



# First Semi-Annual Report for the Peace Diamond Alliance (PDA) Project

CA # 636-A-00-03-00038

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Prepared by Management Systems International  
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## **Summary:**

USAID and MSI have made rapid progress on implementing this Cooperative Agreement, under challenging conditions. Support of top US Embassy and USAID officials has been an essential ingredient in demonstrating USG commitment to the Peace Diamond Alliance and related fundamental policy changes.

During the period MSI was able to establish its office in Koidu; establish the COP and TDY residences; procure related project equipment; participate in USAID's program review and produce program monitoring baseline data; strengthen the Peace Diamond Alliance; hold two meetings for international stakeholders in Koidu, including the meeting 27-28 August hosted by President Kabbah; help the Ministry of Mineral Resources investigate how to use its communication equipment more effectively; build consensus for reform at the miner and Chiefdom levels; complete institutional assessments of local CBOs ADAGMAK and MOCKY; assist ADAGMAK and MOCKY to pursue funding from DfID for institutional strengthening programs; and begin to design a credit scheme, a buying scheme, and an approach for monitoring diamonds from discovery to export.

Now that the infrastructure has been established, it is time for the Alliance to produce concrete benefits for the people of Kono. During the next period we will finalize design of a pilot integrated program to provide credit to miners, track diamonds from Earth to Export, and promote the marketing of certified fair trade rough diamonds. Additional funding will be sought to try to make that vision a reality.

We will continue to link Alliance work with policy efforts under MSI's DIPAM (Diamond Policy and Management) CA 636-A-00-03-00003. Key areas of policy focus will be: increasing competition in the mining credit and diamond marketing sectors, banking sector reform (provided GOSL commitment to this area remains strong), increasing transparency in the DACDF distributions, linking lessons learned in Kono with other diamond areas in Sierra Leone, streamlining and improving diamond export regimes, developing effective pilot chain of custody systems for diamond mining, improving linkages with the Kimberly process, and corruption.

Our main challenges to date have been logistical and bureaucratic. It has been a challenge to establish our project infrastructure in Koidu, a city devastated by a decade of civil war. But, we are now operational. Awarding of the PDA cooperative agreement was delayed significantly. We addressed this challenge by utilizing the DIPAM CA both for its regular policy thrust and to get the Alliance established while waiting for the contracting machinery to complete the required documentation. This was very taxing, but we were able to make significant progress on both fronts nevertheless. Enthusiasm for work in the diamond sector is very high among USAID and embassy staff stationed in Sierra Leone as well as in the State Department. That enthusiasm needs to be broadened within USAID, where skepticism was felt regarding GOSL political commitment to meaningful reform. Recent actions by the GOSL, such proactive policy dialogue with the USG and the Bo Declaration (see publications section of our website: [www.peacediamonds.org](http://www.peacediamonds.org)), demonstrate a willingness to address difficult issues at the heart of the matter and

should help alleviate such misgivings. While the CA is only six-months old and we are optimistic that emerging results will speak for themselves, time remains of the essence. Substantial structural reform must be made before the UNAMSIL peacekeepers depart.

### **Accomplishments during the period:**

During the first six months MSI worked to establish the physical and social infrastructure required for the Alliance as well as on program planning and management:

#### Physical Infrastructure

- ◆ With DfID funding, construction of PDA Office/Partner Support Office in Koidu completed *Results:*
  - Physical base of operations for project established
  - Incubator site available for local NGO Alliance members
  - Office site available for Alliance Executive Committee
  - Office site available for other USAID and DfID operations in Koidu through cooperating donor scheme
  
- ◆ COP and TDY residence established in Koidu *Results:*
  - Professional staff able to work more effectively in Kono District
  
- ◆ Procurement of equipment to support the project.

#### Social Infrastructure

- ◆ Institutional Assessments completed of two key local community-based organizations (CBOs): Movement of Concerned Kono Youth (MOCKY) and Alluvial Diamond and Gold Miners' Association of Kono District (ADAGMAK) *Results:*
  - Participatory assessment of ADAGMAK and MOCKY completed;
  - Plan for improvement completed;
  - Proposal for funding improvement plan submitted to DfID;
  - Improved awareness in ADAGMAK and MOCKY of institutional issues relevant to achieving success and how to succeed.
  
- ◆ The Second full meeting of the Peace Diamond Alliance was held 27-28 August 2003, in Koidu. *Results:*
  - President Kabbah provided concrete support to the Peace Diamond Alliance
  - Agreement reached to pursue:
    - Credit Scheme
    - Buying Scheme
    - Earth to Export Scheme
  - Executive Committee Established
  - Code of Conduct Adopted
  - Work Plan Adopted

- ◆ Strengthening political ties with Paramount Chiefs, the Ministry of Mineral Resources, community-based organizations, and local government in the Kono District. *Result:*
  - The Alliance enjoys strong local support from the producers, government, and traditional leaders

#### Program Design

- ◆ Preliminary design work completed on credit scheme, Earth to Export scheme, and buying scheme. *Result:*
  - If funding can be secured, an Integrated Diamond Management (IDM) program could be initiated in short order.
- ◆ Tongo Fields was identified as an area with significant mining issues and a large – and potentially volatile – ex-combatant population. During the period we discussed the possibility of extending PDA practices to that area as an important security issue. Meetings were held with local leaders in Tongo Fields and representatives attended the August PDA meeting in Koidu. Additional funding will be sought to nurture activities in Tongo Fields

#### Program Management

- ◆ Participation in USAID/Sierra Leone’s Program Review
- ◆ Revision of the project’s work plan (attached)

### **Unexpected challenges encountered during the period and steps taken to address them:**

#### *Facility Renovation Delays*

We had originally expected the DfID-funded Alliance office to be completed by February 2003. However, it was not ready for occupancy until mid-August. While such delays are common under Koidu’s challenging working conditions, project progress was impeded. Similar delays were experienced in establishing the COP and TDY residence, also completed in August.

#### *Work Plan Adjustments*

The existing work plan has been amended to include the integrated program to provide credit to miners, track diamonds from Earth to Export, and promote the marketing of certified fair trade rough diamonds. Also included is the envisaged extension of the Peace Diamond Alliance to Tongo Fields (pending receipt of additional funding).

### **Organizational and budgetary matters**

Our office is fully established in Koidu, though we continue to experience logistical challenges common to doing business in Sierra Leone. We had difficulty procuring a vehicle for the project due to MSI’s status as a for-profit business implementing a USAID Cooperative Agreement. Apparently, MSI is the first such case for USAID/Sierra Leone since the war, and it took some time to reach agreement among USAID and the GOSL as to the appropriate registration status and criteria for

importing project goods duty free. These issues are now resolved and the vehicle is operational. The project had to rent vehicles in the meantime.

## **Gender Considerations**

Mining, diamond marketing, and government oversight of the sector is dominated by men. However, women are essential decision-makers in a host of issues related to peace so the project needs to incorporate their interests. To date we have incorporated gender balance in the governance structure of the PDA and have recruited women's groups into the PDA. We are currently seeking funding to conduct research on the social and economic ramifications of the diamond industry. Part of this effort will be to look more carefully at gender issues in this regard and adapt implementation accordingly.

## **Lessons Learned**

Sierra Leonean support for the program is running high. Community and Traditional Leader enthusiasm has recently been bolstered by formal endorsement by the State President. The challenges remain considerable, but the political will appears to exist to achieve our objectives.

We believe the Peace Diamond Alliance presents a number of relevant lessons for the Agency's Global Development Alliance. Specifically:

*With respect to managing Alliances in general:*

- ◆ During organizational phase, it is important to project the Alliance as “winner”, and to invite members strategically
- ◆ Non-financial contributions by Members are key
- ◆ Alliances are management intensive
- ◆ USAID's linkage with State can be key in establishing alliances
- ◆ Balancing State/USAID interests and bureaucratic requirements can be a challenge in managing Alliances

*With respect to unexpected lessons for alliances:*

- ◆ Alliances can help address local elites and other economic/political structures detrimental to development
- ◆ Alliances can help cope with corruption
- ◆ Alliances can be useful tools for pursuing USG political interests
- ◆ Locally empowered alliances can serve as useful autonomous proxy for USAID interests

*With respect to Alliances in a post-conflict setting:*

- ◆ The Alliance structure is surprisingly well suited for stitching together a fragmented post-conflict society
- ◆ Alliances can provide a vehicle for empowering interest groups to influence government non-confrontationally
- ◆ Alliances can provide space for enabling private sector forces to re-shape society and to empower marginalized elements

- ◆ In post-conflict situations, significant spending may be needed to address social infrastructure constraints necessary to empower local forces marginalized by war and private sector requiring a conducive environment

*With respect to specific diamond issues:*

- ◆ It is a challenge to engage USAID in working with a non-traditional development activity, such as with the extractive sector generally, and with diamonds in particular
- ◆ Diamonds are such a stable high-value commodity that proper management and marketing can have large development impact
- ◆ Ironically, an outstanding suit against the industry leader (DeBeers) encourages industry participation
- ◆ NGO and consumer awareness of commodity related social problems (blood diamonds) makes the industry more interested in participating
- ◆ Building a culture of transparency among the miners is a significant challenge, even within the Alliance

### **Expected activities in upcoming period**

During the next period we will continue to solidify the PDA and to coordinate closely with DfID, and integrate with DIPAM's policy agenda activities on the ground. Specific activities in the upcoming period include:

- ◆ Development of a detailed approach to providing credit to miners through commercial lending;
- ◆ Further efforts to secure corporate contributions from Caterpillar in the form of earth moving equipment as part of a loan scheme;
- ◆ Development of an on-the-ground chain of custody scheme to enable the PDA to "certify" diamonds, based on systems previously designed by MSI and the MMR;
- ◆ Agreement on a formal buying mechanism for certified diamonds;
- ◆ Development of an IDM approach to develop synergies among those components;
- ◆ Efforts to raise funds to support efforts to implement an IDM program;
- ◆ Formal export of a small amount of "certified" diamonds through the PDA;
- ◆ Hiring of a Deputy Team Leader, a financial manager, and an office manager
- ◆ Further exploration of the feasibility of expanding the Alliance to include a Tongo Fields chapter
- ◆ Assessment of the Executive Committee and assistance targeted to strengthen its capacity
- ◆ Implementation of improvement plan to build capacity of two local community based organizations, MOCKY and ADAGMAK
- ◆ Work with MMR in Kono to implement Database on Mine Licenses
- ◆ Train MMR on best practices for resource management

**Work Plan- Peace Diamond Alliance Support Program**

September 1, 2003 to October 31, 2004

Page 1/4		Timetable													
Activity	Sub Activity	Sept 03	Oct. 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	June 04	July 04	Aug 04	Sept 04	Oct 04
<b>PDA</b>															
<b>PDA Meetings</b>	Schedule for next PDA Meeting														
	Invites for dignitaries														
	Identify and confirm Facilitator														
	Confirm Community Centre as venue														
	Invites and Agenda														
	Transport and Accommodation														
<b>PDA Secretariat</b>	Finalize Equipping Offices														
	Support Exec Committee to:														
	Study Presidential Address & follow up														
	Develop Code of Conduct														
	Implement Code of Conduct														
	Redefine PDA Work Plan following member input														
	Implement amended PDA work plan														
	Identify Membership Criteria and membership support														
	Register Alliance														
	Recommendations to steering committee														

**Work Plan- Peace Diamond Alliance Support Program**

September 1, 2003 to October 31, 2004

Page 2/4		Timetable													
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Activity	Sub Activity	Sept 03	Oct. 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	June 04	July 04	Aug 04	Sept 04	Oct 04
<i>Tongo Fields Expansion</i>	Engage stakeholders in Tongo Fields														
	Arrange PDA Meetings														
	Tongo Fields representation at Kono PDA meetings														
<i>Integrated Diamond Management</i>															
<i>Credit Schemes</i>	Finalize Options														
	Assess level of received funds														
	Finalize System with ROKEL Bank, Kono														
	Miners create business plan														
	Legitimize candidates as per methodology														
	Establish accounts at ROKEL Bank														
	Provide Loans														
	Monitor Operations														
<i>Extraction to Export Certification</i>	Finalize Certification Agreement with MMR, GGDO, ROKEL Bank														
	Ensure compliance by creditors														
	Commit Buyers														
<b>Work Plan- Peace Diamond Alliance Support Program</b>															
September 1, 2003 to October 31, 2004															
Page 3/4		<b>Timetable</b>													
Activity	Sub Activity	Sept 03	Oct. 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	June 04	July 04	Aug 04	Sept 04	Oct 04
	First Tender at Bank														

	GGDO, MMR & MSI Evaluate First Sale														
	Amend for future sales														
	Ensure parcels received at overseas destination in compliance with Extraction to Export Rules														
<b>Training and Capacity Building</b>															
<b>Diamond Training</b>	First Training														
	Improve Equipment														
	Follow on Training														
	Disseminators out														
	Monitor success of information dissemination														
<b>Capacity Building (MOCKY &amp; ADAGMAK)</b>	Follow up on DfID undertakings														
	MSI commence Administration and Financial Training and Institution Building														
	Conduct 2 <sup>nd</sup> Assessment														
	Evaluate Assessment														
<b>Work Plan- Peace Diamond Alliance Support Program</b>															
September 1, 2003 to October 31, 2004															
Page 4/4		<b>Timetable</b>													
<b>Activity</b>	<b>Sub Activity</b>	Sept 03	Oct. 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	June 04	July 04	Aug 04	Sept 04	Oct 04
<b>MMR</b>															
<b>Best use of resources</b>	Review use of resources with MMR (Kono)														
	Implement training to improve														

	use														
	Implement trial database run in Kono														
<b><i>Project Support</i></b>															
<b><i>Staffing</i></b>	Engage Deputy														
	Engage Credit Manager														
	Engage Finance/Admin Manager														
	Engage Tongo Fields Officer														
<b><i>Field Manual</i></b>	Update for changes														