https://icglr.org/spip.php?article1>, last accessed on 28 October 2012.

⁶² <https://icglr.org/spip.php?article2>, last accessed on 28 October 2012.

⁶³ Matthysen K., Hilgert F., et al (December 2011), op. cit., p. 49.

⁶⁴ IPIS, *Case analysis on the formalisation of artisanal mining in Rwanda and DRC*, commissioned by CIFOR, to be published in November 2012, pp. 32-33.

⁶⁵ For more information on each of these pillars, see: Partnership Africa Canada, *Briefing note on the ICGLR Regional Certification Mechanism*, June 2012.

⁶⁶ IPIS (November 2012), op. cit., pp. 32-33.

applied to almost all actors involved in the country's mining sector, including state officials, business people and civil society representatives. There is clearly a need for sensitising and vulgarisation of the RINR initiative in the country.

Due diligence

Several initiatives have been established recently to increase private sector accountability in mineral supply chains.

The Organisation for Economic Co-operation and Development (OECD) adopted its Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas in May 2011. In July 2012 the OECD Council revised the guidance to include the supplement on Gold.⁶⁷

The OECD Guidance gives a five-step framework to exercise due diligence.⁶⁸

1. Establish strong company management systems;
2. Identify and assess risks in the supply chain;
3. Design and implement a strategy to respond to identified risks;
4. Carry out independent third-party audits of refiner's due diligence practices;
5. Report annually on supply chain due diligence.

The framework, despite not being legally binding, requires all actors in the '3Ts'⁶⁹ and gold supply chains to put in place a chain of custody and/or a traceability system to trace the origin of their minerals. Companies are further required to design and implement robust and comprehensive risk assessment and risk mitigation measures to make sure that all potentially harmful situations are properly addressed. Lastly, companies are advised to publicly report on their supply chain due diligence policies and practices, which form the subject of independent third party audits.⁷⁰

Next to the OECD guidelines, the American legislator has also created some due diligence requirements for companies trading on US exchanges. Section 1502 of the Dodd-Frank Act, which the US Senate passed in July 2010, obliges those companies to exercise due diligence on their supply chains of tin, tantalum, tungsten and gold if they originate in the DRC or one of its neighbouring countries.⁷¹ Consequently, this provision also applies to companies that use gold originating in the CAR.

In August 2012, the Securities and Exchange Commission (SEC) finally approved the final rules that implement the 'conflict minerals' provision of section 1502.⁷² Under the final rule, it is outlined that the due diligence exercise should be in line with a nationally or internationally recognized due diligence framework, such as the OECD guidance.⁷³

The Act obliges companies to provide an annual 'Conflict Minerals Report', which describes the due diligence efforts undertaken, and an audit report to the SEC. The companies should publish both of these documents on their website. Subsequently, public scrutiny and resultant reputational risk should persuade companies to be diligent with their supply chain. Fines will only be considered for those companies that do not complete suitable reporting and auditing.⁷⁴

⁶⁷ <http://www.oecd.org/corporate/guidelinesformultinationalenterprises/goldsupplementtotheduediligenceguidance.htm>, last accessed on 28 October 2012.

⁶⁸ OECD, *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Supplement on Gold*, July 2012

⁶⁹ 'The 3Ts' is a collective name given for three minerals - tin, tantalum and tungsten - which are mined in the form of the cassiterite, coltan and wolframite ores.

⁷⁰ IPIS (November 2012), op. cit., pp. 37-38.

⁷¹ Verbruggen D., Francq E. & Cuvelier J. (2011), op. cit., pp. 10-11.

⁷² US State Department, *Final rules for Dodd-Frank sections 1502 and 1504*, 23 August 2012.

⁷³ US SEC, *SEC adopts rule for disclosing use of conflict minerals*, 22 August 2012. (<http://www.sec.gov/news/press/2012/2012-163.htm>)

⁷⁴ Verbruggen D., Francq E. & Cuvelier J. (2011), op. cit., pp. 10-11.

Chapter II: Artisanal extraction of gold and diamonds in the CAR

Gold and diamonds are almost exclusively extracted by artisanal means in the CAR. According to accumulated diamond export figures since 1931, more than 84% of extraction is produced artisanally.⁷⁵ Since independence, industrial exploitation has almost completely disappeared.

In order to legally join the artisanal mining sector, there are a few possibilities. With a miner's card (*carte d'exploitant artisan minier*), miners are permitted to operate in designated artisanal mining zones, which are demarcated by the government's mining administration. So far, however, not a single artisanal mining zone has been designated. In case a miner wants to obtain a title outside of a designated artisanal mining zone, he should also apply for a prospecting- or artisanal mining exploitation license.⁷⁶

The CAR's gold and diamond mining sector involves mainly small alluvial deposits - in rivers and riparian areas - which are especially fit for artisanal mining.⁷⁷ The map on page 34 indicates areas where a lot of artisanal mining activity takes place.

The southwest of the country is the area most densely populated by artisanal miners. It involves the prefectures of Nana-Mambéré, Mambéré-Kadéï Sangha-Mbaéré and Lobaye.⁷⁸ The deposits are spread along the Mambéré, Lobaye, Sangha and Kadéï rivers.⁷⁹ Important mining zones include Berbérati, Carnot, Nola, Boda, Salo, Bouar and Bozoum.⁸⁰

A number of other key mining sites can be found in the centre-east prefectures Ouaka and Haute-Kotto,⁸¹ along the Kotto river.⁸² Mining areas are centred around Bria, Ippy, Dimbi, Bambari, Bangassou, Ndélé and Sam-Ouandja.⁸³

Gold and diamonds are generally found in the same areas.⁸⁴ The map on page 34 however shows slight variation over the Central African territory; gold, for example, is more often produced near Bouar, in the border area with Cameroon.⁸⁵ The southwestern zone produces more diamonds than the east - an estimated 80% of total production - but they are smaller in size.⁸⁶ Historically, the upper-Sangha region has accounted for about 60% of the CAR's diamond production.⁸⁷ The east's lower official production might be partly explained by the fact that bigger diamonds are a more alluring candidate for smuggling⁸⁸ and the government's relatively limited control over its eastern territory.⁸⁹

In the above-mentioned mining areas, ASM offers an important livelihood strategy for local communities. It is an attractive employment opportunity in impoverished, rural areas as it requires very little capital, knowledge and technology. Furthermore, it is labour intensive and consequently an important provider of employment opportunities, providing cash income that helps to pay for healthcare, education for children, and construction of infrastructure.⁹⁰ The artisanal mining sector employs an estimated 80,000

⁷⁵ Barthélémy F. et al (2008), op. cit., p. 36.

⁷⁶ Loi No. 09.005 (29 April 2009), op. cit., articles 64-75; Lintzer M. & Mitchell H., The artisanal diamond mining sector in the Central African Republic: Formalization and livelihoods, in: Van Bockstael S. & Vlassenroot K. (eds.), *A farmer's best friend? Artisanal diamond mining and rural change in West and Central Africa*, Egmont Institute, Gent, Academia Press, pp. 103-124, p. 106

⁷⁷ Mazalto M. (June 2009), op. cit., p.2.

⁷⁸ World Bank (November 2010), op. cit., p. 21.

⁷⁹ ICG (December 2010), op. cit., p. 1.

⁸⁰ N'Zolamo-N'Zilavo (2012), op. cit.; IPIS interview with Bangui University researcher, Bangui, July 2012.

⁸¹ World Bank (November 2010), op. cit., p. 21.

⁸² ICG (December 2010), op. cit., p. 1.

⁸³ IPIS interview with Bangui University researcher, Bangui, July 2012.

⁸⁴ Spittaels S. & Hilgert F. (February 2009), op. cit., p. 27.

⁸⁵ IPIS interview with civil society representative, Bangui, July 2012.

⁸⁶ ICG (December 2010), op. cit., p. 1; N'Zolamo-N'Zilavo (2012), op. cit.

⁸⁷ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 15.

⁸⁸ IPIS interview with USAID employees, Bangui, July 2012.

⁸⁹ Lombard describes this area as an old buffer zone. It is an area that historically fell between several centralised polities, but was never claimed by any of these polities. Therefore, it is quite difficult to embed in formal nation-state. (Source: Lombard L., *Raiding and refuge: The political economy of a Central African buffer zone*, Conflict Prevention and Peace Forum, February 2012, p. 2.)

⁹⁰ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 20.

to 100,000 miners; 600,000 people - 13% of the country's population⁹¹ - depend at least partly on the sector for their income.⁹²

In order to make a living, many people in rural areas combine mining with other economic activities such as subsistence agriculture and fishing. During the rainy season in particular, from May/June to October/November, there's a fall back in mineral production, and miners have to rely more on alternative sources of income.⁹³

In the 1980s and 1990s, however, many households started to rely more exclusively on artisanal diamond mining for their daily income. Consequently, it increased their dependency on the mining sector and made them more vulnerable to shocks. Such shocks occurred several times during the first decade of the century: political instability because of a failed coup in 2001, the overturn of Patassé, the closing down of several mineral buying offices in 2008 and the fall of diamond prices on the world market.⁹⁴

Because of the crisis within the diamond sector, it appears that increasing numbers of people are willing to leave artisanal mining behind, as revenues from diamond mining are often no longer sufficient to provide basic necessities. Many people have therefore decided to return (partly) to agriculture in order to make more money and to secure their own food supply.⁹⁵

1. Structure of the artisanal mining sector and trading chain

Miners

At the upstream end of the mineral supply chain an estimated 80,000 to 100,000 artisanal miners are extracting the CAR's diamonds and gold ores.⁹⁶ The diggers, or *ouvriers miniers*, are those who provide the manpower not only to extract the minerals, but also to transport and wash the ores. With a card from the Mining Brigade they are officially registered.⁹⁷

The diggers are known to use very rudimentary tools. A survey carried out by CIFOR in the TNS landscape⁹⁸ in 2009 showed that 97% of Central African miners stated that extraction methods have not changed over the years. Most miners, for example, still empty their pits manually when they are flooded with water.⁹⁹

Next to the 'digger', the 'diver' is another kind of miner. They shovel sand from the bottom of the rivers to the surface. Most gold miners are diggers in CAR, but diamond mining includes digging as well as diving.¹⁰⁰

The *exploitants artisans* are the miners that are better-off. They command a group of at least three *ouvriers miniers*, working on the mining site that they operate. Groups of miners are often quite small

⁹¹ As the CAR is a country of 4.5 million people. (Source: BBC, Central African Republic profile, last accessed on 16 October 2012 (<http://www.bbc.co.uk/news/world-africa-13150041>))

⁹² Spittaels S. & Hilgert F. (February 2009), op. cit., p. 27.

⁹³ Lintzer M. & Mitchell H. (2012), op. cit., p. 119.

⁹⁴ The diamond price has known a strong decline during the century's first decade. The August 2008 price per carat of 47,643 CFA, or 95 dollars, was less than half of the average price during the year 2000. (Source: DeJong T. U., *PRADD – Environmental rehabilitation and artisanal diamond mining: A case study of land and livelihoods in the Central African Republic*, Tetra Tech ARD/ USAID, March 2012, p. 16.)

⁹⁵ DeJong T. U. (March 2012), op. cit., pp. 16-17 and 20-21.

⁹⁶ This is definitely a rough estimate, no one really knows how many artisanal miners are active in the country (Source: ICG (December 2010), op. cit., pp. 8-9; Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 20; IPIS interview with a buying office representative, Bangui, July 2012).

⁹⁷ EITI-CAR (March 2009), op. cit., pp. 27-28; IPIS interview with civil servant, Bangui, July 2012.

⁹⁸ The TNS Landscape, or the Sangha Tri-national Landscape or *Tri-National de la Sangha*, is spread over Cameroun, the Republic of Congo and the CAR. Central African south-western corner, which is part of TNS includes the Dzanga-Ndoki National Park and Dzanga-Sangha Special Reserve, and covers 4644 square kilometres. (Source: Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 3.)

⁹⁹ *Ibid.*, pp. 32-33.

¹⁰⁰ *Ibid.*, op. cit., pp. ix and 25.

in the CAR, as the alluvial deposits themselves are small and close to the surface.¹⁰¹ In some cases these *exploitants artisans* own the mining site themselves, but quite often they operate it for a mineral trader, who is legally not permitted to operate as a miner. Mineral traders often also pre-finance artisanal mining operations, and as such acquire exclusive buying rights.¹⁰²

The *exploitants artisans* are also obliged to acquire a licence, which costs 30,000 CFA. In 2011, 1945 officially registered, of whom 1046 in the southwest, 265 in the northwest, 358 in the northeast and 47 in the southeast.¹⁰³ On average no more than an estimated 5 to 10% of the miners have a licence.¹⁰⁴

Registered miners are authorised to hold, transport and sell diamonds and gold ores. They are however only permitted to trade their own production, meaning that they cannot collect from other mining sites and are not allowed to export minerals. Hence they can sell their production to registered mineral traders, jewellers, agents representing mineral buying offices, mining companies and diamond-cutting establishments. All mineral sales have to be noted down in the *exploitant artisan's* production book, or *cahier de production*, including the place of the sale, the quantity, and the name of the buyer.¹⁰⁵ Revenues of the mineral sales are often divided as follows, 50% for the mine owner and 50% for the team of diggers.¹⁰⁶

Ten or more artisanal miners can establish a cooperative together. The Central African government encourages this in order to stimulate the formalisation of the artisanal mining sector. Furthermore, it should help the miners to pool resources to invest in better equipment thereby increasing production, and rendering them more stable earnings by mitigating the risk of not finding any diamonds.¹⁰⁷ Artisanal miners' cooperatives also have the right to bypass buying offices and export their own minerals at a lower export tax rate of 9%.¹⁰⁸ This is intended to enable them to free themselves, over time, from their dependency on the collectors.¹⁰⁹ In 2004 the government created the *Union Nationale des Coopératives Minières de Centrafrique* (UNCMCA), an umbrella organisation for the registered cooperatives.¹¹⁰ UNCMCA claims it has more than 150 members.¹¹¹

There are currently not many active cooperatives and UNCMCA's activities are quite limited. Miners often deem creating a cooperative and becoming a member of UNCMCA too expensive. These costs erase the advantage of the 3% lower tax rate.¹¹² Furthermore, it is apparently quite difficult to find a foreign financier interested in investing, to whom the cooperative can sell its minerals.¹¹³ In 2011, all cooperatives together only managed to realise six diamond exports.¹¹⁴ Additionally, artisanal miners are often distrustful of government interference and officials, suspecting them of rent-seeking incentives and behaviour.¹¹⁵

Mineral traders, or 'collecteurs'

The following actors, positioned further up the mineral supply chain, are the mineral traders/collectors, or *collecteurs*. They are often based in local trading towns and buy minerals from the miners. Subsequently, they sell the minerals that they have gathered to other collectors, mineral buying offices, mining companies, jewellers or diamond-cutters. Under no circumstances are they allowed to export gold or

¹⁰¹ Mazalto M. (June 2009), op. cit., p. 43.

¹⁰² EITI-CAR (March 2009), op. cit., pp. 29, 33.

¹⁰³ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011.

¹⁰⁴ US Diplomatic Cable, *Diamonds in the CAR: Deleterious to Development*, Wikileaks, January 2010; ICG (December 2010), op. cit., p. 10; Van Bockstael S., Levin A., Weinberg R., *Feasibility of direct marketing of artisanal diamonds from Liberia and CAR to the USA*, PRADD project, USAID, June 2011, p. 7.

¹⁰⁵ EITI-CAR (March 2009), op. cit., pp. 29-30.

¹⁰⁶ ICG (December 2010), op. cit., p. 9.

¹⁰⁷ Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., pp. 8, 11; ICG (December 2010), op. cit., p. 11.

¹⁰⁸ Loi No. 09.005 (29 April 2009), op. cit., articles 144 and 178; Décret No. 09.126 (29 April 2009), op. cit., articles 273-275.

¹⁰⁹ The miners' dependency on/relationship with the collectors will be discussed below.

¹¹⁰ ICG (December 2010), op. cit., p. 11.

¹¹¹ Africa Mining Intelligence, *Mining cooperatives put out call for partners*, 16 March 2011; EITI-RCA (December 2012), op. cit., p. 7.

¹¹² Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., pp. 8, 11-12.

¹¹³ N'Zolamo-N'Zilavo (2012), op. cit.; ICG (December 2010), op. cit., p. 11.

¹¹⁴ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011.

¹¹⁵ World Bank (November 2010), op. cit., p. 25.

diamonds themselves.¹¹⁶

These mineral traders often originate from West Africa (including Mali and Senegal)¹¹⁷ and have considerable technical expertise to value gold ores and especially diamonds.¹¹⁸

Registered collectors need to possess a collector's licence, or *carnet de collecteur*. In 2011, 352 collectors officially registered;¹¹⁹ 362 had registered in the first six months of 2012. In the case of a foreigner wanting to apply for a licence, he has to have lived in the country since at least five years.¹²⁰ Furthermore, collectors are obliged to make a receipt, or *bordereau*, in quadruplicate for every diamond or gold purchase made.¹²¹ One copy should be handed to the seller, one should be kept by the collector, and two copies should go to the buying office to which the minerals are sold. The buying office subsequently has to hand over one copy of the receipt to BECDOR when it applies for an export licence.¹²² The *bordereau* includes the name of the seller, the name of the buyer, the quality of minerals, the mining site, the quantity, the price, and the date and place of the purchase.¹²³

Some collectors, or mineral traders, work singlehandedly, but most work for a mineral buying office that pays for the collector's licence and pre-finances his activities.¹²⁴ The collector is free to choose how he uses the means put at his disposal, provided he delivers a sufficient amount of minerals for the money that he received. Consequently, most traders use part of their budget to buy minerals and another part to pre-finance mining activities. In return, the miners at a given site are obliged to sell at lower prices to the trader that pre-financed their activities. The collector can make more money like this, but of course also carries the risk of investing in a mine that does not deliver.¹²⁵

The role of the collectors is ambivalent and much discussed. On the one hand, collectors are key actors in the existence of the artisanal mining sector, providing necessary investments in, often isolated, mining areas.¹²⁶ As mining sites often do not render profit immediately, and many other mines never even become fruitful, these investments are essential to finance the miners' labour in the early stages of a mining site's exploitation. During these start-up phases, collectors often also help out miners when hard times strike and unanticipated costs (for example for medical treatment) mount up.¹²⁷ On the other hand, it creates an asymmetrical and tense relationship in which the artisanal miners are dependent upon the collectors. Miners often experience high levels of control by 'their collector', who only offers uncompetitive prices for their production. If a miner is discovered to have sold to another collector, harassments are quite common.¹²⁸

This asymmetric relationship is exacerbated by the fact that most artisanal miners do not possess the materials or technical expertise to assess the true value of their production.¹²⁹ Furthermore, miners have very little up to date information on the mineral price on the world market, leaving them at the trader's goodwill. Moreover miners' geological knowledge is very limited, rendering their exploration activities inefficient.¹³⁰

Yet another disadvantage is the insufficient organisation of artisanal miners as an interest group, which leaves them very little bargaining power. Miners are once again forced to remain 'price takers'.¹³¹

¹¹⁶ EITI-CAR (March 2009), op. cit., pp. 31-32.

¹¹⁷ Barthélémy F. et al (2008), op. cit., p. 29.

¹¹⁸ ICG (December 2010), op. cit., p. 2.

¹¹⁹ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011.

¹²⁰ IPIS interview with civil servant, Bangui, July 2012.

¹²¹ Décret No. 09.126 (29 April 2009), op. cit., articles 247-248.

¹²² IPIS interview with BECDOR representative, Bangui, July 2012.

¹²³ Décret No. 09.126 (29 April 2009), op. cit., article 249.

¹²⁴ EITI-CAR (March 2009), op. cit., p. 32.

¹²⁵ IPIS interview with USAID employees, Bangui, July 2012.

¹²⁶ Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., p. vii.

¹²⁷ IPIS interviews with USAID employees and buying office representatives, Bangui, July 2012.

¹²⁸ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 36.

¹²⁹ *Ibid.*, p. ix-x.

¹³⁰ World Bank (November 2010), op. cit., p. 23.

¹³¹ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. ix-x.

Consequently, it is very hard for them to climb the social ladder and escape poverty. In chapter four, the poverty trap as a specific issue in the CAR's artisanal mining sector will be discussed in more detail.

Mineral buying offices

Mineral buying offices, or *bureaux d'achat import-export*, constitute the final link in the country's mineral supply chain. They are authorised to buy gold and diamonds from artisanal miners, cooperatives, collectors and mining companies in order to export them.

Under the Mining Code it is stipulated that a buying office can purchase minerals in their local branches through the employment of agents, or *agents acheteur*.¹³² Quite often, however, buying offices also pre-finance collectors, to buy minerals for them.

The Mining Code and accompanying regulations impose several obligations on buying offices, including:¹³³

- The establishment of at least five local branches, or *centres secondaires d'achat* or *succursales*, in trading towns in the country, within one year;
- The payment of a CFA 50 million deposit to the national treasury;
- The investment, within three years, of CFA 350 million in real estate in favour of the Central African State or a local community;
- The construction of a head office, worth at least CFA 150 million, within five years;
- The export of gold and/or diamonds at least once a month.

Several buying offices have complained that these obligations fall hard on them and put their future in country in jeopardy.¹³⁴ A number of buying offices did, in fact, leave the country in 2008 after the government installed similar rules in an effort to strengthen control over the mining sector and increase revenues from the mineral trade. Fines ranging from CFA 20 - 25 million were imposed on eight of the eleven buying offices operational in the country at that time as they had not invested enough in property in the CAR, violating the 2004 Mining Code. The president later proceeded to withdraw these buying offices' licenses because they refused to pay the fine.¹³⁵

However other buying offices claim the obligations are bearable. Government officials also emphasise the positive effects of these measures, claiming that it was the buying offices that exported close to nothing in particular that closed down. Indeed, six of the closed offices reportedly exported only small quantities; two others were among the top five exporters.¹³⁶ In addition, several buying offices have started up business in the country in recent years.

Besides the fixed charges to set up their business in the country, buying offices also have to pay a 12% tax on the value of their diamond exports.¹³⁷ Regarding gold, buying offices used to pay 5.25% on the value of their exports.¹³⁸ By the issuance of decree No. 039/12/PR/MM of 18 June 2012, this has been changed. Henceforth, the gold export tax comes to a fixed amount per gram of gold.¹³⁹ In 2011 the export taxes on gold and diamonds yielded the Central African State 3.3 billion CFA.¹⁴⁰

There are currently seven official buying offices in the country: Badica, ADR, IAS International, Sodiam, Sud Azur, Adamas Swiss and Sino Sango. Most of them focus on diamonds, except for Adamas Swiss that

¹³² Loi No. 09.005 (29 April 2009), op. cit., article 1.

¹³³ Loi No. 09.005 (29 April 2009), op. cit., article 154; Décret No. 09.126 (29 April 2009), op. cit., article 252.

¹³⁴ IPIS interview with buying offices representatives, Bangui, July 2012.

¹³⁵ ICG (December 2010), op. cit., p. 6.

¹³⁶ Ibid., p. 7.

¹³⁷ The diamond export tax includes: *Droit de sortie* (4%), *Taxe de Promotion Minière* (1%), *Redevance Equipement Informatique des Finances* (REIF) (0,5%), *Impôt Minimum Forfaitaire* (IMF) (3%), *Taxe Spéciale sur les achats de Diamants* (3%), *Secrétariat Permanent du Processus de Kimberley* (0,5%) (Source: Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011).

¹³⁸ The gold export tax included 1% droit de sortie, 0,5% REIF, 3% IMF, 0,75% PDSM. (Source: IPIS interview with BECDOR representative, Bangui, July 2012.)

¹³⁹ IPIS interview with BECDOR, Bangui, July 2012.

¹⁴⁰ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011.

only trades gold. The buying office COMIGEM, which can be found in table 3, is a state-owned buying office. It will be discussed in more detail below in part 2.1.2.

Table 3: Diamond (carats) and gold (grams) exports per buying office, 2010-2012.						
	2010		2011		First half of 2012	
	diamonds	gold	diamonds	gold	diamonds	gold
BADICA	83,161.18	4,032.70	93,449.41	4,900.51	74,061.70	3,903.20
SODIAM	145,240.01	1,167.30	131,222.96	0.00	75,184.61	0.00
ADR	72,298.35		65,423.25		26,222.97	273.00
INALA	517.65	1,718.10	392.98	348.00	0,00	0.00
SINO SANGO			20,595.30		27,097.93	
ADAMAS-SWISS		29,203.00		58,665.20		23,947.50
SUD AZUR			10,776.23		7,386.59	
IAS			3.01	2,294.30	536.61	0.00
ANANT EXIM		10,383.80		2,225.50		
COMIGEM		294.50	446.94		0.00	0.00
UNCMCA (cooperatives' union)	340.43	9,676.30	1,265.22	4,401.00	194.37	2,546.70
Source: BECDOR						

2. Government actors within the artisanal mining sector

The mining service, or *Direction Générale des Mines*, is responsible for the administration of the country's mining sector. The service is headed by the general director who is supported by three central directors and four regional directors, based in Berberati, Bouar, Bria and Bangassou.

The three central directors are based in Bangui and are each in charge of a service, responsible for the following responsibilities:

- *Direction de la Commercialisation, de l'Industrie et du Fichier Minier* (DCIFM): Among other things it is responsible for the issuance of licences of all the actors in the artisanal mineral supply chain and the valuation of mineral exports. One of the services under its authority is BECDOR.¹⁴¹
- *Direction d'Appui à la Production Minière* (DAPM): is responsible for the promotion of the formalisation of the artisanal mining sector, and the provision of training and technical assistance to artisanal miners.¹⁴²
- *Direction de la Programmation des Etudes et de la Recherche* (DPER): Focuses mainly on the industrial mining sector, executes geological research, makes maps and attributes mining licenses.¹⁴³

For the areas where there is no regional directorate, the mining brigade, or *brigade minier*, supervises some of these responsibilities. Their main task is to monitor both the mining sector and the integrity of its internal controls.¹⁴⁴ The Mining brigade has 13 units, two in Bangui (one in town and one at the airport)

¹⁴¹ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011.

¹⁴² Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., p. 9.

¹⁴³ IPIS interview with senior official, Bangui, July 2012.

¹⁴⁴ Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., p. 9.

and 11 spread over the country's mining areas.¹⁴⁵ The mining brigade employs about 100 policemen and gendarmes – far too few to control the vast territory; in addition to this, they are poorly equipped.¹⁴⁶

The mining brigade will be replaced by mining police brigades, *Unité Spéciale Anti-Fraude* (USAF), which should count about 1000 men.¹⁴⁷ The 2009 Mining Code legalised the creation of USAF and described its responsibility as investigating, identifying and pursuing violations of the Code within the mining sector.¹⁴⁸ An important difference with the mining brigade's policemen is the fact that USAF is placed under the authority of the Ministry of Mines.¹⁴⁹ Consequently, it should be easier for the ministry to avoid and address the issues that it experiences with the mining brigade. The USAF is, however, not yet operational, and for the time being the mining brigades are still at their posts.

Another prominent actor in the CAR's mining sector is BECDOR, which was established in 1982, after the World Bank introduced a certificate of origin system for diamonds.¹⁵⁰ BECDOR is authorised to oversee the country's diamond and gold market and to value official exports, in order to determine the export tax. BECDOR is also responsible for maintaining a database concerning all diamond and gold production and exports. It also validates the Kimberly Process Certificate of Origin.¹⁵¹

The *Comptoir des Minéraux et Gemmes* (COMIGEM) is a state-owned mineral buying office which was legalised under the 2009 Mining Code.¹⁵² It has experienced considerable difficulties operating however, as it has no means by which to pre-finance collectors' activities and consequently cannot compete with private buying offices.¹⁵³ COMIGEM still exported some carats in December 2011, but has not carried out any other exports in the first half of 2012.¹⁵⁴

In March 2010 the government created the *Office de Recherches Géologiques et d'Exploitation Minière* (ORGEM).¹⁵⁵ The office was commissioned to improve knowledge of the country's mineral wealth in order to attract more industrial mining companies. This is, however, not an easy task, requiring considerable expertise, technical capacity and financial means, which ORGEM currently lacks. There is certainly a lack of geological information on the country's subsoil, meanwhile available data is largely outdated, as it dates back to the early 1960s, when some French surveys had been carried out.¹⁵⁶

A major problem experienced by all the state's mining authorities is a lack of means. Consequently, state agents can not conduct a sufficient number of field visits to closely supervise the mining sector.¹⁵⁷

3. Level of informality of the artisanal mining sector

Formalisation of the artisanal mining sector is a huge challenge to the Central African government. Above, it has already been mentioned that an estimated 30% of diamond production and 95% of gold production leaves the country secretly, which means the government loses significant amounts of tax revenues. The size of the country, its low population density, the inaccessibility of many mining zones and the 'scatteredness' of the alluvial mineral deposits, make it very difficult to control and monitor the sector.

¹⁴⁵ There are brigades based in Berbérati, Bozoum, Nola, Bouar, Abba, Boda, Carnot, Bria, Ndélé, Bangassou and Sam-Ouandja. The latter was however inactive at the time that the research team visited the CAR, because of insecurity in that area (Source: IPIS interview with Mining Brigade, Bangui, July 2012).

¹⁴⁶ ICG (December 2010), op. cit., p. 10.

¹⁴⁷ Africa Mining Intelligence, *Overhaul for mining industry*, 21 December 2011.

¹⁴⁸ Loi No. 09.005 (29 April 2009), op. cit., articles 180-182.

¹⁴⁹ Loi No. 09.005 (29 April 2009), op. cit., article 180.

¹⁵⁰ ICG (December 2010), op. cit., p. 3.

¹⁵¹ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011; Dietrich C., *Diamonds in the Central African Republic: Trading, valuing and laundering*, Partnership Africa Canada/IPIS, January 2003, pp. 2-3.

¹⁵² Loi No. 09.005 (29 April 2009), op. cit., articles 142-146.

¹⁵³ Ministère des Mines de la République Centrafricaine, *Rapport annuel de la Direction Générale des Mines*, 2011; IPIS interviews with several civil servants, Bangui, July 2012.

¹⁵⁴ See table 3, page 17.

¹⁵⁵ Loi No. 09.005 (29 April 2009), op. cit., article 10.

¹⁵⁶ ICG (December 2010), op. cit., p. 8.

¹⁵⁷ Interview IPIS with a senior official, Bangui, July 2012.

The legitimacy of the Central African government's ownership over the country's territory and its natural resources is often hardly acknowledged in rural areas, far away from Bangui.¹⁵⁸ In these areas customary rights are often superior to modern law. Moreover, because the State is hardly present, miners experience very little incentive to register and pay a licence fee, as the chance of getting caught is almost non-existent. Furthermore, because there is very little visible government action to improve public welfare in these remote areas, miners do not perceive any encouragement to formalise.¹⁵⁹

Despite the fact that an estimated 70% of the diamond production leaves the country legally, there is a much higher degree of informality at the production level. There are numerous semi-legal operators in the country that connect formal and informal trading networks.¹⁶⁰ Only an estimated 5 to 10% of miners have a licence.¹⁶¹ In many cases they only have one after a collector has bought it for them.¹⁶²

Next to the fact that there is only a small risk of being caught, there's an economic incentive for actors in the country's mineral supply chain to work informally. Mineral export taxes are considerably lower in several neighbouring countries. Regarding diamonds, for example, export taxes are 3.25 per cent in the DRC and 5 per cent in the Republic of Congo,¹⁶³ while the CAR's export tax is 12 per cent. Similarly, for gold, several officials claimed Cameroon's export tax is lower than the CAR's 5.25 per cent. Consequently, smugglers can make more money than legal buying offices and can therefore offer higher prices, fuelling illegal trading and informal production.

On top of that, the gold purity of jewels produced in the CAR needs to be at least 18 carats, while Cameroon allegedly only requires 12 carats.¹⁶⁴ Jewellers in Cameroon can therefore offer higher prices per gram of gold than those located in the CAR.

Corruption is another considerable problem stimulating the informal sector and depriving the government of much-needed tax revenues. Local authorities, including the mining brigade, often try to capitalise on the mining sector.¹⁶⁵ A 2009 CIFOR study revealed that government agents are perceived as a significant source of harassment by the miners.¹⁶⁶ In addition to this it is nearly impossible to file a complaint.¹⁶⁷

As explained above, a large part of the CAR's mineral production is consequently smuggled out of the country and enters the legal circuit in other countries with inadequate controls.¹⁶⁸ It is very hard for the government to intercept parcels of smuggled diamonds and gold because of the small volume-high value ratio of these resources.

Smuggling along the frontier with Cameroon is a major problem and obviously a thorn in the CAR government's flesh. Numerous gold buying offices can be found in Cameroon just across the border.¹⁶⁹ The Douala-Bangui road is used by Central African and Cameroonian traders who import goods into the CAR and leave with their pockets filled with minerals. Furthermore, Cameroonian smugglers are also known to cross the border on smaller routes in the bush to buy minerals directly from the mines.¹⁷⁰ For the moment this illegal trade particularly concerns gold. Many local stakeholders, however, are concerned about the recent upgrade of Cameroon's membership status in the Kimberley Process Certification Scheme. They fear that Cameroon's admission as a participant in the scheme might increase the diamond smuggling to the same level as gold smuggling, as the required Kimberley certificate will also be available in Cameroon.¹⁷¹

¹⁵⁸ Especially the eastern part of the CAR is out of the government's control. Remember Lombard's notion of a 'buffer zone'; see footnote 89. (Source: Lombard L. (February 2012), op. cit., p. 2.)

¹⁵⁹ Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., pp. vi-vii, 10.

¹⁶⁰ *Ibid.*, p. 7.

¹⁶¹ ICG (December 2010), op. cit., p. 10; Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., p. 7.

¹⁶² IPIS interview with a buying office representative, Bangui, July 2012.

¹⁶³ ICG (December 2010), op. cit., p. 12.

¹⁶⁴ Interviews with a senior official and a buying office representative, Bangui, July 2012.

¹⁶⁵ ICG (December 2010), op. cit., p. 11.

¹⁶⁶ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 35.

¹⁶⁷ IPIS interview with a buying office representative, Bangui, July 2012.

¹⁶⁸ ICG (December 2010), op. cit., p. 14.

¹⁶⁹ IPIS interviews with USAID employees and civil servants, Bangui, July 2012.

¹⁷⁰ ICG (December 2010), op. cit., p. 14.

¹⁷¹ IPIS interviews with USAID employees, civil servants and buying office representatives, Bangui, July 2012.

Another smuggling destination is Nyala, in Sudan's Darfur region. The Muslims that live in the CAR's north-eastern region have much closer bonds with Sudan than Bangui. On top of that, during the rainy season, roads to Bangui are impassable. An estimated 30 percent of the Sam-Ouandja diamonds, in Haut Kotto, are smuggled out by Sudanese traders.¹⁷² Furthermore, Chadian traders are apparently also quite present in the area.¹⁷³

It is quite difficult for the government to address these issues, especially as it lacks equipment and financial means to increase its presence in the field.¹⁷⁴ Nonetheless several measures have already been undertaken.

As discussed under section 2.1.1, the government is supporting the creation of miners' cooperatives. The measure should stimulate miners to enter the legal sphere, as the cooperatives should help them to pool resources, and increase production and revenues. In practice, however, there are not many active cooperatives for the moment.

The mining brigade is still responsible for supervising the mining sector and capturing any illegally traded diamonds or gold ores. The *Commission de saisie* is the ministry of mining's commission which is responsible for judging whether a mineral seizure is justified. In the case of the commission deeming it justified, the ministry sells the minerals by auction to the registered buying offices based in Bangui. The revenues from these auctions go to the Treasury.¹⁷⁵ It is, however, quite difficult for the mining brigade to intercept gold or diamonds because of the minerals' small volume-high value characteristics, in addition to which, the mining brigade lacks manpower and equipment.¹⁷⁶ Furthermore, local mining brigade units reportedly often refrain from sending their seizure to Bangui, but sell it to local buying offices themselves.¹⁷⁷

Bangui indeed regards the functioning of the mining brigade as part of the problem, and has tried to tackle this issue through their replacement by the *Unité Spéciale Anti-Fraude* (USAF).¹⁷⁸ The government expects a higher level of obedience of this anti-fraud unit as it is placed under the authority of the Ministry of Mines.¹⁷⁹

Furthermore, the government has also tried to address corruption with the possibility for buying offices to deposit taxes directly at the bank, because it deemed that civil servants embezzled too much.¹⁸⁰

4. Conflict, insecurity and mining

When discussing the link between conflict and insecurity on the one hand and natural resources on the other, terms like 'conflict diamonds' or 'blood diamonds' easily come to mind. Particularly, the alliance between the CAR regime and Congolese rebel leader Jean-Pierre Bemba at the turn of the century fits into this picture. Bemba's troops thwarted a coup attempt against Patassé in 2001 and he allegedly had links with two Central African diamond buying offices. Bemba financed his war in the DRC by controlling the sale of one to three million dollars worth of diamonds a month.¹⁸¹ Diamonds that were mined in the Congolese territory held by Bemba were allegedly often sold or laundered through the CAR.¹⁸²

The situation today is much more nuanced. Despite some links between the country's minerals and insecurity, and the fact that some conflict actors occasionally gain profit from CAR's natural resources, these resources should not be regarded as a conflict motivator.¹⁸³

¹⁷² ICG (December 2010), op. cit., p. 14.

¹⁷³ IPIS interview with a researcher from Bangui University, Bangui, July 2012.

¹⁷⁴ Mazalto. M. (June 2009), op. cit., p. 39.

¹⁷⁵ ICG (December 2010), op. cit., p. 6.

¹⁷⁶ Van Bockstael S., Levin A., Weinberg R. (June 2011), op. cit., p. 12.

¹⁷⁷ ICG (December 2010), op. cit., p. 11.

¹⁷⁸ IPIS interview with civil servant, Bangui, July 2012.

¹⁷⁹ Loi No. 09.005 (29 April 2009), op. cit., article 180.

¹⁸⁰ ICG (December 2010), op. cit., p. 12.

¹⁸¹ Dietrich C. (January 2003), op. cit., pp. 4-5.

¹⁸² Dietrich C., *Hard currency: The criminalized diamond economy of the Democratic Republic of the Congo and its neighbours*, Partnership Africa Canada/IPIS, June 2002, pp. 21-22.

¹⁸³ Spittaels S. & Hilgert F. (February 2009), op. cit., p. 42.

None of the country's rebel groups' *raison d'être* is the potential profit that can be made from diamonds or gold.¹⁸⁴ Also the most recent rebellion flare-up, the Seleka coalition's march towards Bangui, had very little to do with the country's mineral wealth.¹⁸⁵ Nonetheless several examples can be quoted where these very same rebel groups are allured to the country's mineral wealth.

In September 2011, for example, the *Convention des Patriotes pour la Justice et la Paix* (CPJP) clashed with the *Union des Forces Démocratiques pour le Rassemblement* (UFDR) in Bria, over the control of the area's diamond mines.¹⁸⁶

In June 2012, between 70 and 100 armed men, alleged to be LRA rebels or Baba Ladé fighters, attacked AREVA's Bakouma mining project.¹⁸⁷

Baba Ladé, rebel leader of the Chadian *Front Populaire pour le Redressement* (FPR), which operates in the centre-north of the CAR, allegedly also earns income from the sale of gold in Bangui. It is rumoured that he has even bought machinery to increase the effectiveness of his gold extraction activities. Nevertheless, cattle breeding has always been a much more important source of revenues for Baba Ladé.¹⁸⁸ Since September 2012, however, FPR is retreating from the CAR after a tripartite agreement was signed between Baba Ladé, Chad and CAR.¹⁸⁹

Another important, if not the biggest, security issue is the presence of bandits, or *coupeurs de routes*, throughout the country. These gangs profit from state security services' lack of control outside of the capital and randomly attack traffic on the country's dilapidated road network.¹⁹⁰ Banditry is also a major problem in mining zones and on mineral trading routes, where these bandits demand diamonds and taxes from diggers and diamond traders.¹⁹¹ Since 2006, the threat of bandits has apparently diminished in the relatively stable southwest. In the east, however, the situation remains precarious.¹⁹²

Next to armed violence, including rebellion and banditry, natural resources can also give rise to friction between other, non-armed groups of society. Conflicts might, for example, arise between migrant workers and local communities over access to mining lands, or the migrants' alleged lack of respect of local social norms and customs. However, because of the CAR's low population density and the rural location of most mining sites, the number of conflicts over access to mineral resources is quite limited.¹⁹³

Another actual issue is a tension between artisanal miners and government officials. Non-registered miners are wary of avoiding capture by mining brigade units. Furthermore, artisanal miners are often distrustful of government agents, suspecting them of rent-seeking incentives.¹⁹⁴ Government agents are, indeed, often cited as perpetrators of harassment.¹⁹⁵

¹⁸⁴ For an analysis of the country's rebel groups motivations, see: Spittaels S. & Hilgert F. (February 2009), op. cit.

¹⁸⁵ Seleka is a rebellion coalition formed by factions of *Wa Kodro Salute Patriotic Convention* (CPSK), *Convention des Patriotes pour la Justice et la Paix* (CPJP), and *Union des Forces Démocratiques pour le Rassemblement* (UFDR). The coalition began its insurgency on 10 December 2012, claiming that President Bozizé had failed to adhere to the terms of peace accords signed with various rebel groups in 2007 and 2011. (Source: AFP, *C. Africa rebels threaten capital, say president must go*, 31 December 2012.)

¹⁸⁶ Ingerstad G., *Rebellions and instability in the Central African Republic*, unpublished article, June 2012.

¹⁸⁷ IPIS interview with *Bureau Intégré de l'Organisation des Nations Unies en Centrafrique* (BINUCA), Bangui, July 2012.

¹⁸⁸ *Ibid.*

¹⁸⁹ Radio Ndeke Luka, *400 ex-rebelles de Baba Ladé en route pour Sido*, 8 October 2012.

¹⁹⁰ Spittaels S. & Hilgert F. (February 2009), op. cit., pp. 3, 15-16.

¹⁹¹ Dietrich C. (June 2002), op. cit., p. 21.

¹⁹² ICG (December 2010), op. cit., pp. 2, 15.

¹⁹³ World Bank (November 2010), op. cit., p. 24.

¹⁹⁴ *Ibid.*, pp. 24-25.

¹⁹⁵ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 35.

Chapter III: The CAR's industrial mining sector

1. Prospects and issues relating to the CAR's upcoming industrial mining sector

As explained above, the CAR's post-independence mining sector has been dominated by artisanal mining. Since the 1960s, industrial miners have had a hard time finding ground in the country, the reasons for which are explored below.

Industrial miners traditionally prefer primary deposits for their projects. The CAR's scattered and small alluvial diamond and gold deposits are often not economically viable for industrial miners. The ease to access these alluvial sediments offers opportunities to artisanal miners.¹⁹⁶ Consequently, it is often more attractive for companies to finance local diggers than to invest in industrial production.¹⁹⁷

As there have been very few profound exploration exercises since independence, the country's subsoil is still largely unknown. It has not yet been determined whether primary deposits can be found in the country. Chirico, Barthélémy and Ngbokoto however claim that the geologic origin of the Central African's alluvial diamonds are probably undiscovered kimberlites in the northern part of the DRC.¹⁹⁸

Nonetheless, the Central African State does believe in the viability of the industrial mining sector in its country. AXMIN's feasibility studies for its Passendro Gold project seem to endorse this view.¹⁹⁹ The government believes that the country's mineral wealth could yield the State and its inhabitants far greater benefits than the present-day situation if the sector were to be industrialised. It does recognise the importance of the artisanal mining sector, however, as an important employment provider. Furthermore, it acknowledges that artisanal mining remains appropriate for deposits that are not viable for industrial exploitation.²⁰⁰

However, the underdevelopment of the country's infrastructure, including transport and power supply infrastructure, constitutes a major impediment to foreign investment and trade in the mining sector. The limits placed on the country by its landlocked position are aggravated due to the lack of a rail connection to one of the neighbouring countries' seaports. Furthermore, remote mining areas are practically inaccessible as no internal rail service exists and the country's road network is quite dilapidated.²⁰¹ This poses major logistical problems and puts a high cost on imports of material for mining companies interested in starting up operations in the country.²⁰²

Another issue is the need for adequate governance conditions to attract large-scale mining operations to the country.²⁰³ It has been claimed that the Central African Ministry of Mining lacks long-term vision²⁰⁴ and that the Ministry appears to have a difficult relationship with several international miners.²⁰⁵ International companies' patience is further tested by the administrative burden, which can be quite lengthy in the country.²⁰⁶

¹⁹⁶ Barthélémy F. et al (2008), op. cit., pp. 25-26; World Bank (November 2010), op. cit., pp. 21, 23; ICG (December 2010), op. cit., pp. 1-2.

¹⁹⁷ Dietrich C. (January 2003), op. cit., p. 2.

¹⁹⁸ Chirico P.G., Barthélémy F. & Ngbokoto F. A., Alluvial diamond resource potential and production capacity assessment of the Central African Republic, US Geological Survey, 2010, p.6

¹⁹⁹ More detailed info on AXMIN's operations in the country can be found below.

²⁰⁰ Interview IPIS with a senior official, Bangui, July 2012.

²⁰¹ World Bank (November 2010), op. cit., p. 23.

²⁰² ICG (December 2010), op. cit., p. 8.

²⁰³ World Bank (November 2010), op. cit., pp. 21, 23.

²⁰⁴ Africa Mining Intelligence, *Gaetan Roch Moloto-A-Kenguemba*, 15 December 2010.

²⁰⁵ World Bank (November 2010), op. cit., p. 24.

²⁰⁶ IPIS interview with industrial mining company representative, Bangui, July 2012; World Bank (November 2010), op. cit., p. 25; ICG (December 2010), op. cit., p. 8.

Other issues deterring industrial miners from investing in the CAR are the historical lack of exploration investments, political instability over the last fifteen years, insecurity in remote areas,²⁰⁷ and the global economic downturn. Diamond prices, for example, plummeted 40% in late 2008.²⁰⁸

As explained above, industrial exploitation of the CAR's minerals has not yet commenced. Nonetheless, several actors have already quoted some discreet concerns that should be taken into account as industrial mining might take off in the coming years.

Conflicts between local (mining) communities and industrial miners, which are quite common in many other countries, have so far not posed a major problem in the country. This can be explained by the current absence of these miners on the ground in the CAR. However this might become a more problematic issue in the future.²⁰⁹

Environmental impact assessments (EIA) are mandatory for industrial mining projects. However the accompanying regulations of the Environmental Code should urgently be published in order to clearly outline what these EIAs should contain.

Regarding the EIAs, the public disclosure requirement, or '*audience publique*', is apparently quite weak. The number of required interactions between the company and local communities on socio-economic impacts of the project are quite limited. Under the current regulations, after the company has gathered all the concerns of local communities, it has to compile them in a report and communicate new steps to the local communities. There is, however, no further requirement to consult these communities again. Soliciting full-fledged input of these communities on how to mitigate such impacts would nevertheless be advisable. Instead, the presentation of an ample set of EIA results to a community at the end of the research process leaves little room for their active participation.²¹⁰

2. AXMIN

AXMIN is a Canadian gold exploration company with projects in Central and West Africa. It is currently the only mining company that is still operational in the CAR. AXMIN's presence in the country dates back to 1996, when its predecessor Asquith Resources started exploration.

The company's Passendro Gold Project is located about 60km north of the town of Bambari, in the CAR's Ouaka prefecture (See map on page 35). The project involves three permits. The 25-year Passendro mining licence of 357 square kilometres was granted in August 2010²¹¹ to AXMIN's wholly owned subsidiary SOMIO Toungou SA, or *Société des Mines d'Or de la Ouaka*.²¹² Furthermore, two gold exploration permits were granted in August 2010 to another wholly owned subsidiary of AXMIN, called Aurafrique SARL. It concerns the Bambari 1 and 2 licenses, respectively 481 and 432 square kilometres, which are valid for three years and renewable twice for two further three-year periods.²¹³

Under the agreements, AXMIN was obliged to start production at Passendro within 24 months of the date of issuance of the permit. In January 2012, nevertheless, the CAR granted AXMIN a two-year extension. Gold extraction should consequently commence before January 2014.²¹⁴ In January 2013, however, AXMIN CEO George Roach stated that this deadline will be postponed with at least another year. Mr. Roach called upon force majeure, due to the Seleka rebellion, which has occupied and looted AXMIN's operating camp near Bambari.²¹⁵

²⁰⁷ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., pp. ix, 15.

²⁰⁸ ICG (December 2010), op. cit., p. 8; World Bank (November 2010), op. cit., p. 24.

²⁰⁹ World Bank (November 2010), op. cit., p. 24.

²¹⁰ World Bank (November 2010), op. cit., pp. 27-28; IPIS interview with civil society representative, Bangui, July 2012.

²¹¹ <http://www.axmininc.com/site/OperationsProjects/AdvancedProjects/PassendroGoldProject.aspx>, last accessed on 26 October 2012

²¹² AXMIN, *Annual Information Form*, 7 June 2012, p. 11.

²¹³ SENET, *Passendro Gold Project: BF50U report rev.5*, commissioned by AXMIN, November 2011, pp. 1-4, 1-5.

²¹⁴ AXMIN, *Annual Information Form*, 7 June 2012, p. 11.

²¹⁵ Marketwire, *AXMIN Notifies the CAR Government of a Force Majeure Due to Ongoing Rebel Activities in Country*, 24 December 2012; Bloomberg, *Axmin Delays Mine as War in Central African Republic Resumes*, 9 January 2013.

Other arrangements of the licences include:

- The payment of an annual surface tax to the CAR government of CFA 20,000 per square km.²¹⁶
- The payment of a 2.25% royalty on production, which applies both the mining licence and the exploration licences.²¹⁷
- The State received a signature bonus of US\$11 million, which was payable in three tranches.²¹⁸ The last tranche was paid in January 2012.²¹⁹
- A fuel tax and VAT exemption for the life of the mine.²²⁰
- A five-year exemption from duties and VAT on capital, equipment, and consumables.²²¹
- A five-year extension on the 30% corporate tax.²²²

With this renewed 2010 agreement and the advanced payment of the third tranche of the US\$11 million signature bonus in January 2012,²²³ it looks like AXMIN is actually heading towards production after more than ten years of exploration. Apparently, during its initial years in the CAR, AXMIN did encounter some difficulties. The Central African government repeatedly halted its concessions because of disagreements over the terms of the previous licences.²²⁴ Recent developments, however, seem to suggest that the atmosphere between the two parties has improved into a practical working relationship.²²⁵

Regarding employment opportunities for neighbouring communities, AXMIN declares it will pursue a policy of 'localisation' and will therefore publish recruitment notices in Sango, French and English.²²⁶ Nonetheless, it refrains from making any specific promises by stating: "*However the reality of the socio-economic situation of the immediate external environment dictates that not all skills will be available locally. Candidates will be initially made from the neighbouring locales; only in the event that these skills are unable to be found locally, will the recruiting be opened to wider zones.*"²²⁷ This does imply a promise, however, that preference will be given to Central African people. On top of that AXMIN pronounces "*It will be a policy to train and upgrade CAR personnel to replace expatriate labour over time where possible.*"²²⁸ A project report of the *Secrétariat pour l'Évaluation Environnementale en Afrique Centrale* (SEEAC) reported that during the exploitation phase, 936 employment opportunities will be created, of which 633 will be offered to local people.²²⁹

Infrastructure is still a major problem in the country. Consequently AXMIN will have to invest a considerable amount of money in developing it. To import goods and equipment, the company has chosen to ship cargo to the port of Doula (Cameroon) followed by road freight to the mining site. The refurbishment and construction of roads and bridges within the CAR will cost the company an estimated US\$5.9 million.²³⁰ The road linking Douala to Bangui does not require any investment from AXMIN, as

²¹⁶ SENET (November 2011), op. cit., p. 1-6.

²¹⁷ Ibid.

²¹⁸ <http://www.axmininc.com/site/News/News2010/Aug92010.aspx>, last accessed on 26 October 2012.

²¹⁹ AXMIN, *Annual Information Form*, 7 June 2012, p. 6.

²²⁰ <http://www.axmininc.com/site/OperationsProjects/AdvancedProjects/PassendroGoldProject.aspx>, last accessed on 27 October 2012.

²²¹ Ibid.

²²² Ibid.; SENET (November 2011), op. cit., p. 1-99.

²²³ Under the agreement AXMIN had to pay the third tranche only in April 2012. (Source: <http://www.axmininc.com/site/OperationsProjects/AdvancedProjects/PassendroGoldProject.aspx>, last accessed on 27 October 2012)

²²⁴ In 2008, for example, a decree restricted Aurafrique's Bambari permit to gold. Before that date the permit involved exploration for gold, silver, copper, nickel, lead, zinc and iron ore. (Source: Africa Mining Intelligence, *Bangui reins in Axmin permit*, 10 September 2008.)

²²⁵ EIU, March 2012, p.20

²²⁶ SENET (November 2011), op. cit., pp. 1-60, 1-61.

²²⁷ Ibid., p. 1-61.

²²⁸ Ibid., p. 1-66.

²²⁹ SEEAC, *Rapport final du projet de synergie des connaissances et apprentissage autour de l'étude d'impact sur l'environnement des projets miniers en Afrique Centrale*, November 2010, p. 140.

²³⁰ SENET (November 2011), op. cit., pp. 1-78 - 1-82, 1-94.

this already forms part of a US\$67 million African Development Bank grant agreement with the Central African Republic and the Central African Economic and Monetary Community.²³¹

Regarding environmental considerations, the Central African Ministry of the Environment and Ecology granted AXMIN a renewal of the *Certificat de Conformité*. It requires the company to implement the project in accordance with the environmental social impact assessment (ESIA) and the country's Environmental Code.²³² The Passendro project's ESIA has been prepared for the first time in 2008 by Golder Associates Limited. The study identified the possible environmental and social impacts of the project, and defined mitigating measures.²³³ The final ESIA should be finalised by the last quarter of 2012.²³⁴

3. Other companies holding exploration and exploitation permits in the country

For the moment, all other companies that hold exploration or exploitation concessions in the CAR have suspended their activities. Most of them cite the global economic crisis as their main reason for not being present in the country.

South of AXMIN's concessions, Tala Mining and Dimbi Diamants hold their exploration permits near the Congolese border. Tala Mining has been present in the country since March 2010. That year it contributed more than US\$500,000 to the CAR's treasury.²³⁵ The company suspended its activities only a few months ago.

Dimbi Diamants had been in the country for a longer time. As a subsidiary of Pangea Diamondfields, it was exploring the Dimbi project near Kembé, and the 2009 EITI report announced that industrial exploitation of diamonds was foreseen for the near future.²³⁶ In 2010, however, Pangea Diamondfields went into liquidation and its concessions were taken over by IGE Resources AB. The latter deems Pangea's old CAR projects, Dimbi as well as Etoile, no longer relevant.²³⁷

In the east of the country lies AREVA's 25-year uranium exploration and exploitation permit, near Bakouma. The company acquired the concessions in August 2007 when it bought the South African junior miner UraMin.²³⁸ In recent years, it was the most important source of tax revenues within the CAR's mining sector. In 2010, for example, it was responsible for 39% of the State's fiscal revenues from the sector.²³⁹ Since the beginning of this year, however, AREVA has suspended its activities in the country.

Adjacent to AREVA's concessions are several uranium concessions held by Groupe Forrest, which is a group of companies owned by George Arthur Forrest. Forrest acquired the concessions in 2008 when he facilitated negotiations between AREVA and Bangui to amend the mining convention for UraMin²⁴⁰ as AREVA wanted to secure a number of adjacent concessions for potential extensions in the future.²⁴¹ Other adjacent blocks that interested AREVA were apparently held by Richard Ondoko's Uranio AG.²⁴² Richard Ondoko is currently AXMIN's representative in the country.

Most of the country's concessions are, however, located in the western part of the country. In 2011, Société Perrière acquired a three-year exploration permit for gold and diamonds near Boda. Likewise Kamach Mines also holds another gold and diamonds exploration permit near Boda, however, like most others, it has also suspended its activities.

²³¹ Africa Mining Intelligence, *Key Central Africa road accord*, 12 March 2008.

²³² AXMIN, *Annual Information Form*, 7 June 2012, p. 4.

²³³ AXMIN, *Positive feasibility study at Passendro Gold project, Central African Republic*, press release, 12 April 2008

²³⁴ AXMIN, *AXMIN issues warrants to the Standard Bank of South Africa Limited and provides Passendro project update*, press release, 15 August 2012.

²³⁵ EITI-RCA (December 2012), op. cit., p. 24.

²³⁶ EITI-CAR (March 2009), op. cit., p. 27.

²³⁷ <http://www.ige.se/pages/angola.aspx>, last accessed on 31 October 2012.

²³⁸ Africa Mining Intelligence, *Middlemen in Central African Republic*, 24 September 2008.

²³⁹ EITI-RCA (December 2012), op. cit., pp.14-16.

²⁴⁰ Africa Mining Intelligence, *George Forrest Smooths Way for Areva*, 1 April 2009.

²⁴¹ Africa Mining Intelligence, *Bakouma: Areva to pay out once again*, 30 September 2009.

²⁴² Africa Business Briefing, *Mining CAR*, 1 September 2010 (<http://store.eiu.com/article.aspx?productid=1760000176&articleid=1287433913>)

Further to the west, near Carnot, Good Speed holds an exploration and exploitation permit. The government granted the concession to Good Speed in 2007, but in 2008 the company suspended its activities in the country. Next, southwards around Nola, Mossoro Mining renewed its three-year exploration permit in 2011, but shortly after it also suspended its activities.

Chapter IV: Socio-economic and environmental consequences of mining activities in the CAR

The CAR's gold and diamond exploitation currently only involves artisanal extraction. Therefore this chapter, on the socio-economic and environmental consequences of mining, will only discuss these issues with regard to the artisanal sector.

The government agencies' lack of means and capacity affects their level of control over the artisanal mining sector. Consequently, environmental and socio-economic impacts of mining are hardly addressed, or even mapped, and remain largely unregulated. The fact that mining operations are mainly artisanal, and the accompanying high level of informality, exacerbates the difficulty to control these problems.²⁴³

Moreover, policymakers often tend to neglect the artisanal mining sector as they deem its remunerations for the national treasury limited. It is well-known that governments have a preference for the high tax revenues of the more easy-to-manage industrial mining sector. Therefore it might be the case that incentives to create policies to effectively address socio-economic and environmental consequences of artisanal mining are lacking. This is indeed reflected in the country's Mining Code. Whilst there are several obligations listed for industrial miners, the Code apparently only mentions the obligation of regeneration for artisanal mining sites.²⁴⁴

On the other hand, mistrust within affected communities towards outside interference is quite common. Miners are often suspicious of governance interference and externally crafted solutions, which makes it all the more difficult to address these issues.²⁴⁵

Finally, attention from civil society towards the environmental and socio-economic impacts of artisanal mining is also quite limited. The majority of NGOs in the CAR are working on humanitarian relief and malnutrition in addition to a number working on forestry and wildlife. All of these organisations encounter issues linked to the mining sector, but none of them really focus on them.²⁴⁶ Moreover, these organisations often lack the means and capacity to actually make a difference.²⁴⁷

USAID, however, did establish the Property Rights and Artisanal Diamond Development Project (PRADD) in the country in 2007. Amongst other things it aims to improve artisanal diamond miners' livelihoods by achieving secure rights to land and resources. The idea is that people will be moved to pursue more sustainable activities and invest in productive activities when they have a feeling that their property rights are secure. There are five main objectives: (1) to identify and formally recognise customary land and natural resource rights; (2) to help Bangui to track the diamond trading chain up to the mining site; (3) to assist local communities to reap more benefits from the mining sector and to diversify and intensify food production; (4) to mitigate environmental impacts of artisanal mining; and (5) to gather information of and offer insight into the country's artisanal diamond mining sector.²⁴⁸

1. Socio-economic issues linked to the artisanal mining sector

As explained in chapter two, artisanal mining offers an important livelihood strategy to local communities in mineral-rich areas. An estimated 600,000 Central Africans depend at least partly on the sector for their income. For example, for miners working in the Congo Basin's Sangha Tri-National landscape, revenues from diamond mining account on average for 60% of their total income.²⁴⁹ This cash income helps

²⁴³ World Bank (November 2010), op. cit., p. 25; Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. x.

²⁴⁴ Association Centrafricaine des Professionnels en Evaluation Environnementale (ACAPEE)/SEEAC, *Rapport sur l'état des lieux des EIE des projets miniers en Afrique Centrale: Cas de la RCA*, September 2010, p. 9.

²⁴⁵ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 21.

²⁴⁶ World Bank (November 2010), op. cit., p. 25.

²⁴⁷ IPIS interview with civil society representative, Bangui, July 2012.

²⁴⁸ DeJong T. U. (March 2012), op. cit, p. 4.

²⁴⁹ Ibid., p. 9.

them to finance important basic needs such as food, education of children, clothing, medicine, housing construction/improvement, and purchase of radios and television.²⁵⁰

Lack of diversification

Additional activities in the mining camps, next to mining, particularly include agriculture, livestock breeding, gathering of non-timber forest products, hunting, fishing and trade in basic commodities.²⁵¹

For most miners, nonetheless, mining is their principal activity. A 2009 CIFOR study, for example, found out that this is the case for 87.5% of the miners in the CAR part of the TNS-landscape.²⁵² Dependency on the mining sector is therefore demonstrable very significant in mining areas.

This level of dependency makes miners, and the communities in which they live as a whole, extremely vulnerable to external shocks. Two examples from recent history perfectly illustrate the potentially harmful effects of this dependency. Firstly, there is the closing down of several diamond buying offices in 2008, as described in section 2.1.1.3. The reduction of the number of buying offices, and consequently the number of collectors, as they depend on the buying offices' pre-financing, had serious humanitarian consequences on local mining communities. Many miners fell out of work and were forced to cut their household budgets. On top of which, the remaining buying offices could offer lower prices as there was less competition.²⁵³

The impact of the global economic crisis is another illustration of risks involved in a high level of dependency on mining. The August 2008 price per carat of CFA 47,643, or 95 dollars, was less than half of the average price during the year 2000.²⁵⁴ The economic crisis and the closedown of several buying offices painfully coincided in 2008 and caused a serious cut in household budgets, which triggered food insecurity and malnutrition in the country's mining communities. Even the southwestern region, which is relatively stable and secure, had to endure the resultant serious humanitarian impacts.²⁵⁵

Yet the crisis within the country's diamond sector has made many people aware of the importance of diversification. Increasing numbers of people are willing to return to other economic activities such as agriculture and fishing in order to make more money and secure their own food supply.²⁵⁶ Such activities also serve to increase their resilience to external shocks.

Artisanal mining can sometimes also deter people more directly from other economic activities. The creation of an artisanal mining site and the accompanying property rights occasionally limit access to watercourses, land, and areas that were traditionally used for fishing and hunting.²⁵⁷

Diversification also offers an advantage in that sufficient economic and food-providing activities are carried out all year long. Since artisanal mining activities slow down during the rainy season, this complements the agricultural activities predominantly carried out during the rainy season. Vegetable farming, on the other hand, is only viable during the dry season when heavy rainfall does not threaten the plants.²⁵⁸ Fishing is mainly carried out in the dry season, and hunting in the rainy season.²⁵⁹

It must be said that motivating mining communities and individual miners to diversify their economic activities will require considerable external support. Miners who show willing to start one of the above-mentioned occupations require substantial technical capacity and initial investment.²⁶⁰

Within this logic, USAID launched the Post-Mining Income Generating Environmental Rehabilitation initiative (POMIGER) in 2010 as part of the PRADD project in the CAR. Through the transformation of exhausted mining sites into areas for fishing, vegetable farming and agroforestry, the project aims

²⁵⁰ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 45.

²⁵¹ Ibid., p. 24.

²⁵² Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., pp. 26-27.

²⁵³ ICG (December 2010), op. cit., p. 7.

²⁵⁴ DeJong T. U. (March 2012), op. cit., p. 16.

²⁵⁵ Interview with OCHA Head of Office, Bangui, July 2012.

²⁵⁶ DeJong T. U. (March 2012), op. cit., pp. 19, 22.

²⁵⁷ Mazalto M. (June 2009), op. cit., p. 46.

²⁵⁸ DeJong T. U. (March 2012), op. cit., pp. 15-16.

²⁵⁹ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 6.

²⁶⁰ Mazalto M. (June 2009), op. cit., p.2.

to promote diversification of food and livelihood strategies and fight poverty and environmental degradation.²⁶¹

Poverty trap

The poverty trap is another major socio-economic issue linked to the CAR's artisanal mining sector. In section 2.1.1.2., the asymmetric relationship between miners and collectors was described, alongside the resultant difficulty of miners in climbing the social ladder to escape poverty.

Only a handful of miners progress to become a collector; such a position requires capital and expertise. Furthermore it is a closed trading network with few openings for Central Africans; it has developed over the years based on trust between the collectors themselves, and collectors and the buying offices.²⁶²

There are several other factors linked to artisanal mining that act as barriers against miners escaping poverty. Miners' revenues are almost entirely spent on their daily necessities and those of their families; they rarely have an opportunity to save money or reinvest in order to increase productivity.²⁶³ Miners also often tend not to exhibit the most sparing spending habits; earnings are regularly spent on alcohol, cigarettes, cannabis and prostitutes.²⁶⁴ Yet if and when miners do intend to save money, there are no reliable ways to save money in mining camps.²⁶⁵

Adding another layer of complexity, the mining camps that arise near productive mines tend to evolve into local inflated boom economies. Life can be particularly expensive, as the supply of consumer goods is costly and there is a high demand - something which is further boosted by incoming migrant workers who have been attracted by the mine's potential yields.²⁶⁶

When miners are asked how they can climb the social ladder, apparently they often reply that it is a matter of luck. One should be lucky to find a diamond that is big enough.²⁶⁷ It seems this attitude of resignation might be another disincentive to save or reinvest spare money.

Young people in mining areas are apparently "stuck" in the profession of artisanal mining. CIFOR's 2009 field research on the TNS-landscape found that the role of the parents appears considerable in the CAR; almost 60% of miners had been initiated into the profession by their parents.²⁶⁸ A lack of schools and education in remote mining camps is another important clarifying factor as to why it is hard for these young men to opt for another livelihood strategy. Furthermore, child labour in the mines has already been reported, especially in the east.²⁶⁹

2. Health issues linked to artisanal mining

Health issues related to the artisanal mining sector are frequent. This is not to say that the two are inevitably linked. Sensitisation, tighter control over the mining sector, and support for the miners could help to prevent most problems. Nonetheless, artisanal mining is heavy manual labour and, as such, will always be hard work with various physical consequences.

The most obvious health issues are the direct physical effects of mining. The hard work causes strained muscles, broken bones, hernias and exhaustion. Limited knowledge about shoring up pits creates the lurking risk of mines that collapse. Furthermore, long hours of wading through water make artisanal

²⁶¹ DeJong T. U. (March 2012), op. cit., p. 3.

²⁶² IPIS interview with USAID employees, Bangui, July 2012; ICG (December 2010), op. cit., p. 10.

²⁶³ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. ix.

²⁶⁴ More detailed information on problematic spending habits of men in artisanal mining communities can be found in Cuvelier J., *Men, mines and masculinities: the lives and practices of artisanal miners in Lwambo (Katanga province, DR Congo)*, KU Leuven, 2011, Chapter 3.

²⁶⁵ ICG (December 2010), op. cit., p. 9.

²⁶⁶ IPIS interview with civil society representative, Bangui, July 2012; World Bank (November 2010), op. cit., p. 26.

²⁶⁷ DeJong T. U. (March 2012), op. cit., pp. 20-21.

²⁶⁸ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 27.

²⁶⁹ Radio Ndeke Luka, *Des mineurs exploités dans les chantiers miniers à Bria*, 18 May 2012.

miners vulnerable to waterborne disease. Miners are exposed to these risks, and yet usually do not wear any safety equipment, such as hard hats, gloves and boots.²⁷⁰

Diseases also have a considerable, albeit less direct, impact. Abandoned open pits and disrupted watercourses can create pools of stagnant water that serve as malaria mosquito breeding grounds.²⁷¹ Mining camp villagers are often also vulnerable to parasites as they have to drink from streams that are polluted by mining activities or by their own faeces.²⁷²

Lastly, mining camps are remote and general living conditions feed into exposure to risk. Prostitution and sexually transmitted diseases often coincide. Families in these remote mining camps are cut off from health care due to a lack of medical practitioners.²⁷³

Sadly, the situation is occasionally worsening; traders have spotted a business opportunity in the limited access to health care. Traders buy medicines in trading towns, and resell them to sick people in mining camps, without any medical knowledge.²⁷⁴

Further exacerbating all these health issues is the fact that, as explained above, temporary artisanal mining camps often attract streams of migrant miners. These migrants further increase pressure on food supplies and poor water and sanitation facilities, worsening existing health problems.²⁷⁵

3. Environmental issue linked to artisanal mining

Analysing artisanal mining inevitably entails concern for the environment. Nevertheless, if environmental issues receive sufficient attention and are effectively addressed, artisanal mining does not necessarily cause irreparable environmental damage, jeopardising the livelihoods of future generations.

However this understanding of environmental issues and the capacity to address them is often lacking in the CAR. For the moment, artisanal miners' practices are definitely unsustainable. Field research carried out by CIFOR in 2009 in the TNS landscape showed that 53% of artisanal miners expressed the belief that gold and diamonds are infinite resources; exhaustion did not occur to them. Furthermore, two thirds of the miners did not believe that artisanal mining had a negative impact on the environment.²⁷⁶ Those miners that do appear to understand the negative impact of their activities on the environment do not have the capacity or the willingness to address this. Their biggest concern is to feed their families.

As the country has a low population density, people often do not bother too much about leaving behind an area affected by artisanal mining activities, moving onto a new site without rehabilitating the one they left. The perception that there is sufficient land for the country's people and the belief that nature will recover in the long term eases their minds.²⁷⁷

The State's lack of control over remote mining areas prevents it from being able to address the artisanal mining sector's environmental issues. Initiatives such as USAID's PRADD and POMIGER projects should therefore be welcomed, as they support the State in this massive challenge.

A key environmental issue is the impact of mining on watercourses. Water pollution and diversion of streams limits local populations' access to clean water and disturbs fish breeding grounds.²⁷⁸ Fishing catches consequently decrease, with serious repercussions to people's food supply.²⁷⁹

Contamination of water in the CAR mainly involves siltation and sedimentation. Pollution by chemicals such as mercury, which is often used in small-scale gold extraction, is apparently not a significant

²⁷⁰ ICG (December 2010), op. cit., p. 9; World Bank (November 2010), op. cit., p. 26; Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., pp. 42-43.

²⁷¹ World Bank (November 2010), op. cit., p. 26; Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. 21.

²⁷² ICG (December 2010), op. cit., p. 9.

²⁷³ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., pp. 42-43.

²⁷⁴ IPIS interview with an international NGO, Bangui, July 2012.

²⁷⁵ World Bank (November 2010), op. cit., p. 26.

²⁷⁶ Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., pp. X, 41-42.

²⁷⁷ IPIS interview with civil society representative, Bangui, July 2012; Mazalto M. (June 2009), op. cit., pp. 43-44.

²⁷⁸ World Bank (November 2010), op. cit., pp. 25-26; Chupezi T. J., Ingram V. & Schure J. (2009), op. cit., p. ix.

²⁷⁹ Mazalto M. (June 2009), op. cit., p. 68.

problem in the CAR.²⁸⁰ It is feared, however, that the influx of migrant miners might introduce the use of mercury more widely.²⁸¹

Deforestation is another environmental threat. Ongoing depletion of the most accessible minerals pushes miners deeper into the forests. Consequently trees are logged to make room for mining and agricultural activities near the mining camps.²⁸² To complement their diet, households living in mining camps in forest areas often rely on poaching of wild animals.²⁸³

However some claim that the environmental impact of artisanal mining on the CAR's forests is limited, especially compared to the potential impact of large-scale industrial projects. As artisanal mining in the country involves mainly alluvial minerals, the activities are limited to areas along rivers. Large-scale cutting of trees is hardly an issue. As disruption often seems to be short-term and small-scale, regeneration would occur naturally.²⁸⁴ Impacts of individual artisanal mining activities are indeed much smaller and more localised than those of industrial mining. The cumulative impact, however, does pose the risk of increasing environmental degradation.²⁸⁵

²⁸⁰ Mazalto M. (June 2009), *op. cit.*, p. 44; Chupezi T. J., Ingram V. & Schure J. (2009), *op. cit.*, p. 42; IPIS interview with a buying office representative, Bangui, July 2012.

²⁸¹ World Bank (November 2010), *op. cit.*, p. 26.

²⁸² Chupezi T. J., Ingram V. & Schure J. (2009), *op. cit.*, pp. 23-24.

²⁸³ IPIS interview with civil society representative, Bangui, July 2012; Chupezi T. J., Ingram V. & Schure J. (2009), *op. cit.*, p. ix.

²⁸⁴ IPIS interview with a buying office representative, Bangui, July 2012; Chupezi T. J., Ingram V. & Schure J. (2009), *op. cit.*, p. 42.

²⁸⁵ World Bank (November 2010), *op. cit.*, pp. 25-26.

Conclusion

The mining sector represents the CAR's third economic activity after agriculture and forestry and constitutes an important source of revenue for an estimated 600,000 persons in the country. Since independence, all mining has been carried out by artisanal miners, although AXMIN might start industrial gold extraction in 2014.

The country's mining sector is governed by its 2009 Mining Code and the accompanying regulations. Furthermore the Environmental Code also has some authority over the mining sector. However problems have arisen following several years' wait for the accompanying regulations to the Environmental Code. There is a lack of clarity in the sector and tensions have built between the Ministry of Mining and the Ministry of Environment. CAR's legislation also lacks attention to the socio-economic and environmental consequences of the artisanal mining sector and demands only weak 'public consultation' requirements for industrial miners.

Alongside to the national regulation of the mining sector, there are several international initiatives that apply to the CAR and try to formalise its mining sector. These initiatives include the EITI, the Kimberley Process, ICGLR's certification mechanism, and the OECD's and American legislator's due diligence requirements. Not all of these initiatives are well-known in the country, yet they might have some consequences on the CAR's mining sector in the coming years. Therefore it is important that the international community makes an effort to inform and sensitise all stakeholders within the CAR's mining sector about these initiatives.

Despite the fact that the CAR's artisanal supply chain is quite structured, the level of informality is sizeable. An estimated 30 percent of the country's diamonds and 95 percent of gold leaves the country secretly. Furthermore, no more than five to ten percent of miners are officially registered. This level of informality makes it all the more difficult to address a number of problematic issues linked to the country's mining sector.

However it should be noted that there are other factors that feed into these issues. These root problems include corruption, a lack of willingness within the government, State service's lack of means and capacity to act, the vastness of the country, underdevelopment of the country, poverty, and the characteristics of the country's alluvial deposits.

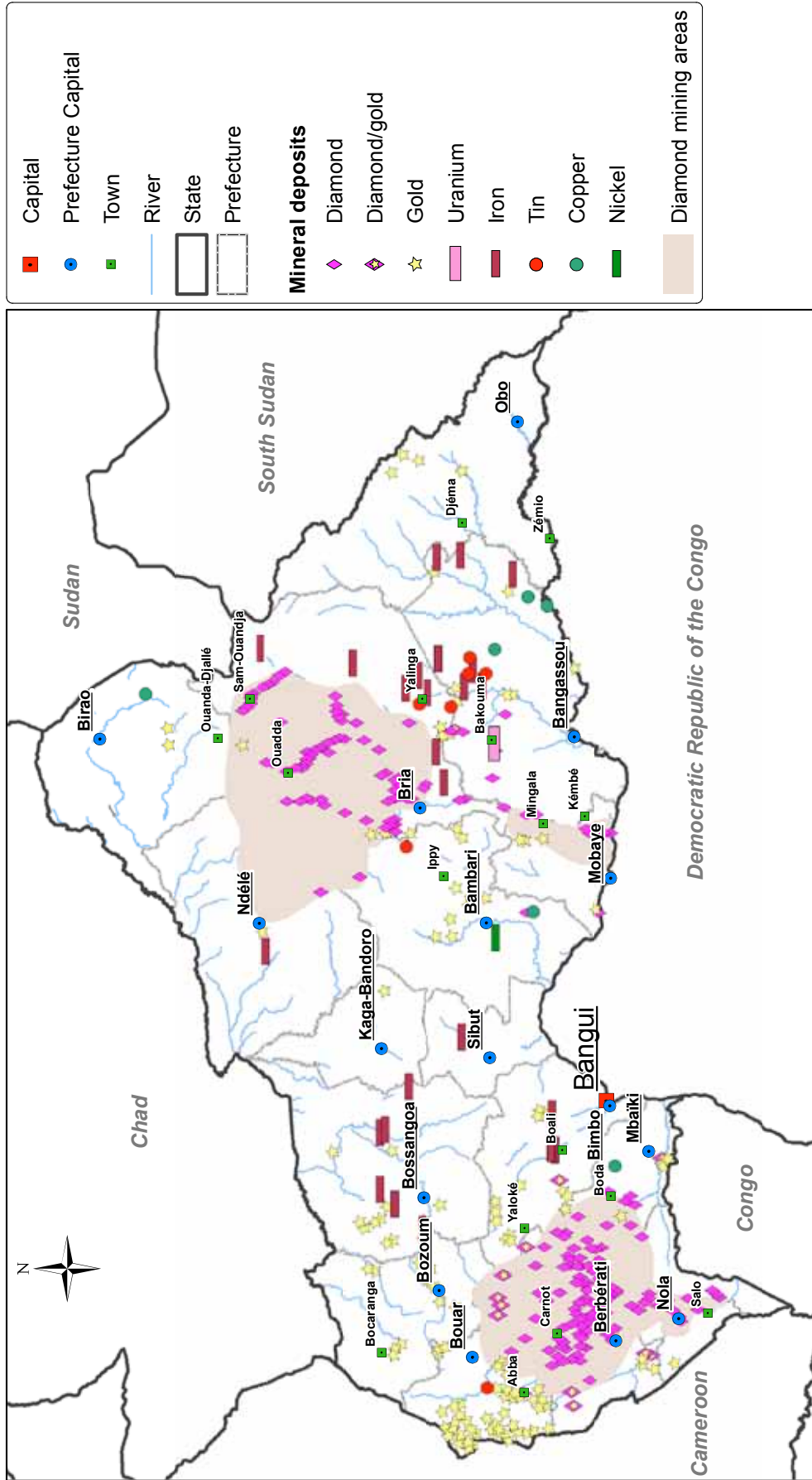
In the above report, the mining sector's negative consequences within the country have been subdivided in three categories: socio-economic issues, health issues and environmental issues. Some of the issues that have been discussed are the poverty trap, a lack of education, a lack of diversification of sources of revenue, malnutrition, being cut-off from healthcare, physical consequences of mining, indirect diseases, water pollution, and disruption of fish breeding grounds.

List of Abbreviations

ASM	Artisanal and Small-scale Mining
BECDOR	Bureau d'évaluation et de contrôle de diamant et d'or
CAR	Central African Republic
CFA	Communauté Financière Africaine
COMIGEM	Comptoir des Minéraux et Gemmes
CPJP	Convention des Patriotes pour la Justice et la Paix
DRC	Democratic Republic of the Congo
EIA	Environmental impact assessment
EITI	Extractive Industries Transparency Initiative
ESIA	Environmental social impact assessment
FPR	Front Populaire pour le Redressement
GDP	Gross Domestic Product
ICG	International Crisis Group
ICGLR	International Conference on the Great Lakes Region
IPIS	International Peace Information Service
KP	Kimberley Process
KPCS	Kimberley Process Certification Scheme
OECD	Organisation for Economic Co-operation and Development
ORGEM	Office de Recherches Géologiques et d'Exploitation Minière
POMIGER	Post-Mining Income Generating Environmental Rehabilitation
PRADD	Property Rights and Artisanal Diamond Development Project
RCM	Regional Certification Mechanism
RINR	Regional Initiative on Natural Resources
SEC	Securities and Exchange Commission
TNS	Sangha Tri-national Landscape or Tri-National de la Sangha
UFDR	Union des Forces Démocratiques pour le Rassemblement
USAF	Unité Spéciale Anti-Fraude

Annex 1

CAR - Mineral deposits



IPIS 2012 (Sources: P.Rolin, BECDOR, IPIS, HDPT)

Annex 2

CAR - Mining permits

