

### Diamond Exports Set to Jump Start Economic Recovery

*December 2005* - At the height of the Sierra Leone civil war, diamonds were at the centre of the conflict as rebels used money from illegal diamond sales to buy weapons. With the end of the war, diamonds have once again taken the centre stage, but this time fuelling economic growth, rather than war.

From a paltry \$10 million in 2000, Government income from diamond exports has soared to \$160 million in 2004, according to the International Monetary Fund figures. This increase and the potential for further expansion are the results of recent reforms to overhaul the diamond sector. It started with Sierra Leone signing on to the Kimberley Process Certification Scheme, a unique arrangement by governments, NGOs and industry groups to stem the flow of “conflict” or “blood” diamonds by rebel movements by setting up legal channels to trade diamonds.

A Kimberley Process review team visited Sierra Leone early this year and gave the Government high marks for implementing its provisions. The team, however, urged the authorities to take additional action to address some remaining gaps in how the industry operates. The Government must review the licensing system and rules for granting mining concessions, among others. It will also have to tackle the problem of child labour in mining, reform the banking system to ensure diamond transactions are carried out through legal channels, and strengthen the ability of state agencies to prevent and prosecute illicit trade and smuggling. In addition, authorities will have to ensure that communities participate in and share the benefits from diamond mining.

As a sign of the economy’s revival, former ghost towns are now havens of economic activity, boosted by the return of refugees and other displaced persons eager to rebuild their communities. In the lead are diamond areas which are attracting thousands of young people. Last year the economy grew at a respectable rate of more than 6 percent, with most revenue coming from exports of rutile, diamonds, bauxite, coffee and cocoa. Continued economic growth is expected this year as the political and economic situation remains stable.

With peace, the Government has gained the ability to reassert its authority in areas previously occupied by rebels. UNAMSIL, UN agencies and their partners assisted the Government to re-establish local administrative structures throughout the country, particularly in diamond-producing areas. They rehabilitated local government buildings and aided the return of civil servants and traditional leaders to their communities.

The Government’s ability to extend its authority throughout the country was one of the most significant achievements in post-conflict Sierra Leone. The presence of Government institutions encouraged refugees to return to their communities, expanded commercial activities beyond the capital, Freetown, and instilled a genuine sense of return to normalcy among the population.

The mere presence of these institutions, however, is not an end in itself. They must also promote development and create employment opportunities, especially among youth, who make up the majority of the country’s 4.8 million people. This and other economic and social challenges will guide the support the UN system will provide Sierra Leone as the country continues on its road to recovery and development.

#### For further information

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