



Peace Diamond Alliance (PDA)

Second Semi-Annual Report (through 29 February 2004)

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PDA (Peace Diamond Alliance) Project
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SUMMARY

The legitimacy of the Peace Diamond Alliance (PDA) initiative was underscored at the end of the previous reporting period when President Kabbah opened the General Meeting of 27-28 August in Koidu. With resources established, the PDA has strengthened the consensus for reform during this period.

The executive committee of the PDA, established in September, have held 4 executive committee meetings and 6 sub committee meetings focusing on the key issues of illicit mining, licensing and monitoring and the creation of a code of conduct. A workshop was held on licensing and monitoring culminating in the publication of official licensing fees and procedures. The recognition of the role of the Peace Diamond Alliance was emphasized when the PDA undertook the lead role in the resolution of the impasse between the Kono public and the Kimberlite mining company, Koidu Holdings. The Peace Diamond Alliance has delivered needed input for national policy development, through strong links to the policy efforts under MSI's DIPAM (Diamond Policy and Management) CA 636-A-00-03-00003, and the DIPAM secretariat role in the High Level Steering Committee on Diamonds. The Peace Diamond Alliance continues to provide a wealth of diamond industry information to visiting and host government officials, NGOs and intending industry entrants alike. At the local level, 3 successful diamond identification-training sessions have been held.

While the PDA initiative is now firmly formed, key intended areas of the work plan for the period remain unresolved. Although funds are earmarked, MSI's Integrated Diamond Management proposal, a revolutionary industry-restructuring initiative that combines credit to mining cooperatives and diamond tracking through an Earth to Export scheme, still awaits approval. Despite these setbacks the MSI team has continued to promote reform by forming 20 such cooperatives with assistance from the Ministry of Trade and Industry. Two such cooperatives have already started small mining operations unaided.

The intended extension of the Peace Diamond Alliance to Tongo Fields is also yet to be authorized, but the PDA ensures contact between Kono and Tongo Fields is maintained.

The continued support of top US Embassy and local USAID officials has been essential in maintaining USG commitment to the Peace Diamond Alliance and related fundamental policy changes. Robust working relations are maintained with government, local authority, industry, civil society groups and partners (UN and DfID), creating a continuously improving enabling and transparent industry environment in Kono. However, funds for institutional strengthening of two local partners (MOCKY and ADAGMAK), pledged by DfID during institutional capacity assessments in June 2003, are yet to materialize.

The main challenges remain bureaucratic, ensuring the availability of funds to address issues highlighted in this pilot project. However MSI staff and a number of Alliance members have demonstrated great commitment in tackling fundamental concerns. Such efforts have brought a local initiative firmly into the national forum and augurs well for the future of the Alliance

ACCOMPLISHMENTS DURING THE PERIOD

During this period MSI has worked to improve the physical and social infrastructure required for the success of the Alliance. Lessons learned have been represented in amended program planning and management:

Physical Infrastructure

- ◆ Facilities at the PDA Office/Partner Support Office in Koidu has been improved to better accommodate
 - Training in Diamond Awareness for local CBO representatives and Alliance members
 - Office site available for Alliance Executive Committee
 - Other USAID and DfID operations in Koidu through cooperating donor scheme (The USAID funded NGO, Global Rights, is temporarily accommodated in the Support Office)

- ◆ Additional Equipment to support the project
 - Additional training equipment provided to improve Diamond Awareness training
 - Additional furnishings obtained at no cost from USAID/NDI program in Kono
 - Two motorcycles obtained at no cost from USAID/NDI program in Kono to enhance mobility

Social Infrastructure

- ◆ The Executive Committee of the Peace Diamond Alliance has held regular meetings in Koidu. *Results:*
 - Continued support to:
 - Credit Scheme
 - Buying Scheme
 - Earth to Export Scheme
 - Examined issues, created and adopted a revised Code of Conduct
 - Evaluated Membership Criteria
 - Registered Peace Diamond Alliance with Government of Sierra Leone
 - Addressed Environmental Issues and Rehabilitation of mined out areas
 - Addressed the issues of Licensing and Monitoring (see below)
 - Continues to address issues between community and kimberlite mining company (Koidu Holdings S.A.) (see below)

- ◆ Formation and Training of Mining Cooperatives
Following the August address of President Kabbah, MSI staff worked with the Ministry of Trade and Industry to establish mining cooperatives in Kono. Within the loosely structured artisanal diamond mining industry, structured groups are essential to the success of the Integrated Diamond Management proposal.

Twenty such cooperatives have been registered. Between February 7th and 11th 2004, with coordination from the MSI staff and members of the Peace Diamond Alliance, a combined team of officials from the Ministries of Trade and Industry, Youth and Sports and Mineral Resources visited Kono.

Results: The team undertook a two-day workshop to train fledgling and aspiring cooperatives in:

- Cooperative Management and Development
- Youth Leadership
- Cooperative Formation

Cooperatives will undergo further training from the program in Diamond Awareness and Management Practices.

- ◆ Workshop on Licensing and Monitoring

A two-day workshop, organized by the Peace Diamond Alliance executive committee and MSI staff was held in November involving local Paramount Chiefs, the Ministry of Mineral Resources, local producers, dealers, the youth and local mining associations. The attendance was high.

Results: The recommended fees were accepted and published. Recommendations were made for improved diamond monitoring. Many of these are now in force including improved interaction between the Ministry and local authorities.

- ◆ Diamond Awareness Training

Designed to give miners and diggers a more comprehensive understanding of the value of their production, these two-week training sessions have been held in September and October and again in February. Background knowledge of diamonds and the use of equipment form the first modules of this training. The remainder focuses on understanding and identifying the different grades of diamonds. The second week is solely on practical diamond identification using sample provided by local miners, dealers and the students themselves.

Results: Originally run by a Government Gold and Diamond Office valuer with the MSI/DIPAM business adviser, 40 people have been trained thus far. Of them 10 are able to clearly impart such knowledge in the field, while one is now used as a facilitator for the training.

- ◆ Diamond Area Community Development Fund (DACDF)

In conjunction with the strengthened local consensus on legal mining and increased monitoring effectiveness created from the above workshop, MSI staff has commenced local monitoring of the use of mining benefits, particularly the DACDF. Where valid projects are located, signboards are provided to identify the development and the source of funding.

Results: Three of the six recipient chiefdoms in Kono have assisted staff in such exercises.

- ◆ The community and Koidu Holdings

The kimberlite mining operation company commenced blasting in January 2004. Local community concerns remained unaddressed and the proposed relocation of inhabitants close to the blast site had not commenced. MSI staff, Alliance members and local authorities viewed the level of local tension as potentially detrimental to security. The Peace Diamond Alliance called an extraordinary meeting with the company (an Alliance member) in January. The meeting and subsequent MSI staff activities have defused a potentially damaging situation.

Results: Calls for the closure of the company averted. Level of local dialogue between local authorities, community and the company increased.

- ◆ Continued to strengthen the political ties with Paramount Chiefs, the Ministry of Mineral Resources, community-based organizations, and local government in the Kono District.
Result: The Alliance enjoys a strong mandate from the community, local organisations, producers and dealers, government, and traditional leaders

Program Design

- ◆ Continued Technical design on credit scheme, Earth to Export scheme, and buying scheme. Technical meetings held with USAID officials *Result:*
 - Further technical description necessary before funding can be secured.
 - With the registration of cooperatives and local support assured, an Integrated Diamond Management (IDM) program would 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 further visits were made to Tongo Fields and additional funding requested for an extension of PDA activities within the area. A potential office was located, stakeholder groups identified and a timetable of contact established.

Results: Once funding is released, the PDA representation in Tongo Fields will be rapidly established.

Program Management

- ◆ Acceptance of Program Indicators (FY 2004)
- ◆ Update of the project's work plan (attached)

VISITORS TO THE PEACE DIAMOND ALLIANCE IN KONO

At the end of January the Peace Diamond Alliance hosted Peter Chaveas, US Ambassador to Sierra Leone and Michael Arietti, US State Department, Director for West Africa.

UNEXPECTED CHALLENGES ENCOUNTERED DURING THE PERIOD AND STEPS TAKEN TO ADDRESS THEM

Work Plan Adjustments

The existing work plan has been amended as anticipated funds are yet to be approved. Notwithstanding, work continues to address the integrated program to provide credit to miners, track diamonds from Earth to Export, and promote the marketing of certified fair trade rough diamonds to ensure the awareness of cooperatives is further developed.

Also included is the envisaged extension of the Peace Diamond Alliance to Tongo Fields (pending receipt of additional funding).

ORGANIZATIONAL AND BUDGETARY MATTERS

During September the vehicle assigned to the DIPAM project was involved in an accident. This temporary loss created some logistical problems for both projects during the period of repair. The addition of two motorcycles from the former NDI program assisted in day-to-day logistics in Kono.

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. *Within the 20 cooperative groups, four are 100% female managed, while the remainder all have a high proportion of female management.*

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 remains high. Community and Traditional Leader enthusiasm continues, and MSI staff has managed expectation levels for the anticipated credit scheme. It must be noted that this pilot phase expires in October 2004. The IDM and the associated credit scheme will form a major part of any extension. There remain considerable challenges, but the political constituency is firmly established and the will exists to achieve our objectives.

We believe the Peace Diamond Alliance presents a number of relevant lessons for the Agency's Global Development Alliance. The following lessons are listed in addition to those issues raised in the previous report. Specifically:

With respect to managing Alliances in general:

- ◆ Many elected officials lack capacity to ensure resolution of issues
- ◆ While non-financial contributions by Members are key, management of members to ensure performance is time consuming
- ◆ Alliances form a foundation for industry restructuring
- ◆ Alliances remain extremely management intensive

With respect to Alliances in a post-conflict setting:

- ◆ Alliances form a focal contact for other external agencies
- ◆ Alliances can perform a central role in local conflict resolution

With respect to specific diamond issues:

- ◆ Timing of funding is critical in an industry that operates seasonally
- ◆ Building a culture of transparency among the miners is proving less challenging amongst cooperatives
- ◆ Limited local capacity does exist to drive industry change

EXPECTED ACTIVITIES IN UPCOMING PERIOD

During the next period we will continue to solidify the PDA, attempt to clarify and exhort funding for both the Integrated Diamond Management proposal and the extension to Tongo Fields. We will integrate with DIPAM's policy agenda activities on the ground. Specific activities in the upcoming period include:

- ◆ Second Peace Diamond Alliance AGM
- ◆ Further efforts to secure corporate contributions for funding mining cooperatives
- ◆ Conclude relocation of Affected Property Owners
- ◆ Work with MMR to encourage use of Rehabilitation Funds for the development of Environmental Projects
- ◆ Test 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;
- ◆ Efforts to raise funds to support efforts to implement an IDM program;
- ◆ Formal export of a small amount of “certified” diamonds through the PDA;
- ◆ Assessment of the Executive Committee and assistance targeted to strengthen its capacity
- ◆ In the absence of DfID funds, gain agreement to initiate the 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
- ◆ Continue training for cooperatives in preparation for credit funding
- ◆ Further Monitor local licensing
- ◆ Further Monitor local DACDF performance