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# INTEGRATED DIAMOND MANAGEMENT & POLICY (IDMP) PROGRAM

2<sup>ND</sup> QUARTERLY ACTIVITY REPORT: 1 JANUARY TO 31 MARCH 2005  
CA #636-A-00-04-00217-00

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2<sup>nd</sup> Quarterly Activity Report

CA #636-A-00-04-00217-00

January – March 2005



## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## Integrated Diamond Management & Policy (IDMP) Program

CA # 636-A-00-04-00217-00

Second Quarterly Activity Report: 1 January 2005 to 31 March 2005

### I. EXECUTIVE SUMMARY

The Integrated Diamond Management & Policy (IDMP) program aims to improve management of Sierra Leone's diamond sector at both national and local levels. It strives to increase benefits to government and communities through improved management of the resource. Bringing diamond mining and marketing into the formal sector increases government revenues through taxes and licences while reducing security threats due to once-rampant diamond smuggling. Meanwhile the innovative Diamond Area Community Development Fund releases funds from export taxes for community development within diamond producing chiefdoms, encouraging citizens to both produce and export legally. These measures complement the effectiveness of the international Kimberley Process. The table demonstrates the efficacy of this coordinated effort has had in increasing legal diamond exports.

**TABLE I: SIERRA LEONE DIAMOND EXPORT FIGURES FOR PERIOD AND FY<sup>1</sup>**

Month	PERIOD				
	FY 2005 Exports			FY 2004 Exports	FY 2003 Exports
	Carats	Value (\$) per Carat	\$Value	\$ Value	\$ Value
1 <sup>st</sup> Quarter	134,477	\$192.28	25,857,164	19,122,514	11,212,576
2 <sup>nd</sup> Quarter	147,469	\$192.34	28,363,664	28,866,917	16,526,536
Year Total	281,946	\$192.31	54,220,828	47,989,431	27,739,112
% Change (Year 05 v 04)	-7.6%	17.7%	11.5%	(Avg. value = \$158 per ct.)	(Avg. value = \$136 per ct.)

The above table displays steady increases in the value of legal diamond exports and in the average carat value of diamonds exported. This reflects continued progress in bringing informal mining and smuggling into the formal sector. Meanwhile the reduction in carats produced, predominantly at the artisanal level, has become a trend since December and is being monitored closely, as this may have potential implications to the program.

Success of the Integrated Diamond Management program hinges on maintaining positive working relationships with the Government of Sierra Leone (GOSL) and with the communities with which we work in Kono and Tongo Fields. The maintenance of both political will and constituency collaboration is core to the promotion of policy and management changes that can lead to increased local income and improved security.

Activity during the period was dominated by launching a core component of the Integrated Diamond Management (IDM) program. Of 24 program trained and registered cooperatives, The Rapaport Group provided funds to the Peace Diamond Alliance to finance four artisanal mining cooperatives while Kono's Hope provided funds for one additional cooperative. All five cooperatives were busy mining as this reporting period came to an end. Although this component of the IDM began relatively late in the season, all cooperatives have been nagged by unseasonably late and intense rains during what is normally considered the « dry season ». This

<sup>1</sup> Source: Sierra Leone Government Gold and Diamond Department

necessitated extra spending on fuel to power water pumps to keep the mining pits clear for extraction, during a period of national fuel shortages. Despite these setbacks all cooperatives appeared poised to reach necessary gravel.

Unfortunately, obtaining approval for two key scopes of work (SOWs) – one for external program monitoring by Global Witness and the other for environmental management work by CEMMATS – was delayed. This could have a negative impact on project implementation, but as of the writing of this report approval had been received, workplans had been adjusted to the new timing, and execution is expected to commence in April.

Months of hard work by the Kono team and local stakeholders has paid off in the form of an agreement between the country's only operational kimberlite mining company, Koidu Holdings, and local property owners who had been adversely affected by mining operations. Both parties to the agreement stipulated that the Peace Diamond Alliance must remain an active mediator in the future. This is an excellent endorsement of the PDA as a conflict management mechanism.

A key objective of the IDMP is to share its experience in diamond reform with other countries wrestling with similar challenges. Building on its participation in last quarter's Kimberley Process Plenary in Ottawa, the IDMP was invited to participate in the January meeting of the Development Diamond Initiative in London. DDI is an effort to engage a broad range of international actors to develop approaches to enhance the development impact of artisanally mined diamonds in developing countries. As this is precisely what USAID/MSI have been striving towards for a number of years, IDMP was able to present several models that resonated with the group. In March a delegation from the Kimberley Process visited Kono as part of its review of Sierra Leone's participation in the KP. The formal report has yet to be released, but the group seemed impressed with GOSL progress and with IDMP efforts to reinforce monitoring at the local level.

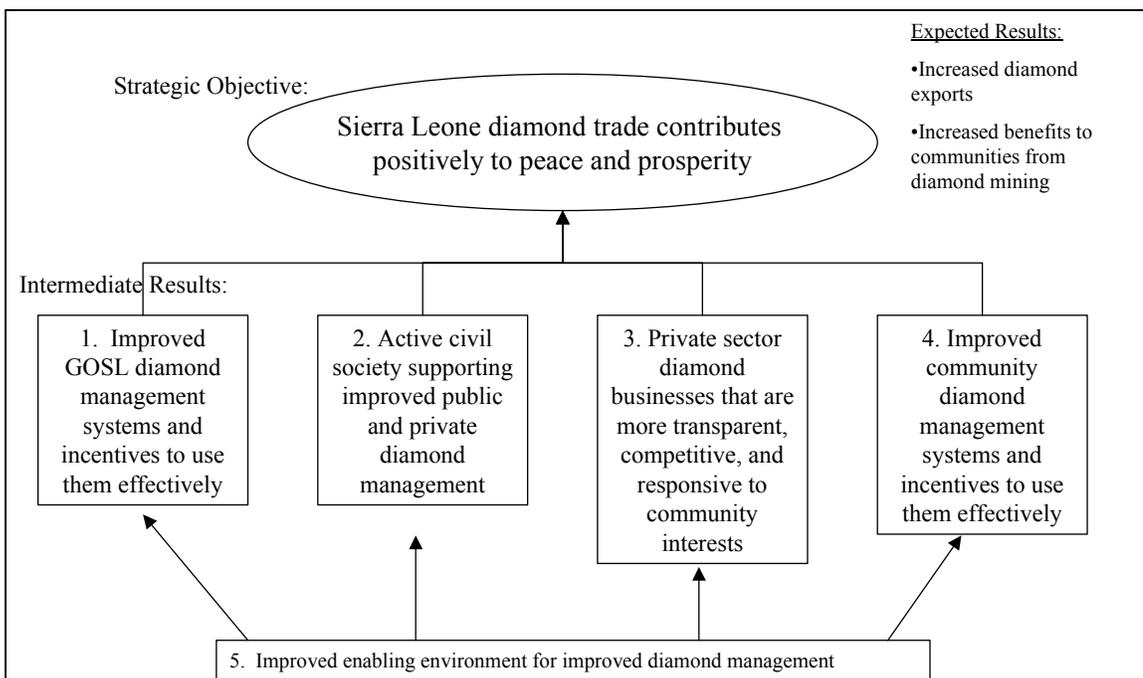
The program became more concrete with its civil society partners, helping them to prioritize projects that would benefit their constituencies. IDMP assisted PDA to prepare and submit a proposal to the Fund for Global Human Rights that would provide funding to the PDA. If successful, the PDA would re-grant to five of its civil society members. It would be an important step towards sustainability.

Developing systems to implement effectively the IDM program will remain an intense challenge in the coming period. We also anticipate sending – with World Bank funding – a PDA delegation on a study tour to Ghana to observe artisanal mining practices there. The Technical Director will visit Sierra Leone in the coming period, as the team will participate in USAID's Performance Monitoring Program (PMP) workshop. In addition, we anticipate a visit from the head of the World Bank's CASM project during the period.

## 2. INTRODUCTION

This Activity Report describes activities in the second quarter of Cooperative Agreement #636-A-00-04-00217-00, between Management Systems International and the United States Agency for International Development (USAID). These activities are executed consistently with the IDMP work plan and the objectives of the Agreement. For clarification, when using the acronym IDMP, the report is referring specifically to this USAID funded program. when the Integrated Diamond Management acronym is used, IDM, it is referring to the conceptual and implementation model for diamond management.

In its effort to manage for results, activities are designed to achieve the outcomes summarized in the following results framework:



The main focus during the 2004-2005 year is ensuring the principles of the Integrated Diamond Management (IDM) scheme are established and operational. Therefore, the greatest number of activities will appear under IR 4. In addition to providing greater benefits to local residents, IDM will also complement the Kimberley Process through the firm establishment of the Earth to Export scheme.

The following section will present activities, by Intermediate Result, including:

- An overview of the quarter.
- Summary of work completed, by activity
- Issues needing immediate attention, if any.

Subsequent sections will discuss challenges, successes, the project's financial position, lessons learned, and highlights to be aware of in the coming period.

## 3. PROGRESS BY ACTIVITY AREA

### A. IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

#### 1. Overview

Activities in this area were relatively few during this period, partly due to bureaucratic delays and partly because the team was very focused on getting IDM off the ground.

#### 2. Work summary, by activity

##### Activities scheduled in work plan

- *Training Kono MMOs in monitoring IDM.* IDMP staff were slated to work with Global Witness (GW) and GOSL staff to consider the how government can best monitor mining and marketing under the IDM program. In the absence of GW, program staff have engaged the Kono Mines Office in explaining the concepts behind the IDM program and identified shortcomings in a more effective monitoring of the system. Mining superintendents and senior mines monitoring officers have identified four key shortfall issues affecting efficient monitoring: literacy, lack of diamond awareness, transportation and low salary scales. The program envisages a broad extension of the stone training to more monitors to improve diamond knowledge, and will, through its seat in the Technical Committee to the High Level Steering Committee on diamonds, debate the restructuring of the monitoring role. One crucial improvement has been the assignment to Koidu of a ministry diamond valuer. This timely assistance will improve the speed of earnings return to participating cooperatives as diamonds will be logged and valued immediately after discovery.
- *Support to HLDSC Technical Committee.* IDMP continued to work with the HLDSC. MSI completed working with the Technical Committee on drafting a logframe and strategy paper for implementation of the Core Mineral Policy. This will be presented to the HLDSC during the next quarter. Presentation has been delayed to a busy travel schedule of MMR officials.
- *Recruit support for funding training for in key technical areas.* Renzi's visit to Sierra Leone had to be delayed until April to be able to take advantage of a USAID Program Monitoring Plan workshop in mid-April. Thus, Kanu and Renzi will address this task in the next quarter.
- *Consider assistance in anti-smuggling systems.* A recent IDMP report, available on [www.peacediamonds.org](http://www.peacediamonds.org), presented to the Technical Committee, highlighted a number of important issues related to stopping smuggling. The Technical Committee will consider these options and facilitate a discussion among HLDSC members as to priorities among them. IDMP will consider these requests, based on the project's ability to respond to them. Particularly appealing to the project at this time is the assistance to strengthening awareness and controls at Lungi Airport. Those activities represent an opportunity for highly visible USG assistance. The program must be careful, however, to be sure to recognize the limitations of its actions with respect to ESF funding. Ensuring SOW compliance to USG regulations will be undertaken during the next quarter with intended implementation being completed during period 4.

##### Activities undertaken opportunistically, but not included in work plan

None.

### 3. Issues requiring attention

None.

## B. ACTIVE CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE MANAGEMENT

### I. Overview

The Institutional Strengthening Advisor began to step fully into his role. During this period we worked with the Executive Committee on firming its priorities for the use of CASM funds, on its trip to Ghana, and on developing a PDA proposal to the Fund for Global Human Rights. This process was reinforced by the Institutional Strengthening Advisor's work with each targeted CBO in the PDA to help them develop individual project proposals for eventual donor funding. These comprise very preliminary – but concrete and broad-based – actions towards sustainability of civil society participation in the sector.

### 2. Work summary, by activity

#### Activities scheduled in work plan

Support to Peace Diamond Alliance (PDA)

- *Provide mentoring assistance to ECs.* This is an ongoing task. Recognizing its importance, the project recruited Dr. Tongu to serve as Institutional Strengthening Advisor during December and his first role has been to mentor both the incoming PDA chairman and committee members from Kono and Tongo Fields. The first task has been to improve the effectiveness of the Executive Committees at meetings and simple examples of 'time management' have proved valuable.
- *Adjust F&A Manual to clarify roles and Responsibilities.* A problem needing attention that emerged from technical assistance provided by Gloria Fauth on team building for DIPAM and sustainability for PDA was with respect to the use by PDA/Kono EC members of IDMP resources. IDMP continues to support the PDA with the equipment and services it needs to succeed while at the same time ensuring that EC members use no USG resources for private purposes and that the support does not jeopardize other project activities. All felt that the Financial & Administrative (F&A) Manual should be adapted to include a section on precise rules and regulations governing EC access to IDMP resources. At meetings with EC representatives such governance issues have been discussed and mutual agreement made. Hence the rewriting of the F&A manual is now underway. It will be fully updated and completed during this quarter.
- *Provide access to material and transportation needs, within budget.* An important aspect of management for the ECs to grasp is the need to manage collaboratively within a budget and towards common objectives. Accordingly, the Financial Manager is developing a budget for the material and service needs of the ECs as part of the above F&A manual. The ECs will be expected to manage within this budget, subject to adaptation as experience emerges. This experience is particularly relevant both to management of existing funds from the World Bank and reinforces the recently submitted PDA proposal, the Global Fund for Human Rights.
- *Assist with preparation of GM for Tongo Fields.* This will be the first GM for the Tongo Fields team since it was begun a year ago, and is likely to require a great deal of effort to mount successfully. The EC is near

completion of one year service and re-election is due by the end of May. The community has expressed tremendous commitment to PDA, so it should be an interesting event.

- *Facilitate report back from Sri Lanka trip.* The World Bank's CASM project paid for a visit by two members of the Kono Executive Committee and one member of the former PDA team to visit Sri Lanka to learn about artisanal mining world wide. A paper was produced summarizing the trip and including specific policy recommendations. It is available on [www.peacediamonds.org](http://www.peacediamonds.org).
- *Facilitate planning for CASM Grant.* The CASM Project allocated funds for the EC to spend to further their objectives. The ECs have, after initial problems, joined together and with assistance from the program team, created a framework for utilization of the fund. A work plan and budget for how those funds will be spent as part of improving the capacity of the EC is being constructed.
- *Facilitate Ghana visit by EC members.* A condition of the CASM grant award was that PDA members visit Ghana to share diamond mining experiences. IDMP has now finalised plans for the trip and nine members will visit Ghana in early May. The visit will give participants the opportunity to discuss and review the policy and practices implemented in Ghana while making direct comparison to Sierra Leone. It is anticipated that the team will benefit through comparison by identifying differences in the legal framework and marketing techniques and their benefit to the country, while also comparing environmental practices, investigating how Ghanaian communities benefit from the resource and see how civil society groups are structured.
- *Facilitate visit by WB/CASM to EC and IDMP.* Jeffery Davidson, of CASM, has delayed his visit until May 2005. Meanwhile the EC is planning to seek technical direction from the WB/CASM on the issue of gold, an industry linked directly to diamonds and with a stronger female focus.

#### Support to PDA civil society members

- *Provide technical assistance/training to targeted CBOs.* The program works in close collaboration with six community based organisations. The IDMP Institutional Strengthening Advisor has worked with each of the targeted CBOs to review their improvement plans and discuss possible implementation projects. Many of these potential projects were included in the Fund for Global Human Rights proposal described below.
- *Implement Small Stones Training in the bush.* The Small Stone Training has now been held several times, to considerable acclaim. The course has been adapted to suit diggers in the bush. Local CBOs tasked with taking this training out to diggers and communities to where they live, are ready. The program only awaits the clearing of the necessary motorbikes from the port. We expect this to have considerable impact on the prices received by families.

#### **Activities undertaken opportunistically, but not included in work plan**

The IDMP team assisted the PDA to submit a proposal to the Global Human Rights Program to provide small grants to its members. The PDA and IDMP felt that this would be a good exercise in sustainability and that the PDA had an outside chance at being successful in its first competitive grant application. The process itself will be useful to the PDA as a lesson in the fund raising process. The PDA requested \$28,500, to be used for the following purposes:

- To increase the effectiveness of the Peace Diamond Alliance (PDA) by enhancing the services it provides to its members and by developing a grants-making capability;
- To increase the effectiveness of the PDA's civil society members in advocating for and working directly towards human rights for the citizens of Kono District and Tongo Fields; and

- To fund on-the-ground human rights work by civil society PDA members – in partnership with PDA members in business, national government, traditional government, and district government.

#### **4. Issues requiring attention**

Speedy clearing of motorbikes for the implementation of the community stone training is essential. We continue to hope for prompt delivery hopefully in April.

It is clear that the PDA will require the services of a financial advisor: it is already responsible for managing Investor funds for IDM, for managing World Bank/CASM funding, and will, possibly soon, be responsible for managing grant funds to its members. The IDMP team has, in effect, taken on these responsibilities on behalf of the PDA, but they must learn to handle them independently if it is to achieve sustainability. We will attempt to address this in the coming period.

### **C. PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE, AND RESPONSIVE TO COMMUNITY INTERESTS**

#### **I. Overview**

Continued efforts to reduce the level of illicit trading in Tongo Fields gained further support. We succeeded in recruiting additional assistance for this season's pilot run of IDM:

- The Rapaport Group provided funds for the PDA to loan to four cooperatives
- Kono's Hope provided funds for an additional cooperative

#### **2. Work summary, by activity**

##### **Activities scheduled in work plan**

- *Reduce the % of illegal diamond buyers in Tongo Fields.* Work undertaken by the Tongo Fields team has raised awareness and gained both local community and political support as a result. With firm backing from district and chiefdom administrations, pressure is beginning to show results. Dealer's agent licences have marginally increased, and now the local chief has promised vigorous action.
- *Recruit investors to IDM Direct Investment Program.* We have succeeded in recruiting funds to support cooperatives. The investors are The Rapaport Group (4) and Kono's Hope (1).

##### **Activities undertaken opportunistically, but not included in work plan**

The Israel diamond council has requested that the IDMP program make a presentation at their annual meeting in order to attract additional investors for the 2006 season. It may well be a golden opportunity to prepare for scaling up the program with private investment in the next year.

Relocation issues surrounding Koidu Holdings' (a PDA member) EIA responsibilities have been settled, with an agreement drafted that both KH and the Affected Property Owners have endorsed. Both sides required that

PDA continue in its role as broker/mediator between them as the process goes forward. This was a very significant accomplishment of the program.

### 3. Issues requiring attention

In the coming period we will need to consider issues of scaling up IDM, even while we iron out the various systems challenges of the IDM program. That will mean considering how to market IDM investment opportunities within the diamond industry. With only one more season covered by USAID funding, the IDMP needs to accelerate issues of sustainability.

## D. IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

### I. Overview

The IDM program got into full swing by the end of the period. Activity began in late February, marked by a groundbreaking ceremony attended by government and local stakeholders in Kono. Five cooperatives are going at full speed. Adverse weather conditions (unseasonable rains) have hampered progress, although several coops expect to reach gravel early in the next quarter.

### 2. Work summary, by activity

#### Activities scheduled in work plan

- *Develop and apply Cooperative selection criteria.* Five cooperatives were selected and are now actively digging. Criteria for selection involved inspection of internal workings and legality of cooperatives. As a key component remains the social cohesion of the group, records of meetings, constitutional set up and records of savings were reviewed. Inspection of current licenses was also made. Finally 5 cooperatives were selected by an independent panel.
- *Contact MT&I to arrange training for participating coops.* Follow-up training has been successfully completed.
- *Include Integrated Diamond Management training.* Meetings with cooperatives have consistently addressed segments on the IDM program to be certain that all members understand all aspects of the program.
- *Develop IDM Implementation Manual.* Updating this manual is an ongoing task.



Men & Women of Payee Cooperative Removing Gravel

- *Draft and approve Coop/Investor MOUs (Memoranda of Understanding) Agreements* have been completed.
- *Develop Sustainable Artisanal Mining Procedures.* This has been delayed, pending USAID approval of the SOW.
- *Internal monitoring of cooperatives.* We have two mining monitors as part of the program ensuring that all cooperatives are visited at a minimum of every two days. Internal monitoring reports have been designed and we await review from with GW on our activities.
- *External Monitoring of IDM Process.* This has been delayed, pending approval of the Global Witness SOW.
- *Draft database/filing system for coops.* A basic set of data is being maintained by IDMP for each Participating Cooperative. This includes such information as a copy of the mining license(s) with a map, list of members, key contacts, bank accounts, etc. An exercise in checking membership has begun. This information will be used by Global Witness in its monitoring, as well as by IDMP and GOSL authorities. Preliminary work has begun and we expect to formalize the system in the next period.
- *Arrangements with ROKEL Bank.* The relationship with the Participating Bank, Rokel Bank, is an important one. Rokel is the financial intermediary for getting funds to cooperatives to mine, for storing winnings in Earth to Export, and for channeling payment for those winnings from the Investor. Banks can play a key role in attacking money laundering and promoting saving on the ground. Coop members will have accounts at the bank to promote saving and Investors must use the bank for all financial transactions, thus eliminating the need to arrive in country with a satchel of cash. We hope to demonstrate that it can be good business, as well as good international citizenship, to use the banking system.
- *Agree on protocols.* As part of an ongoing process, ROKEL and the IDMP team has established all protocols for what is needed to open accounts, to deposit and maintain winnings in a safe box, and to arrange for payment, etc.
- *Establish accounts for Coops and members.* Accounts will need to be established for each cooperative as well as for each member.
- *Procure safe boxes, bags & seals.* The physical infrastructure to secure production during Earth to Export must be established before the first winnings come in.

**Activities undertaken opportunistically, but not included in work plan**

None.

**3. Issues requiring attention**

USAID/MSI need to develop systems to improve the turnaround with SOW approvals. We also need to work with Investors to ensure that funds arrive in a timely way for cooperative mining and that IDMP reports to them are timely and useful.

## E. ENHANCED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

### I. Overview

2004 DACDF distributions occurred in Kono during March, as follows:

**TABLE 2: DIAMOND AREA COMMUNITY DEVELOPMENT FUND – KONO**

Kono Chiefdoms	DACDF Allocated 2004	DACDF remaining with chiefdom	DACDF to Kono District Council	DACDF to Koidu/New Sembehun Town Council
Sandor	Le 248,341,658	Le 198,673,326	Le 49,668,331	
Gbense	Le 289,039,257	Le 231,231,406	Le 43,355,888	Le 14,451,962
Nimikoro	Le 218,481,819	Le 174,785,455	Le 43,696,363	
Tankoro	Le 182,419,860	Le 145,935,888	Le 27,362,979	Le 9,120,993
Nimiyama	Le 136,383,306	Le 109,106,645	Le 27,276,661	
Kamara	Le 107,674,401	Le 86,139,521	Le 21,534,880	
Totals	Le 1,182,340,301	Le 945,872,241	Le 212,895,104	Le 23,572,956

Current ROE : 1 US\$ = Le 2800 : Kono 2004 fund = \$422,264

### 2. Work summary, by activity

#### Activities scheduled in work plan

- *Ongoing support to HLDSC.* The program continues to serve as Secretariat to the HLDSC. During the period a comprehensive log frame and strategy paper geared to the implementation of the Core Mineral Policy has been developed. This will be presented to the HLDSC in early April. In addition the new GoSL Policy Measures relating to Small Scale and Artisanal Mining and Marketing has been reviewed on behalf of the committee.
- *Improve effectiveness of DACDF.* Distribution of Kono funds took place on March 21 in Koidu. While funds were allocated for the year 2004, the funds for the second half of 2003 were omitted. Thus some Le 318,000,000 remains to be paid to Kono district. Both Nimiyama and Nimikoro chiefdoms had been reported for poor accountability and utilisation of the fund. They were represented at the ceremony, but as a warning to ensure effective use, their funds were initially withheld. These funds have subsequently been released. Of interest, these are the first allocations in which both district and town councils benefit. From the allocation, chiefdoms have given 20% of the funds over to District Councils in keeping with the Local Government Act. As the Koidu/New Sembehun town council is located in both Gbense and Tankoro chiefdoms, the only mining town council in Sierra Leone, funds from these chiefdoms were divided 80% to the chiefdom, 15% to the district council and 5% to the town council. Earmarked solely for development purposes, these are the first major fund allocations to the reinstated district councils since election in May 2004, serving as a further stimulus for communities to become involved in improving management of the local resource.
- *Support implementation of Kimberley Process.* IDMP staff attended the founding meeting of the Development Diamond Initiative (DDI), held in London in January. DDI is an effort by industry, government and NGOs to promote the concept of development diamonds. Global Witness, DeBeers, and Partnership Africa/Canada led it. DDI is at an early stage, but it is clear that the Sierra Leone

program leads the way internationally in efforts on the ground. A Kimberley Process Review Team visited Kono and learned about the PDA and IDM program. They felt that it offered important lessons to other countries with artisanal diamond mining.

- *Increase national level awareness of diamond issues.* Now that the IDMP is poised to implement IDM on the ground it is time to ramp up dramatically the level of awareness of IDMP and the USG partnership with the GOSL in the diamond sector. One specific target of opportunity in this regard is to partner with a Dutch NGO, Netherlands Institute for Southern Africa (NIZA), which intends to bring a photo exhibit to Sierra Leone on the trail of diamonds from miner to consumer. We may develop a policy forum around that theme, depending on how discussions with the NGO evolve. Overall awareness will be fostered through radio spots, hopefully in partnership with Talking Drums Studios, and also through focused efforts on the ground. We have learned that many of the most important diamond-producing communities do not have access to radio. Accordingly, we are working with the MMR to establish zones for attention and reach them with alternative approaches. Again, we hope to design these interventions in partnership with Talking Drums Studios.
- *Improve effectiveness of DACDF.* The DACDF remains an essential element of diamond policy reform, and is one of the signature efforts of IDM. We need to continue to press for transparency and positive use of the funds. There will be at least four tracks:
  - Continue to publicize success and call out failures, especially in Kono and Tongo Fields, but also nationally.
  - Work with District Councils in Kono and Kenema to influence the use of DACDF monies at their disposal.
  - Work with under-performing chiefdoms in Kono District to pressure them to use the funds wisely.
  - Work with one or two chiefdoms that have used the funds effectively in the past and push hard for matching funds from other donors to develop a truly impressive activity that will drive home to community members the value of clean mining in the lives of even those who are not directly engaged in mining. Currently, the Lower Bambara chiefdom (Tongo Fields) appears to have the highest potential in this regard.
- *Improved policies and practices for environmental management.* Progress on this has been delayed awaiting approval of the CEMMATS SOW and due to delays in GOSL funding of the Kaisambo reclamation. We have worked with Sinava Women's cooperative, however, to develop a proposal for additional funding to continue their reclamation and agricultural projects. Meanwhile progress in the ground breaking reclamation of the former Kaisambo mining site in Koidu has stopped after phase I, the clearing, with the contractor claiming that funds for phase 2 have not been issued.

### **Activities undertaken opportunistically, but not included in work plan**

IDMP staff engaged evaluators of the DfID diamond reform program in useful dialogues on the way forward. We also met with DfID staff in London and Sierra Leone and continued to build on the positive US/UK partnership in the diamond sector.

### **3. Issues requiring attention**

The lack of progress in the reclamation of the former Kaisambo mining site must be addressed.

## F. MANAGEMENT ACTIVITIES

### I. Overview

The program resolved late activity reporting and is now submitting its activity reports in a more timely manner. This is in response to increased, and reasonable, demand by Mission staff for formal and timely reporting.

The decentralized IDMP management structure appears to be taking hold, though it is an ongoing process.

The long-awaited vehicles should be arriving in Freetown port in early April. Joint USAID/MSI efforts will be necessary to get them released by government.

### 2. Work summary, by activity

#### Activities scheduled in work plan

- *Weekly staff meetings and Monthly Managers' meeting.* One conclusion from the IDMP Team Planning Exercise was that more frequent meetings were necessary to coordinate activities. Each office (Koidu, Tongo Fields, Freetown) is now holding its own weekly meetings. Component managers meet monthly, with all staff meetings held on a bi monthly basis
- *Quarterly Program Reports to USAID.* We have caught up on past reports and believe we now have systems established to provide timely quarterly reports.
- *Procurement of vehicles and other equipment.* Motorbikes were being shipped as of the end of the period. We are awaiting arrival in Freetown and clearance from customs.

#### Activities undertaken opportunistically, but not included in work plan

None.

### 3. Issues requiring attention

None.

## 4. CHALLENGES DURING PERIOD, AND RESPONSES

No special challenges arose during the period, apart from the fact that getting the IDM program up and running is very hard work. The team is performing well under the circumstances.

It would greatly assist our formal planning to obtain a copy of the environmental assessment by USAID, when available. We have continued to manage the program without certainty about whether or not a credit program will be permitted. However, based on the results of the analysis, very significant private sector funds may become available for direct investment.

## 5. NOTABLE SUCCESSES AND RELEVANT TRENDS

The biggest success has been the establishment of the pilot IDM program.

We also feel that the peaceful resolution of the Koidu Holdings/Affected Property Owners dispute is a feather in PDA's cap and a positive portent for the future role of PDA in local conflict management in diamond issues. 6. Financial Status

## 7. SIX-MONTH PROGRESS IN PMP INDICATORS

Targets for the IDMP Program Monitoring Plan are set for the 12 months ending October 2005 and the 11 months ending August 2006. IDMP will report to USAID on interim progress – at the six-month point in each Project Year. As can be seen from the tables below, progress is on track. (Indicators may change following the USAID PMP workshop in early April 2005)

SO: Sierra Leone Diamond Trade Contributes Positively to Peace and Prosperity

<b>SO Performance Indicator A: (including precise Unit of Measurement):</b> USD value of diamond exports per calendar year							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				\$140 m.			\$140m
Actual	\$120m.	\$54.2m.					

<b>SO Performance Indicator B: (including precise Unit of Measurement):</b> USD value of DACDF distributed to communities annually.							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				\$979,000			\$200m
Actual	\$815,592	\$363,201					

IR I: Improved GOSL Diamond Management Systems and Incentives to use them Effectively

<b>IR Performance Indicator 1.1 (including precise Unit of Measurement):</b> improved systems for diamond management adopted by GOSL							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				2			2
Actual	N/A	1*					

\* Small Stones Training for MMR staff.

<b>IR Performance Indicator 2.1 (including precise Unit of Measurement):</b> Number of stakeholder groups participating in diamond sector reform workshops.							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				65			65
Actual	60	45					

<b>IR Performance Indicator 3.1 (including precise Unit of Measurement):</b> Number of PDA businesses engaged socially-responsible investment, such as the IDM scheme.							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				1			6
Actual	0	2*					

\*The Rapaport Group and Kono's Hope.

<b>IR Performance Indicator 3.2 (including precise Unit of Measurement):</b> USD invested in businesses engaged socially-responsible investment, such as the IDM scheme.							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				\$50,000			\$150,000
Actual	0	\$72,000					

<b>IR Performance Indicator 4.1 (including precise Unit of Measurement):</b> USD value of diamonds exported under IDM scheme.							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				\$250,000			\$750,000
Actual	0	0					

<b>IR Performance Indicator 5.1 (including precise Unit of Measurement):</b> Significant progress in implementing three target policy changes							
Results	YE Oct-04 (baseline)	Oct-04 to Mar-05	Apr-Sep-04	Year One Total	Oct-05 to Mar-06	Apr-05 to Aug-06	Year Two Total
Planned				1			2
Actual	0	1*					

\*Planning Core Mineral Policy implementation with logframe and Technical Committee.

## 8. EVENTS, VISITORS, AND TRAVEL

IDMP and the GOSL worked together to stage a formal groundbreaking event in late February to mark the beginning of the IDM program. It was an exciting and well-attended event. Details are available on [www.peacediamonds.org](http://www.peacediamonds.org).

An international team from the Kimberley Process (including staff from the U.S. State Department, the U.S. Geologic Service, the Belgian High Diamond Council, the Republic of South Africa, the Canadian government, and the Russian Federation) visited Kono to learn more about the Peace Diamond Alliance and Integrated Diamond Management. Kono residents were pleased to learn that their efforts were being recognized internationally and the KP representatives appeared to be impressed with the local IDMP program.

The Technical Director went to London in January to attend the inaugural meeting of the DDI (described above) and the Team Leader went to the U.K. on leave in late March.

## 9. HIGHLIGHTS OF UPCOMING PERIOD

### A. IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

- *Small Stones training for MMOs and field staff* - Training will be completed in Tongo Fields in early April.
- *Training Kono MMOs in monitoring IDM* - Working with MMR to train select group to monitor IDM and maintain principles.

## **B. ACTIVE CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE DIAMOND MANAGEMENT**

- *Visit to Ghana by EC members (funded by World Bank)* – Expected during the coming period.
- *Visit by WB/CASM to EC and IDM* – Jeffery Davidson, of CASM will visit Sierra Leone in May 2005.
- *Implement Small Stones Training in bush* – Local CBOs will commence taking this training out to diggers and communities where they live.
- *Hiring a Financial Manager for the PDA.* IDMP will consider the feasibility of hiring a financial manager to begin to transfer management skills to the PDA.

## **C. PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE, AND RESPONSIVE TO COMMUNITY INTERESTS**

- *Ongoing dialogue with potential investors.* IDMP will recruit investors for next season at the Israel diamond council's annual meeting in June.

## **D. IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY**

- *First IDM diamond exports* – It is possible that some of the first diamonds produced by the program will be exported.
- *Begin work on establishing Sustainable Mining by Artisanal Miners (SMARTER)* – We expect the CEMMATS contract to begin during this period.
- *Beginning of external monitoring of IDM process* – In addition to IDMP's own monitoring, Global Witness (GW) will be contracted to perform an external review of the IDM program and to pass judgment on its effectiveness.

## **E. IMPROVED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT**

- *Target specific policies for attention over the next year.*
- *Increase national level awareness of diamond issues.* Now that the IDMP has launched IDM on the ground it is time to increase awareness through use of radio spots, hopefully in partnership with Talking Drums Studios, and also through focused efforts on the ground. We have learned that many of the most important diamond-producing communities do not have access to radio. Accordingly, we are now ready to combine with the MMR to take messages out to the zones of mining concentration, in both Kono and Tongo Fields.

## **F. PROGRAM MANAGEMENT ACTIVITIES**

- *Procurement of vehicles and other equipment.* These are now procured and should arrive during this period. Assistance for clearance documentation will be requested from USAID
- *Home office visit:* The Technical Director and Project Manager will visit Sierra Leone

- *PMP Workshop:* The team will participate in USAID’s Program Monitoring Program (PMP) workshop in Sierra Leone

## 10. LESSONS LEARNED

- The Peace Diamond Alliance has the potential to become an effective conflict management mechanism in the diamond sector locally, as exemplified by recent successes with Koidu Holdings.
- IDMP efforts in Sierra Leone are significantly advanced, compared to any other program internationally. It is possible for the program to help mentor efforts in other countries as they begin to address artisanal diamond mining issues. Continued participation in the Development Diamond Initiative and Kimberley Process could have a significant reward, both for the Sierra Leone program, and internationally.
- It is possible to obtain private sector funding for the IDM program. Now we need to develop a strategy for recruiting additional funds, and to develop the institutional structures necessary, to scale up substantially in the next season.
- There are a large number of administrative, systems, and bureaucratic challenges that we will need to address during this pilot year of IDM. Mistakes will certainly be made and systems will be flawed. We must focus on what can be improved for the program to succeed in the future.