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# INTEGRATED DIAMOND MANAGEMENT PROGRAM

5TH QUARTERLY ACTIVITY REPORT: 1 OCTOBER THROUGH 31 DECEMBER 2005

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This publication was produced for review by the United States Agency for International Development. It was prepared by Paul Temple and Mark Renzi, Management Systems International.

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## EXECUTIVE SUMMARY

The Integrated Diamond Management Program (IDMP) aims to improve management of Sierra Leone's diamond sector at both national and local levels. It strives to increase benefits to government and communities through improved management of the resource. Bringing diamond mining and marketing into the formal sector increases government revenues through taxes and licenses while reducing security threats from diamond smuggling. Meanwhile, the innovative Diamond Area Community Development Fund (DACDF) releases funds from diamond export taxes for community development within diamond producing chiefdoms, encouraging citizens to both produce and export legally. These measures complement the effectiveness of the international Kimberley Process.

Table 1, below, clearly demonstrates that considerable progress has been made in bringing more diamonds into the legal system, while improving the value of the diamonds exported legally.

**TABLE 1: SIERRA LEONE DIAMOND EXPORT FIGURES 2000 TO 2005**

YEAR*	CARATS	VALUE	AV. PER CARAT
2000	77,372.39	10,066,920.81	130
2001	222,519.83	26,022,492.27	117
2002	351,859.23	41,732,130.30	119
2003	506,723.37	75,969,753.32	150
2004	691,756.92	126,652,634.26	183
2005	668,709.15	141,940,243.71	212

Note: These are calendar years

Table 2 illustrates the current position of the last period. While exports and caratage are seen to increase in the last quarter, values are down. This reflects the overall market conditions at present.

**TABLE 2: SIERRA LEONE DIAMOND EXPORT FIGURES FOR PERIOD**

Period	FY 2006 Exports			FY 2005 Exports	FY 2004 Exports
	Carats	\$ Value	\$Value per Carat	\$ Value	\$ Value
1 <sup>st</sup> Quarter	173,793	\$32,763,774	\$188.52	\$25,857,164	\$19,122,514
% Change Year FY06 v 05	+29.2%	+26.7%	-2.0%	Value per carat \$192.28	Value per carat \$160.62

As the program seeks to enhance management of production within Sierra Leone, it is possible that goods from Liberia are being marketed through Sierra Leone. This was discussed during the Team Leader's visit

to the Moscow Kimberley Plenary meeting. It would appear that the embargo on Liberian diamond production will not be lifted quickly. Its continuation – in the face of ongoing diamond production in Liberia and smuggling into Sierra Leone – may further erode the integrity of Sierra Leone’s exports under the Kimberley Process and force diamond marketing in Sierra Leone further underground.

## NATIONAL ISSUES

Following previous concerns over Government political will to lead change, the High Level Diamond Steering Committee met twice in November and December and seems to have reactivated. Terms of Reference for both the High Level and Technical Committees were adopted and the recommendations of the report “Improving the effectiveness of the DACDF” were accepted. The program is also working closely with Government to develop a community land reclamation policy.

## LOCAL ISSUES

There are contentious land allocation issues within the program area. New companies within Kono district are seen to be requesting large tracts of valuable mining land to the exclusion of artisanal miners. Fortunately, however, discussions continue in an open manner at present.

Following a stakeholder meeting in Tongo Fields, dealers operating diamond buying offices established a Dealers’ Association was established to promote the legitimization of trading.

While the Peace Diamond Alliance (PDA) workshop report is still being structured, key recommendations seem likely to inform improved policy for cooperative mining. The buying scheme terms of reference are also close to completion. Meanwhile, draft reports for both key scopes of work (SOWs) – the external program monitoring by Global Witness and the other for environmental management work by CEMMATS – were prepared. The anticipated visit by representatives of the Communities and Small-Scale Mining program (CASM) remains unfulfilled.

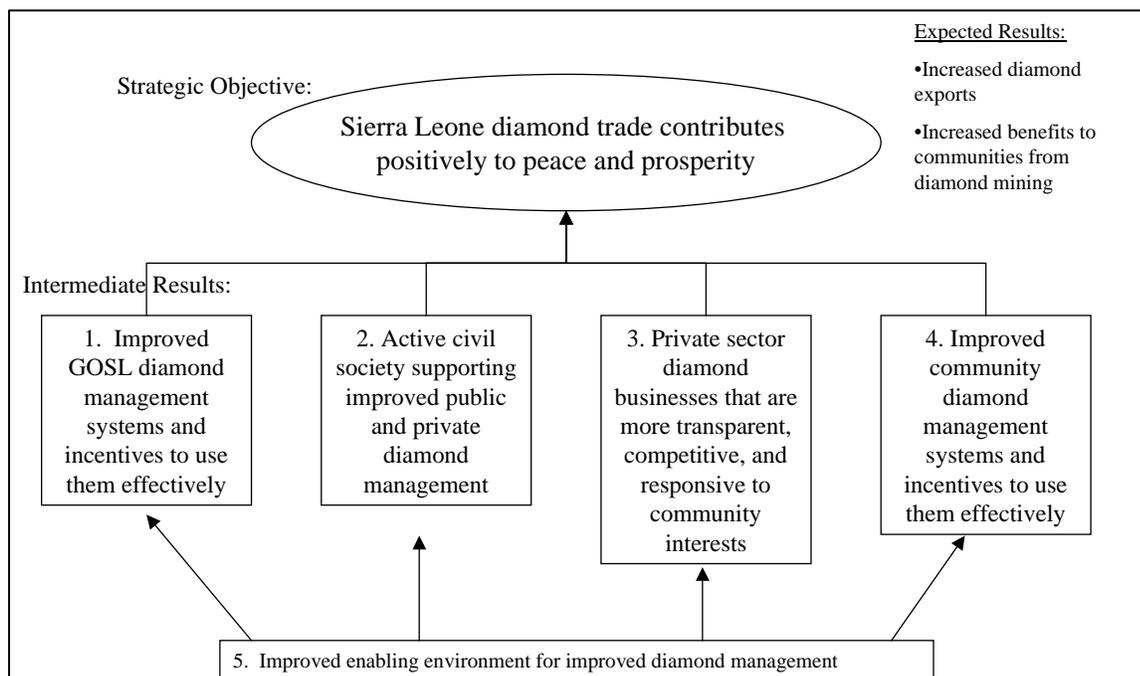
## PROGRAM ISSUES

Please note that the previous website maintained by IDMP, <http://www.peacediamonds.org>, is now available at <http://www.resourcebeneficiation.org>. This new, more inclusive domain name reflects the the planned and currently available resources and information on the site.

# INTRODUCTION

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

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



The main focus of the 2004-2005 year has been to ensure the principles of the Integrated Diamond Management (IDM) scheme were established and operational. Therefore, the greatest number of activities appeared under IR 4. Meanwhile, it is vital to build trust and confidence through increased interaction and integration of government, private sector and communities. This process is time consuming but profitable in increasing understanding and interdependence, while deflating potential tensions. In addition to providing greater benefits to local residents, IDM also complements efforts to strengthen the Kimberley Process through efforts to establish the Earth to Export scheme.

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

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

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

## WORK SUMMARY, BY ACTIVITY

### ACTIVITY 1: IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

#### OVERVIEW

There has been significant progress made in enhancing GoSL capacity to implement policies that would lead to effective management of the Sierra Leone diamond industry. The High Level Diamond Steering Committee (HLDSC) and its *ad hoc* Technical Committee represent key policy forums for enhancing national diamond sector policy development and implementation. The two committees meet to analyze strategic policy issues and advise the GoSL on important diamond sector policy. Serving as Secretariat to both committees, the IDMP continues to play a crucial role in the overall process of transforming Sierra Leone's diamond industry in line with aspirations of the program objective of enhancing national peace and prosperity for Sierra Leone. For most of this quarter, IDMP, in collaboration with other partners, continued to monitor policy threats/opportunities and played a major role in encouraging the GoSL to review policy measures (e.g. NaCSA and Exporter Tax) that are thought inimical to the overall aspirations of the Core Mineral Policy.

However, a temporal breakdown in policy dialogue at both HLDSC and Technical Committee levels between July and November 2005 required the IDMP to revitalize both committees. The policy impasse was largely due to Sierra Leone political issues. Party conventions in August 2005 led to cabinet changes that translated to changes of key government personnel. These changes directly affected policy engagement as the Minister of Finance (substantive Chair of the HLDSC) and the Minister of Internal Affairs were replaced.

With sustained counseling and ready adoption of the prevailing changes, IDMP successfully re-engaged the HLDSC. As of the time of writing, we are pleased to report that the HLDSC convened twice in the final two months of 2005. Close contact with the Ministry of Mineral Resources (MMR) and other essential government institutions were also maintained. While the resuscitation and maintenance of the above structures has its own merits, IDMP policy support has also focused on other key issues, such as:

- Research and analysis of best practice and options for the effective implementation of the DACDF;
- Exploration of environmental reclamation opportunities at community level,
- Continuation of Secretariat and follow-up services for both the HLDSC and Technical Committees, all of which are essential pathways to maintain focus and momentum towards the implementation of the GoSL Core Mineral policy.

New realities emerge as Sierra Leone transforms from a Failed State to one with functioning governance structures. Policy implementation tactics have had to adapt to respond to such realities. As at the end of 2005, MMR's trust and confidence in the IDM process and the IDMP program continues to increase on an incremental basis. MMR recently asked IDMP to take the lead in articulating ideas for how to enhance local environmental reclamation. At the same time, IDMP was given a go-ahead by the HLDSC to implement identified actions emanating from our Diamond Area Community Development Fund report.

It is important to note that Sierra Leone continues to be vulnerable to both economic shocks and fragile regional geopolitics. Therefore, the success of any project depends on its ability to adapt and respond to changes in these areas. We are pleased that IDMP can be judged on its ability to maintain its relevance in a very fluid and fast changing operational environment. Below is a detailed description of specific activities and outcomes

## ACTIVITIES SCHEDULED IN WORK PLAN

### Capacity to Make Policy Decisions Improved

During the current reporting period, two HLDSC meetings were convened, resulting primarily from the work of IDMP's coordination and Secretariat services. While the Technical Committee did not meet during the period under review, activities such as review and harmonization of the HLDSC/Technical Committee Term of Reference (ToRs), the production of the DACDF report and the review of the Moscow Kimberley Process Plenary were all accomplished and disseminated to members. Meanwhile, technical research and analysis of matters relative to diamond policy reform were fast tracked through the HLDSC and quality policy advice was given to the government of Sierra Leone. In addition to providing Secretariat services and the implementation of various support activities, review and analysis of export data is also important to IDMP policy work.

### Implementation of the Core Mineral Policy

#### *Institutions Strengthened – Viability of Eastern Polytechnic to provide Mining training*

In response to government policy aspiration to “Strengthen the Institutions that Administer, Regulate and Monitor the Mineral industry” and aware of the deficient capacity levels of MMR personnel, the IDMP has been examining various options to address this lapse. In October 2005, contact was made with Dr. Sandy Bockarie, Principal of the Eastern Polytechnic in Kenema to explore locally available training opportunities. A site at Woama, previously part of the Bunumbu Teachers Training College and located seven miles outside Koidu, has been identified as the site for a Business and Engineering School. Currently, the IDMP is working closely with Dr. Bockarie to develop a concept paper to circulate for support. While this is all at its early stages, it is hoped that support would be secured to recruit the first set of locally trained Mines Engineers by 2007/08 academic year. Once implemented in its entirety, this initiative could ensure sustainability of current policy development objectives and perhaps, a lasting legacy in the transformation of Sierra Leone's diamond industry.

#### *Adverse mining impacts mitigated – Design Community Reclamation Policy*

“To minimize and mitigate the adverse impact of mining operations on health, communities and the environment,” the IDMP has had discussions with the MMR and the Ministry of Agriculture, Forestry and Food Security (MAFFS) to articulate best options for the rehabilitation of ‘mined-out’ sites. Following the outcomes of the reclamation activities carried out by the community-based organization, SINAVA, in Tongo Fields, the MMR has asked that the IDMP spearhead a community-based reclamation study, the findings of which would be the basis for a concept paper.

#### *Welfare and Benefits Improved – Design DACDF devolution policy*

USAID and MSI took the lead in encouraging the GoSL to establish the Diamond Area Community Development Fund (DACDF). It is important that we understand the impact of the DACDF on diamond management and on communities whose environment has borne the brunt of decades of artisanal mining. As per this report, 23 benefiting chiefdoms and two district councils were visited in October 2005 (please refer to the DACDF Monitoring and Evaluation report). Data was collected from the four most diamondiferous districts

and analyzed to determine whether or not community management of the DACDF resource is improving. Issues raised as a result of this exercise have been referred to and reviewed by the present sector reform process i.e. the Technical and the HLDSC as well relevant government institution (MMR). The HLDSC, on the basis of the aforementioned report, has asked the IDMP to go ahead and implement the recommendations identified in that report, including the establishment of both reporting and operational guidelines to ensure effective utilization of DACDF by recipient communities. Focusing on communities to better plan and prioritize DACDF project activities will constitute a large part of policy work during the next reporting quarter.

## ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

Support to the Cadastre Implementation – Koidu remains the focus for the trial implementation of a mining cadastre system. IDMP continues to support implementation of the system. However, changes in Mines Monitoring Officer (MMO) job descriptions have created some shortfalls in monitoring operations, an issue that the IDMP will address in a monitoring workshop to be conducted in Koidu during February 2006.

## ISSUES REQUIRING ATTENTION

- Ministry Monitoring – although most MMOs are verbally positive about the ideals of our Integrated Diamond Management scheme and started their monitoring activities with great resolve, it became more difficult to ensure their continued attendance at the mine site as the mining season progressed. This issue will require considerable attention in the upcoming workshop.
- Export Tax allocations – The HLDSC worked assiduously to ensure that funds from the Export Tax were expanded to cover the operations of the PMMU and the PIU. To date funds have not been disbursed to support the operations of these units. Besides having a direct bearing on anti-smuggling activities it is disappointing to note that even when funds are available efforts are not amplified.

## ACTIVITY 2: CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE DIAMOND MANAGEMENT

### OVERVIEW

As in previous reporting periods, mentoring/coaching assistance continued. This notwithstanding, the future self-sustainability of the PDA remains in doubt unless reforms are undertaken. The Alliance as it is structured is not working productively. The Executive Committee itself needs reform and streamlining to work more effectively and be proactive. As it now stands, there appears to be a disconnect among the general membership of the Alliance, the Executive Committee, and the ability to represent the mission and vision of the PDA.

The last AGM detailed key activities to be undertaken by the PDA. Following its initial meeting, the new Executive Committee called a workshop held at the end of September to tackle key activities. The results, though inconclusive, are discussed below.

## WORK SUMMARY, BY ACTIVITY

### Peace Diamond Alliance Strengthened

The August 17-18 Annual General Meeting (AGM) of the PDA mandated the Executive Committee and the Secretariat of the PDA to carry out fourteen urgent tasks. On 26<sup>th</sup> and 27<sup>th</sup> September 2005 a workshop was convened to tackle four key issues, namely:

- ✓ Evaluate potential mining sites by October 2005, using local sampling methods,
- ✓ Explore possibilities to improve Small/Medium Enterprise procedures,
- ✓ Explore ideas and put modalities in place for establishment of a Co-operative Buying Scheme, and
- ✓ Examine issues of sustainability and selection of mining processes.

At the workshop an *ad hoc* committee was set up to fine tune the recommendations. A thirty-six page contentious report on the workshop was produced during this period.

The main purpose of the workshop was to collectively and objectively begin to address the issues of poor performance by the mining cooperatives which secured private investors' loans through the PDA to mine diamonds, an important objective of the USAID-funded IDMP. It had been earlier agreed that one reason the cooperatives did not win enough diamond value to profitably satisfy the investors and to help themselves was because the mining sites chosen for investor funding were poorly selected. Unfortunately, however, the "workshop report" is much more of a venting of dissatisfaction of the working relation between the PDA and the Secretariat rather than a focused analysis consistent with the mandate of the workshop. Many members of the *ad hoc* committee and of the Alliance in general, continue to reject the report and to disassociate themselves with it.

However, some points of merit have been raised, notably the creation of a Site Selection Committee that contains wide representation and would be expected to be able to select sites, monitor production and evaluate performance by following the process from the point of site selection through production to the final sales.

### Targeted CBOs Enhanced through the Provision of Training and Technical Assistance

Mentoring and coaching of the individual CBOs continues. While drive and enthusiasm within the targeted CBOs is high, their capacity remains low. Yet without access to some form of funding, their ability to develop is constrained. Five targeted CBOs expressed their need for training in project proposal development and donor funds management. In order to build a level of capacity in these fields, training has commenced in general computing for selected members to gain basic skills prior to training in project proposal writing that commenced in December 2005.

In Togo Fields, training providers have been found to deliver vocational training for the SINAVA group and micro-credit training for the Pentagon Youth. This will commence in the next quarter.

## ISSUES REQUIRING ATTENTION

Throughout the year, the Peace Diamond Alliance and its executive committees in Kono and Tongo Fields grappled with increasingly important issues. From its fledgling beginnings, issues of self-governance and decisions regarding the use of funds from CASM brought about the clash between personal and group objectives. It is now apparent the current format and low level of member participation is creating frustrations. These issues will be addressed during the next quarter.

## ACTIVITY 3: PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE AND RESPONSIVE TO COMMUNITY INTERESTS

### OVERVIEW

In the eyes of the community, peaceful coexistence between larger mining companies and the communities within which they operate is only guaranteed when companies recognize and act upon the needs of those communities. Seen as the intruder, it is inherent for smooth operations that companies accept community concerns and that where pledges are made these are honored. Currently, four larger companies are active in the program area, namely:

1. Koidu Holdings
2. African Diamonds PLC
3. Milestone T/A Sandor Development Corporation
4. Sierra Leones Diamond Company (SLDC)

During the period, African Gold and Diamonds (AGAD) ceased operations following poor return on investment.

IDMP has continued to play a mentoring role, thereby maintaining watchful eyes on such companies to see that they legitimize their positions with Government of Sierra Leone (GoSL) and also remain sensitive to community expectations. When companies fail to honor commitments, tensions grow. Historically, the program has played the role of mediator.

### WORK SUMMARY, BY ACTIVITY

#### Corporate Social Responsibility of New Entrant Companies Improved

Koidu Holdings has recently expanded its operations into Tongo Fields. After legitimizing their position with the Government of Sierra Leone (GoSL), the company has made the following pledges to the people of Tongo Fields:

- Construction of the Kangama Highway between Kono and Tongo Fields
- Mine in a friendly manner
- Employ Sierra Leoneans
- Train Sierra Leoneans in certain mining skills
- Set aside community development fund

However, the community in Tongo Fields became suspicious of the company, believing that these promises would not be fulfilled according to plan. After several meetings, mostly facilitated by IDMP, the company has undertaken the following:

- Formed a Community Liaison Committee
- Employed Sierra Leoneans within an acceptable salary scale in Tongo Fields
- Commenced the construction of the Kangama highway from Tongo axis

As “actions speak louder than words,” the level of recent company activity has created a better mutual understanding between both parties. Other companies have now expressed interest to operate in Lower Bambara. African Precious Minerals (APM) is negotiating in Lower Bambara with both the traditional leaders of the chiefdom and Government of Sierra Leone.

### **Level of Illegal Diamond Buyers Reduced**

Following a recent stakeholder meeting in Tongo Fields, the chiefdom authorities threatened to close all illegal diamond buying offices. This announcement created a flurry of activity among such dealers, who have formed themselves into an association, the leadership of which is tasked with the responsibility of collecting funds to legalize members’ position.

## **ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN**

During this period the Government of Sierra Leone received a number of applications to license diamond cutting and polishing operations. Without any benchmark legislation, the Ministry of Mineral Resources requested assistance from the program.

The Ministry was provided with comparative laws from Namibia and Botswana, which have been forwarded to the law reform committee.

## **ISSUES REQUIRING ATTENTION**

1. Uncertainty abounds as demands for land increase. The Sierra Leone Diamond Company (SLDC) following its recent exploration in Kono district is now requesting that large tracts of land along the Baffin River be licensed for industrial use. The land requested includes areas either previously worked or allocated to other companies. Hence, land is now at a premium. This has implications not only on the companies wishing to operate in the area, but also directly affects the amount of land available for the artisanal miner.
2. African Gold and Diamonds (AGAD) has now closed. Currently, former workers are claiming that benefits are unpaid. There is a possibility that its assets, including mining land, will be bought over by Sierra Leone Diamond Company (SLDC). The question remains whether former worker compensation will form part of any take over arrangement.
3. Milestone, previously trading as Sandor Development Corporation, is seeking access to additional mining land for the upcoming season. During the past year there were concerns over the company practices. Veiled negotiations and mass staff dismissals created a very negative relationship with the local community.

To the assist the program monitors and mediate in the above issues, a close working relationship has been developed with the recently revived United Mine Workers Union (UMU) in both Kono and Tongo Fields. It is expected that strong collaboration will promote improved practices and fair employment opportunities for Sierra Leoneans in the mines.

Finally, evidence suggests a strong economic migration from Kono to Tongo Fields. On a daily basis people travel in the hope of obtaining employment with the Koidu Holdings Tongo Fields operations. As limited job opportunities exist, many are disappointed but stay in the hope of being included in any future employment activity. This creates pressure on the host community, with the population of unemployed youths further swelled.

## ACTIVITY 4: IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

### OVERVIEW

Cooperative mining activities undertaken through the past year were finalized and reviewed through this period. As this involved much groundbreaking work, the value is in the lessons learned. Many issues previously highlighted were addressed, often with contentious results; such is the feeling for the concept within the community.

The continuing number of groups forming mining and registering cooperatives also demonstrates support. In this period, a further eighteen groups have applied for registration with the Ministry of Trade and Industry. The ministry representative also completed end of project financial management training and balancing of financial reports for the five co-operatives that received investment during the last mining season.

### WORK SUMMARY, BY ACTIVITY

#### Artisinal Mining Procedures and Marketing Improved

The draft CEMMATS “SMARTER” mining report was received and accepted. It must now be finalized and a training timetable for mining co-operatives established.

#### Monitoring of IDM Process Augmented

Work by Global Witness during the mining process has been structured and a Monitoring Workshop will take place at the end of February in Koidu.

### ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN

Cooperative Selection Criteria was further reviewed in a workshop convened to address the PDA mandate for 2005-06. Within this workshop, the following topics were discussed and recommendations made:

1. Evaluate mining sites by October 2005, using local sampling methods.
2. Explore possibilities to improve Small and Medium Enterprise procedures
3. Explore ideas and put modalities in place for the establishment of a Rapaport Buying Scheme and
4. Explore ideas of sustainability and selection of mining processes

The series of recommendations is still being finalized, but the resolution to the issue of site selection through use of a selection committee and a pre-defined site requirement list is extremely useful. Also promising is the work and interest in the cooperative buying scheme. Again, full details are being finalized.

### ISSUES REQUIRING ATTENTION

- There is concern over the slow pace of the contractor in delivery of the SMARTER mining techniques and training program. This will be addressed in the upcoming reporting period.

- The ability of cooperatives to self-govern gives cause for concern. At the point of closure, a number of issues arose, principally to do with fund distribution, which required program staff intervention. The fact that diamond winnings were far below expectation led to the attempted prolonging of mining activities for cash flows to continue. The impact of poverty on development activities can never be over-emphasized.

## ACTIVITY 5: IMPROVED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

### OVERVIEW

Efforts to improve the wider understanding of diamond issues continue. Evidence of improved environmental concern is demonstrated by the 2005 mining policy measures and increased reclamation dues. The passage of the Anti-Money Laundering Act also indicates a general concern for improved trading standards. The High Level Diamond Steering Committee (HLDSC), following a period of inactivity, was reconvened and met twice during this period.

The Team Leader visited the Kimberley Process Plenary session held in Moscow during November. At this session, the failure of Sierra Leone to submit production reports to the Kimberley Process was raised. The Government of Sierra Leone is now addressing this issue.

### WORK SUMMARY, BY ACTIVITY

#### **National Awareness of Diamond Issues Maintained**

Work continued on the production of documentary videos with TDS. It is vital these tapes are produced speedily to enhance information flows at the intended Zonal meetings due to recommence in February.

#### **Effective Use of the DACDF Widened**

The report entitled “Improving the Effective Use of the Diamond Area Community Development Fund” was submitted to the HLDSC and its recommendations approved. The next steps are for the formation of a working group to ensure the implementation of the agreed recommendations.

#### **Improved Policies and Practices for Reclamation**

The program is currently liaising with the Ministries of Agriculture and Mineral Resources to ensure submission of a viable strategy to utilize existing reclamation funds. Initial discussions with the community suggest a positive response. This continues as a work in progress.

Meanwhile reclamation of former mining land in Tongo Fields continues and the SINAVA group has harvested rice for the second year. Rice has also been harvested from the former Kaisambo site in Koidu.

#### **Quality interaction between donors and government augmented**

The program continues to serve as secretariat for the Technical Committee to HLSC on Diamonds. During this period there have been two positive meetings of the HLDSC in November and December. Terms of Reference were approved. Follow up reports on both the Kimberley Process Plenary and the DACDF were submitted and approved.

The issue of Exporter Taxation has been resolved and exporters will now be assessed for standard income tax. This issue had the potential to destabilize the diamond sector in Sierra Leone and the fact that IDMP's recommendations were accepted is encouraging.

The next meeting is scheduled for February, when issues relating to laws for the establishment of a cutting and polishing industry will be submitted. Following a period of uncertainty the HLDSC appears to be reactivated. It is hoped this level of activity can be maintained.

### **Kimberley Process Observance Supported**

The Team Leader attended the Kimberley Process Plenary meeting in Moscow as part of the U.S. delegation. Within the plenary, the Ministry of Mineral Resources played a valuable role in the creation of a Declaration adopted by the plenary "Improving Internal Controls over Alluvial Diamond Production". Most of the recommendations were based on experience emerging from the IDMP/GoSL partnership. Meanwhile, issues related to late production returns of producing member states, including Sierra Leone, were viewed seriously. States were warned that continued non-compliance would lead to a review by the Participation Committee.

### **Sharing Lessons Learned**

The Technical Director addressed the symposium "Between Overload and Self-Interest: The role of non-state actors in fragile states," on 2 December 2005. The event was sponsored by Duetshe Welle and Stiftung Internationale Begegnung (SEF; "Development and Peace Foundation") and was held in Bonn, Germany. Travel expenses were paid by SEF. The Technical Director delivered an address titled "Self-regulation for Local Diamond Production in Sierra Leone." The event was attended by academics, practitioners, and policy makers from many different countries and provided a useful forum for sharing experience under IDMP.

## **ACTIVITIES UNDERTAKEN OPPORTUNISTICALLY, BUT NOT INCLUDED IN WORK PLAN**

The program continues to monitor the issue of Artisanal Mining licenses by the Ministry of Mineral Resources. In Kenema District, Lower Bambara still tops the list in all sixteen chiefdoms with total of 211 mining licenses in 2005. This accounts for over one-third of the total number of current licenses in the district and is higher than the 2004 figure of 200 licenses.

In 2004, Kono District accounted for almost fifty percent of the total number of artisanal mining licenses in the country at 1,123 licenses. At the time, the influence of larger mining companies was negligible. While the overall annual figure remains almost identical for the year 2005, over 300 licenses are attributable to the mining companies, with only 813 mining licenses being issued to the artisanal alluvial miner. This decline is concerning when viewed in light of two issues:

- The perception that larger mining companies are taking a greater proportion of mining lands.
- The economic migration to Tongo Fields

## **ISSUES REQUIRING ATTENTION**

- The issue of large mining tracts should be closely monitored.
- Greater understanding of the economic migration to Tongo Fields is needed

## EVENTS, VISITORS, AND TRAVEL

The Team Leader visited Moscow in November to attend the Kimberley Process Plenary Meeting.

The Technical Director visited Bonn, Germany to speak at the symposium “Between Overload and Self-Interest: The role of non-state actors in fragile states”.

## HIGHLIGHTS OF UPCOMING PERIOD

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

The IDMP, in partnership with DfID, will conduct a study of the challenges in implementing the new anti-money laundering law effectively, with an emphasis on diamonds.

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

The program will review the comments of the Executive Committee regarding the sustainability of the Peace Diamond Alliance.

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

While work continues with UMU and Koidu Holdings, negotiations will commence with anticipated local companies, such as Milestone, SLDC and Magna Egoli.

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

Reports from CEMMATS and Global Witness will be published.

### 5. IMPROVED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

Increased understanding of land leases and the economic migration to Tongo Fields to be undertaken

### 6. PROGRAM MANAGEMENT ACTIVITIES

Budget to be reviewed.

## FINANCIAL STATUS

Please see Annex A for a financial statement of costs billed and committed by the program through the end of the fifth quarter.

## LESSONS LEARNED

- While the program has, for some time, enjoyed a cordial working relationship with the Government of Sierra Leone, through the Ministry of Mineral Resources, the political will to champion change remains fragile. That will continue to be influenced by often-unseen internal factors that can only be exacerbated in the run up to the 2007 elections.
- The Peace Diamond Alliance continues to serve as an effective conflict management mechanism in the local diamond sector. However, indigenous initiative within the PDA remains weak, as it still requires considerable drive and support from the program.
- In its attempts to attract foreign investment in the diamond sector, the Government of Sierra Leone has allowed a number of less satisfactory agreements to become operational. These agreements must now be reviewed and standards reinforced.