



The Feasibility Of Establishing A Formal Credit Delivery Mechanism For Small-Scale Diamond Miners In Kono District, Sierra Leone

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EXECUTIVE SUMMARY

1. Background

In partnership with the US Agency for International Development (USAID) Management Systems International (MSI) has been working since 1999 with the Government of Sierra Leone (GOSL), local civil society, traditional leaders and community member, international NGOs and business, and the UK's Department for International Development to work towards establishment of diamond regimes that promote peace and prosperity in Sierra Leone instead of fueling warfare. Part of this effort involves establishment of a Peace Diamond Alliance. At the broadest level, the purpose of the Alliance is to convert the diamond resource from a cause of war and desperation to a foundation for peace and prosperity. This will be accomplished by implementing a pilot project in the Kono District of Sierra Leone that will demonstrate that a formalized alluvial diamond industry can work.

2. Small-Scale and Artisanal Mining Credit Study

Throughout Sierra Leone small-scale and artisanal diamond miners lack capital to invest in mining activities, and formal sector credit schemes are unavailable for such high-risk loans. As a consequence, most Miners enter into informal agreements with "Supporters" to finance their mining activities. The Ministry of Mineral Resources (MMR) has emphasized the importance of establishing a formal credit scheme to enable Miners to access the credit they need, conduct their mining, and then be free to sell their "winnings" (rough diamonds) to the highest bidder.

2.1 Scope of Work

It is clear that the credit issue is central to improving diamond management in Sierra Leone. Consequently, a study of the feasibility of establishing a formal credit mechanism for small-scale diamond miners in Kono became a high priority. The Scope of Work assigned to Reese Moyers is presented in *Annex A*. Its main objectives were to:

- Describe the current informal credit arrangements;
- Describe the economy of the current arrangements, including the normal credit cycle, lending procedures and credit terms, estimated individual and group credit demand and the general risks associated with current credit lending arrangements;
- Consider whether current arrangements are optimal. It may well be that current arrangements are more efficient than is generally understood;
- Identify key parameters to be addressed in improving credit availability;
- Suggest ways the current scheme could be improved (if possible); and
- Suggest alternative options that could provide credit effectively while maximizing income to the Miners.

2.2 Methodology

MSI headquarters representatives provided orientation to the assignment prior to departure. After those discussions, the Consultant began with a review of documents. Initially, the Consultant began his work in Freetown, and based on the document review and discussions with MSI field personnel, he drafted a Work Plan for the assignment.

Fieldwork was based in Koidu, Kono District. While in Kono, the Consultant met with representatives of Chiefdoms, Miners from the Alluvial Diamond and Gold Miners Association of Kono District (ADAGMAK), the Ministry of Mineral Resources office, Supporters and others. The consultant also met with the Credit Working Group to assist in their preparations for the National Diamond Policy

Roundtable, jointly supported by USAID and DfID. The Consultant interviewed that group to learn its concerns and provided feedback to them concerning the findings of the assignment.

3. The Diamond Mining Industry

The total world production of diamonds in 2001 was estimated at US\$7.9 billion and was mined in approximately 26 countries. Small-scale and artisanal mining is a sometimes mechanized, but still labor-intensive activity. Current estimates are that between 8 and 10 million people – more than 20 percent of those active in the industry as a whole - directly participate in the industry.

4. Sierra Leone

In October 2000 Sierra Leone introduced a Certificate of Origin scheme for the export of diamonds, as part of the Kimberly Process. Official diamond exports were slightly less than US\$1.5 million in 1999, but rose to US\$42 million in 2002. This seemingly represents an impressive turnaround, but it is widely believed that considerable smuggling persists.

4.1 Kono District

Diamonds were first discovered in Sierra Leone in January 1930, during a routine geological field survey of the Kono District. Since the end of the war it appears that, aside from petty trading and some subsistence agriculture, the District is almost completely dependent on “legal” and “illegal” small-scale and artisanal diamond mining for economic activity and employment.

4.2 Mining Licenses and Employment

As of the end of January, the Ministry of Mineral Resources/Koidu office confirms that approximately 550 licenses have been approved in Kono District and that “almost all” are being worked. A conservative projection of “legal” and “illegal” diamond sector workers in Kono is between 67,500 and 85,000. These workers are almost entirely made up of “Diggers.”

5. Problem Definition: Debt Bondage

A critical issue with small-scale and artisanal miners has always been access to capital. In response, over the year’s local business people, known as “Supporters”, increasingly supplied funds to Miners on exploitive terms. The credit arrangements they employ appear to represent a system of **debt bondage**, which is monitored worldwide by the U.N. Commission on Human Rights and is classified as a contemporary form of slavery. Countries where such practices still take place either do not have or do not enforce laws against debt bondage. Therefore, the solution lies in providing organizational and economic alternatives so that people who, for example, need credit are not left in complete destitution and obliged to return to bondage in order to provide for themselves and their families.

6. Findings

Findings follow the order of the requirements listed in the Consultant’s scope of work (see *Annex A.*)

6.1 Current informal credit arrangements.

The current arrangements are probably better termed as “the system.” The system is actually a web of two interdependent sub-systems of credit and buying arrangements. For the purpose of this study, one is referred to as the “**legal**” sub-system and the other as the “**illegal**” sub-system, since it operates outside of governmental authority.

6.2 Economy of the current arrangements.

6.2.1 The “Legal” Sub-System

The “legal” sub-system is termed such due to the participation of Licensed Miners, Dealers and Exporters, even though the credit arrangements themselves may even be illegal, but not necessarily enforced, in many countries. This sub-system revolves around the Licensed Miner – Licensed Dealer/Supporter relationship. There are some 100 Licensed Dealers in Kono District, 92 of who are Dealers/Supporters of Lebanese ancestry. This group is generally referred to locally as the “Lebanese Cartel.”¹

The Licensed Miner’s only access to capital is a Supporter. Funds are advanced and the Supporter then receives the “winnings” (rough diamonds) from the Miner, and maintains them in his possession until they are sold through Licensed Exporters. Subsequently, whenever an “accounting” is made between a Licensed Miner and his Supporter, it seems that the Supporter will most often spread the cost of funds advanced to all his clients to each Licensed Miner in a proportion large enough to offset the value of each Licensed Miner’s winnings. This usually results in a zero or negative return to the Miner and assures the continuation of the **debt bondage** cycle.

6.2.2 The “Illegal” Sub-System

The illegal sub-system generally transpires outside operations sanctioned under official mining licenses, and the work predominately takes place on exhausted sites in a vast area of the District. It was reported that Licensed Dealers/Supporters also participate in these activities with the knowledge that winnings are mostly coming from illegal sources. For the most part, this sub-system revolves around the unlicensed Miner and illegal Digger (i.e. not working under a Licensed Miner) – West African Trader. Unlicensed Brokers² are also increasingly edging into the market. The West African Traders and unlicensed Brokers work with smugglers or Dealers to sell the winnings.

6.3 Effectiveness of current arrangements.

The small-scale and artisanal mining business is extremely risky; however, the Lebanese are some of the best financiers in the world. With that kind of expertise and financial clout, Miners basically have no chance of improving their position under the current credit arrangements. The task in the SOW is to “consider whether the current arrangements are optimal.” In response the answer is “yes,” the current arrangements are optimal - for the Cartel and tangentially the West African Traders, but certainly not for the Miners.

¹ In our effort to describe mining and marketing arrangements in Kono it is unavoidable to note that certain groups are traditionally associated with certain roles in the system. For example, it important to appreciate that ethnic Lebanese (many of whom are Sierra Leone nationals) have played a significant role in Sierra Leone for over a century, and as one Chief in Koidu stated, “they control all economic activity in Kono.” Many are also committed to Sierra Leone’s development. Similarly, West African Traders are perceived as having played important roles in various black market activities. Many of these traders have raised families locally and are similarly interested in seeing Kono recover. There is no intention of implying that one nationality or another is somehow blocking Sierra Leone’s progress – or that indigenous Sierra Leoneans are beyond reproach when it comes to the murky world of diamonds in a post-conflict country. In fact, leaders of both the Lebanese and West African Trader communities have committed to weeding out those in their communities whose behavior is harmful to Sierra Leone. It is hoped that frank discussions of perceptions and performance can help the various factions in Sierra Leone engage in dialogue to place Sierra Leone on a positive track for development.

² An unlicensed, rag-tag-appearing group acting as middlemen. They are a fairly recent addition to the equation with rapidly growing numbers.

6.4 Key parameters to be addressed.

Under any circumstance, improving credit availability depends on the policy environment, the supply of and demand for capital, and product market potential. Of these four key parameters, the most obvious void is the supply of capital. Since no formal credit institution exists in Kono, one will have to be re-established. Addressing this parameter will be exacerbated by the perception of weak security and the lack of physical infrastructure.

6.5 Improvement to the current scheme.

It is the Consultant's opinion that the only way to improve the current scheme is to transform it into a legitimate, transparent lending institution that works with the sector for the economic development of Kono. However, until forced to by competition, it is not in the Cartel's own best interest to change the current scheme.

6.6 Alternative options.

The Consultant examined the existing institutional delivery mechanisms potentially available to provide credit to the diamond sector. As a result of this assessment, it became apparent that commercial banks offer the only (but also the best) option for a formal commercial credit delivery system in Kono.

7. A Sector Development Approach

The Alliance must overcome the considerable obstacles (security, physical infrastructure, creditworthy clients, and product market) that a commercial bank perceives in re-establishing a branch in Koidu. To meet this challenge the pilot project should be designed with a narrowly focused, multi-component sector development approach that addresses the key parameters in Section 6.4. Small-scale mining (SSM) projects, rather than loans to individual artisanal miners, are recommended as the target lending market.

First: Supply. An idea that aroused interest during discussions would be bank management of a donor-capitalized **SSM Venture Revolving Loan Fund**. The reference to **Venture** is because it would be based somewhat on the operating structure of Venture Capital Funds. The bank would adhere to normal lending criteria, but with a loan product tailored to the SSM sector.

Second: Demand. The potential target population for SSM credit in Kono District is enormous. Nevertheless, Licensed Miners will need to organize into Miners' Cooperatives so that they can pool their risks and share collective responsibility for repaying loans.

Third: Product Market. It will be impossible to extend commercial credit to SSM projects relying on the current "legal" and "illegal" diamond buying arrangements for sales of the product. Therefore, a legitimate buying office(s) must be established in Koidu that offers competitive world prices for rough diamonds.

8. Conclusions and Recommendations

8.1 Conclusions

The principal conclusion of this study is that establishing a formal credit mechanism for SSM projects in Kono District is feasible if all the issues in Section 6.4 can be resolved.

8.2 Recommendations

It is recommended that the Alliance execute an **Action Plan** with specific initiatives and a timetable to address the constraints facing the design and implementation of the pilot project. Additionally, the donors should be prepared to assist the pilot project for 3-5 years. Those actions would include:

Commercial Banks:

- Donors will need to initially capitalize the lending facility at a minimum of US\$300,000.
- Engage the commercial banks in a formal discussion of the pilot project, and discuss the SSM Venture Revolving Loan Fund proposal.
- If interest is forthcoming from more than one bank, solicit bids (otherwise negotiate directly with one qualified bank). Finalize the terms of the Fund.

Technical Assistance and Training:

Design a technical assistance and training package that will be administered out of the Alliance office in Koidu for:

- ADAGMAK: Institutional development and the development of Miner Cooperatives, utilizing business cooperative methodology.
- Licensed Miners: Business development services (BDS) as they relate to business planning, commercial project development and other entrepreneurial skills.

Buying Office:

- Follow-up with in-depth discussions with Diamondworks, other international diamond buying companies, and the GGDO.
- Act as the catalyst to make it happen.

Finally, it was reported that the UNDP and the World Bank are drafting plans for longer-term development programs in Kono District. One final recommendation is that the Alliance make its best donor coordination efforts to include micro-entrepreneurial development assistance for Diggers as a priority agenda item for consideration in those programs.

1. BACKGROUND

Management Systems International has been working with the Government of Sierra Leone (GOSL) to help improve its diamond policy since 1999 under a number of contractual vehicles, but most recently under the Diamond Policy and Management (DIPAM) Cooperative Agreement. MSI's work with business, government and civil society aims to establish diamond regimes that promote peace and prosperity instead of fueling warfare.

1.1 Kono Peace Diamond Alliance

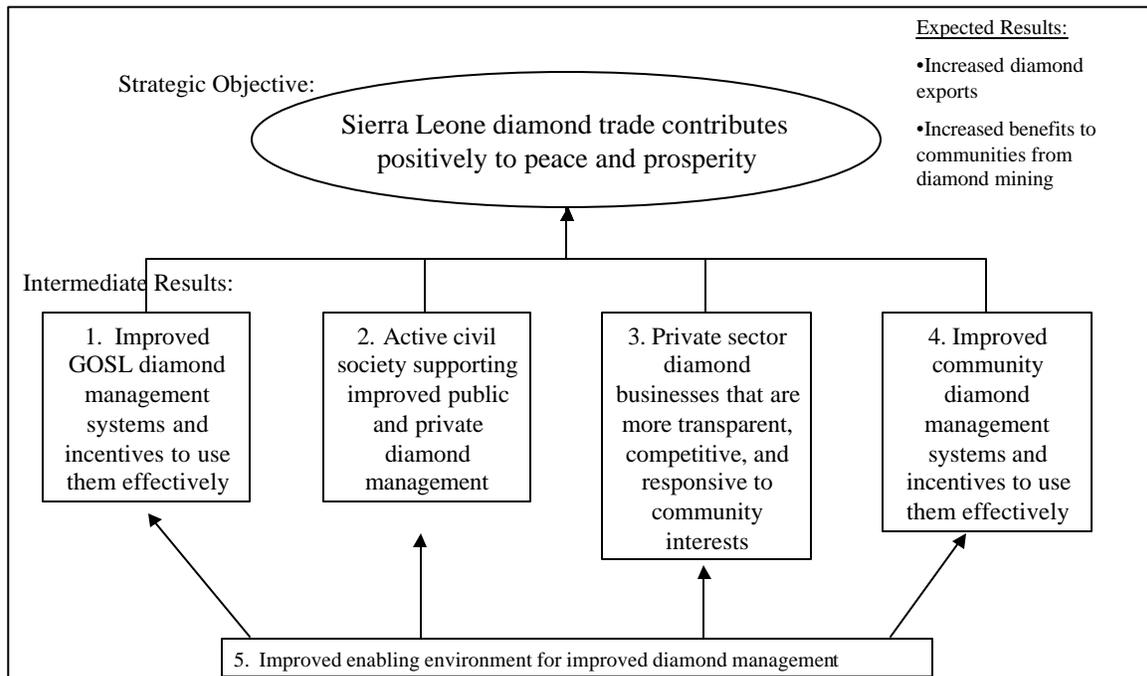
USAID has also been working with Sierra Leone to promote a Peace Diamond Alliance. Under a separate Cooperative Agreement, USAID selected MSI to help establish and implement the Alliance. At the broadest level, the purpose of the Alliance is to convert the diamond resource from a cause of war and desperation to a foundation for peace and prosperity. This will be accomplished by implementing a pilot project in the Kono District of Sierra Leone that will demonstrate that a formalized alluvial diamond industry can work.

By demonstrating success in Kono, the longer-term objective will be to replicate the Kono experience in other alluvial diamond mining zones in Sierra Leone. In time, the model could potentially develop useful approaches to reversing the effects of similar diamond-related trauma in Angola and the Democratic Republic of Congo as those countries move towards peace.

1.2 MSI's Program Strategy

DIPAM and Alliance activities will be implemented as a unified strategy, summarized graphically in the results framework below:

Figure 1. MSI's Diamond Sector Reform Strategy



In addition to the objectives outlined above, all of MSI's work supports the following crosscutting themes:

- Reducing corruption,
- Geographic focus in Kono District,
- Integrating private sector influences into the reform program,
- Emphasizing to communities and civil society the importance of acknowledging the importance of both rights and responsibilities,
- Influencing Sierra Leone’s inner map of governance, and
- Building institutional approaches to sustaining improvements.

2. SMALL-SCALE AND ARTISANAL MINING CREDIT STUDY

Throughout Sierra Leone, small-scale and artisanal diamond miners lack capital to invest in mining activities, and formal sector credit schemes are unavailable for such high-risk loans. As a consequence most Miners enter into informal agreements with “Supporters” to finance their mining activities. It is generally understood that Supporters will finance labor costs, light equipment, and access to heavy equipment, such as caterpillar bulldozers, excavators, etc. In many cases, funds are also extended for personal needs, such as wedding costs and medical expenses. Miners report that most Supporters are of Lebanese descent or “foreigners” from other countries in the region.

How repayment is arranged is not clear. It seems that the Miner is obliged to sell all significant “winnings” (rough diamonds) to the Supporter. Miners complain that the prices for their winnings offered to them by their Supporters are too low, but that they have no alternative but to accept them. Subsequently, portions of the diamonds are processed through official channels for export, but the rest are still smuggled out the country through illegal channels. The total amount of smuggling has not been determined precisely, but is estimated at US\$300 million/year.³

The Ministry of Mineral Resources (MMR) has emphasized the importance of establishing a formal credit scheme to enable Miners to access the credit they need, conduct their mining and then sell their winnings to the highest bidder. This would – it is argued – enable them to have greater income, repay the loans and reduce incentives to smuggle.

2.2 Scope of Work

It is clear that the credit issue is central to improving diamond management in Sierra Leone; however, there are many formidable challenges to making it work, including:

- Heavy equipment is extremely expensive;
- The diamond industry is extraordinarily opaque;
- Mining is a very high-risk undertaking;
- Most Miners lack collateral and their business skills have not been assessed; and
- Actual costs in the industry are unknown.

Consequently, DIPAM required a study of the demand from the identified target population (i.e. small-scale and/or artisanal miners) for financing as well as potential suppliers of credit in Sierra Leone – including loan schemes that could be created by donors. An understanding of the options for addressing the credit constraint, as well as the feasibility of pursuing various options is needed. In response to the Scope of Work (see *Annex A*) MSI hired consultant Reese Moyers to conduct the study.

³ See Chaim Even-Zohar’s report for MSI, “Sierra Leone Diamond Sector Financial Policy Constraints”, May 2003.

In conducting the study, the Consultant had to understand the existing financial and credit markets, and whenever possible, propose recommendations that can utilize and improve already existing credit arrangements. In order to achieve this objective, this report will:

- Describe the current informal credit arrangements;
- Describe the economy of the current arrangements, including the normal credit cycle, lending procedures and credit terms, estimated individual and group credit demand and the general risks associated with current credit lending arrangements;
- Consider whether current arrangements are optimal. It may well be that current arrangements are more efficient than is generally understood;
- Identify key parameters to be addressed in improving credit availability;
- Suggest ways the current scheme could be improved (if possible); and
- Suggest alternative options that could provide credit effectively while maximizing income to the Miners.

2.3 Methodology

MSI headquarters representatives provided orientation to the assignment prior to departure. After those discussions, the Consultant began with a review of documents (see *Annex B*). Initially, the Consultant began his work in Freetown, where he reported to MSI's DIPAM Field Manager. Based on the document review and discussions with MSI field personnel, the Consultant drafted a Work Plan for the assignment (see *Annex C*.)

MSI's Diamond Business Advisor in Freetown provided advice as well as assisted in arranging meetings and logistics and was available to participate in Freetown interviews. Fieldwork was based in Koidu, Kono District. While in Kono, the Consultant met with representatives of Chiefdoms, Miners from the Alluvial Diamond and Gold Miners Association of Kono District (ADAGMAK), the Ministry of Mineral Resources office, Supporters and others (see *Annex D*).

The Consultant briefed the USAID Sierra Leone Program Manager, the MSI Field Team and other important actors on his findings prior to departing Sierra Leone. Finally, the Consultant interviewed a Credit Working Group to help them in their preparations for the National Diamond Policy Roundtable, jointly sponsored by DIPAM/USAID and Dfid.

3. THE DIAMOND MINING INDUSTRY

The following is meant only as a brief introduction to those not familiar with the scale of the industry. The total world production of diamonds in 2001 was estimated at US\$7.9 billion and was mined in approximately 26 countries⁴. Approximately US\$4.0 billion of that total was from countries that are well regulated, namely South Africa, Namibia, Botswana, Canada and Australia. Russia produced about US\$1.6 billion, but its regulatory capacity is difficult to assess. The remaining US\$2.3 billion came from Australia and Canada and smaller production from a wide range of other countries, including Sierra Leone.

⁴ Diamonds Are For Everyone, Treadgold, Tim, Business Review Weekly (BRW), June 6-12, 2002.

3.1 Overview of Small-Scale and Artisanal Mining

Small-scale and artisanal mining of diamonds and gold is a sometimes mechanized, but still labor-intensive activity that has seen a worldwide resurgence over the past 25 years⁵. Current estimates are that between 8 and 10 million people – more than 20 percent of those active in the industry as a whole - directly participate in small-scale mining in at least 28 countries. Including families of miners and those who benefit from expenditures of miners, perhaps over 100 million people worldwide depend on the industry. Managed effectively, the potential positive aspects of these activities include:

- Low start-up costs;
- Employment;
- Savings mobilization;
- Local multiplier effect;
- Sustainable rural development; and
- Exploration: discovery of contiguous quality deposits.

Small-scale and artisanal mining employment and activities in Africa have increased substantially during the past 20-25 years. The large variety of mined minerals can generally be divided into four groups: precious and semi-precious minerals, including gemstones, heavy minerals, industrial minerals, and base minerals. Of the four major groups, the majority of such activities are in the precious and semi-precious group (about 60%). In some countries, such as the Central African Republic, Guinea and Sierra Leone, small-scale and artisanal mining is the dominant or only form of mining of certain minerals, particularly diamonds and gold.

4. SIERRA LEONE

Sierra Leone is emerging from a brutal civil war that lasted for more than ten years. An estimated 500,000 refugees and 1.2 million internally displaced persons – comprising one-fourth of the population – are in the process of repatriation. The successful Presidential and Parliamentary elections on May 14, 2002 marked the end of the war. Diamond smuggling for huge illegal profits has been endemic in Sierra Leone for many years. However, the link between diamonds and armed conflict in Sierra Leone has also been exposed. Moreover, the gravity of the illegal trade increased dramatically when it was reported by the Washington Post in November 2001 that cash derived from diamond smuggling also went to the al-Qaeda Terrorist Network.

Even prior to the allegations of a terrorist link, the United Nations in 2000 had imposed sanctions on diamond exports from Sierra Leone. In response, in October 2000 Sierra Leone introduced a Certificate of Origin scheme for the export of diamonds, eventually featured as part of the Kimberly Process. Official diamond exports were slightly less than US\$1.5 million in 1999, compared to unconfirmed total legal and illegal export estimates of US\$70.0 million or more. Official exports increased to over US\$20.0 million in 2001 and US\$41 million in 2002, and are projected at \$60 million for 2003. This seemingly represents an impressive turnaround. Nevertheless, as mentioned in Section 2 and corroborated during interviews, it is widely believed that considerable smuggling is still taking place.

4.1 Kono District

According to the U.N. High Commissioner for Refugees (UNHCR) office in Koidu, Kono District has a current population of approximately 550,000 with about 50,000 people living in Koidu. However, the population increases daily as residents who fled during the civil war and the approximately 50,000

⁵ Developments in Small-Scale Mining, United Nations Committee on Natural Resources, 1996.

refugees from camps in Guinea and Liberia return. Some refugees have been in camps for ten years; all are expected to be reintegrated by June 2003.

Diamonds were first discovered in Sierra Leone in January 1930 during a routine geological field survey of the Kono District⁶. Once established, development of the diamond fields expanded rapidly. In 1948 a set of kimberlite dykes in the Koidu area were discovered, which were later found to be part of a major kimberlite complex. The best-known kimberlites are currently held in a mining lease by Branch Energy Ltd., a wholly owned subsidiary of Diamondworks Ltd. and its partner, Magma Diamond Resources, Ltd., which began initial operations in February 2003. Rex Mining Ltd holds another large concession at Tongo. In 1956 the Alluvial Diamond Mining Scheme (ADMS) introduced a program whereby artisanal miners could obtain exclusive plots in return for nominal fees. For the next 20 years or so, this system produced increasing diamond exports through sales to the GGDO office in Kenema. However, from the mid-1970s up to 1990 official exports steadily declined, and during the war legal exportation ceased – replaced by “conflict” diamonds.

Since the end of the war, it appears that, aside from petty trading and some subsistence agriculture, the District is almost completely dependent on “legal” and “illegal” small-scale and artisanal diamond mining for economic activity and employment (see Section 4.2 for further discussion). For example, during our weekday departure from Koidu, the Consultant counted only two incoming commercial transport-type trucks on the stretch to Makeni, which is a distance of some 100 miles taking over three hours. Obviously, this does not indicate a robust commercial business environment. This situation is exacerbated by the absence of physical infrastructure, including habitable buildings, telecommunications, electric power and cash for engaging in alternative livelihoods. Infrastructure facilities were destroyed during the war.

4.2 Mining Licenses

4.2.1 Chiefdoms and the Ministry of Mineral Resources (MMR)

The Kono District is composed of fourteen Chiefdoms, eight to ten of which have been identified as diamondiferous areas. Since these are communal lands, an individual or company wishing to conduct mining activities in a specific Chiefdom must first obtain an allocation of land signed by the Paramount Chief. This lengthy process officially costs the equivalent of US\$50.00 (2,400 Leones = 1 US\$) and such approval is required before an application for a mining license from the MMR office in Koidu can be made. Land allocation is based on “acres” that are 200x200 feet plots of land, and each allotted “acre” to be worked requires a mining license. The MMR approval process for a mining license cost the equivalent of US\$120.00. This total US\$170.00 in fees is a substantial investment for a “Miner/Licenseholder” (i.e. **Licensed Miner**) in Kono, who also usually has to also pay an additional US\$75-90.00 equivalent in “other” fees before a license is approved. In addition, more than one “acre” is required before a mining operation of any magnitude can be undertaken. A license is valid for one year and can be renewed.

4.2.2 Number of Kono Licenses

In 2002, using the “acre” allotment system, the MMR greatly increased the number of licenses potentially available in Kono District. Discussions with the MMR/Koidu office confirmed that the policy change has resulted in an increase in mining licenses in Kono from about 100 in 2001 (immediately after the war) to approximately 550 as of the end of January 2003. That office also reported that “almost all” licenses are being worked, and it expects to approve an average of 50 more per month during the remainder of 2003.

⁶ Sierra Leone Diamond Policy Study, AMCO Robertson Mineral Services, Williams, Jim, et al, Department of International Development, January 2002.

In continuing with the interview, the Consultant asked the MMR official to estimate the total number of “acres”/mining licenses that could potentially be approved in the diamondiferous areas in Kono. Without a recent geological survey as reference it was agreed that this would be a very inexact exercise. Nevertheless, referring to existing maps covering the ten diamondiferous Chiefdoms, it appears that 18-20,000 “acres” could potentially be allotted and granted mining licenses.

4.2.3 Employment

Under each mining license 50 workers can officially be employed; however, the MMR/Koidu office estimates that the number most often averages more. Therefore, if almost all (say 450) of the existing 550 licenses are being worked and an average of 50 workers are employed under each license, then total current employment in the “legal” Kono diamond industry is about 22,500. However, another projection agreed to by all persons interviewed is that “illegal” workers probably number twice those in the “legal” industry, or about 45,000. These 67,500 workers are almost entirely made up of “Diggers,” who toil under primitive, unsanitary conditions for a pittance (see Section 6.2.1 for further discussion). It should be noted that the Alluvial Diamond and Gold Miners Association of Kono District (ADAGMAK) estimates that a total of 85,000 Diggers are working in Kono District.

Finally, in continuing the exponential multiplier effect, if 20,000 licenses were ultimately approved in Kono, then 800,000 Diggers could conceivably be working the fields and rivers of the District. If the current licensing regime actually leads to such extreme dependence on the sector, then a human and environmental catastrophe is in store. If managed equitably and efficiently mining will offer substantial economic returns; however, such long-term dependence on the sector also emphasizes the need to diversify economic activity.

5. PROBLEM DEFINITION

5.1 Debt Bondage

A critical issue with small-scale and artisanal miners from the launching of the Alluvial Diamond Mining Scheme in 1956 and throughout the duration of the program was access to capital. In response, local business people, known as “Supporters”, increasingly supplied financing on exploitative terms to Licensed and unlicensed Miners. Today, the financing system continues, but now many of those Supporters are also **Licensed Dealers** who can legally buy rough diamonds. Essentially, Supporters advance funds to Miners during the year for working capital, equipment and family needs in return for all “winnings” (rough diamonds) recovered. However, at the time of book balancing, Miners report that the Miner is often informed that his expenses have been more than the value of his winnings, and consequently, no “profit” is forthcoming. This determination on the part of the Licensed Dealer/Supporter is final since he normally keeps the books and there is reportedly no legal recourse for the Miner. The system then continues into the next season (see Section 6.1 for further discussion).

This appears to represent a system of **debt bondage**, which is monitored worldwide by the U.N. Commission on Human Rights (UNCHR) and is classified by that organization as a contemporary form of slavery. The U.N. Working Group on Contemporary Forms of Slavery reports to the UNCHR through the Sub-Commission on the Promotion and Protection of Human Rights. In its 2000 report the Working Group’s stated that:

Debt bondage can hardly be distinguished from traditional slavery because it prevents the victim from leaving his job or the land he tills until the money is repaid. Although in theory a debt is repayable over a period of time, a situation of bondage arises when, in spite of all his efforts, the borrower cannot eliminate his indebtedness.

U.N. resolutions prohibiting contemporary forms of slavery have been adopted since 1990 (initially E/CN.4Sub.2/1990/44 and E/CN.4/DEC/1992/115) based on the recommendation of the Working Group. The U.N. Voluntary Trust Fund on Contemporary Forms of Slavery was established in 1991 to provide “humanitarian, legal and financial aid to individual victims of such violations.” Sierra Leone is a signatory of all resolutions and treaties prohibiting “slavery and slave-trade in all their forms”, as defined in Article 4 of the International Covenant on Civil and Political Rights.

Such a system (generally called “the company store”) was practiced in the United States during the late 1800’s during the gold rush in California and also in the Appalachian coal mining regions. Countries where such practices still take place either do not have or do not enforce laws against debt bondage. The UNCHR has the capability to monitor country-specific situations where member States are failing to prevent abuse, which can provide substantial pressure for change. In the meantime, the solution lies in providing organizational and economic alternatives so that people who, for example, need credit are not left in complete destitution and obliged to return to bondage in order to provide for themselves and their families.

5.2 Providing Finance in Post-Conflict Situations

A joint International Labour Organization/UNHCR workshop in 1999 defined the minimal conditions for intervention with finance in post-conflict situations as being the following:

- Low intensity of conflict;
- Reasonable safety for the clients and finance providers;
- Ample donor funds;
- Re-emergence of markets;
- Presence of credit providers willing to experiment with financial intermediation; and
- Returnees and refugees settling down.

It appears that the situation in Kono generally reflects the above conditions. In the short term, it can be anticipated that the United Nations Mission in Sierra Leone (UNAMSIL) will provide the security umbrella that will enable most aspects of normal life to resume. But timing matters, and therefore, the present window of opportunity should be taken advantage of as quickly as possible.

In 1960 the U.S. government established the American Aid Revolving Loan Fund (AARLF), which financed pumping equipment, screens, aqualung sets and other equipment to diamond mining licenseholders. The fund operated successfully in Bo and Kenema and was administered by the Mines Department. Unfortunately, about 1970 it was corrupted to the point that operations were terminated. The MMR considers an AARLF-type lending mechanism to be the preferred model, albeit outside of government control (see Section 7 for further discussion). The MMR even specifically refers to such a scheme in Section 2 of its policy paper⁷ on small-scale and artisanal mining that is still in effect, as follows:

Government intends to re-activate the Revolving Fund Scheme whereby Artisanal Miners can be assisted with a view to restoring their rights of complete control over mining operations within their mining claims and become less dependent on the supporters who had hitherto usurped the powers of the Miners due to the Miners inability to secure the high initial investment capital required.

⁷ Details of Policy Measures Relating to Small-scale and Artisanal Mining and Marketing of Precious Minerals, Ministry of Mineral Resources.

What is equally, or probably more, important than the implied reference to the AARLF in this paragraph is that the government has firmly stated its objective to replace the exploitative Dealer/Supporter system that has long been in existence.

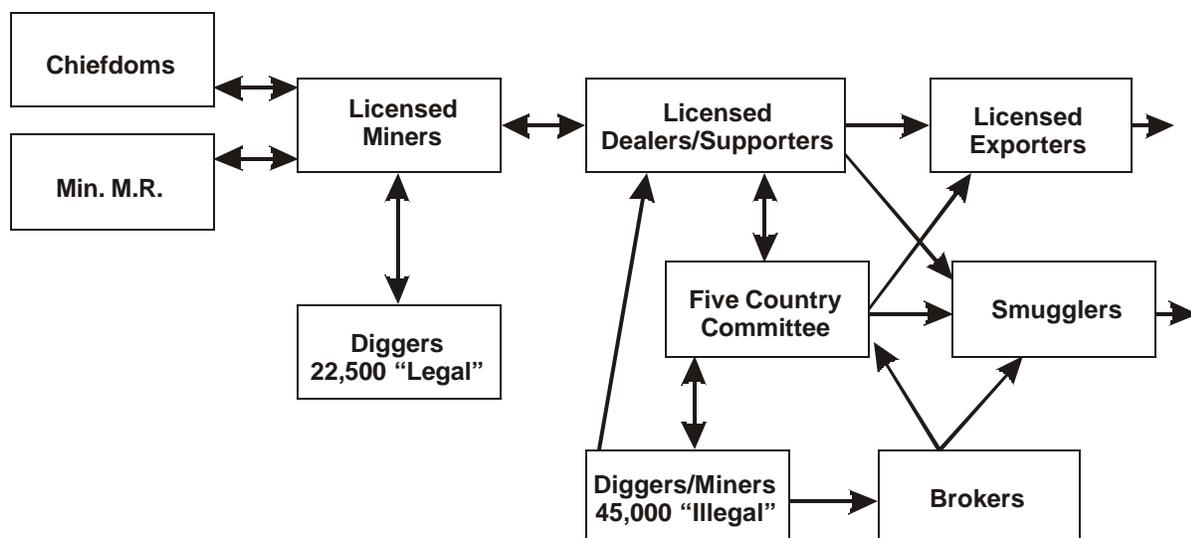
6. FINDINGS

Findings will follow the order of the requirements listed in the Consultant’s scope of work (see Section 2.1). The Miner/Licenseholder – Dealer/Supporter credit arrangements in Kono are not easy to grasp. The more questions one asks, the more complicated it becomes, and all parties are ambivalent on many issues. In our effort to describe mining and marketing arrangements in Kono it is unavoidable to note that certain groups are traditionally associated with certain roles in the system. For example, it is important to appreciate that ethnic Lebanese (many of whom are Sierra Leone nationals) have played a significant role in Sierra Leone for over a century, and as one Chief in Koidu stated, “they control all economic activity in Kono.” Many are also committed to Sierra Leone’s development. Similarly, West African Traders are perceived as having played important roles in various black market activities. Many of these traders have raised families locally and are similarly interested in seeing Kono recover. There is no intention of implying that one nationality or another is somehow blocking Sierra Leone’s progress. In fact, leaders of both the Lebanese and West African Trader communities have committed to weeding out those in their communities whose behavior is harmful to Sierra Leone. It is hoped that frank discussions of perceptions and performance can help the various factions in Sierra Leone engage in dialogue to place Sierra Leone on a positive track for development.

6.1 Current informal credit arrangements

A first step to understanding the current arrangements is presented in the schematic in Figure 2 on the following page and the descriptions of the roles played by the participants in what is probably better termed as “the system.” Far from being a simple corporate flow chart, it is a puzzle of enormous complexity that includes the financing, production and marketing of rough diamonds in the Kono District. The system is actually a web of two interdependent sub-systems of credit and buying arrangements. For the purpose of this study, one will be referred to as the **‘legal’** sub-system, since it operates through Licensed Miners, Dealers and Exporters, and the other as the **‘illegal’** sub-system since it operates outside of governmental authority.

Figure 2. Current Credit Arrangements



Participants in the system:

- *Chiefdoms and the Ministry of Mineral Resources:* These organizations and the roles they play in the mining license approval process have been described in Section 4.2. Both, but particularly the Chiefdoms, must be included as stakeholders in the design and implementation of a formal credit scheme for the SSM sector.
- *Miners/Licenseholders:* Also described in Section 4.2, the terms Miners and Licenseholders are interchangeable under the legal sub-system. Specifically, a Miner must have a mining license to work an “acre” of land allotted from a Chiefdom. These Licensed Miners usually refer to each allocation as a “plot.”
- *“Legal” Diggers:* Workers that are employed under a Licensed Miner, who dig, haul and wash gravel, dive for diamonds, etc. Thus, for purposes of this study they are part of the legal system.
- *Licensed Dealers/Supporters:* The terms Licensed Dealers and Supporters are usually the same individuals, or, if not, the Supporter has close connections with a Licensed Dealer. These are businessmen who assist Licensed Miners and participants in the illegal sub-system by advancing funds for miner’s licenses, working capital, labor costs, equipment, tools, family needs and other inputs required for mining operations. In addition, they purchase rough diamonds. There are reportedly some 100 licensed Dealers in Kono, 92 of who are Dealers/Supporters of Lebanese ancestry. This group is generally referred to as the “Lebanese Cartel” (see Section 6.3 for further comments). Indigenous Sierra Leoneans hold the remaining eight dealer licenses. Compared to the Cartel they are gravely undercapitalized, and in reality, wish to emulate the Cartel. One of these Licensed Dealers was interviewed for this study, and stated that it would take years working inside the Cartel to learn the system. Also, noting the risk factor, he claims that Miners and Diggers are basically dishonest and consistently try to negotiate prices for winnings that are higher than their value.
- *Licensed Exporters:* Individuals who can legally export rough diamonds from Sierra Leone. The MMR/Koidu reported that in 2002 there were 32 licenses issued to citizens, 10 to non-citizens and 22 Exporter’s Agents were registered with the Ministry. Only one Licensed Exporter lives in Koidu.
- *West African Traders:* They act as supporters, buyers and enforcers in the illegal sub-system (apparently they also pay locals to obtain mining licenses).⁸
- *“Illegal” Diggers:* Workers who are reportedly mostly mobile, usually digging in exhausted areas, and not normally employed by a Licensed Miner. They sometimes work under unlicensed Miners, who act as Production Managers and provide technical know-how.
- *Brokers:* An unlicensed, rag-tag-appearing group acting as relatively small-time middlemen purchasers of winnings. They are a fairly recent addition to the equation and are rapidly growing in number.
- *Smugglers:* Obviously part of the illegal system, these foreigners from Guinea, Liberia and elsewhere operate in broad daylight, particularly in the urban area south of Koidu.

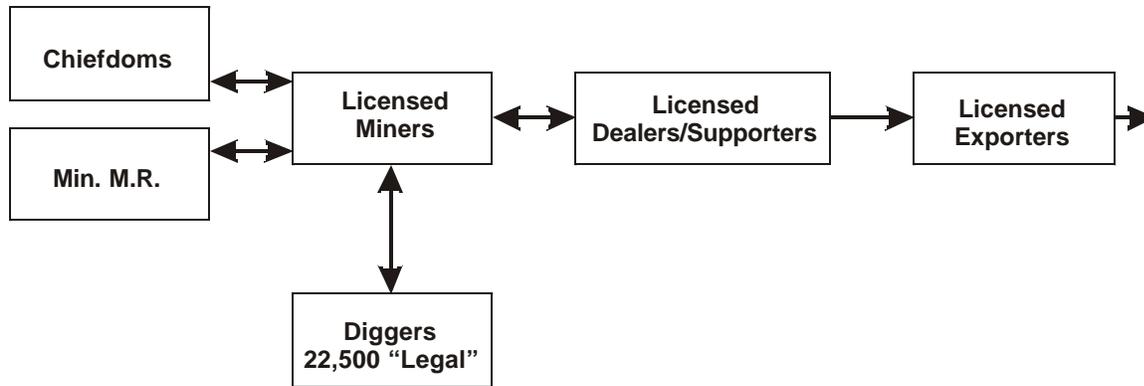
⁸ There is a tradition within certain families of highly mobile entrepreneurs who have traded for generations throughout West Africa. Normally referred to as Marakas, they are originally from Mali, Senegal, Gambia, and Nigeria. Most are ethnic Fula and Mandingo; some have settled down and raised families locally. They established a self-protective society in Kono District in 1965, called the Five Country Committee. In recent meetings of the Peace Diamond Alliance, its leadership expressed passionate support for the Alliance and the commitment of its members to Sierra Leone’s long-term development.

6.2 Economy of the current arrangements

6.2.1 The “Legal” Sub-System

Figure 3 below is the part of the overall system that is termed “legal” due to the participation of Licensed Miners, Dealers and Exporters.⁹

Figure 3. The Legal Sub-System



This sub-system revolves around the Licensed Miner – Licensed Dealer/Supporter relationship. After completing the Chiefdom/MMR approval process the Licensed Miner becomes legally able to work his plot(s) for one year. The mining season generally lasts from November through May. As mentioned earlier, there are at present about 550 licensed Miners and some 100 licensed dealers in Kono District. If the Licensed Miner decides to work his plot(s), he immediately faces the constraint of having little or no capital. Consequently, his only access to capital is a Supporter. The Lebanese Cartel of 92 Licensed Dealers works through a maze of informants, who effectively limit a Licensed Miner to working with one Supporter. Thus, if a Miner refuses the conditions offered by a Supporter, he is essentially cut off from any other sources of financing.

Assuming the Licensed Miner agrees to work with a Supporter (some do not, and consequently, if they do not have personal funds they do not mine their plots), a very complex on-going relationship exists that is simplified as follows:

- Funds are advanced from the Supporter to the Licensed Miner during the season for tools, light and heavy equipment leasing, and working capital to pay and feed Diggers, family expenses and a myriad of other personal expenses. In-kind payments such as rice or tools may substitute for cash advances. The Supporter maintains all accounting records.
- The Licensed Miner sometimes initially enters into a prospecting phase. This phase requires the hiring of Diggers through a Production Manager, who locate the potentially best areas to mine. During the subsequent full mining operation, Diggers are then hired directly by the Licensed Miner and the Production Manager maintains a production manifest. All discovered winnings are the property of the Licensed Miner. Diggers are paid and fed on a daily basis and sometimes get special awards when they find stones. Apparently, their compensation varies according to the size and financial capability of the mining operation. For example:

⁹ Although the credit arrangements themselves may be illegal, but not necessarily enforced, in many countries

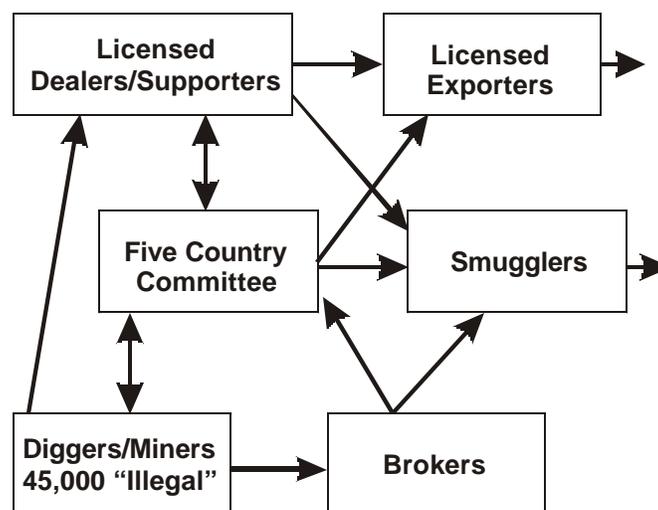
- ♦ At a mechanized mining site visited (see Section 8 for Case Study) Miners stated that they paid Diggers 5,000 Leones plus two cups of rice per day, or the equivalent of US\$2.25. Representatives from ADAGMAK said this amount was exaggerated.
 - ♦ An independent (not using Supporter funds) Licensed Miner working one plot with ten Diggers reported that he paid them 5,000 Leones plus two cups of rice a day, or the equivalent of US\$.58.
- In turn, the Licensed Miner delivers all winnings to agents of the Supporter that visit the sites every day and check the manifests. Supporters receive the winnings from their agents and maintain them in their possession until they are sold through Licensed Exporters.
 - Supporters work with a number of Licensed Miners in order to pool the risks of their investments. However, they often pool/mix the winnings of all their clients, making it impossible for an individual Miner to be able to identify his winnings for valuation purposes. Nevertheless, there do not seem to be any hard and fast rules on Supporter payments to Miners.
 - “At the end of the day,” that is whenever an “accounting” is made between a Licensed Miner and his Supporter; the Supporter spreads the cost of funds advanced to all his clients to each Licensed Miner in a proportion large enough to offset the value of each Licensed Miner’s winnings. This results in a zero or negative return to the Miner and assures the continuation of the **debt bondage** cycle. The Consultant interviewed one who has been in this system for 23 years and another for 18. Both said they have never made a “profit.”
 - Should the Licensed Miner decide to contest this arrangement, he is defeated before he begins since the Supporter keeps the books and Licensed Miners state that there is no legal recourse available due to the influence of the Cartel in the legal system.

Comment: Due to the exploitative nature and long history of the credit arrangements, there are no written lending procedures or credit terms. Licensed Miners do not understand or utilize business plans or cost projections. Nevertheless, some pertinent financial information was gathered during the assignment and the potential target population demand and project cost estimates are presented in Section 7.

6.2.2 The “Illegal” Sub-System

The illegal sub-system depicted in Figure 4 below generally (but not always, as nothing is finite in the dynamics of the overall system) transpires outside operations sanctioned under official mining licenses. It is apparent that licensed Dealers/Supporters also participate in these activities with the knowledge that winnings are coming from illegal sources.

Figure 4. The Illegal System



This sub-system preys to a great extent (again, nothing is absolute) on illegal Diggers and unlicensed Miners, who work in a vast area of the District. It is also a major contributor to smuggling and corruption. For the most part, this network revolves around the unlicensed Miner and illegal Digger – West African Trader relationship. Unlicensed Brokers are also increasingly edging into the market.

- Illegal Diggers generally work exhausted sites, which are not necessarily under the control of a Licensed Miner. Most are mobile and some walk miles each day to reach a site. With no alternative employment opportunities, they work under deplorable conditions with picks and shovels in mosquito-infested terrace and swamp sites. Unlicensed Miners also work at some sites by providing production management and technical know-how.
- West African Traders are often financed by the Cartel and its agents monitor the sites on a continuing basis and sometimes provide food (two cups of rice valued at 400 Leones or US\$.16) and/or some small financial compensation (perhaps 1,000 Leones or US\$.42) for a day's labor. When winnings are found, they buy at deeply discounted prices. It is also reported that Licensed Miners sometimes sell through West African Traders and others rather than their Supporter/Dealer in order to try and get a better price for winnings.
- Unlicensed Brokers are rapidly growing in numbers and add to the depression in prices paid to illegal Diggers and unlicensed Miners since they cannot pay much and the Diggers are desperate to sell.
- The Consultant could not verify that Licensed Exporters (or more likely their Agents) deal directly with the West African Traders; however, from interviews it is assumed so. Certainly, some of the stones bought from Licensed Dealers come from that source.
- The murkiest component of this sub-system is smuggling. Obviously, there are no verifiable statistics on the value or amount of rough diamonds smuggled from Kono District. The MMR office in Koidu states that the problem has been almost eliminated in that no more than 5% of production is still smuggled out of the country. However, all other interviewees agreed that the trade continues to be robust. Even to an outside observer it is evident by counting the number of cars with red Guinean license plates in, around, and on the road to and from Koidu. It is doubtful that they are on their way to the Government Gold and Diamond Office in Freetown to obtain Certificates of Origin. Local sources also state that smuggling routes through Liberia are still very active.

A Marketing Scenario:

Miners and Diggers working on their own (without Supporter financing) often try to sell their winnings to a Licensed Dealer/Supporter or their agents. When the Dealer offers a low price, the seller sometimes refuses and seeks out another Dealer. However, through the Cartel network the seller has been black-listed (it is said that his parcel now has "a passport") and other Cartel Dealers will refuse to buy that parcel from him. The seller has no choice but to return to the Dealer he originally contacted. At that point, that buyer offers an even lower price, knowing that the seller has no other option but to accept.

6.3 Effectiveness of the current arrangements

As one bank manager in Freetown put it, "the small-scale and artisanal mining business is extremely risky; however, the Lebanese are some of the best financiers in the world." With that kind of expertise and efficiency, Miners basically have no chance of improving their position under the current credit arrangements. The task in the SOW is to "consider whether the current arrangements are optimal." In response, the answer is "yes," the current arrangements are optimal – for the Cartel and tangentially other West African dealers, but certainly not for the Miners. Miners, Chiefs and other local residents commonly use the term "Cartel" when referring collectively to the Lebanese Dealers/Supporters. Webster's dictionary defines a cartel as "an association of businessmen in an international monopoly", which does seem to fit the circumstances in Kono.

The population of the Lebanese community in West Africa is about 300,000 people. In Sierra Leone some families are in their third generation and are citizens of the country. Beginning as importers and merchants, for almost the entire 20th century they gradually enlarged their influence in the economy. In the diamond-mining sector, they increasingly supplied capital to Miners to the point that today the Cartel controls the industry. Most importantly, proceeds from the industry provide access to hard currency, since winnings are bought with Leones and sold for dollars. Therefore, this hard currency source has become a vital link to the prosperity of Lebanese family businesses all over Sierra Leone with the dollars being used to continue and expand their merchandise import cycle.

6.4 Key parameters to be addressed

Under any circumstance, improving credit availability depends on the policy environment, the supply of and demand for capital, and product market potential. Of these four key parameters, three are to a certain degree in place:

- As stated in Section 5.2, government policy firmly supports an improved credit arrangement in Kono;
- Demand for capital has been a dominant constraint in the sector for decades; however, developing creditworthy borrowers among the target population is a factor that must be addressed; and
- The market for the product (rough diamonds) is well known; however, a transparent buying mechanism for them at internationally competitive prices must be created.

The most obvious void is the supply of capital. Since no formal credit institution exists in Kono, one will have to be re-established. Addressing this parameter will be exacerbated by the perception of weak security and the lack of physical infrastructure.

6.5 Improvement to the current scheme

It is the Consultant's opinion that the only way to improve the current scheme is to transform it into a legitimate, transparent lending institution that works with the sector for the economic development of Kono. However, it is not in the Cartel's own best interest to change the current scheme, unless forced by competition or through a sense of patriotism. Therefore, at least initially, there appears to be no real likelihood for improvement. Another key factor to consider is the very deep mistrust that the indigenous population has for the Cartel. The system is one of interdependence, but with one side being a very resentful participant. Even if the current scheme was ostensibly improved, conversations with most Koidu interviewees said that they feel a loss of credibility if just seen talking with Cartel members. Therefore, establishing trust could easily take a generation. Too many years of exploitation may have severely limited potential for improvement from within the current scheme.

6.6 Alternative options

In investigating alternative options, it was agreed that creating a new institution would not be considered since institutional creation requires much time, financial resources, and the availability of professional skills to be successful. Under current conditions in Sierra Leone it would be extremely difficult, if not impossible, to overcome these obstacles within the reasonable timeframe required to address the credit constraint in Kono. As a result, the Consultant examined the existing institutional delivery mechanisms that could potentially be available to provide commercial credit to the sector. These are:

- The National Cooperative Development Bank (NCDB)
- Social Action and Poverty Alleviation Programme
- Bank of Sierra Leone/Community Bank Programme
- Various Non-Governmental Organizations, including:
 - ◆ Catholic Relief Services

- ◆ ActionAid
- ◆ American Rescue Committee
- Commercial Banks
 - ◆ Standard Chartered Bank
 - ◆ Rokel Commercial Bank
 - ◆ Union Trust Bank Limited
 - ◆ Sierra Leone Commercial Bank

Through a series of meetings a process of elimination concluded the following:

- The NCDB and the Social Action Programme: Did not qualify due to their status as government institutions. The National Development Bank is also included in this category.
- Community Bank Programme: This is a new initiative to establish Community Banks in rural cities. Two have been recently created; however, none is planned for Koidu for at least two years.
- NGOs: Of the three, American Rescue Committee is delivering micro credit, but it and the others do not have the capacity to deliver commercial credit, which is level of funding required by sector.

As a result of this assessment it became apparent that commercial banks offer the only, but also the best, option for a formal commercial credit delivery system for diamond miners in Kono. All of the banks have re-entered either Bo or Kenema. Rokel is the only bank with specific plans to enter Kono (by July 2003.)

7. A SECTOR DEVELOPMENT APPROACH

The Alliance must overcome the considerable obstacles (security, physical infrastructure, creditworthy clients, and product market) that a commercial bank perceives in re-establishing a branch in Koidu. To meet this challenge the pilot project should be designed with a narrowly focused, multi-component sector development approach that addresses the key parameters in Section 6.4. Following this approach, two recommended lending criteria are important to emphasize:

- The creditworthiness of potential borrowers will be the key factor in an early start-up of lending. Consequently, small-scale mining (SSM) projects of a reasonable size and collective borrower responsibility for repayment appear to offer the most appropriate opportunities for financing (see the section on Miner Cooperatives that follows). As noted in the Case Study on the following page, such projects would most likely include some mechanization. The MMR, ADAGMAK and others reinforced the notion of such a model by stating that most labor-intensive, artisanal sites have been exhausted over the years, and that now most deposits lie much deeper underground. Therefore, due to the risk and geological factors, lending to individual artisanal miners should be deemphasized in a pilot project while focusing on demonstrating success with SSM lending.
- Under this approach guidelines must be established that restrict credit, technical assistance, training and access to a favorable buying office only to those borrowers operating in the formal, legal sector.

First: Supply. Under existing circumstances in Kono, it seems unlikely that a commercial bank absorb all the risk related to lending to Miners. From in-depth conversations, it is also clear to the Consultant that traditional donor guarantee or insurance coverage mechanisms will not be sufficient to change that policy in the near future due to banks' the perceived risks of lending in Kono. What then is the alternative? An idea that aroused interest during discussions would be bank management of a (at least partially) donor-capitalized **SSM Venture Revolving Loan Fund**. The reference to **Venture** is because it would be based somewhat on the operating structure of Venture Capital Funds and the following factors (the details of which will require good faith policy and technical negotiations):

- Venture Capital Funds most often specialize in taking equity positions in high-risk, high-tech companies. The SSM Venture Revolving Loan Fund would reflect that same risk-taking approach to SSM sector lending. The bank adheres to normal lending criteria, but with a loan product tailored to the SSM sector.
- The bank might be paid a fee (as is the norm with Venture Capital Funds) to manage the Fund, which would be (at least partially) capitalized by donors.
- DfID mentioned the possibility of assisting a bank with funding the reconstruction of physical and communications infrastructure. This will be a significant variable in successfully negotiating bank participation. The possibility of servicing the Fund from an established office in Bo or Kenema should also be further investigated.
- Security for bank personnel will be satisfactorily addressed.

This Fund would mirror the benefits attributed to the AARLF (see the preliminary reference in Section 5.2), but adhere to commercial banking practices rather than a government lending scheme. It is understood that the AARLF actually purchased the equipment and then leased it to Miners. This is a normal business function of the private sector market that is currently being filled by Lebanese groups in Kono¹⁰ (see the following section on Miner Cooperatives). Leased, or eventually purchased, equipment would be eligible for financing on a revolving loan model basis since Miner Cooperatives' experience with borrowing will inevitably be limited. This means that the Cooperative must pay back either a percentage of or the entire loan before more financing is made available. This graduated approach helps maintain peer group pressure and develops experience with the formal lending system. It also results in a multiplier effect. That is, scheduled repayment of funds can be programmed for an expansion of pilot project lending and used as demonstration data to encourage additional capitalization of the Fund.

Second: Demand. The capital requirements for future development of Sierra Leonean small-scale and artisanal diamond mining over the next five years is estimated at US\$5-15 million, depending on the investment environment¹¹. The potential target population for SSM credit in Kono District is enormous. For example, ADAGMAK has approximately 2,500 members and is growing on a daily basis. This is occurring under the guidance of a voluntary Board and staff, in spite of the makeshift office facilities in the shell of a burned-out building. However, lengthy discussions with 40 or so members/Miners revealed an almost complete absence of business skills. When they were questioned about the cost for mining an "acre" for one season, differences of opinions varied greatly, resulting in the best "guess" of about US\$20,000 (see a further discussion of costs on the following page). Under commercial bank lending criteria such projections would never be acceptable.

After a brief presentation of the type of business planning required for commercial credit, the Consultant proposed that Licensed Miners would need to organize into Miner Cooperatives so that they could pool their risks and share collective responsibility for repaying loans. This concept was generally understood and endorsed by the Chairman, the Association Coordinator and the Miners. Regulations for small-scale and artisanal mining of precious minerals as a Cooperative already exist in the MMR. Nevertheless, it was apparent that considerable assistance would be necessary before a viable, creditworthy loan proposal can be considered for commercial bank approval.

¹⁰ It should be noted that although Tractor & Equipment Sierra Leone, the Caterpillar dealer in Freetown, has no plans to lease equipment in the near future, the representative has contacted its leasing offices in Ghana and Nigeria to gauge their interest in the market.

¹¹ Sierra Leone Diamond Policy Study.

- **Case Study: United Mining Company**

Interestingly enough, a newly established SSM terrace-mining project has been underway south of Koidu for three months that could possibly serve as a model for a Miner Cooperative project. An indigenous Sierra Leonean operates the United Mining Company. The Consultant visited the site with the operator’s uncle, a local Chief, and other important representatives from the Chiefdom. The Production Manager stated that the project is in the prospecting phase. The Chief said the company has mining licenses for four “acres”; however, it was obvious that the project already covers a much larger area.

The used equipment, which is in good condition, was bought in the United States with investor funds also from the U.S. Thus, no Supporter funding is being used. The equipment and operating costs for the inventory were later discussed with the representative of Tractor & Equipment Sierra Leone. A very rough estimate is as follows:

Machine	Capital Cost (Freetown)
1 Caterpillar D8	US\$ 160,000
1 Excavator 320	80,000
2 Pumping Machines	20,000
5 Washing Machines	50,000
4 Small Hand Front Loaders	2,000
Total:	US\$ 312,000

These figures do not include equipment operating or maintenance costs, and labor expenses must be added to total project cost. Also, the dealer stated that an excavator type-365, estimated at US\$220,000, could possibly be required for deeper digging applications. Nevertheless, from first glance it appears that this project will require an investment of at least US\$400,000.

- **Miner Cooperative Project: Projected Costs**

At least initially, a Miner Cooperative Project would most likely be undertaken with leased equipment. According to the Caterpillar representative, the Lebanese lease old, inefficient equipment in the area for exorbitant prices, i.e. about US\$1,300 per day for a D8 and US\$1,800 per day for a 320 excavator, plus fuel costs. Therefore, if the seasonal cost estimate of US\$20,000 per license quoted by ADAGMAK members is reasonable, then a Cooperative of ten or so licenseholders could conceivably require US\$100-150,000 to mine collectively for a season. The Consultant visited potential alluvial river sites with ADAGMAK representatives who said that members had allotments along a 60-mile “virgin” (i.e. never mined) stretch of the river. Also, Meya Development Company representatives stated that the company is a registered Cooperative with the MMR and it could possibly qualify for a commercial loan.

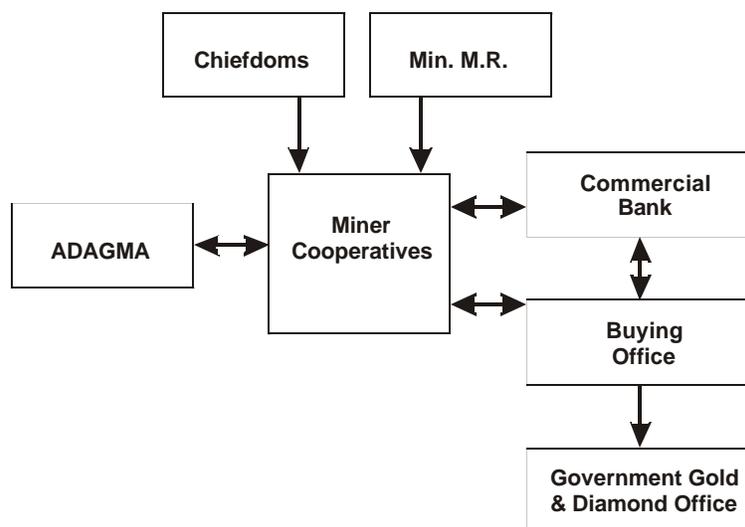
Third: Product Market. It will be impossible to extend commercial credit to SSM projects relying on the current “legal” and “illegal” diamond buying arrangements (see Section 6.1) for sales of the product. A commercial bank must be assured that its clients can market their product at the best competitive prices in order to meet financial projections to service the debt. With the margins extracted by Dealers in Kono (rumored to be 200-300 percent), Miners would remain profitless. Therefore, a legitimate buying office(s) must be established in Koidu that offers competitive world prices for rough diamonds. The buying office would work closely with the commercial bank to assure that repayment for Cooperative loans are earmarked from the sales of winnings.

8. CONCLUSIONS AND RECOMMENDATIONS

8.1 Conclusions

The principal conclusion of this study is that establishing a formal credit mechanism for SSM projects in Kono District is feasible if the issues in Section 7 can be resolved. The Consultant also concludes that a successful demonstration of transparent credit delivery will have a profound, positive impact on how SSM is conducted in the future and significantly contribute to replacing the exploitative credit arrangements now being practiced. Quite frankly, accomplishing the re-establishment of a commercial bank in Kono could be considered a success in itself. That being the case, a Formal SSM Credit Delivery Mechanism implemented on a Pilot Project basis could resemble the schematic in Figure 5 below.

Figure 5. Formal SSM Credit Delivery Mechanism



8.2 Recommendations

Commercial Banks:

- Donors will need to initially capitalize the lending facility at a minimum of US\$300,000;
- Engage the commercial banks in a formal discussion of the pilot project, and present the SSM Venture Revolving Loan Fund idea. Solicit their feedback;
- Follow-up with individual meetings, as required, to ascertain problems to be resolved and lobby for participation;
- If interest is forthcoming from more than one bank, prepare a request for proposals (otherwise negotiate directly with one qualified bank); and
- Evaluate the proposals, make a selection and negotiate the terms of the Fund.

Technical Assistance and Training:

Design and implement a technical assistance and training package that will be administered out of the Alliance office in Koidu for:

- ADAGMAK: As was discussed earlier, ADAGMAK is an enthusiastic, but inexperienced organization, which appears to be in need of substantial capacity building in order to meet the needs of its members over the long term. Additionally, although the concept of establishing Miner

Cooperatives was well received, ADAGMAK members do not understand the structure, responsibilities and objectives of a cooperative. In order to address these limitations it is recommended that at a minimum the following aspects of Association training be provided to ADAGMAK:

- ♦ A business association training seminar(s) in the role of the Association and the fundamentals of executive management;
 - ♦ Board and staff training in organizational development, public relations, strategic planning and membership development;
 - ♦ Finance, budgeting and fund raising;
 - ♦ Small business development; and
 - ♦ Project management skills, particularly as they relate to the establishment of Miner Cooperatives, where Licensed Miners organize to share the costs of operations and benefits are derived and distributed equitably.
- Licensed Miners: Due to the nature of credit arrangements and business operations in Kono, AGADMA members have not accumulated requisite business planning, commercial project development and other entrepreneurial skills. Consequently, providing access to formal credit without corresponding improvements in such capabilities may do little in achieving a successful pilot project. Therefore, it is recommended that business development services (BDS) be provided to at least those Miners (if this is the case, the problem of exclusion must be confronted) who take the initiative to form Cooperatives. These services will have to be customized for the target population, but could include:
 - ♦ Business skills training: Business training to help Miners (entrepreneurs) cope with the managerial aspects of running the Cooperative and working with a lending institution, such as:
 - Basic business knowledge concerning concepts like collective borrowing and repayment (i.e. working together for mutual benefit), interest, capital, credit, etc.;
 - Business planning, including basic accounting skills and the preparation of business strategies and plans;
 - Understanding the product market and associated market information needs; and
 - Worker relations and issues associated with the workplace, including safety, compensation, health care, etc.
 - ♦ Vocational training: Training to equip entrepreneurs with the technical skills needed to run an efficient production operation, such as:
 - Modern small-scale mining technologies;
 - Modern equipment, equipment maintenance and leasing programs; and
 - Understanding the environmental issues associated with SSM.

Buying Office:

- Follow-up with in-depth discussions with Diamondworks, other large-scale international diamond companies, and the GGDO; and
- Act as the catalyst to make it happen.

Finally, although assessing the Digger population is not a component of the Consultant's scope of work, some mention of their miserable plight is warranted. They represent a massive socio-economic problem that will continue to grow and will not necessarily improve with a shift to a formal SSM credit delivery mechanism.

The UNHCR representative in Koidu stated that planning is already underway, in conjunction with the World Bank, to transfer from the current refugee reintegration program to a longer-term development program. The representative accepted an invitation to accompany the group during visits to mining sites. Even though he was aware of the problem, he had no idea of its extent, and subsequently, he suggested that Diggers could possibly be a target population for UNDP/World Bank assistance.

Therefore, one final recommendation is that the Alliance make its best donor coordination efforts to include micro entrepreneurial development assistance for Diggers a priority agenda item for consideration in future UNDP and World Bank assistance programs for Kono District.

ANNEX A: SCOPE OF WORK: CREDIT TO MINERS PROGRAM FEASIBILITY STUDY

(DIPAM-2003-2)

1. MSI's work in the Sierra Leone Diamond Sector

Diamond Policy and Management (DIPAM)

MSI has been working with the Government of the Sierra Leone (GOSL) to help improve diamond policy since 1999. MSI's continued work since that time with government and civil society has supported the establishment of diamond regimes that promote peace and prosperity instead of fueling warfare. Key subsequent developments since the inception of the program include:

- The RUF disarmed and participated in successful elections;
- While hard-earned peace has been won, it remains fragile;
- The diamond areas are now all officially in GOSL hands;
- The GOSL has revised diamond policy to require that ¼ of export tax proceeds be returned to communities in diamondiferous areas through an unprecedented Diamond Area Community Development Fund (DACDF);
- An active coalition of civil society/GOSL diamond stakeholders (referred to as the DACDF Coalition) is actively engaged in trying to influence diamond policy and enhance its implementation;
- As a result of the first tranche of DACDF disbursements — and the assistance provided by the DACDF Coalition — communities are beginning to realize that they can hold local chieftom authorities accountable;
- New Certificates of Origin and export licensing regimes have been adopted by the GOSL — a process that led the way for other countries;
- GOSL is now engaged in ongoing policy reform over what kinds of changes could help provide the appropriate controls and — as importantly — stronger incentives for legal diamond mining, from the ground up.
- USAID/Sierra Leone has been awarded Public/Private Alliance funds from the Africa Bureau to develop a Kono Peace Diamond Alliance in Kono District as a pilot effort in improved mining policies and practices.
- DfID has its own diamond policy project, with which MSI coordinates very closely.

Work under the activity described in this scope of work (SOW) is funded under MSI's cooperative agreement with USAID, Award No. 636-A-00-03-00003.

Kono Peace Diamond Alliance

USAID is working with Sierra Leoneans in promoting a Peace Diamond Alliance. At the broadest level, the purpose of the Alliance is to convert the diamond resource from a source of war and desperation to a foundation for peace and prosperity. This will be accomplished by demonstrating — in the Kono district of Sierra Leone — that an alluvial diamond industry can “work.” That it can:

- ◆ Have a transparent, fair, and safe local market;
- ◆ Maximize benefits to local miners, diggers, and their communities;
- ◆ Track diamonds from earth to export;
- ◆ Minimize corruption; and
- ◆ Mobilize local surveillance and mines monitoring.

It also seeks to convert the community and consumer rage surrounding Sierra Leone blood diamonds into a positive movement in order to re-construct the very area that was most devastated by the diamond-fed war: Kono District. We hope that the model, as modified through experience, will then migrate to other

alluvial diamond mining zones in Sierra Leone. In time, the model could develop useful approaches to reversing the effects of similar diamond-related trauma in Angola and the Democratic Republic of Congo, as those countries move towards peace. USAID leadership – if provided in harmony with other donors, such as DfID and the World Bank – can provide the moral, political, and technical leadership needed to convene the diverse elements and to keep the eyes of the Alliance on the prize.

MSI has been tapped by USAID to help establish and implement the Alliance. The Alliance will work to improve the ability of government to regulate and promote the diamond industry at the same time it helps to empower communities to play a greater role in managing the diamond resource. It seeks to improve the capacity of both sides to adopt improved management practices while establishing incentives on both sides for appropriate stewardship. But, USAID’s assistance alone is not enough to turn the tide, even with full GOSL commitment. Accordingly, the Alliance is recruiting key Sierra Leonean and international organizations (such as Network Movement for Justice and Development, Movement of Concerned Kono Youth, Alluvial Diamond and Gold Miners’ Association, Anti-Corruption Commission, Talking Drums Studios, Catholic Relief Services, Action Aid, World Vision, Global Witness, Partnership Africa, etc.) to serve as watchdogs, to support government and communities in legal diamond initiatives, and to bring their own resources to the Alliance. The Alliance will also mobilize international business interests, such as De Beers, Rapaport, and the Meya Development Alliance. To round out the effort, DfID and the World Bank are expected to play key roles.

MSI’s role is as follows:

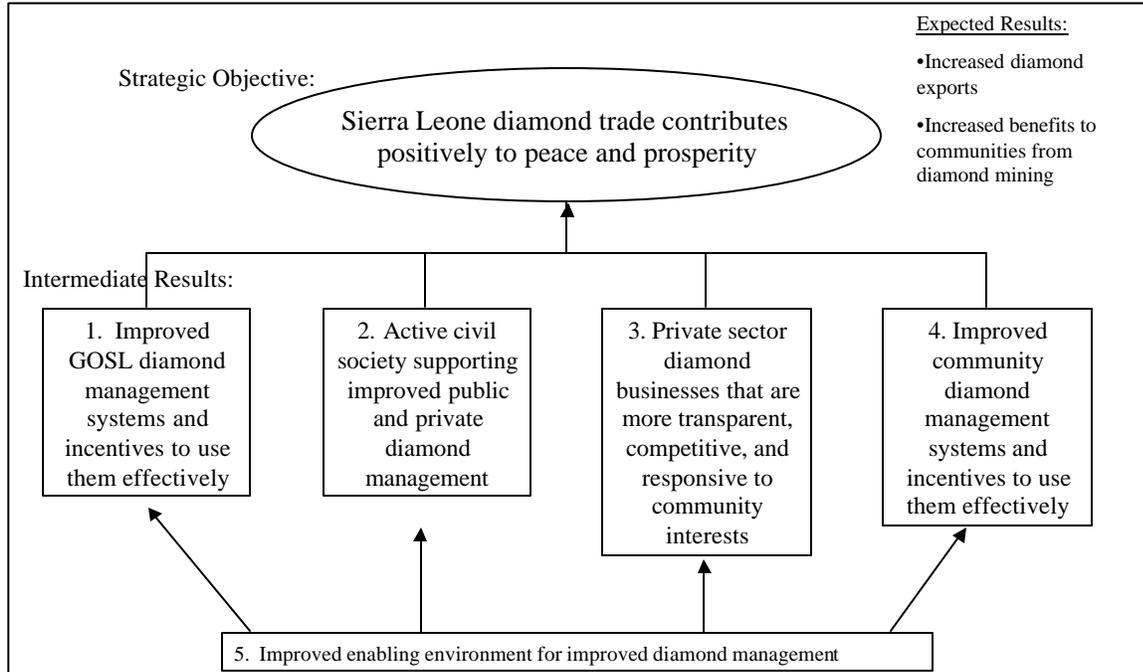
- To help recruit organizations to participate in the Alliance;
- To support communication, coordination, and synergies among the Partners;
- To establish a Partner Support Office in Koidu to provide office and training space to Alliance partners;
- To provide targeted technical assistance to support the Alliance; and
- To promote the effectiveness of the Alliance.

As of the drafting of this scope of work, MSI is still awaiting the Cooperative Agreement from USAID to fund this activity.

2. MSI’s Program Strategy

Although the DIPAM and Alliance activities are to be funded under two separate cooperative agreements with USAID, our diamond work in Sierra Leone is implemented as a unified strategy, summarized graphically in the results framework, below:

Figure 1: *MSI's Diamond Sector Reform Strategy*



In addition to the objectives outlined above, all our work supports the following crosscutting themes:

- Reducing corruption;
- Geographic focus in Kono District;
- Integrating private sector influences into the reform program;
- Emphasizing to communities and civil society the importance of acknowledging the importance of both rights and responsibilities;
- Influencing Sierra Leoneans' inner map of governance; and
- Building institutional approaches to sustaining improvements.

3. Program Needs to be Filled and Objectives of the Assignment

Throughout Sierra Leone, artisanal diamond miners lack capital to invest mining activities and formal sector credit schemes are virtually unavailable for such high-risk loans. As a consequence most miners enter into informal agreements with “supporters” to finance their mining activities.

DIPAM currently lacks detailed information on these arrangements, but we understand that typically Supporters will finance labor costs, light equipment, and access to heavy equipment, such as caterpillar bulldozers, tractors, etc. In some cases Supporters are entrepreneurs already involved in a wide range of trading and services activities and can provide material directly (such as rice for labor, light equipment, and heavy equipment.) In others, the inputs are purchased by the Supporter and delivered to the miner, or funds are provided to the miner to procure the goods. Other supporters lack the materials and provide cash to the miners. In many cases, credit is also extended for personal needs, such as wedding costs. Miners report that many supporters are “foreigners” from other countries in the region or of Lebanese descent.

It is not clear precisely how repayment is arranged. It seems that the miner is obliged to sell all significant winnings to the Supporter. The Supporter, in turn discounts the amount paid to the miner to account for the amount of the loan, interest, and risk. Supporters will normally be engaged with many miners at once, absorbing (and diversifying) the considerable risk. Miners complain that the prices offered to them by

their supporters are too low. Either they accept this lower price or, often, they will smuggle them out to get higher prices. These claims have not been independently verified.

The Ministry of Mineral Resources (MMR) has emphasized the importance of establishing a formal credit scheme to enable miners to access the credit they need, conduct their mining, and then sell their winnings to the highest bidder. This would – it is argued – enable them to have greater income, repay the loans, and reduce incentives to smuggle. In the 1960s there was an “American Loan Scheme” that made equipment available to miners for rental and served this function successfully until the GoSL took over the scheme and corruption ruined it.

It is clear that the credit issue is central to improving diamond management in Sierra Leone. But, there are many formidable challenges to making it work: the heavy equipment is extremely expensive, the diamond industry is extraordinarily opaque, mining is a very high-risk undertaking, most miners lack collateral, their business skills have not been assessed, and actual costs in the industry are unknown.

DIPAM requires a study of the demand for financing as well as potential suppliers of credit in Sierra Leone – including loan schemes that could be created by donors. The amounts of inputs required for various types of mining, related costs, associated risks, and potential financing schemes need to be understood. Caterpillar has displayed willingness to develop innovative financing schemes, and one of the Alliance partners, Meya Development Company, is extremely interested in supporting development of the scheme. DIPAM needs to understand the options for addressing the credit constraint, as well the feasibility of pursuing various options.

4. Relation of SOW to USAID and DIPAM Strategies

This task directly contributes to the accomplishment of USAID’s SO 1: Democratic Governance Strengthened, in particular, Intermediate Results 3 (Broader public/private participation in improved diamond sector management. It also contributes to the DIPAM Intermediate Result 3 (Private sector diamond businesses that are more transparent, competitive, and responsive to community interests) and DIPAM Intermediate Result 4 (Improved community diamond management systems and incentives to use them effectively.)

5. Activities of the Assignment

The Consultant will converse with the DIPAM Technical Director, Mark Renzi, prior to departure to provide orientation to the assignment. After those discussions, the Consultant will begin with a review of documents and conduct interviews pertinent to Sierra Leone’s alluvial diamond sector. This should include, but not be limited to:

- A mining sector assessment produced by DfID that is still being evaluated by the GOSL.
- The World Bank draft assessment of the mining sector, which is likely to be released in December 2002.
- Other background information to be provided and any information publicly available concerning alluvial mining that may be relevant to the assignment.
- Telephone interviews prior to departure, such as to Meya Development Company and Caterpillar.

In Freetown the Consultant will have access to MSI’s office and will report to MSI’s Field Director, Helen Arthy. Based on the document review and discussions with MSI personnel, the Consultant will draft a methodology for the assignment, including necessary interviews, data to be gathered, anticipated analysis and framework for the presentation. Upon agreement of that approach, fieldwork can commence.

MSI's Diamond Business Advisor (Frank Karifa-Smart) in Freetown will provide advice as well as to assist in arranging meetings and logistics. Mr. Karifa-Smart has extensive experience in the African (and particularly Sierra Leonean) diamond industry and will be available to participate in the study. Transportation will be arranged in Freetown and Koidu. It is expected that the Consultant will begin his work in Freetown with an orientation meeting with Ministry of Mineral Resources staff, followed by meetings with such groups as:

- the DACDF Coalition,
- Sierra Leone Indigenous Miners' Movement,
- banking and other financial institutions,
- American Refugee Committee (which has been running a micro-loan program), and
- Ross Milne, the local Caterpillar dealer.

Fieldwork will be based in Koidu, Kono District. While in Kono, the Consultant will meet with local Supporters as with miners from the Alluvial Diamond and Gold Miners' Association (ADAGMA), and other groups, as necessary.

The consultant will share orally the findings of his study with his teammates, as well as with the DIPAM Field Manager, Helen Arthy, and with USAID's Sierra Leone Program Manager, Julie Koenen-Grant. Subject to the terms of the methodology, agreed upon by the Consultant and the DIPAM Technical Director, the final report will be due one week after departure from Sierra Leone.

In addition, DIPAM is working with DfID to prepare for a March 5-6 diamond policy roundtable. A working group will be reviewing the credit issue in preparation for the meeting. The Consultant should interview that group to learn of its concerns and provide feedback to them concerning the findings of the study.

6. Product

In conducting the study, the Consultant must understand the existing financial and credit markets and, whenever possible, propose recommendations that can utilize and improve upon already existing credit arrangements. In order to achieve this objective, the report will:

- Describe the current informal credit arrangements.
- Describe the economy of the current arrangements, including the normal credit cycle, lending procedures and credit terms, estimated individual and group credit demand and the general risks associated with current credit lending arrangements.
- Consider whether current arrangements are optimal. It may well be that current arrangements are more efficient than is generally understood.
- Identify key parameters to be addressed in improving credit availability.
- Suggest ways the current scheme could be improved (if possible).
- Suggest alternative options that could provide credit effectively while maximizing income to the miners.

The Consultant will brief the USAID Country Manager and the DIPAM team on his findings prior to departing Sierra Leone. A completed draft report will be submitted within one week of departure.

7. Anticipated Level of Effort

Total LOE for the task is estimated to be 25 days.

ANNEX B: LIST OF DOCUMENTS REVIEWED

- Al Qaeda Cash Tied to Diamond Trade, Farah, Douglas, The Washington Post, November 2, 2001.
- Assistance to Artisanal Miners (Small-Scale Diamond and Gold Miners). Ministry of Mineral Resources, Mines Division, May 23, 1997.
- Conflict Diamonds: Possibilities for the Identification, Certification and Control of Diamonds, Global Witness, June 2000.
- Cooperatives, University of California at Davis, 2002.
- Debt Bondage – Possible Solutions, United Commission on Human Rights, Working Group on Contemporary Forms of Slavery, 25th Session, 14-23 June 2000.
- Details of Policy Measures Relating to Small Scale Artisanal Mining and Marketing of Precious Minerals, Ministry of Mineral Resources.
- Developments in Small-Scale Mining: Report to the Secretary-General, United Nations, May 6, 1996.
- Diamonds and Armed Conflict in Sierra Leone: Proposal for Implementation of a New Diamond Policy and Operations, Office of Transition Initiatives, U.S. Agency for International Development, May 8, 2000.
- Diamond-Key: Rough Diamonds, Keyguide, March 23, 2000.
- Draft Briefing Paper: Kono Peace Diamond Alliance, USAID/Sierra Leone, August 2, 2002.
- Draft Report of the Committee on Review of Mining Policy (CRMP), Ministry of Mineral Resources, October 1996.
- Finance Salone Business Plan, 2002-2007, American Refugee Committee, International, Sierra Leone Program, October 1, 2002.
- From Mine to Mistress: Corporate Strategies and Government Policies in the International Diamond Industry, Even-Zohar, Chaim
- Innovative Approaches to Microfinance in Post-Conflict Situations: Bosnia Local Initiatives Project, Kuehnast, Kathleen, Environmentally and Socially Sustainable Development Network, March 2001.
- Leasing, International Finance Corporation, 1999.
- Microfinance in Post-Conflict Situations: Towards Guiding Principles for Action, Nagarajan, Geetha, The Ohio State University, International Labour Organization, September 1999.
- Micro-finance and the Empowerment of Women – A Review of the Key Issues, Mayoux, Linda, International Labour Organization, 2001.
- Mining and Local Economic Development, International Finance Corporation, 2001.
- Outline Development Strategy for the Recovery of the Diamond Sector in Sierra Leone, DFID Diamond Sector Project, January 2003.

Reassessing the Financial Viability of Village Banking: Past Performance and Future Prospects, Woller, Gary, MicroBanking Bulletin, September 2000.

Report of the Committee on Review of Mining Policy (CRMP), Ministry of Mineral Resources, October 1996.

Revolving Loan Funds and Peer Lending Groups, Financing Resource Center, Virtual CED Center, 2002.

Sierra Leone Diamond Policy Study, Williams, Jim, et al, AMCO Robertson Mineral Services, Department for International Development, January 2002.

Sierra Leone Mining and Environment (Leone Case), Sipkins, Sarah, American University, December 21, 1995.

The Impact of an International Certification Scheme on Small Scale Diamond Miners, International Ministerial Diamond Conference Pretoria 19th to 21st September 2000, 24 Hour Diamond News.

The Effects of Using Credit Unions as Onlending Agents for External Lines of Credit: The Experience of the International Credit Union Movement, Morris, Kelly J., International Labour Organization, 2002.

U.S. Senate to Consider New Bill Banning Illegal “Blood” Diamonds, Fisher-Thompson, The Washington Post, June 21, 2001.

Village Banking, FINCA International, Inc., 2001.

ANNEX C: ASSIGNMENT WORK PLAN

January 13-14:

Discussions with MSI headquarters personnel, Mark Renzi, Sami Samuel and Colin Bonner, U.S. representatives of Meya Development and Caterpillar and document research.

January 15-16:

Travel to Sierra Leone.

January 17:

10:00 am: Management Systems International: Helen Arthy and Frank Karefa-Smart
12:00 noon: Meya Development Company, Tamba Kpetewama and Komba Fanday
2:30 pm: Department for International Development, Sam Koroma and Komba Sumana
3:30 pm: Ministry of Mineral Resources, Usman Kamara, Deputy Director
5:00 pm: Alhaje Abdulai Sesay, former borrower under the American Aid Loan Fund

January 18:

9:00 am: Unatrac (Caterpillar dealer), Ross Milne
12:00 noon: Precision Diamond Company, Paul Sockwell
4:00 pm: Lloyd During, Chairman, Standard Chartered Bank

January 19:

Document review and follow-up conversations with Meya Development Company representatives, Paul Sockwell and Ross Milne.

January 20:

8:30 am: National Cooperative Development Bank, Momodu Kargbo
10:00 am: Catholic Relief Services, Richard Konteh
12:00 noon: Rokel Commercial Bank, Harold Creighton-Randall with Frank Karefa-Smart
1:30 pm: Union Trust Bank Limited, O. Amara with Frank Karefa-Smart
3:00 pm: Bank of Sierra Leone, Edward Kanagu
4:00 pm: Social Action and Poverty Alleviation Programme, Alphonso Campbell
5:00 pm: MSI, Helen Arthy

January 21:

10:00 am: American Rescue Committee: Martha J. Saldinger and Tim Nourse
12:00 noon: Sierra Leone Commercial Bank Limited: Ayodeji Daisy Scott Boyle and Christian George
3:00 pm: ActionAid, Julia Jumu, Kadi and Alice M. Lahai
4:30 pm: Robin-Coker, Lincoln, Small-Scale Miner

January 22:

10:00 am: Department for International Development, Jan P. J. Ketelaar
2:00 pm: USAID, Julie Koenen-Grant, MSI, Helen Arthy
4:00 pm: Ministry of Mineral Resources, Johathan Sharleah, Sulay Sulamian Saukok, Komba Suku-Tamba and Kai M. Foday

January 23:

Morning: Komba Kainjama Suku-Tamba and Komba Sumana, initial assignment discussion and field trip planning session
3:00: Precision Diamond Company, Paul Sockwell
4:30: Document review

January 24:

9:30 am: Travel to Koidu, Kono District

5:00 pm: Komba Suku-Tamba and Komba Sumara, scheduling meeting for Kono District interviews

January 25:

9:00 am: Komba Suku-Tamka and Komba Sumara, In-depth analysis of Kono District small-scale diamond sector

10:00 am: A.M. Kamandah, Chiefdom Speaker 1, S.M. Gborie, Chiefdom Speaker 2 and Sahr Tamba, Chairman, Kono District Council

11:30 am: ADAGMA: P.C. Konobundo, Chairman, Council of Chiefs, Komba Gbondo, Chairman and 30-35 Association members

2:00 pm: Mohammed Kassowa, Mining Lease Holder

3:30 pm: Prince Saguee, Supporter and Licensed Dealer

January 26:

9:00 am – 5:30 pm: Diamond mining site visits: Terrace Mining, Swamp Mining, Kimberlite Concessions and Alluvial Virgin Sites

January 27:

8:00 am: Final discussions with Komba Suku-Tamba and Komba Sumara

9:00 am: Return to Freetown

4:00 pm: Phone work to prepare final schedule

January 28:

9:00 am: Unatrac, Ross Milne

10:30: Lloyd During

3:00 pm: Standard Chartered Bank, Simon J. Millett and Donald A. Domingo

January 29:

10:00 am: Diamondworks, Sadiq Silla and Wally Pienaar

1:00 pm: MSI, Helen Arthy and Frank Karefi-Smart, DfID, Jan Ketelaar and Komba Sumara

3:00 pm: Ministry of Mineral Resources, Usman Kamara

4:00 pm: Government Gold and Diamond Office: Lawrence Ndola-Myers

January 30:

10:00 am: USAID, Julie Koenen-Grant and MSI, Helen Arthy

1:30 pm: MSI, Frank Karefa-Smart

2:30 pm: Depart for airport.

ANNEX D: LIST OF PERSONS INTERVIEWED

ActionAid:	Juma, Kadi Julia, Policy, Research and Advocacy Officer Lahai, Alice M.
Alluvial Diamond and Gold Mining Association, Kono District:	Gbondo, Komba, Chief and Chairman Suker-Tombor, Kauyoma Foday, Kai M.
American Refugee Committee – International:	Saldinger, Martha J., Country Director Nourse, Tim, Global Microfinance Director
Bank of Sierra Leone:	Kanagu, Edward, Community Banks Programme
Caterpillar, U.S.:	Phipps, Scott
Catholic Relief Services:	Konteh, Richard, Program Manager
Council of Chiefs:	Konobundo, P.C., Chairman
Department of International Development:	Ketelaar, Jan P. J., Director Koroma, Sam Sumara, Komba
Diamondworks:	Pienaar, Wally, Project Manager: Koidu Kimberlite Project Silla, Sadiq, Chief Administrative Officer
Gborie, S.M., Chiefdom Speaker 2	
Government Gold and Diamond Office:	Ndola-Myers, Lawrence, General Manager
Kamandah, A.M., Chiefdom Speaker 1	
Kassowa, Mohammed, Mining License Holder	
Management Systems International:	Arthy, Helen, Field Manager Karifa-Smart, Frank, Mining Advisor Renzi, Mark, Technical Director Samuel, Sami, Project Manager
Meya Development Company:	James, Joseph Fanday, Komba Kpetewana, Tamba
Ministry of Mineral Resources:	Kamara, Usman Boi, Deputy Director of Mines Sharleah, Johathan, Director, Kono District Saukok, Sulay Sulamian, Director, Makeni
National Cooperative Development Bank:	Kargbo, Momba L., Manager
Precision Diamond Limited:	Sockwell, Paul, Owner
Robin-Coker, Lincoln, Small-Scale Diamond Miner	
Rokel Commercial Bank, Creighton- Randall, Harold, Marketing Manager	
Saquee, Prince, Dealer and Diamond Buyer	
Sasay, Alhaji Abdulai, former borrower under the American Aid Loan Fund	
Sierra Leone Commercial Bank Limited:	Scott-Boyle, Ayodeji Daisy, Director, Banking George, Christian, Manager, Corporate Accounts
Standard Charter Bank:	During, Lloyd, Chairman of the Board Millet, Simon J., Managing Director Domingo, Donald A., Head Corporates and Institutions
Tamba, Sahr Chairman, Kono District Council	
Unatrac: Milne, Ross, Territory Manager	
U.N. High Commission for Refugees:	Sinclair-Loutit, Stephan, Country Director van Weringh, Bauke, Reintegration Manager
Union Trust Bank Limited:	Amara, O., Manager
USAID:	Koenen-Grant, Julie, Sierra Leone Program Manager Jalloh, Abdulai