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USAID/SIERRA LEONE DIAMOND SECTOR PROGRAM EVALUATION

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USAID/SIERRA LEONE DIAMOND SECTOR PROGRAM EVALUATION

1615 L Street, NW
Suite 340
Washington, DC 20036

Submitted by:
Jean Pierre Tutusaus, Ph.D
Sue Nelson
Arthur Abadje
AMEX International, Inc.

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ABBREVIATIONS AND ACCRONYMS

CRS	Catholic Relief Services
CSOs	Civil Society Organizations
DACDF	Diamond Area Community Development Fund
DEPAC	Development Partnership Committee
DFID	Department for International Development
DIPAM	Diamond Policy and Management Project
EITI	Extractive Industry Transparency Initiative
GOSL	Government of Sierra Leone
GW	Global Witness
HLSC	High Level Steering Committee
IDMP	Integrated Diamond Management Program
IR	Intermediate Results
MMO	Mines Monitoring Officer
MMR	Ministry of Mineral Resources
MOCKY	Movement of Concerned Kono Youth
MSI	Management Systems International
NACE	National Advocacy Coalition on Extractives
NCSA	National Commission for Social Action
NDMC	National Diamond Mining Company
NRA	National Revenue Authority
OTI	Office of Transition Initiatives
PDA	Peace Diamond Alliance
PDAP	Peace Diamond Alliance Program (Cooperative Agreement)
PIU	Public Information Unit
RUF	Revolutionary United Front
SLST	Sierra Leone Selection Trust
SST	Small Stone Training
USG	US Government
UNDP	United Nations Development Programme
UNAMSIL	United Nations Mission in Sierra Leone

EXECUTIVE SUMMARY

USAID has supported the development of the Sierra Leone diamond sector since 1999. During that time both the diamond sector and Sierra Leone have undergone major transitions - from a time of civil war and conflict diamonds to a time of peaceful democratic governance and the promotion of diamonds for development. The diamond mining sector has also evolved, returning to pre-war patterns of artisanal mining that in itself is being overcome by mechanized mining of worked out alluvial diamond fields.

The USAID program in Sierra Leone made a major contribution to this national process of reintegration and transformation and ending the era of conflict diamonds. With the changing times, it now needs to start thinking strategically about how it can best address the challenges this sector and its communities will face in the coming decades.

BACKGROUND

USAID support to the diamond sector has been provided primarily through a series of cooperative agreements with Management Systems International (MSI). Initial efforts organized by the USAID Office of Transition Initiatives (OTI) focused on stemming the flow of conflict diamonds through reform of public policies that addressed its root causes (smuggling, exploitative systems of production and marketing, and underdeveloped financial services).[1] The end of the war in 2002 enabled USAID's assistance to develop into a more integrated diamond management program at both the policy and grassroots artisanal mining level, which is the focus of this evaluation. That program is still on-going and is scheduled to end December 2007.

USAID commissioned this evaluation to: (1) determine the effectiveness of its diamond sector interventions, focusing on those undertaken since 2004; (2) determine lessons learned and best practices; and (3) help inform future diamond program design. The evaluation was undertaken in Sierra Leone in May 2007 by an independent team of experts in the mining sector and democracy and governance fields. Its findings and the information in this report are based on extensive discussions in Washington, DC and within the country and with key programmatic actors abroad via telephone and e-mail, visits to the diamondiferous areas and mines, and an extensive review of the existing documentation.

As the main focus of the evaluation are the activities undertaken under the current agreement, entitled the Integrated Diamond Management Program (IDMP), the evaluation focused on IDMP's achievement of its Strategic Objective - - *Sierra Leone diamond trade contributes positively to peace and development* and its five intermediate results (IR):

> IR1: *Improved Government of Sierra Leone (GOSL) diamond management systems and incentives to use them effectively;*

[1] USAID, *Sierra Leone: "Conflict" Diamonds, Progress Report on Diamond Policy and Development Program,* p 3. 2001

IR2: *Active civil society supporting improved public and private diamond management;*

IR3: *Private sector diamond businesses that are more transparent, competitive and responsive to community needs;*

IR4: *Improved community diamond management systems and incentives to use them effectively;* and

IR5: *Improved enabling environment for improved diamond management*.

At the same time, this program was a continuation of earlier efforts and many of the findings discussed under these IRs are attributable directly to those earlier program agreements. For ease of reference purposes, these pre-IDMP activities are collectively referred to as the "diamond program" in the Executive Summary.

FINDINGS

The evaluation found that USAID and US Government (USG) assistance made a major impact towards the development of a regulated, more transparent and more accountable diamond sector in Sierra Leone. This contributed towards meeting its Strategic Objective: *Sierra Leone diamond trade contributes positively to peace and development*. The most significant achievements of the diamond program were made early on, while later years were spent on smaller scale activities and experimental pilots which did not yield the same results. The program's activities, issues and accomplishments also need to be considered within the larger context of international and national activities to improve the management of the diamond sector and the lives of artisanal miners. The results also need to be taken into consideration with the changing face of Sierra Leone in its transition from war to peace and development as well as the changes in the international diamond mining sector.

IR1: Improved GOSL diamond management systems and incentives to use them effectively

The evaluation found that USAID contributed directly towards improving diamond management systems. Starting in 1999, it provided technical assistance to the Strategic Mineral Resource Commission and later to the High Level Steering Committee (HLSC) which was established as a donor and GOSL forum for diamond policy discussion. The creation of the HLSC in 2003 was a direct result of USG initiative and some of its major accomplishments included the adoption of the Core Mineral Policy which provided the framework to regularize operations in the diamond sector and the distribution of diamond development funds[2] back to the diamondiferous chiefdom communities through the elected district councils rather than directly to the chiefs.

[2] This fund entitled the Diamond Area Community Development Fund (DACDF) was created in 2001 as a means to return some of the revenue generated from diamond areas, back to the diamond producing communities. Distributions are based on the number of licenses issued per chiefdom.

The HLSC proved to be an important mechanism early in the project but differing expectations between government and the donors on the purpose and utility of the meeting led to gradual government disengagement. The HLSC has been dormant since its last meeting in Oct 2006. This forum still appears to be a useful mechanism for donor – government coordination and exchange of information on the diamond sector given the critical issues still facing the sector, such as international smuggling and standardizing sub-regional regulation. *The HLSC was a useful mechanism that should be resuscitated, with its objectives updated so that it becomes a pro-active policy and effective monitoring mechanism for both government and donor.*

The other major activity undertaken under this IR was the establishment of a Public Information Unit (PIU) in the Ministry of Mineral Resources (MMR) to disseminate factual information on the diamond sector. Work on its establishment stopped in 2006 after IDMP- MMR disagreements over the process. *The distribution of timely, factual information remains a critical issue for the MMR and the effort to establish this unit should be renewed.* [3]

IR2: Active civil society supporting improved public and private diamond management

The evaluation found an active number of civil society organizations engaged in efforts to improve transparency, efficiency and accountability in the mining sector. USAID's diamond program made a substantial contribution to this effort early on by acting as a catalyst in bringing together, and initially enabling, a coalition of Civil Society Organizations (CSOs), international Non-Governmental Organizations (NGOs), and the Ministry of Mineral Resources to inform communities on the new Core Mining Policies and the use of the Diamond Area Community Development Fund (DACDF). This coalition, now called the National Advocacy Coalition on Extractives (NACE), made a significant contribution to the improvements in management of the DACDF and diamond sector policy and is still actively advocating and monitoring.

However, the diamond program's subsequent move towards the creation of a new **Peace Diamond Alliance** (PDA) in 2002 did not yield the same dividends. The concept of a coalition that brought together civil society, government, donors and the industry for improvements to the sector was a viable one, but the strategy of turning the PDA Executive Committee in Kono into an organization to receive and manage donor funding for activities in the sector, with the diamond program serving as its Secretariat, was not.

Although the larger PDA coalition has not met as a group since 2005, a "PDA, Ltd" was registered and received institutional strengthening from IDMP, but never really functioned. At the same time, and until only recently, the IDMP administered many of its programs under the label "PDA" which provided an illusion of an actively functioning indigenous Peace Diamond Alliance.[4]

[3] The PIU has a line item in the national budget thanks to HLSC and Technical Committee efforts.

[4] The program did use some CSOs that were members of the PDA for sensitization activities early on, and later used individual members of these CSOs as trainers for some of its programs and workshops.

The second PDA coalition established in Tongo Fields never moved beyond the coalition stage because of the issues with PDA Kono, but in fact still exists as a coalition and meets when convened by IDMP to discuss immediate issues and concerns. The PDA in Tongo Fields has made some impact on increasing awareness on environmental issues and reducing illegal and under-age mining in the area. *The PDA coalition model used in Tongo Fields is more viable than the idea of creating new institutions which was used in Kono and which should not be replicated.*

A continuing part of IDMP was the **small stone training** (SST) which it started in 2004 as a means to empower diggers. This was accompanied by widespread community meetings on the broader issues of the DACDF, illegal mining, and other issues such as child labor in the mines. By 2007 over 600 persons a year received SST, about 10% of those women. The course, given at the community level, is widely popular but the first-come, first-serve, literate-only classes are not targeted, which limit its potential impact. *Training and capacity building remains a critical need at every level, but with limited resources, future training should be directly targeted strategically on essential needs such as MMR in-service training and should reflect the trend towards mining in the formal sector.*

IR3: Private sector diamond businesses that are more transparent, competitive, and responsive to community needs

The evaluation found that significant improvements have been made in this sector from the start of the program. Most are directly attributable to the return of state control over the industry and the Kimberley Certificate Process. The diamond program contributed to this process throughout its activities. In addition, the program consistently reported on industry trends, exports and industrial mining operations within Sierra Leone in its quarterly reports and to the HLSC which provided a useful tool for policy makers for both monitoring and making policy adjustments.

The artisanal mining sector is moving towards small scale mechanized mining. Issues such as corporate social responsibility, employment conditions, and environmental impact of mining operations are growing in importance. *This is the future of artisanal mining and a transition that future projects should assist. Future programming should follow the evolution of this sector using existing structures and channels of information to improve relations and understanding between the industrial mining companies and communities.*

IR4: Improved community diamond management systems and incentives to use them effectively

The evaluation found that the intended result of this IR4, which was the creation of sustainable, diamond cooperatives working in partnership with international buyers to sell certificated stones directly from its production site, was not met.

Using a PDA label, the program successfully attracted two international firms to invest in the process and five local mining cooperatives which agreed to produce diamonds under the scheme, and it hired Global Witness (GW) as a monitor to document the process. It intended to implement an "**Earth to Export**" certification scheme at the production site to eliminate the problem of smuggling. The program was fraught with problems including late arrival of funding and the alleged allocation of diamond-poor land. It started without geological surveys or feasibility studies. The end result was a return to investors of about $2,000 on their $110,000 investment and cooperative members uninterested in continuing in the cooperative scheme without continued outside capital investments. *Future programming to improve community diamond management systems and incentives to use them should instead focus on improving information flows, building capacity and knowledge using existing formal and traditional structures and organizations. The evaluation does not recommend the continuation of further investment in diamond cooperatives by this program***.**

Piloted in 2005, a "**SMARTER mining concept"** was developed by IDMP as a training course to improve artisanal mining procedures. It was a pilot scheme to introduce improved mining techniques to limit some of the environmental damage associated with mining and to encourage communities to mine as efficiently as possible. The course could have been a valuable tool if it had been targeted towards the artisanal miners in the sector, but it appears to have been designed mainly for cooperatives**.** *The SMARTER program should be adapted so that it can be used to assist the larger population of artisanal miners to improve their production in well selected areas, reduce illegal mining and encourage better use of human resources as the artisanal mining sector becomes more mechanized. The evaluation agrees with the plan to institutionalize the program in an existing center, such as the Eastern Polytechnic, so that it is available to miners on a sustainable and professional basis.*

IR5: Improved enabling environment for improved diamond management.

The enabling environment has completely turned around since the start of USAID assistance in 1999. The principal factors for this improvement were the end of the war, the return of GOSL control over its diamond mining sector, the restoration of democratically elected government across Sierra Leone and the Kimberley Process.

The DACDF has served as an incentive for chiefdoms and local governments to become interested in licensed mining as the return of revenues is dependent on the number of licenses issued in their areas. Monitoring through workshops, site visits and community discussions directly resulted in uncovering outstanding allocations of the funds and improving accountability over its end use. *The evaluation finds that the DACDF monitoring activities undertaken by the diamond program achieved their purpose and that monitoring and improving accountability over the use of the fund should now be incorporated into existing CSO monitoring mechanisms and donor decentralization, good governance and integrated rural development programs.*

PROGRAM DESIGN AND IMPLEMENTATION ISSUES

The program used an integrated approach of addressing key policy level issues and linking them with grassroots concerns and needs. This proved to be an effective approach when dealing with policy and accountability issues, such as improving the Core Mineral Policies and distribution mechanisms for the DACDF. This approach should be continued in future programming. But the evaluation found that many of the underlying assumptions for the design of a community based mining program in 2002 proved to be unfounded as Sierra Leone returned to peace and earlier traditions of mining. Follow on programs continued without rethinking these basic assumptions even though they were not shared by others working in the sector and who had changed directions.

Program implementation was hampered by the short-term nature of some of the agreements which required time/cost extensions or new agreements, sometimes with last minute contractual actions. IDMP also lacked a consistent set of targets and indicators for its IRs which made tracking of its actual performance difficult.

CONCLUSIONS AND RECOMMENDATIONS

The diamond program supported by USAID was an important contributor in the international process to help the GOSL regain control over its diamond mining sector and stem the flow of conflict diamonds. But most of the program's major accomplishments were made in these early years and before the IDMP program started. Although most of the other partners and donors were going down different tracks by 2004 the program continued unchanged even when it became clear that some of its strategic choices and underlying assumptions were not accurate. Assistance to the sector needs to be rethought and reformulated so it better reflects the needs of Sierra Leone in the management of its diamond sector for the next decade.

In that regard, the evaluation recommends future programming use an integrated approach, done in coordination with the upcoming large-scale programs of other donors in the mining sector, and uses existing institutions to:

- Continue work at the policy level, including regenerating the HLSC as a dynamic tool for policy makers and donors. Among the issues the HLSC should address are strengthening the government's capacity for negotiation with international mining companies and interests; and developing a strategic vision for the future of the mining sector.
- Revisit the original concept of the Peace Diamond Alliance, its legal basis, structures, and objectives under a national umbrella.
- Integrate program strategy and activities with other donor programs and existing organizations, such as the World Bank, DFID, NACE and the Union of Mining Workers in Sierra Leone.

- Focus on professionalizing the mining sector rather than production due to the diminishing levels of alluvial diamond resources and the move towards mechanized small scale mining. A concept to explore is establishing a professional resource center for training in the mining sector with the full-time presence of an independent diamond valuator.
- Programs should target reducing the informal sector and encourage the excess workforce to move to the formal sector and other income generating activities such as agriculture.
- IDMP activities did not include sub-regional coordination or activities. The current IDMP program should become actively involved in the efforts to harmonize Mano River Union policies and regulations in the diamond sector. Its position as Technical Secretariat of the HLSC places it in a unique position to assist the GOSL in these endeavors.

SECTION 1: INTRODUCTION

1. DIAMOND SECTOR IN SIERRA LEONE

History and Context

Sierra Leone is rich in natural resources, including diamonds. Its diamond fields cover almost a forth of the country or an area of about 7,700 sq miles. Diamonds have been found in the North, but the main diamond producing areas are in the southeast, in the drainage areas of the Sewa, Bafi, Woa, and Mano rivers.

The Geological Survey of Sierra Leone[5] first discovered diamonds in the Gbogbora stream, Kono district in 1930. Prospecting was then continued by the Consolidated African Selection Trust Ltd., which later formed a subsidiary company, the Sierra Leone Selection Trust Ltd. (SLST). In 1935, the company was granted a monopoly to prospect, produce, and market diamonds. That arrangement was changed in 1955, when the company's operations were confined to an area of 310 sq miles in the Kono and Kenema districts. Also in 1955, the introduction of the "Alluvial Diamond Mining Scheme" led to the proliferation of artisanal mining activities and by 1956 there were an estimated 75,000 illicit miners in Kono District.[6]

The National Diamond Mining Company (NDMC) was formed in 1971 in which the Government acquired 51% of the shares and SLST 49%. They were liquidated in 1993. In 1999 the Koidu Holdings mining company was awarded the old NDMC lease areas in Koidu and subsequently acquired the Tongo lease area, which is now mined for kimberlite[7] diamonds

[5] Map from PAC, *Sierra Leone, Diamonds and Human Security*, 2002 p 5
[6] Ibid.
[7] Kimberlites are the primary host rocks for diamonds. In Tongo, reserves are estimated at 6.3 million carats to a depth of 600m.

By 1998, approximately 55 million carats had been produced (officially) in Sierra Leone[8] and estimates of (pre-war) artisanal miners at 500,000.[9] Diamonds fueled civil war in the region ("conflict diamonds"), including the decade long war in Sierra Leone where the Revolutionary United Front (RUF) took over the diamond fields in 1994. Although a peace accord was signed in 1999, conflict continued and the war did not officially end until 2002. To stem the tide of conflict diamonds and deny RUF a market, the UN Security Council passed Resolution 1306 in 2000 that prohibited the import of diamonds from Sierra Leone until a certification process was established. The biggest preoccupation of donors at the time was peace and security. Government control over all of Sierra Leone was accomplished in 2002 and democratic governance was established down to the local levels in 2004 after local and district elections.

The Kimberley Process

The Kimberley Process Certification Scheme was established in January 2003. The scheme requires governments to certify that shipments of rough diamonds had legal origins. Seventy two countries (including those of the EC which count as one) currently participate in the Kimberley Process. It includes all major diamond producing and trading countries. All signatories have passed national laws to establish export/import controls aimed at keeping out conflict diamonds.

Since its introduction in Sierra Leone, the government expanded its control system from the district to the chiefdom level by establishing Mines Monitoring Officers (MMO) at these levels. Miners, dealers, and exporters must provide records and receipts of all transactions to the local mining office for reconciliation. The implementation of the Core Mining Policy and Sierra Leone's efforts to comply with the Kimberley Process have resulted in a significant increase in legal mining licenses, from 100 in 2002, to 2,500 in 2006.

Although the Kimberley Process seems to be a success in its efforts to stop the flow of conflict diamonds, there is still significant smuggling of illicit diamonds, estimated at between 30% and 35%,[10] some of it linked to money laundering. Improved government action is needed to reinforce the KPC and address this illicit trade, such as increased MMO coverage and control over artisanal diamond areas and increased verification mechanisms over miners, dealers, and exporters.

[8] PAC, *Sierra Leone, Diamonds and Human Security,* 2002.
[9] PAC, *Diamond Industry Review, Sierra Leone 2004* p 3
[10] Percentage of trade that is illicit varies according to source. Dealers and exporters say 5-10% while other estimates go as high as 90%.

DIAMOND EXPORTS 1992 TO 2006[11]

YEARS	CARATAGE	VALUE $	P/CT	CERTIFICATION
1992	331,800.11	31,290,012.91	**94**	NO CERTIFICATION SCHEME
1993	157,996.58	20,167,283.83	**128**	
1994	255,107.88	30,196,365.42	**118**	
1995	213,775.91	22,002,272.49	**103**	
1996	270,452.32	28,307,188.73	**105**	
1997	114,438.84	11,802,844.78	**103**	
1998	15,818.04	1,780,337.41	**113**	
1999	9,320.00	1,244,825.34	**134**	
2000	77,372.39	10,066,920.81	**130**	CERTIFICATE OF ORIGIN
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**	KP CERTIFICATION SCHEME
2004	691,756.92	126,652,634.26	**183**	
2005	668,709.15	141,940,243.71	**212**	
2006	603,558.79	125,304,841.00	**208**	

Diamond mining sector 2007

The diamond sector has evolved since the conflict ended and democratic governance was restored. Three main trends are evident:

- Increased governmental control over the mining sector through laws, regulations, monitoring, and decentralization;
- Formalizing of the alluvial mining sector; including the creation of new mining companies; increased awareness of international standards and regulations; environmental protection; enhanced role for women; increased knowledge levels of miners from training, and strengthened trade unions; and
- Decreasing alluvial diamond reserves that will result in the reduction in alluvial miner activities and require increased use of machinery and capital.

Organizing workers outside of corporate mining is becoming more common. The United Mines Workers Union, created in 1948 and whose Kono staff were killed by RUF during the war, reconstituted in 2000. Currently it has 3,000 members from large and small scale mines and 6,000 artisanal miners who work for more than 50 license holders in Kono and Tongo Fields. By 2008 it expects to double its number of members from mining companies and add another 2,000 artisanal members.

The diamond mining sector can be divided between primary and secondary mining. Each sector has its own characteristics and operating procedures.

[11] IDMP *Powerpoint Presentation to USAID*, March 2007

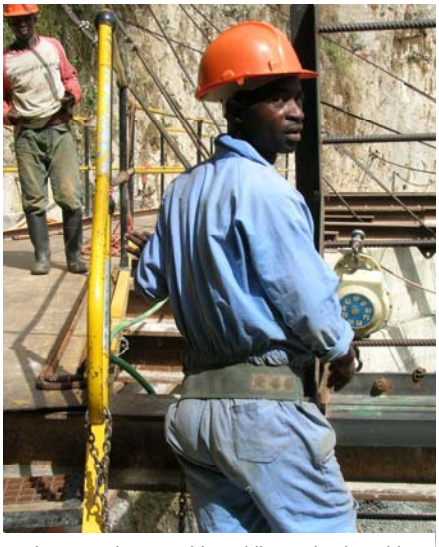


Photo: Worker at Koidu Holdings Mine in Koidu

Primary diamond mining is mainly of kimberlite deposits. Production is carried out by major mining companies in large mines after large-scale investments. These companies have in-depth knowledge of the geology of the areas where they are working. National laws and pressure from environmental organizations have resulted in a reasonable level of responsibility on the part of these companies. Depending on the nature of the regulations and agreements, the revenues for the companies and for the state can be significant. The evaluation team visited the Kono mine operated by Koidu Holdings. The mine is totally under the control of the company and no unauthorized persons can enter. The operations comply with environmental regulations and security procedures and the production of diamonds is controlled at every step of the process. Workers are salaried and payments are made directly into their bank accounts which the company helped them to open. This provides workers with access to credit and other banking services.

Secondary diamond mining can be divided into small to medium mining activities and artisanal mining.

- **Small to medium mining activities.** There are listed exploration companies as well as non-listed companies. Oversight by the mining authorities and regulation by the stock exchange over those which raise funds via the market, mean that there is a modicum of control over these operations. Their obligations of profitability imply a minimum of income (taxes and social contributions) for the government depending on local regulations and conventions. They have relative control over their production processes and they pay their workers on a salary basis transferred directly into their own bank accounts. These companies have a reasonable knowledge of the geology of the area where they work.

- **Artisanal and/or illegal mining activities.** There are an estimated 100,000 - 200,000 artisanal diamond miners in Sierra Leone[12]. The activity is generally started by diggers, either as individuals or as organized groups. The miners depend on the owner of the land, and on a sponsor who pays them to dig in a "selected" site. Average daily wage is reported to be 3,000LE and 750LE for food.[13] Diamonds are sold to dealers and finally to exporters. The proceeds from the dealer are shared among license holder, supporter and digger after deduction of expenses by the supporter. Much of this digging is done without a license. In general, this sector is characterized by:

[12] CEMMATS, *The Artisanal Mining Sector in Sierra Leone, 2006*

[13] Union workers reportedly get more- 5,000LE to 7,000LE a day plus 3,000Le for meals. Exchange rate during evaluation was around 3,000LE for 1 US$.

- Lack of labor and environmental regulation;
- Lack of knowledge of the geology and mining deposits;
- Poor profitability and low revenues for miners;
- Child labor;
- Prostitution associated with the mines and sexual abuse of children and women workers;
- High potential for violence;
- High levels of smuggling and money laundering;
- No wealth security; and
- Payments are in cash, thus miners and diggers have no access to the formal sector banking services.

Photo: Artisanal Workers in Koidu

Successive laws have been passed to address these problems but fall short on implementation. The primary goal of the 2003 Core Mineral Policy is the establishment of an internationally competitive and investor-friendly business environment in the mining sector. The policy emphasizes that the development of the mining sector should be achieved in ways that are environmentally responsible, socially responsible, and economically viable. The Policy states that artisanal mining plots should not exceed 210 sq yards. However, since mining is largely unregulated, the mines often comprise several plots covering more than 25 acres.

Environmental Issues: Although an estimated 80,000 to 120,000 hectares of lands are mined out and the land severely disrupted, there are few reclamation initiatives.
Mining is ranked as the third most direct causes of land degradation in Sierra Leone (behind logging and firewood collection).[14] Alluvial mining directly results in lost top soil and its exposed large pits fill with stagnant water and become vectors for malaria and other diseases. Streams and rivers are muddied and polluted. In one recent case, Sierra Diamonds Ltd, an alluvial diamond license holder, diverted a river to undertake mechanized exploration on the river bed. The $50 required of each mining holder to cover environmental rehabilitation is symbolic and has made no impact although there is some rehabilitation done in Kono primarily for demonstration purposes.[15]

The USAID-funded *Programmatic Environmental Assessment* for the diamond program found that "*other than the land disruption, the kinds of environmental concerns from artisanal diamond mining do not present substantial risks to human health or the ecosystems beyond that which occurs from the impoverished condition of the country and the poor sanitation and agricultural practices evident even within the mining district… Current mining practices are not environmentally appropriate proportionally,*

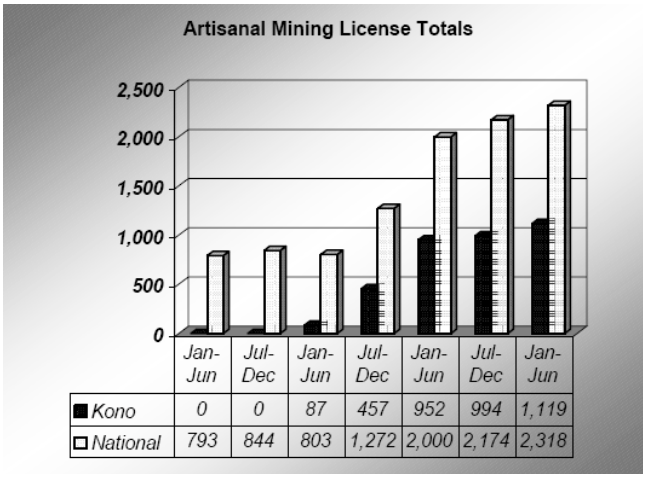
[14] *Country Environmental Profile Sierra Leone*, Parsons Brinckerhoff, 2006 p. 17
[15] Location of the funds collected and whether they had been used for other purposes was questioned by some during evaluation interviews.

(but) the overall disregard for the protection of the ecosystem, health and community constitute a much larger problem."[16]

Gender Issues: Although women are involved in gold mining and marketing in Sierra Leone, they are almost completely absent in the diamond mining sector. Artisanal diamond digging is hard labor and most of the diggers are young males[17] although the evaluation team spoke to several lifetime diggers now in their 40s and 50s and away from the main towns, saw groups of miners walking to work that included young boys. There are few women diggers although the United Mine Workers reported they have a small percentage of female diggers as members, most of these war-widows. The lure of diamond wealth attracts young girls and women to mining areas who easily fall into prostitution. Some are as young as 10 who either come voluntarily or are sent by their families for income. [18] Early marriages (between 12-15 years of age) are also common. Many of the women associated with the IDMP program (either as a trainer or a CSO partner) were directly involved in mining- either as intermediaries (linking diggers with license holders) or as sponsors.

DADCF The DADCF development fund was created in December 2001 as a means to return a portion of the diamond income back to the communities where the stones were mined. It is funded by 0.75% of a 3% royalty from diamond exports and is returned to the chiefdoms based on the number of alluvial licenses issued. Since distributions are based on the number of licenses per chiefdom, it is also seen as an incentive mechanism to reduce illegal mining and smuggling by encouraging the issuing of licenses. Since 2001, the number of licenses have more than doubled nationwide and increased tenfold in Kono (Graph 1 that shows licenses issued from 2001-2004[19]). Diamond exports have also increased and the amount of funds deposited into the DACDF have almost quadrupled (Graph 2[20]). Districts also receive a return of 5% of the export value from prospecting, but as these licenses are issued at the national level, those reimbursements are done directly through GOSL financial systems and do not pass through the DACDF fund.

Graph 1: Licenses Issued from 2001-2004



[16] *Programmatic Environmental Assessment for USAID support to small-scale artisanal activities in Sierra Leone*, 2005 p 2

[17] Average age for miners reported in interviews varied from 13-15 (according to a Freetown-based youth group) to 25-30 (CARE) to 30 (project trainer).

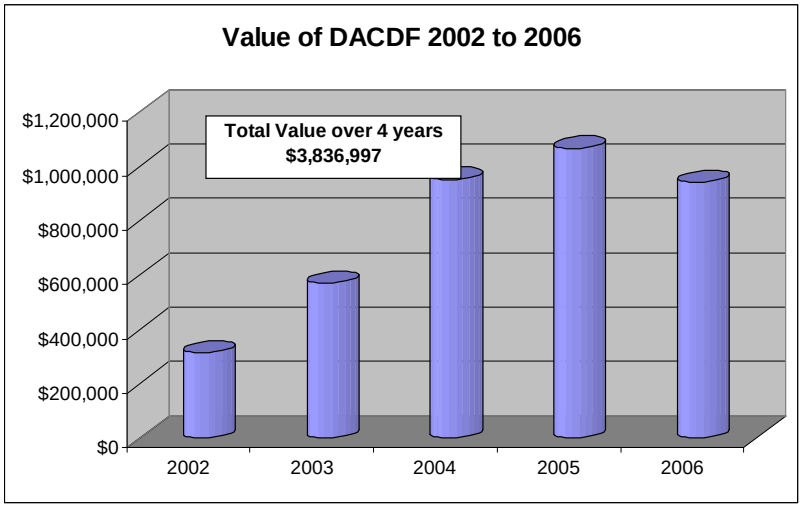
[18] Interviews with women's groups in Tongo Fields. Programs by IRC in Tongo Fields have reportedly reduced the levels of child prostitution and child mining in the area.

[19] *DIPAM Project Closeout Report, January 2005*, p. 8

[20] IDMP, *Powerpoint Presentation to USAID*, March 2007

Concerns on the effective use of the fund led to a program- assisted joint CSO-Government monitoring mission in 2003 that resulted in a grading system for chiefdoms on the use of the funds. Funds were also suspended at the end of 2004 due to persistent problems over its use. The enactment of the Local Government Act in 2004 enabled the government to administer the funds through the newly elected district councils which now receive 20% of the allocation, with the chiefdom retaining the rest. As can be seen in Graph 2 almost $4 million has been returned to these diamondiferous areas for community development purposes (discussed in more depth in IR2).

Graph 2: Value of DACDF 2002-2006



2. USAID ASSISTANCE

USAID assistance to the diamond sector started in 1999 with the efforts of USAID's Office of Transition Initiatives (OTI), and is still ongoing today. Initial work focused on stemming the flow of conflict diamonds and regaining Government of Sierra Leone (GOSL) control over the management its diamond resources so that these resources could benefit the people of Sierra Leone. The program expanded as the conflict within Sierra Leone receded with community-based activities added to make it an integrated diamond management program.

These activities were carried out through a series of Cooperative Agreements with Management Systems International (MSI) based on unsolicited proposals. Specifically:

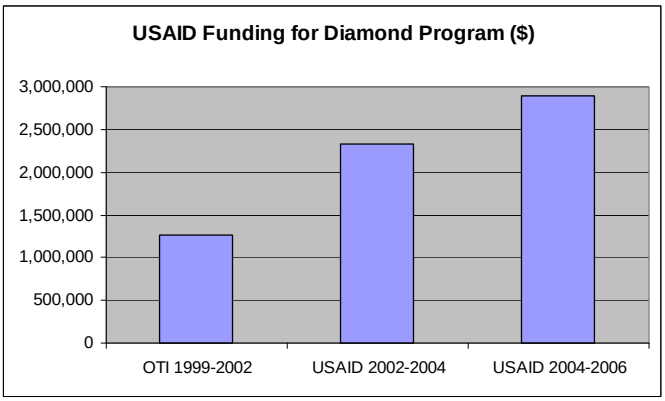
1999-2002: OTI: **Diamond Management Program.** This $1.2 million program was implemented primarily through a series of technical assistance visits and partnerships with key stakeholders. It focused on: supporting the Kimberly Process and establishing a certified channel for diamonds from Sierra Leone; providing a workshop and radio/motorcycle equipment for the Ministry of Mineral Resources (MMR) mine monitors; monitoring the Diamond Area Community Development Fund (DACDF) fund and sensitizing communities about its existence. The program was evaluated in 2002 and was found to have met its objectives as the certification process had raised the

level of legitimate exports of rough diamonds in Sierra Leone from $1.2 million (1999) to $26 million (2001)[21] and because the DACDF had started to return diamond-generated revenue back to the communities.

2002–2004: Diamond Project-$60,000. **Diamond Policy and Management (PDAP)[22]-** $992,731; **Diamond Policy and Management Project (DIPAM)[23]-** $1,273,801. These agreements implemented parts of the same program. The PDA agreement was focused on supporting the establishment of the Kono Peace Diamond Alliance, which was expected to demonstrate that the alluvial diamond industry can maximize benefits to local miners/diggers and their communities, minimize corruption, mobilize local surveillance and mines monitoring, and convert consumer awareness around conflict diamonds into reconstruction of the war-devastated diamond area of Kono.[24] DIPAM had a similar purpose and worked at the policy reform level.

2004 – 2007: Integrated Diamond Management Program (IDMP).[25] Initially seen as a two-year $2 million pilot project, it has since been extended and is now scheduled to end December 2007 with a total budget of $2.9 million. It is a continuation of the 2002-2004 programs. Its purpose is to "develop a pilot alluvial diamond mining tracking system grounded in providing better prices to miners and their laborers.[26]" A results framework and the current status of the IDMP is provided in Annex A.

Graph 3: USAID FUNDING for Diamond Programs



3. USAID DIAMOND PROGRAM EVALUATION

USAID/Sierra Leone commissioned an evaluation of its Diamond Program in Sierra Leone in order to:

[21] *Final Evaluation of the OTI Program in Sierra Leone*, p 19
[22] *Cooperative Agreement No. 636-A-00-03-00003*. Effective dates: 10/25/02 – 10/24/04. To avoid confusion with the PDA (Peace Diamond Alliance), the Peace Diamond Alliance Cooperative Agreement program will be referred to as PDAP in this Report.
[23] *Cooperative Agreement No. 636-A-00-03-00038*, Effective dates: 2/12/03 - 10/31/04
[24] *Cooperative Agreement No. 636-A-00-03-00038*, p 10
[25] *Cooperative Agreement No. 636-A-00-04-00217*. Effective date: 10/14/04
[26] *Cooperative Agreement No. 636-A-00-03-000217*, p B-3.

- Ascertain the effectiveness of past and current USAID Diamond Sector Interventions, focusing on those undertaken since 2004;
- Draw on lessons learned and best practices to date; and
- Reflect on weaknesses and failure to inform a future diamond program design.

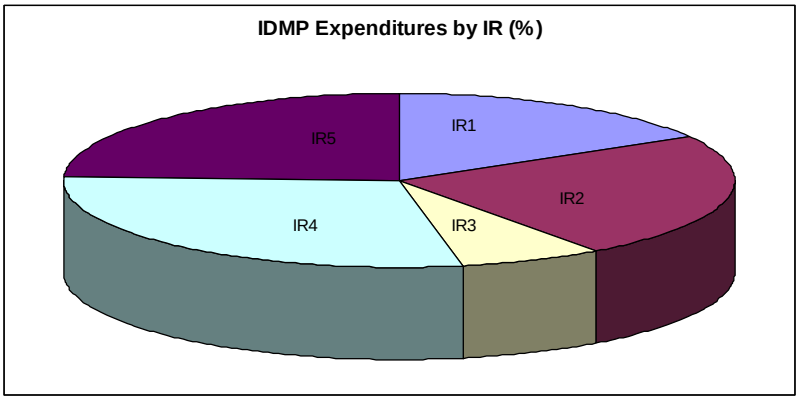
The evaluation was undertaken in Sierra Leone in May 2007 by an independent team of experts in the mining sector and democracy and governance fields. The evaluation team conducted extensive interviews both within Freetown and the diamondiferous districts of Kono and Kenema. These included government officials, donors and their implementing partners, private sector actors, traditional leaders, civil society representatives, miners, diggers and community members. Interviews were also conducted in Washington, DC and via telephone or email with programmatic actors abroad. The complete list of persons interviewed is in Annex B.

The team also conducted an extensive review of existing documentation (Annex D) and site visits to artisanal mines, industrial kimberlite mines and small scale mining activities. It observed small stone training being conducted by IDMP as well as the buying and selling of diamonds. Methodology for the evaluation is in Annex C.

As the main focus of the evaluation is the activities undertaken under the current IDMP agreement, the evaluation focused on the achievement of its Strategic Objective: *Sierra Leone diamond trade contributes positively to peace and development* and this evaluation report is structured according to its intermediate results (IR):

- IR1: Improved GOSL diamond management systems and incentives to use them effectively;
- IR2: Active civil society supporting improved public and private diamond management;
- IR3: Private sector diamond businesses that are more transparent, competitive and responsive to community needs;
- IR4: Improved community diamond management systems and incentives to use them effectively; and
- IR5: Improved enabling environment for improved diamond management.

Graph 4: IDMP EXPENDITURE BY Intermediate Results



IR1	$467,637
IR2	$659,572
IR3	$196,490
IR4	$812,404
IR5	$686,964
Total	**$2, 823,067**

SECTION 2: PROGRAM ACTIVITIES AND RESULTS

The purpose of the IDMP was to develop a pilot integrated finance and alluvial diamond mining tracking system grounded in providing better prices to miners and laborers. According to the IDMP, this approach recognized the multi-faceted nature of the problem; was community based; included a proactive government; and addressed business practices and incentive structures and the entire production and marketing chain. It was a direct continuation of the programs started under earlier Cooperative Agreements with USAID (DIPAM/PDAP) and OTI.

According to the Cooperative Agreement, IDMP intended to increase prices for miners' production at the first point of sale (90% of price in Antwerp) by establishing an Earth to Export scheme and by introducing a credit scheme financed by reputable diamond firms in cooperative production. This was to be done in conjunction with its continuing work on the Peace Diamond Alliance. In addition, the program was to continue its policy reform work, and monitor use of the DACDF.

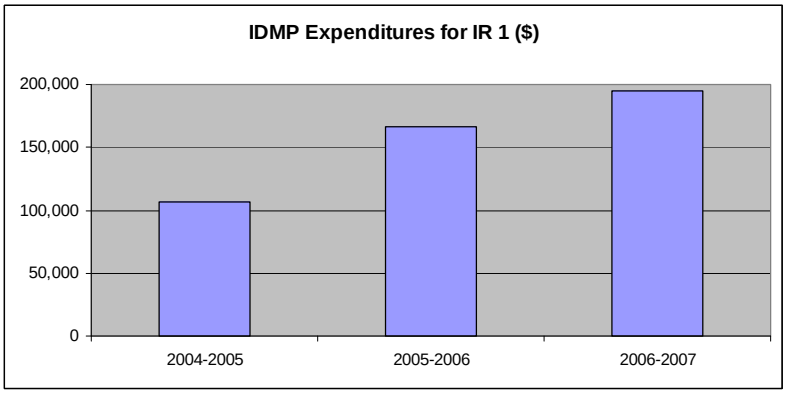
2.1 INTERMEDIATE RESULT 1: IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

Activities: Under IR1, the IDMP served as the Technical Secretariat for a High Level Steering Committee (HLSC) on diamond management systems and policy. The HLSC was established in May 2003 as a sub-committee of the Development Partnership Committee (DEPAC)[27] in response to concerns raised by the US Ambassador over project reports that cited the levels of illegal diamond exports at $350 million to $400 million. The HLSC met bi-monthly for 2004 and 2005, successfully addressing some potentially destabilizing issues such as the adoption of a retroactive tax on exporters by the National Revenue Authority (NRA) and accountability issues such as a cabinet decision to turn the implementation of projects funded by the DACDF to the National Commission for Social Action (NCSA) instead of through the local communities.

The HLSC was provided with solid technical information provided by the Technical Secretariat. In addition, the Technical Secretariat, which included experts from DFID and others, developed a detailed implementation plan for the Core Mineral Policy, which provided the framework to regularize operations in the diamond sector and distribution of the DACDF through elected district councils instead of directly back to the chiefs. The Technical Secretariat last met in February 2007.

[27] The coordination mechanism for all international assistance including DDR during the UNAMSIL peacekeeping operations.

Graph 5: IDMP Expenditures for IR1



Also undertaken under this IR were efforts to establish a Public Information Unit (PIU) in the MMR to disseminate factual information on the diamond sector. A line item for the PIU was created within the national budget, and the terms of reference for the PIU were developed by the IDMP. But work on its establishment stopped in 2006 after IDMP and the MMR disagreed over the process for its establishment. IDMP intended to hire a consultant to develop the PIU's terms of references and structures while the MMR wanted to use the Ministry of Information for this purpose and use the consulting fees for other things.

IDMP and DIPAM also collected and provided diamond trade data and analysis. This was provided in its quarterly reporting to USAID and to the HLSC. Among some of the specific studies undertaken by the diamond program was the study of the *Anti-Money Laundering Act, Mining the "Chaos" in Sierra Leone's Diamond Fields* (a study on artisanal mining) and a Credit Study. This last study provided the estimates used by the American Ambassador for the HLSC that 90% (or $350-$400 million) of the diamond production was smuggled out of the country every year.

IDMP provides a full time person[28] in Freetown for IR1 to serve on the Secretariat and to follow policy developments. He is assisted by the Chief of Party who represents the project for policy discussions and in international forums.

Findings: The areas targeted for USAID assistance (policy coordination, provision of technical assistance and increasing the information at the national level) were appropriate and warranted support. The HLSC proved to be an important mechanism early on, but differing expectations between government and the donors on its purpose and utility of the meeting led to gradual GOSL disengagement. Its last meeting was in October 2006. Political will to seriously address corruption and eliminate its links with cross-border smuggling and money laundering remains an issue and reinforces the need to restart these

Governance depends on how much money you have in your pocket. In Kono, the pocket is diamonds.
Government Official

Biggest governance problem is the lack of control over our resources. I fear for Kono.
Youth Leader

The power of the Paramount Chiefs remains the greatest threat because they continue to have power. Without their consent, the miner cannot get a mining site. The greatest illicit mining group is the Chiefs.
Program Associate

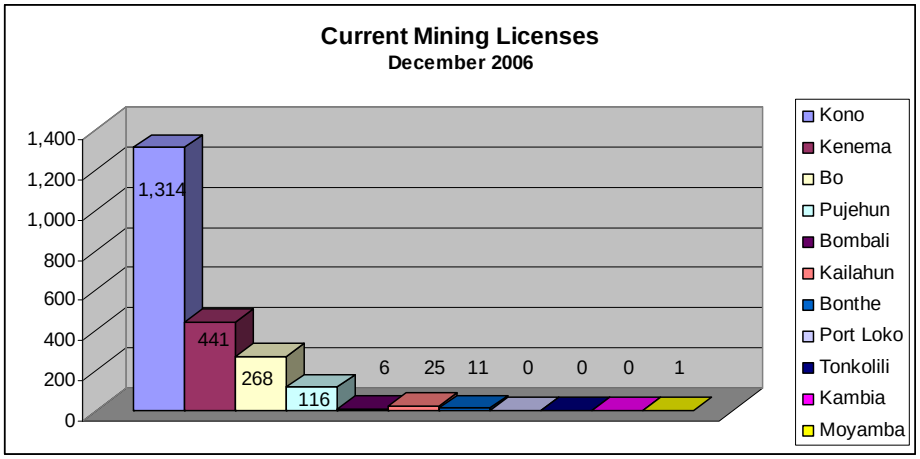
Chiefs are happy to issue licenses in worked out plots.
Corporate Miner

[28] This person was also responsible for aspects within the other IRs as well.

meetings. The Extractive Industry Transparency Initiative (EITI) project funded by DFID that is in the process of coming on line will have a high level committee but this committee will have a transparency purpose and broader membership, including civil society monitoring organizations and the mining industry, so it will not replace or duplicate the need for the HLSC as a donor and GOSL forum.

The donors found the HLSC meetings extremely useful, but most GOSL participants in the HLSC perceived the meetings as donor driven with a donor agenda focused on obtaining GOSL compliance or action. They felt in return, the donors provided very little in terms of international information (intel) or additional resources to help with the requested action. There were a few, however, including the Minister of Interior, who saw it as a useful venue to exchange information and develop strategies to address problems in the sector.

GRAPH 6: Current Mining Licenses



Another issue the HLSC could address is the issue of linking the DACDF allocations to the number of licenses issued. This is an incentive to issue more licenses, but it could mean that diamond-poor districts receive a disproportionate share if they issue many licenses but have poor production. A more fair way might be to factor production levels from each chiefdom into the equation, which would also serve as a disincentive to smuggling.

There is still a critical need for a systematic and wider distribution of information on the diamond mining sector and government policies at every level. The IDMP analysis of issues within the diamond sector provided useful background information for policy makers but the evaluation found others working in the field questioning the accuracy of some of their findings (in particular those related to the scope of illegal exports and artisanal workers).

The problems with the PIU also appeared to be related to differing perceptions and expectations between government and donors. MMR officials agreed with the need for the PIU, but they felt isolated from the process by which it was being

> *Problem is not information flow, it is greed.*
> MMR Official

established which they saw as donor-driven and not reflective of their concerns or ideas of how this should be accomplished. On the other hand, the donors (i.e. the diamond program) were focused on getting it established as quickly and efficiently as possible so they could benefit from its end-use (increased information flows).

Recommendations:

- The Technical Secretariat needs to become reactivated and continue to meet regularly on issues of diamond management and policy even in the absence of the HLSC. It should proactively engage the donors and the GOSL to resuscitate the HLSC and ensure coordination between the large scale assistance programs now coming into the sector (World Bank, DFID EITI).

- The HLSC concept needs to be updated and resuscitated as there is still a pressing need for donor and government collaboration and for the sharing of essential information on national diamond sector management and international issues such money laundering by organized crime through diamond trafficking. To ensure its effectiveness and longevity, GOSL buy-in and ownership of the meeting is essential. The meeting should not be reconstituted until there is a common consensus among donors and the GOSL on the purpose of the meeting and its terms of reference. This process should start with discussions with the more proactive and interested GOSL members of the HLSC on how it can be brought back and made more relevant to the GOSL side, so that the GOSL participants become invested in the process and it becomes a collaborative effort rather than donor-driven. The Technical Committee should also engage the GOSL members on the Committee on specific issues that require policy-level assistance so that the process to reconstitute the HLSC is grounded in demonstrated need. Ensuring coordination between government agencies on critical issues in the sector as well as with the donors is a good governance imperative, and the process of rejuvenation could be effectively used as a capacity building opportunity for the participants and their institutional systems.

- With the end of conflict and the return of a democratically elected government down to local levels, diamond management policies and systems have improved. But major governance and accountability issues remain that should be directly addressed by any future program. These include the lack of means for the MMR and others to enforce and implement mining regulations, the role and power of chiefs, land ownership and tenure, the lack of transparency throughout the mining sector and the continued imbalance in the incentive systems that make fighting illicit trade and corruption extremely difficult.

- The IDMP and the DFID projects should collectively engage the MMR on the outstanding issues that prevented the establishment of the PIU and find a mutually acceptable way to help the MMR with its creation. The process by which a government unit, such as a PIU, is created should also be approached as an opportunity to improve government systems and administration as well as a

means to improve governance through the end-use of its output (i.e.: information). MMR ownership of the process to establish the PIU is essential or the unit, if it is established, will not be used to its fullest potential. This process should start with direct discussions with the MMR on why donor-efforts to establish the PIU failed and what they think needs to be done to create such a unit. From there, the program can play a mentoring and facilitating role to help the MMR develop a realistic, and donor-acceptable, strategy for its creation and effective functioning and use. As with the HLSC, this process should be seen as an opportunity for capacity building and developing appropriate systems within public administration.

2.2 INTERMEDIATE RESULT 2: ACTIVE CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE DIAMOND MANAGEMENT

Activities: The diamond program under IR2 worked to increase civil society oversight and advocacy for improved diamond management systems. Very early on, the program acted as a catalyst to bring together, and enable a coalition of Civil Society Organizations (CSOs), International Non Governmental Organizations (NGOs) with the MMR to inform communities on the new Core Mining Policies and use of the DACDF. This DACDF Coalition, now named the National Advocacy Coalition on Extractives (NACE), is still active in the sector.

In 2002, the DIPAM/PDAP program moved from assisting the DACDF Coalition to the creation of a new movement called the Peace Diamond Alliance (PDA). According to the Cooperative Agreements, the purpose of the PDA was to promote the diamond industry at the same time as helping to empower the communities to play a greater role in managing their diamond resources. It was intended to convert the diamond resources from a "source of war and desperation to the foundation for peace and prosperity."[29]

Although there were high hopes for the PDA, which was formally inaugurated in Kono by the President in December 2002, it became untenable once it moved from the concept of a coalition of civil society, government, donors and the industry meeting to coordinate efforts to improve diamond sector management, to one of establishing an institution to receive and manage donor funding (with the USAID program serving as its secretariat).

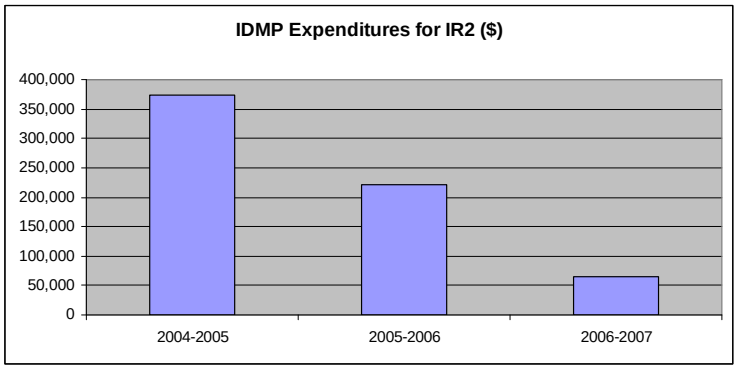
The PDA Coalition met annually with its last meeting in 2005. At the same time, the project helped establish a "PDA, Ltd." in Kono. This "PDA, Ltd" received institutional strengthening from IDMP and some funding through the World Bank for projects and trips to Ghana and Sri Lanka for some of its Executive Committee Members. In April 2004, the IDMP created a second "PDA" in Tongo Fields along the lines of the initial Kono PDA Coalition. This "PDA" is still in existence and meets when requested by IDMP. With IDMP funding, the Tongo Fields PDA was active early on in collective action to increase awareness on environmental issues and working to reduce illegal

[29] *Cooperative Agreement No. 636-A-00-03-00038*, Program Description, p. 10.

buying and under-age mining in their area. It also worked on a related program through the International Rescue Committee funded by the Department of Labor that contributed to the reduction of child diggers and girl prostitutes associated with mining operations.

A continuing part of IR2 is small stone training (SST) which IDMP started in 2004 as a means to empower diggers. Still using the PDA label, this training is accompanied by widespread community meetings on broader issues in the sector, such as use of the DACDF, illegal mining and child labor. By 2007 over 600 persons a year were receiving SST, about 10% of these women.

Graph 7: IDMP EXPENDITURE for IR2



The main office of the IDMP project is in Kono and it has a sub-office in Tongo Fields. Until recently, both used the PDA name and logo to identify their offices and work. They now both use IDMP branding. Each office has a staff with community outreach officers/trainers. The IDMP Deputy COP is located in Kono with the COP dividing his time between the offices in Kono and Freetown. (A Management Chart of IDMP staffing is in Annex E.)

Findings: The program contributed to: 1) informed civil society activism in the mining sector, most notably by assisting the DACDF Coalition early on; 2) increased government and traditional leader receptivity to civil society inputs through sensitizing activities, and 3) improved accountability for and the more appropriate use of DACDF funds. However, the sheer number of donors and programs working in community awareness, empowerment and democracy and governance makes attribution of these results to any one program impossible.

GRAPH 8: DACDF Distribution by District

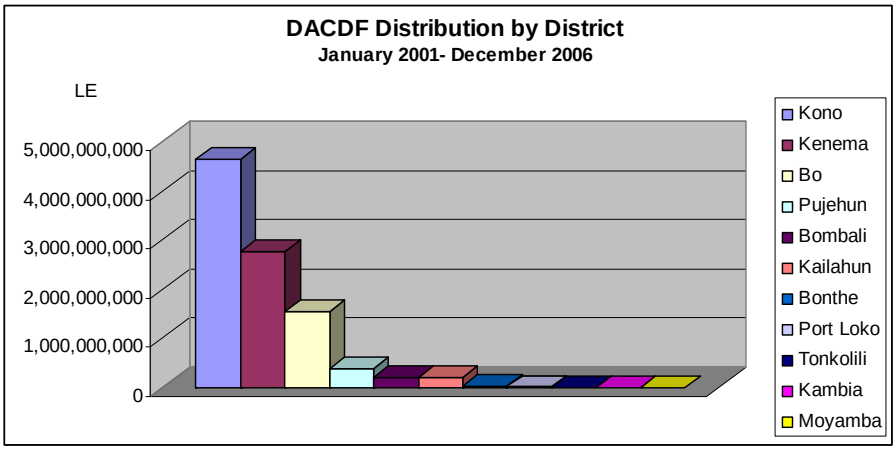


Chart Source: MMR Statistics.

CSO monitoring of the DACDF, most notably in the program's initial years of operation, resulted in direct improvements of its operation. According to DIPAM, 60% of the first tranche of DACDF funds disappeared while 90% of the funds were accounted for by the third tranche (2002).[30] The DACDF Coalition also started a grading system for chiefdoms on the use of the funds and their active community sensitization programs encouraged community members, including women, to question traditional leaders about the use of the funds and their prioritization. Annex F provides a list of specific examples of the use of the funds.

The decision to abandon the DACDF Coalition and create a "PDA Ltd" in its stead was questionable as was its implementation. The "PDA Ltd" never really functioned as an institution[31] and defined its legal relationship with IDMP on the basis of a workshop report that described a division of responsibilities between the two. The PDA Chairman met with the evaluation team and demanded to know where the funds raised under the PDA name had gone (both from USAID and the World Bank) and complained of having no say in the hiring or operation of the PDA's "secretariat" (the IDMP program). At the same time, the project's strategy to "project the Alliance as a winner"[32] through use of the PDA label for most of its USAID-funded activities[33] and its active marketing in international forums, created and maintained the illusion of an actively functioning indigenous Peace Diamond Alliance which did not exist.

Roman Catholic Primary School, Konjo, Bonya Section, Lower Bambura, under constructed with DACDF funds.

Photo- IDMP first quarterly report 2004

IDMP/DIPAM/PDAP worked with a large number of CSOs but over time tended to favor certain individuals within them, thus the strengthening tended to be individual rather than institutional. The program made a concerted effort to include women's organizations on the PDA, most notably in Tongo Fields where three were very active. The leaders of these groups were quite impressive and had made notable accomplishments. For example, SINAVA rehabilitated 20 acres of worked out mining land where it is growing rice for sale. PDA Executive Committee and IDMP helped its lobbying efforts so SINAVA was able to obtain title to the land. These women were also at the forefront of the PDA's programs to combat illicit and child mining in Tongo. They,

> *PDA opened our eyes. We didn't know about diamonds before. They trained us to value diamonds and the international visits were good. But people are more interested in farming. Diamonds are not forever.*
>
> Women's Organization

[30] *Cooperative Agreement No.636-A-00-04-00217-00*, p B-7

[31] PDA Ltd did not appear to get beyond the stage of squabbling individuals and members fighting with IDMP over resources they believed were given in their name.

[32] *DIPAM, Third Semi-Annual Report*, p 3

[33] This included activities for cooperatives, where investors and cooperatives signed contracts with a "Peace Diamond Alliance" (represented by the Executive Director), and where MSI's contractual role was technical assistance and ensuring accountability over use of the funds by the PDA, but in reality directly administered the program

and the rest of the PDA, said sensitizing required funding[34] and told the evaluation team they were looking for a new issue that would get funding for their PDA. These women's organizations also received training on their rights and how to organize through a World Vision program funded by USAID.

The small stones trainings exceeded their targets and are widely popular but did not target "diggers" as described in the project documentation. The primary beneficiaries of the first-come, first-serve, literate-only-classes are potential intermediaries in the diamond chain (buyers/sellers) or MMO hopefuls. Ten percent of the SST students are reported to be women who attend the training to "protect their husband's interests."[35] Half of IDMP's eight trainers are women. The two women in the class (of 20) visited by the evaluation said they were housewives who wanted to become buyers. Most of the men (14) said they wanted to become MMOs. Training provided a sense of empowerment to its participants but its lack of targeting limited its potential impact and made no difference in the price of diamonds for buyers.

A two-week training held by the diamond program in 2001 for MMOs was found to have made a lasting impact. MMOs still spoke of it having provided them with a sense of purpose and professionalism. This targeted training was followed up by the delivery of motorcycles and radios to help enable them to do their job.[36] If the program had followed up with these MMOs (and with training to other MMR officials in the field) this could have made a significant difference in the management of the sector at the local levels.[37]

Recommendations:

- The concept of the Peace Diamond Alliance needs to be revisited to determine if there is still a purpose for its existence, and if so, its legal basis, structures and objectives. The idea of creating a new institution, rather than strengthening a coalition, should not be pursued.

- Training and capacity building remains a critical need at every level, but with limited resources, future training needs to be targeted directly where it could make the most impact on program results. Among the critical needs are in-service training for MMOs and MMR officials, training in modern environmentally friendly small scale mining techniques and corporate responsibilities vis-à-vis the government and surrounding communities. Training needs to be institutionally grounded and the evaluation concurs with the intention of the 2007 IDMP

[34] According to the Tongo PDA, sensitizing through community meetings requires funding for transport as well as food for attendees as "they come for food and won't come without it."
[35] SST Trainer.
[36] After 6 years of hard service, most of these motorcycles and radios are now beyond repair.
[37] For example, several MMOs who had received training, successfully used some of the skills and equipment provided by the program to coordinate the seizure of $550,000 worth of illegally purchased diamonds. They split the reward (40% of the value of the seized stones) with the participating police officers and see the rewards system as a useful incentive for inter-agency cooperation.

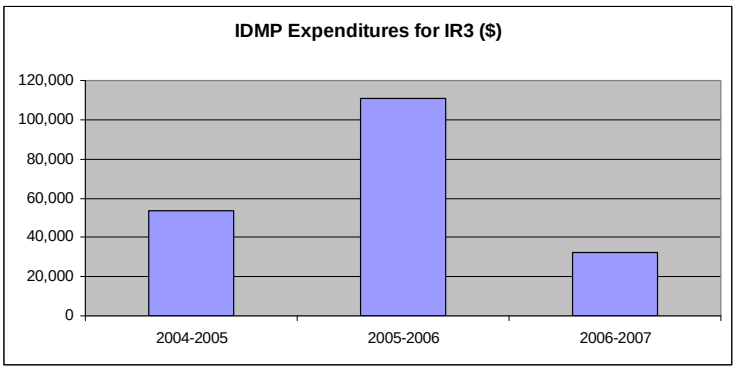
workplan to institutionalize training in an existing institution. Developing an existing institution to serve as a permanent center for mining policy/research and training should be explored.

- Future support to civil society efforts should be provided through existing mechanisms, such as NACE, that have proven track records and institutional and programmatic sustainability.

2.3 INTERMEDIATE RESULT 3: PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE AND RESPONSIVE TO COMMUNITY INTERESTS

Activities: According to the Program Description, the main purpose of IR3 was to attract reputable businesses to participate in the IDMP program and to decrease the amount of illegal mining in the Tongo Fields area. The activities regarding international investment in the cooperative scheme are discussed in IR4. As the cooperative scheme was not pursued after 2005, IR3 activities in subsequent years focused on increasing corporate responsibility, including better environmental practices.

Graph 9: IDMP EXPENDITURE for IR3



As discussed in IR2, the program was active in Tongo Fields where the number of illegal buyers was perceived as a security threat in 2004. The program spearheaded an awareness program through the use of the Tongo Fields PDA. Chiefs were informed on the incentive value of licensed mining (DACDF) and subsequent awareness programs targeted issues such as child mining and child prostitution.

In both Kono and Tongo Fields, the program worked to improve relations between the growing presence of mining companies and communities. Four large companies are currently in the program areas (Koidu Holdings, Target Resources, SLDC and Crown Mining). The situation in Kono is more tense than in Tongo Fields where some community members have had to be relocated because they were in the blasting area of the Koidu mine.

The project implemented IR3 activities through its field offices in Tongo Fields and Kono, and through its US-based Technical Advisor who was responsible for attracting businesses to the cooperative scheme.

Findings: Findings for the cooperative scheme are discussed in IR4. For the other IR3 activities, significant improvements have been made in the private sector since the start

of the program in 1999. Most of these are directly attributable to the return of state control over the industry and the Kimberley Process. The diamond program contributed to this process throughout all of its activities. In addition, as discussed in IR1, the program consistently reported on industry trends, exports, and industrial mining operations which provided a useful tool for policy makers for both monitoring the private mining sector and making policy adjustments.

Photo: Diamond Dealers Home, Kono

The trade in conflict diamonds in Sierra Leone has ended, but much remains to be done in terms of improving corporate responsibility and responsiveness. There is still a lingering attitude among the MMR and GOSL that they need to make concessions to the large international mining firms or they won't come to Sierra Leone. One contract, currently under review by the Law Reform Commission actually states that in case of a contractual conflict with Sierra Leonean legislation, the national law is invalid.[38] However, the international market, and Sierra Leone has changed and it is important that the Government of Sierra Leone negotiate from a position of strength. In fact, there is currently a crisis in the international mining industry caused by three fundamental factors:

- Lack of exploration over the last years has involved the scarcity of mining reserves;
- Lack of investment in mining technologies and equipment has resulted in the incapacity to open new mines quickly; and
- Lack of education and training has resulted in a scarcity of mining engineers and geologists.

Photo: Remains of Destruction in Kono

In addition, international regulations in the mining sector[39] help ensure that large international mining companies are more respectful of the interests of the countries in which they work. The artisanal mining sector in Sierra Leone is also changing and moving towards small scale mechanized mining. Thus issues such as corporate social responsibility, decent work standards, and attention to environmental impact of mining operations are growing in importance.

Recommendations:

- Empower the MMR and GOSL by improving their basic knowledge and information on world markets, mining trends, leadership and negotiation skills so they can make the best decisions and negotiate effectively with the larger international mining firms.

[38] Interview with the Chairman of the Law Reform Commission.
[39] Such as 43-101 Rules, Valmin Code, JORC, PDAC code of conduct, labor and environmental standards and codes.

- Future programs follow the evolution of the mining sector in Sierra Leone which is away from manual artisanal mines to small scale mechanized mining and help smooth the transition for the excess labor force. This should be seen as an opportunity to get more diggers into the formal sector where they can then access the benefits this sector can provide.
- Future programs should work with existing organizations in this transition, in particular the Mine Workers Union which is concerned with basic workers rights which is starting to make headway in organizing the artisanal mining sector, as well as with women's organizations and organizations representing other underrepresented groups.
- Environmental protection should be a cross-cutting issue for future programs. Raising awareness of the damage caused by artisanal mining and the need to rehabilitate mining sites should be incorporated throughout all programmatic activities and policy dialogue.

2.4 INTERMEDIATE RESULT 4: IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

Activities: IR4 activities focused on the creation of the Cooperative Scheme for diamond production. This involved establishing an "Earth to Export Tracking System", developing buying and finance schemes and improving cooperative artisanal mining procedures. The process was monitored through a sub-contract with Global Witness.

The Earth to Expert scheme intended to increase prices for miners' production at the first point of sale (90% of price in Antwerp) by recruiting reputable buyers, establishing an external verification system through Global Witness, ensuring secure storage for purchases, facilitating GOSL export certification by providing evidence of origin of stone, and facilitating fair trade marketing through rigor in scheme and NGO endorsement.

The Alluvial Mining Financing Scheme was aimed at reducing the indebtedness of miners to their supporters. The original concept was a donor-funded revolving loan fund administered by a commercial bank. USAID required an environmental assessment of the potential impact of the credit scheme before IDMP could loan money. Although almost $600,000 was reserved for that purpose in the IDMP Cooperative Agreement, the scheme was never implemented because the Programmatic Environmental Assessment (2005) concluded that the credit program was not a workable tool as " *the condition for the credit model proposed by PDA is not ripe… and the overall impact of the program will be negligible."*

The program was supposed to have started in December 2003, but delays in the environmental assessment led IDMP to develop a direct financing scheme where reputable diamond firms would provide seed capital and purchase the diamonds produced based on prices "at least as high" as those set by GOSL export valuation.[40]

[40] IDMP *Cooperative Agreement*, p B-13

This buying scheme was intended to increase prices for miners at the first point of sale by eliminating middlemen. The diamonds were to be sold via transparent open market tenders, with investor profits limited to a fixed commission. Tender sales results were to be reported back to the diggers and excess profits were to be repatriated to the cooperatives. IDMP was to serve as local facilitator with the private sector paying for support services after two years.

Twenty-five cooperatives were registered and direct financing was found for five in 2005 (Rapaport Group which invested $55,000 in four cooperatives and Kono's Hope which also invested $55,000 in one coop and 2 small enterprises). Cooperatives opened accounts in Rokel Bank and Global Witness monitored the process, although it started late due to contracting issues. Results of production were disappointing. The diamonds found in the four cooperatives financed by Rapaport had an estimated export value of only $2,800.[41]

Improving artisanal mining techniques and reducing environmental degradation was to be part of the cooperative program and a SMARTER (Sustainable Mining by Artisanal Miners) model was developed through a sub-contract to CEMMATS. SMARTER was to be field tested in the cooperatives, but was developed after their mining activities ended also due to prolonged contracting issues. IDMP did some subsequent training on SMARTER in 2006 and anticipates providing this training to the best graduates of the SST.

Findings: The cooperative scheme was fraught with problems- both in terms of conceptualization and implementation. The concept behind cooperatives was to change the buying scheme to reduce the number of intermediaries, however, in order to convince diggers and miners to buy into the new buying scheme it was necessary to ensure them that the new scheme would be more secure than their former one. Since this was not achieved, the cooperatives treated the funds provided as a gift and did not necessarily use them to improve their production capacity. When the cooperatives did not succeed, and further external financing was not forthcoming, the diggers and miners abandoned them – some returning to agriculture, and artisanal diamond activity reverted to previous practices.

> *Cooperatives succeeded...they were organized, mined, produced and sold.*
> IDMP Associate
>
> *The ultimate test of the project's worth is whether artisanal miners were able to find and sell diamonds… the program was not successful in passing that test.*
> Investor

The concept to sell diamonds directly to overseas buyers, through the channel of foreign investors was sound, but since the cooperatives did not produce enough diamonds to recover the investment this component did not succeed. Investors found the amount initially offered by IDMP unrealistically low "even for the most benevolent of investors."[42] In addition, the buying scheme depended on the finance scheme, which also proved not to be viable, since banks do not extend credit to workers in the alluvial

[41] IDMP, *Forth Quarterly Report*, October 2005 p 7
[42] Comment made by investor. Entire quote was "even for the most benevolent of investors which we were."

diamond sector considering the risks too high. From evaluation interviews with bankers and dealers, it is clear that traditional donor guarantees or insurance coverage mechanisms are not enough to change this perception of risk. Nevertheless, some individuals interviewed during the evaluation believe the failure of the pilot was not the concept of the cooperative scheme itself, but rather the challenges and constraints encountered in the context of Sierra Leone as well as faulty implementation.

Implementation problems were numerous. Land allocated was allegedly diamond poor. Site selection and production was done without geological surveys or feasibility studies. Securing funding from direct investors took more time than anticipated yet the promise of investor funding lured some individuals and cooperatives away from agriculture and into mining. IDMP staff did not oversee field activities and lacked technical expertise in alluvial diamond mining.

The external monitoring conducted by Global Witness fulfilled the program's requirements for "monitoring of the systems to control production" and provided useful information and insight on the progress of the cooperative scheme. But although these types of periodic assessments are useful from a project management perspective, they are not sufficient to be able to adequately monitor compliance or deter smuggling which requires a more active presence.

The program successfully negotiate a special type of exporting regime with the MMR for the cooperative pilot that allowed the cooperatives to function without the $40,000 export license fee providing they paid 5% of export value and exported directly. One long term outcome of the program was that the MMR authorized the issuing of mining licenses to registered cooperatives. Previously, only registered companies could hold mining rights. [43]

Recommendations: Future programming to improve community diamond management should focus on improving information flows and capacity building using existing formal, informal, and traditional structures and organizations. Future programs should consider the establishment of a "Mining Information and Training Center" in Koidu in an existing institution to ensure sustainability. This Center would have:

- The capacity to train alluvial miners and mining companies' workers (including the diamond valuation training and SMARTER program);
- An information center accessible to miners and workers; and
- An independent valuation bureau, using the independent valuator in Koidu, to help miners to evaluate their finds.

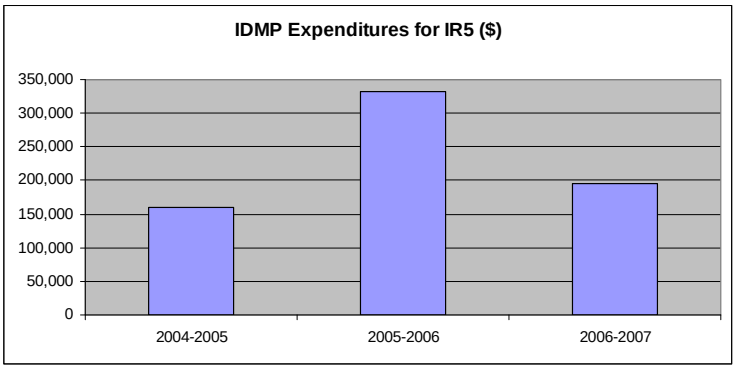
The evaluation team does not recommend the continuation of further investment in diamond cooperatives by this program.

[43] IDMP, *Sixth Quarterly Report*, March 2006 p 10

2.5 INTERMEDIATE RESULT 5: IMPROVED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

Activities: IR5 activities were intended to provide an enabling environment for activities in the first four IRs of the program. A lot of attention was placed on monitoring the disbursements of the DACDF. Initially, the program worked through the DACDF Coalition, giving subgrants to Catholic Relief Services (CRS) and Talking Drum Studios (Search for Common Ground) in 2002-2003 for advocacy and community awareness building. A nine-day monitoring visit was conducted in February 2003 and after the program moved away from the DACDF Coalition, it turned to holding workshops on its use, on a more or less annual basis, followed up by site verification visits.

Graph 10: IDMP EXPENDITURE for IR5



The program also used its position as Technical Secretariat to raise issues of DACDF use with the HLSC which also focused much of its attention on the administration of this fund.

Another main activity under IR5 was to raise national awareness of diamond policy and management which it did through the grants to CRS/Talking Drums, radio shows, community meetings and other venues. It also raised international awareness of diamond issues in Sierra Leone through its attendance at international meetings and at Kimberley Certification Process meetings.

Findings: The enabling environment improved dramatically since program activities started in 1999. The principal factors for this improvement were the end of the war, the return of GOSL control over its diamond mining sector, the restoration of democratically elected government across Sierra Leone and the Kimberley Process. The program helped improve these diamond policies through its IR1 activities. Enabling legislation and regulation still remain an issue as does enforcement of the improved diamond policies and regulations. MMR lacks the capacity and means to cover diamond producing areas and the cash and carry nature of unlicensed artisanal mining along with porous borders easily enables illicit dealers to purchase and smuggle diamonds into international money laundering networks. Outside of the KPC process and attending international conferences and perhaps a few policy discussions, the program did not address issues of regional harmonization of laws and policies within the Mano River Basin or how to collectively address the cross-border trafficking of illicit stones. Efforts in this regard were initiated by UNDP and International Alert in Liberia ("Diamonds for Development") in a large international conference in 2006 which IDMP attended. The evaluation agrees with the two sub-regional activities proposed in its last work plan

(May 2007) that includes participation in the Diamonds for Development program and linking CSOs within the MRU.

DIPAM/PDAP/IDMP made an effort to increase women's participation by including a few women's organizations in some activities, encouraging women to attend its small stones training course and community meetings, and using female trainers. But it did not address the broader issues constraining the participation of women. Some of these barriers are substantial, such as the right to own property. The program also only marginally approached enabling environment issues related to the rights and responsibilities of diggers and miners- such as updating labor laws, worker protection, the prevention of child labor and violence against women and children by miners.

The DACDF was a focus for the USAID diamond program activities. As discussed in IR2, over the years, monitoring of the fund by the program and others directly resulted in the improvement of its administration. The biggest improvement came from the policy decision that their distribution had to go through the elected district councils to ensure better accountability over the receipt and use of the funds. Some district councils are now requiring chiefdoms to submit proposals before they are given funding which forces them, for the first time, to justify use of the funds. The decision to allocate 20% of the funds for district councils also increases formal government control over the use of these government resources. As there were many organizations involved in efforts to improve the DACDF process, the value added by the program (beyond being instrumental in the creation of the DACDF Coalition) was its connection with the HLSC as Technical Secretariat and its ability to raise accountability and management issues with policy makers and donors.

Photo: Lower Bambura Community Center Financed by DACDF
Source: MSI Briefing Power Point 2003

Recommendations:

- The program achieved its objective of ensuring a percentage of the funds generated by the export of diamonds are returned to the diamond producing communities and the DACDF process has become firmly institutionalized. Monitoring and improving the DACDF systems and use of the Fund should now be handled by existing CSOs monitoring mechanisms and by donor programs that focus on improving public administration and accountability (decentralization, good governance) and the effective end use of the fund (integrated rural development).

- Gender be mainstreamed into future program activities. In coordination with the women's organizations already working with the program, contacts should be made with the Ministry of Women and Gender to identify critical constraints and issues that the program can address in its policy and grass-roots level activities

to empower women in areas related to mining. In addition, the program should target wives of diggers as agents of change that can encourage male family members to enter the formal system of income generation rather than continue subsistence artisanal mining with the hope of maybe one day a big win.

- The program should become actively involved in the efforts to harmonize sub-regional policies and regulations in the diamond sector. Its position as Technical Secretariat of the HLSC places it in a unique position to assist the GOSL in these endeavors as well as help ensure the application of the new policies and structures in the border districts of Kono and Kenema where it currently implements activities. Some of the issues that need to be addressed include harmonizing policy and legislation/regulations (on issues such as licensing, land use and mining, taxation, labor and environmental protection); and related cross-border issues such as smuggling, illegal population movements and environmental damage. In addition, the current IDMP program is well-placed to provide the linkages between CSOs involved in the diamond sector as described in its May 2007 workplan, however the evaluation recommends that the CSOs from Sierra Leone that it links are actively functioning watchdog organizations, such as NACE, and that it also consider exploring linkages with subregional professional organizations such as mining unions and associations.

- The program should assist the EITI initiative. EITI can be expected to make significant improvements in the enabling environment for program activities along with the World Bank program for a comprehensive and integrated program in the mineral sector. EITI criteria include regular publication of all mining payments to government (including state-owned enterprises), audits and reconciliation of revenues and payments, with the active participation and monitoring by civil society. EITI is expected to start with rutile and bauxite mining which are undertaken by large companies and whose license payments are an important source of revenue. Expanding EITI to the small-scale artisanal nature of diamond mining will be challenging and is an area which should be assisted by the IDMP program. The program can also help ensure that transparency measures required under EITI are extended to the DACDF. This should remove a lot of the discretionary power and use over the funds at the chiefdom level.

SECTION 3: PROGRAM DESIGN AND IMPLEMENTATION ISSUES

3.1 PROGRAM DESIGN

The program was initially designed during the peacekeeping operations in Sierra Leone and when the country was in great flux. Immediate concerns of donors were to stem the flow of conflict diamonds, finding employment for the large numbers of ex-combatants

and the reintegration of returnees back into their communities. This focus on peace and security has only recently been replaced by a focus on development goals.

The approach used consistently throughout the program was to develop an integrated program to work with government and civil society to improve their capacity to manage diamond resources and increase their incentives to do so.[44] This started with policy reform to reduce the incentives for smuggling and improve business practices and included grassroots work with artisanal mining once these areas became accessible. The project was to provide the link between the grass roots and key policy makers. When the diamondiferous areas opened after the war, the project design added the concept of the PDA and starting community-based mining in order to increase digger and community income.

Some of the program assumptions included: 90% of the diamond production (2002) was exported illegally (with a value of between $350,000,000 and $400,000,000) and the value of illicit trade would increase significantly in the next few years due to the rapid increase in mining activity; miners were in "debt bondage" and wanted to change from the traditional supporter system to a cooperative approach where their winnings and losses were shared by all; the mining and digging population was 200,000 – 400,000 men aged 15-30 which was the group most likely to resort to violence if left unattended; access to credit was a significant problem and the formal banking systems were not used for the vast majority of transactions.[45] It also assumed the only way miners could improve their economic welfare was to improve their production, so they focused on access to credit and increasing diamond production.

Findings: The approach of linking the policy levels to community levels through the program's service as the HLSC Technical Secretariat and through their community outreach was effective and provided tangible results as detailed in the IR discussions. The community-based mining strategy and the PDA institutional focus proved not to be effective and resulted in a narrow focus that isolated the program from other donor/CSO programs in the sector as the project progressed.

The evaluation team found, that as Sierra Leone returned to peace and its pre-war traditions of mining, several of the program's underlying assumptions proved to be unfounded and that some of its concepts were not grounded in diamond mining expertise. For example, interviews with diggers and others involved in the diamond sector and the comparison between the distribution in kimberlite and alluvial diamonds, indicate that smuggling is not as high as estimated, and as reserves in alluvial diamonds are declining, alluvial mining activity is decreasing. Many diggers expressed preference for the traditional supporter system rather than entering into a collective system saying it gave them food to eat while allowing them to keep working for a big win that they would not have to share. Others preferred the steady work of corporate mining which paid them daily wages and benefits, while others were ready to return to agriculture.

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[44] *Cooperative Agreement No. 636-A-00-03-00003, Program Description*, p 10, 2002
[45] MSI, *Integrated Diamond Management in Sierra Leone: A Two-Year Pilot Project*, 2004 p 7

Diamonds are a nonrenewable resource. The design did not factor in the worked-out nature of the diamondiferous areas and the fact that declining reserves could not support the massive increase in workers who went into artisanal mining in the immediate post-war period. Many of these have already returned to agriculture or other income generating activities and the number of artisanal miners is currently estimated at 100,000 to 200,000[46].

Follow-on programs continued the same activities even though conditions were changing and some of their approaches were questioned by others. As an example, DIPAM reports in 2003 note "skepticism in USAID/Conakry remains as to the feasibility of the program and its appropriateness to the Missions strategy"[47] and DFID's "failure to fund mutually agreed-upon activities."[48]

3.2 IMPLEMENTATION ISSUES

The program worked diligently to implement the activities described in its Program Descriptions and work plans. It produced a wealth of reports and studies which are still used. Implementation of this program in a country with destroyed infrastructure and a dearth of human resources was extremely challenging, but the program benefited from the dedication and resourcefulness of its staff.

Some of the major issues found relating to implementation included:

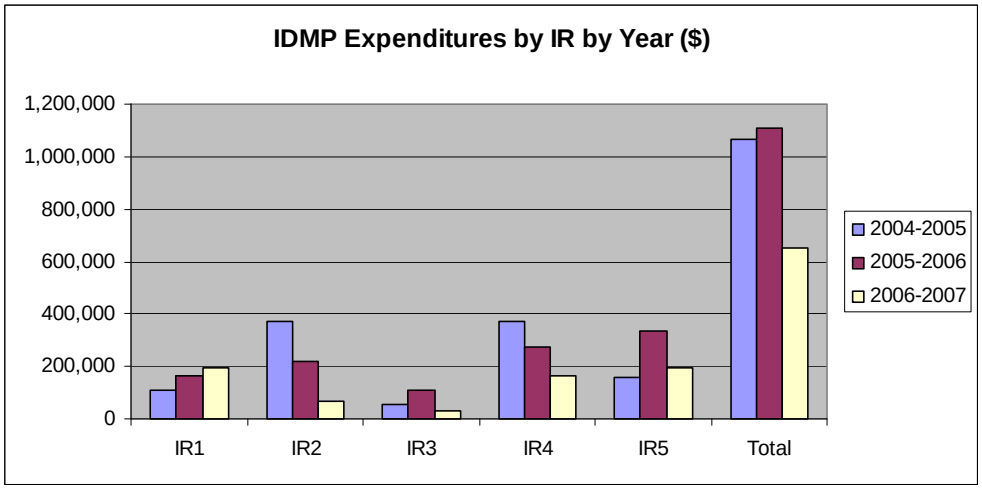
- Increasing isolation of the program and its activities with other donor programs and civil society efforts after 2003.[49] Its inward focus on the management of its PDA/cooperative programs served to distance itself from the work of others active in the sector.
- Lack of diamond mining expertise. It is unusual to see a program that assists artisanal miners in a venture such as cooperatives that does not have a geologist to valuate the potential and the reserves of the selected sites, and a small scale mining engineer to plan and organize the process of alluvial exploitation.
- The lack of a legal relationship between PDA and MSI. The PDA became a legal entity so that it could receive and manage funds and ensure sustainability for program activities (although it is questionable why it was registered as a for-profit). But MSI never formalized its relationship with PDA even though it raised funds and implemented programs in its name. The difference between IDMP's packaging of the PDA concept and the reality of program implementation led to

[46] *Diamond Industry Annual Review, Sierra Leone 2006,* p 4 This figure was also used in the CEMMATS study previous cited.
[47] DIPAM, *First Semi-Annual Report*, April 2003 p 5.
[48] DIPAM, *Second Semi-Annual Report*, October 2003 p 2. Activities were to be institutional improvements to MOCKY and Alluvial Diamond and gold Miners' Association of Kono.
[49] With the exception of its work with the HLSC and other national level policy initiatives.

bitter feelings and power struggles among some PDA Ltd members as they tried to get what they thought was legally theirs.

- Piece-meal implementation of the program through a series of agreements and amendments meant a lot of project energy was expended in developing new proposals and waiting for official confirmation of continued funding. This had a detrimental impact on staff morale and on program implementation and results. For example, the SMARTER mining scheme was to run concurrently with the cooperative process, but authorization to implement the contract was delayed and the process was completed only after mining had ended.
- Lack of appropriate delegation of responsibility to in-country staff. The program started during the conflict and was covered out of MSI's Washington-based headquarters. Although an office was opened in Freetown in late 2002, major decisions and planning continued to be done by a non-resident technical advisor and program manager. Even local finances today are handled off-shore. The project finance officers in country had no idea of the budgets for programs or administration.
- The program tracked activities by IR but did not its expenditures which makes a cost-benefit analysis of program components impossible. MSI estimated the amounts spent per IR for the evaluation and these are amounts used in the tables in this report.
- Lack of a consistent set of targets and indicators which made tracking of its actual performance difficult. Some of this was due to USAID changes in its reporting requirements, and some of this was due to weaknesses in the program's monitoring and evaluation design.

Graph 11: IDMP Expenditure by IR by Year



SECTION 4: CONCLUSIONS AND RECOMMENDATIONS

4.1 ACHIEVEMENT OF STRATEGIC OBJECTIVE: SIERRA LEONE DIAMOND TRADE CONTRIBUTES POSITIVELY TO PEACE AND PROSPERITY

The diamond program supported by USAID was an important contributor in the international process to help the GOSL regain control over its diamond mining sector and stem the flow of conflict diamonds. The Sierra Leone diamond trade contributes positively to peace and prosperity through its subsistence of large numbers of diggers, the return of some of the revenue generated back to the diamondiferous chiefdoms through the DACDF and through the incentive system that rewards the turning in of smugglers.

The USAID diamond sector program was designed during a time of conflict and uncertainty about the future of diamond mining in Sierra Leone. Its initial OTI work even included the RUF as the diamond fields of Kono were still under its control and the major concerns were stopping the tide of conflict diamonds and constructively occupying the large pool of potentially destabilizing ex-combatants. Through the hard work of this program and others, times have changed in Sierra Leone. As the country becomes increasingly stable, the focus is no longer on conflict diamonds but diamonds for development and finding sub-regional solutions for transnational problems such as smuggling.

The evaluation found that most of the diamond program's major accomplishments were made early on, and before the IDMP program started. These were considerable as noted in the individual IR sections. But by 2004, it was already clear that this program was on a different track than those of the other partners and donors in the sectors and that some of its basic assumptions and strategic choices were questionable. Yet, the program continued down the same track unabated.

Future assistance to the sector needs to be rethought and reformulated to reflect the critical needs of Sierra Leone for the next decade. The final work plan just developed by the project for its remaining eight months is focused on ensuring sustainability for some of the project outputs, such as SMARTER. The evaluation finds the focus of this work plan appropriate and a move back on track for the program.

4.2 RECOMMENDATIONS FOR FUTURE PROGRAMMING

- Continued assistance at the policy level and re-establishment of the HLSC as a dynamic tool for policy makers and donors. Among the issues the HLSC should take up is the need to strengthen the government's capacity for negotiation with international mining companies and interests, develop a strategic vision for the future of the mining sector, and revise the DACDF allocation formula so that it factors in actual production instead of just the number of licenses.

- Donors focus on professionalizing the mining sector rather than diamond production. A concept worth exploring is the establishment of a professional resource center for training for the mining sector using an existing institution that would include the full-time presence of an independent diamond valuator.

- Programs contribute to reducing the informal sector and moving workers towards the formal system. This is already occurring as a natural outcome of the shift from artisanal mining to small scale mechanized mining. For example, programs should encourage excess workers towards alternative livelihoods and other viable income generating activities such as agriculture.

- Programs mainstream gender and address the barriers to equal participation in the sector- in particular in the policy making arena and decision making on the use of the DACDF funds at the chiefdom levels. Female family members should be included in programs addressed at helping miners make the transition into other areas as they have a vested interest in the outcome and interviews suggest they prefer stability and wealth creation over subsistence mining and moving to follow minerals.

- Program strategies and activities ensure coordination and synergy with other programs and activities in the sector, such as those of the GOSL (and in particular assistance to the MMR), other donors, institutions, and organizations, such as the World Bank, DFID, NACE and the Union of Mining Workers in Sierra Leone. They should also ensure coordination with regional and sub-regional efforts to combat mineral trafficking and money laundering.

ANNEX A

INTEGRATED DIAMOND MANAGEMENT PROGRAM RESULTS FRAMEWORK WITH CURRENT STATUS

Status as of May 2007

Strategic Objective Sierra Leone diamond trade contributes positively to peace and prosperity **Result:** *Yes, but this is the result of the combined efforts of the international community, GOSL, civil society, unions, private sector as well as from the normal return to business following the war*.		
Indicator	**Current Status**	**Result**
Pilot integrated finance and alluvial diamond mining tracking system developed that provided better prices to miners and workers.	Piloted in 2005 then abandoned.	Loss of investment for creditor. Was never used after by participants.

Intermediate Result 1 Improved GOSL diamond management systems and incentives to use them effectively **Result:** *Improved GOSL systems but incentives pre-date IDMP.*		
Indicator	**Status**	**Results**
Provide Technical Assistance and Secretariat Services for High Level Steering Committee	Dormant. HLSC met regularly 2004/2005. Last meeting 9/06. Technical Committee met regularly in 2004/2005, 3 times in 2006 and once in 2007 (2/07) Technical Committee passive on restarting HLSC.	Core Mineral Policy drafted and endorsed. HLSC interaction and influence ensured DACDF funding administration went through proper channels.. Diamond industry data analysis available on quarterly basis in IDMP reporting.
Strengthen government/public document and information sector (through creation of PIU)	GOSL established budget line item for PIU in 2005 but MMR disagreed with use of an IDMP consultant to do PIU design. No action since.	Lost opportunity to increase flow of information out of MMR to public.
Implementation of core mining policies (4 out of 10)	Focused on 4 out of 10 policies: environment, strengthening regulatory institutions, community benefits from DACDF and diamond exports.	Monitoring provided timely information to HLSC, US Mission and others for action. Increased attention by GOSL on environmental impact of mining and need for land reclamation. Due to number of actors, difficult to attribute results only to IDMP.
Reinforced GOSL financial controls	Consistently tracked exportation data and DACDF payments at district/chiefdom level.	Control of DACDF resources transferred from MMR to NRA

Intermediate Result 2 Active civil society supporting improved public and private diamond management **Result**: *Project contributed to civil society activity and there is increased receptiveness by government and traditional leaders to hear them.*		
Indicator	**Status**	**Results**
Support to Peace Diamond Alliance	PDA Kono: Original concept exists in name only. Last annual meeting was 2005. Ltd company created with same name but appears dormant. PDA Tongo Fields: Executive Committee meets when requested by IDMP. PDA label marketed extensively in international sector. IDMP used PDA as label for its activities until recently.	PDA Kono: Initially increased coordination. Later nothing. PDA Ltd: Hard feelings PDA Tongo Fields: early collective action helped reduce levels of child labor, unlicensed dealers and raised awareness on need for land reclamation after mining. Creation and perpetuation of an illusion that did not exist.
Support to CBOs (strengthening & activities including small stones training)	Small stones training exceeded targets (600 trained/year. 10% of these are women. 2005 target was 400). Some CBO members used as trainers. Some sent abroad for conferences/ training.	Courses used by those seeking advancement- either as intermediates (buyers/sellers) or MMO hopefuls. Provides a sense of empowerment to graduates. Did not affect price of diamonds for buyers.

Intermediate Result 2 Active civil society supporting improved public and private diamond management **Result**: *Project contributed to civil society activity and there is increased receptiveness by government and traditional leaders to hear them.*		
Indicator	**Status**	**Results**
Increased community understanding	Community meetings and video shows done through zonal meetings in 7 chiefdoms in Kono and Tongo. Includes issues between communities and mining companies.	Raised level of awareness but extent of reach and attribution to IDMP is impossible to determine given the paucity of quantitative data and the number of actors doing community awareness programs.

Immediate Result 3 Private sector diamond businesses that are more transparent, competitive and responsive to community interests. **Results**: *As more businesses obtain licenses, the more miners and diggers are brought into the formal system and under the obligations those licenses entail. Companies are more aware of community concerns but due to large numbers of actors working on these issues, attribution to any one group is not possible.*		
Indicator	**Status**	**Result**
Reduction in number of illegal dealers	Reportedly reduced in Tongo Fields	Contributed to reduction in smuggling and illegal trade in diamonds.
Increased corporate responsibilities of new entrants companies	2004 and 2005 quarterly community/company meetings, restarted in 2007.	Increased corporate awareness of community concerns.

Immediate Results 4 Improved community diamond management systems and incentives to use them effectively. **Results:** *None.*		
Indicator	**Current Status**	**Result**
Establishment of Earth to Export tracking Scheme (targeting dealers & companies)	Procedures established and manual produced. Not used since 2005 pilot when cooperatives proved too unprofitable for investors.	Familiarity by those in cooperatives on concept of tracking production.
Development of Buying Scheme (with Rapaport Group/eliminate middle man)	Conference held but scheme did not take off.	None
Developing of financing scheme (credit/cooperative loan system with capital equipment; direct finance from private sector)	Piloted in 2005. Successfully got two firms to provide financing for 5 cooperatives.	Investors lost interest after return on their $110,000 investment was $2,000.
Monitoring of IDMP Earth to Export program (Global Witness)	Contract given to Global Witness for 3 monitoring trips in 2006.	Monitoring provided some good lessons learned for cooperatives and monitoring.
Improve artisanal mining procedures (SMARTER)	Procedures completed.	No long term impact as is as SMARTER was designed for cooperative use.

Immediate Result 5 Improved enabling environment for improved diamond management **Results**: *DACDF is an incentive to encourage legal mining (taking out a license) as is the reward system for information on illegal purchases. (All implemented pre-IDMP.)*		
Indicator	**Status**	**Result**
Increase national level awareness of diamond issues (radio, photo exhibition	Regular call-in radio show done in Kono with wide reach.	Increased awareness
Improve effectiveness DACDF (monitoring, visits, seek matching funds for performing chiefdoms, help district councils manage DACDF distributions)	Monitoring undertaken through occasional in-field workshops and on site verification.	Found late allocation of funds (30mLE due to Kono) that was then distributed to district. Grading system on use of funds adopted. Improved actor/stakeholder awareness of community-use objectives of fund.

ANNEX B

PERSONS INTERVIEWED

Alluvial Diamond and Gold Miners Association
Brima Lebbie, Vice President

Campaign for Good Governance
Arnold Kaima, Kenema

CARE
Ekramul Kabir, Incoming Chief of Party, LINKS Program
John Perry, Outgoing Chief of Party LINKS Program
Alpha Nabie, Program Quality and Compliance, LINKS Program
George Gray, LINKS Evaluation Team Leader

CEMMATS Group
Andrew K. Keeili, Executive Director

Center for Coordination of Youth Activities
Abdulai Wai, Board Chairman
Edward Massaquoi, Program Officer

Chiefs/Chiefdoms
Paramount Chief Levy, Pumpeh Town, N'Jiame Chiefdom, Nimikoro, Kono District
Samun G Dugba, Chiefdom Clerk, Lower Bambara Chiefdom, Panguma Town, Kenema District
B.M. Darancy, Treasury Clerk, Gbense Chiefdom, Koidu
Farma, Chariman, Lower Bambara Chiefdom Mining Committee, Tongo Fields
Amidou Jiallo, Assistant Secretary General, Lower Bambara Chiefdom Mining Committee,
Tongo Fields
Idrissa Amsrasgay, Task Force Commander, Lower Bambara Chiefdom Mining Committee,
Tongo Fields

Department for International Development (DFID)
Richard Hogg, Head
Rebecca Stringer, Programme Manager
Samuel B. Koroma, Expert in Diamond Industry, Governance Reform Secretariat
Milton Songo, Researcher
Komba Sumana, Researcher
Alison George, EITI Project

Diamond Buyers and Dealers
Sidi Bay, Koidu, also Financial Secretary of the Diamond Dealers Association, Koidu
Medgar Brown, Dealer, Kenema

Diamond Cooperatives
B.M. Darancy, Chairman, Komafeneh Mining Cooperative, Koidu Town
Shar Stephen Tamba, Secretary, Koakoyma Mining Development Cooperative, Koakoyma

Diamond Diggers
Independent diggers, supporters and license holders in Kono and Kenema Districts

Diamond Miners
Olufemi Hebron, Kono District

Diamond Exporters
Kassim Basman, Exporter, Koidu
Andre Hope, Exporter, Freetown

European Commission
Jean Pierre Millar, Expert for MMR

Foundation for Environmental Security and Sustainability
Daniel Gbondo, Field Representative, Sierra Leone
Darci Glass-Royal, Executive Director

Geo Resources
Dr. Alieu Mahdi, Consulting Geologist

Koidu Holdings S.A.
Jan Ketelaar, Koidu Kimerlite Mine, Mine Manager

Kono District Council
Sahr Tongu, Chairman

Law Reform Commission
Dr. Peter L. Tucker, Chairman

Management Systems International
Carl Harris, Chief of Party, Integrated Diamond Management Program
Mary Fitzjohn, Office Manager Freetown
Mary Fofanah, IDMP Community Mobilization Officer, Tongo Fields
Michael Jallo, IDMP Logistics, Koidu
Francis Johnston, Chief of Party, Strengthening Democratic Governance Project
John Kanu, Program Officer, IDMP
Frank P. Karefa-Smart, IDMP Diamond Business Advisor

Daniel Sarmu, IDMP Project Coordinator, Tongo Fields
Dr. Sahr Tongu, IDMP Deputy Team Leader, IDMP, Koidu
Ansumana Barbar Turay, IDMP Project Coordinator, Koidu
Mariama Mussa, IDMP, Trainer Tongo Fields,
Joge Daly, Technical Director, Washington DC
Alisha Eisenstein, Program Manger, Conflict Diamond Program Washington DC
Paul Temple, Former Chief of Party, by e-mail
Mark Renzi, Former Technical Advisor, by e-mail

Mining Equipment Companies
Jakkrit Panthong, Technical Consultant, DOVE (Mining) Equipment and Machinery Co.

Ministry of Internal Affairs
Pascal Ebgenda, Minister

Ministry of Local Government and Community Government
S. Brima, Minister
Sylvester L. Thomas, Local Council Coach for Kenema, Institutional Reform and Capacity Building Project, Decentralization Secretariat,

Ministry of Mines
Alimamy Wurie, Director of Mines, Freetown
Jonathan Shaka, Government Mining Engineer, Kono District
A.M. Turay, Areas Superintendent, Arena No. 3, Kenema District
Samuel Vangi, Senior MMO, Kenema District
Santos Camara, MMO, Kenema District
Adbou Sandy, Assistant Senior Mines Monitoring Officer, Kenema District
John Simbo, Senior MMO, Kono District
Ettie Cole, Independent Diamond Evaluator, Kono

National Commission on Environment and Forestry
Dr. Chris Squire, Chairman

NACE
Ceclia Mathia, Director

National Democratic Institute
Karen Louise Booth, Long Term (Election) Observer
Alex Kirto, Long Term (Election) Observer

Network Movement for Justice and Democracy
Abu Brima, Executive Director
Patrick Tongu, Mining Section Head, Koidu

Office of the President
Yankuba Gbakie, Executive Secretary

Peace Diamond Alliance, Kono
Dr. T. Alpha-Kpetewama, Chairman, 2004, 2006
Mohammed Jabbie, Chairman PDA 2005, also member of MOCKY

Peace Diamond Alliance, Tongo Fields
Margaret Momo, Simava Women's Group
Nancy Gando, Muloma
Patrick Anohai, Represents business
Annie Mohai, Tegloma (Moving Ahead) Women's Group
Sheku Faima, Chairman and SPD Representative in Tongo Fields

Provincial Councils
CP Kallou, Deputy Chief Administrator, Kenema
Silla Thomas, Local Council Coach, Kenema

Radio Sierra Leone Broadcasting Service
Alim D'Yam Sesay, News Editor, Koidu

Rokel Bank
Mr. Kamara, Director, Koidu Branch
Mr. Abud, Assistant Director, Koidu Branch

Search for Common Ground
Frances Fortune, Director Africa

State Department
Ambassador
Elizabeth Suzie Pratt, Deputy Chief of Mission, American Embassy Sierra Leone
Martin Dale, Political/Economics Officer
Sue Saarino, Special Advisor for Conflict Diamonds, Washington

Talking Drums Studio
Abdul Rashid, Public Information Director

United Nations Development Programme
Sam Harbor, Governance Director

UNAMSIL
Berhanemeskel Nega, Chief, General Staff

United Mineworkers' Union
Ezekiel Dyke, General Secretary

US Government Accountability Office (Washington, DC)
Juan F. Tapia-Videlia, Analyst-In-Charge, International Affairs and Trade

USAID/Sierra Leone
Christine Scheckler, Country Program Coordinator
Abdulai Jalloh, Democracy and Governance
Boi Jeneh Jalloh
Edward Benya, Agriculture

USAID/Washington
Sarah Swift, Desk Officer for Sierra Leone (by phone)
Sharon Isralow, Conflict Advisor Africa Bureau
Tim Resch, Environmental Advisor
Scott Bode
Achieng Akumu

ANNEX C

EVALUATION METHODOLOGY

The evaluation of the USAID Diamond Program took place in April - May 2007. As the requested by the Scope of Work, the evaluation team focused primarily on the 2004-present time period. However as this program was a continuation of the program started in 1999, and as many of the results were made before the current program started, the evaluation team looked at the entire period, but used the Results Framework for the on-going program as the means to structure the evaluation and content of the report.

The objectives of the evaluation in the Scope of Work were to:

- Ascertain the effectiveness of past and current USAID Diamond Sector Interventions, focusing on those undertaken since 2004;
- Draw on lessons learned and best practices to date; and
- Reflect on weaknesses and failure to inform a future diamond program design.

The evaluation was primarily undertaken in Sierra Leone with initial work in Washington DC.

In Washington, the team met with relevant USAID/Washington staff, including those in the Africa, DACHA and other bureaus, those responsible for environmental issues and the Special Advisor for the State Department for Conflict Diamonds. It also met with MSI staff responsible for the administration of the diamond program in Washington. The team started its initial review of documentation and prepared a work plan for the field work.

In Sierra Leone, the team undertook an extensive array of meetings with partners, stakeholders and others in Freetown and in the diamond districts of Kono and Kenema. Key actors who were not in –country or in Washington were interviewed either by phone or through the use of an e-mail questionnaire. The evaluation coincided with an increase in political activity related to the upcoming elections, which meant that a few key GOSL individuals were out “pre-campaigning” and were not available. However, the team was still able to meet with a broad range of governmental, donor, civil society, international NGO, private sector and international mining companies.

In the districts of Kono and Kenema, the team was able to:

- Visit both offices of the IDMP program;
- Speak to PDA members and its current Executive Directors;
- Visit reclamation of sites done by women’s organizations, FESS and the MMR
- Attend a small stones training
- Visit buildings constructed through use of the DACDF fund and drove on community roads rehabilitated through the use of DACDF funds.
- Visit artisanal mines in Koidu, Tongo Fields and surrounding areas

- Visit the Koidu Holdings kimberlite mine
- See Kenema District's records books on the DACDF fund
- Visit the independent diamond valuator in Koidu
- Visit Chiefdom Mine Monitors, MMR Mine Monitors and commercial mine monitors
- Speak to diggers, miners, buyers, dealers and salesmen in Kono and Kenema
- Observe the buying and selling of diamonds
- Visit some PDA members in their own settings, such as World Vision in Tongo and the Alluvial Gold and Diamond Miners Association in Koidu
- Visited several cooperatives in Kono and Kenema Districts
- Visited communities and spoke to community members, traditional leaders and local CSO members

In Freetown, the team visited the MMR to see its working conditions as well as those of other relevant Ministries and Government offices. This evaluation overlapped with a visit by FESS and we were able to benefit from their expertise on land reclamation.

The evaluation also undertook a review of available documentations, which was extensive. The diamond sector in Sierra Leone has been of great international interest and the USAID funded diamond program has been extremely prolific.

Preliminary findings by the team were discussed in a round table at USAID attended by key stakeholders and partners to validate preliminary findings and refine recommendations.

The team would like to thank all of those who participated in the round table and in evaluation interviews. In particular, the IDMP program staff and USAID-Sierra Leone who were generous with their time, insight and expertise.

ANNEX D

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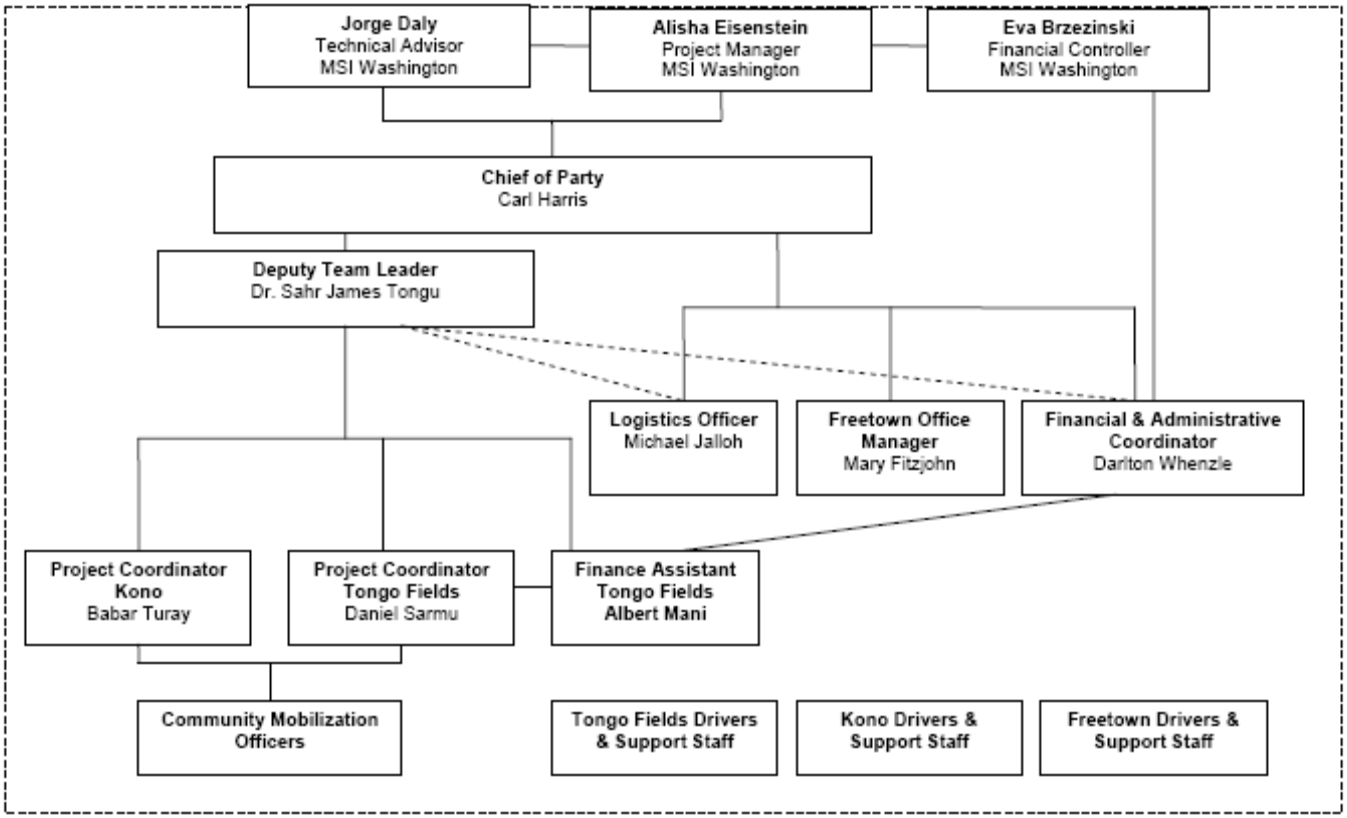
ANNEX E
IDMP MANAGEMENT CHART

Sierra Leone Integrated Diamond Management Program Management Chart 2007



ANNEX F

DACDF UTILIZATION PROFILES

SO 2: DACDF Utilization Profiles

Name of Chiefdom	Category	District	2003				2004				2003/2004		
			MMR Allocation 2003	Chiefdom Projects 2003	Project Cost	% Value of allocation effectively utilised in 2003	MMR Allocation 2004	Chiefdom Projects 2004	Project Cost	% Value of allocation effectively utilised in 2004	MMR Total Allocation for 2003/4	Project Cost	% Value of total allocation effectively utilised in 2003/04
Makpele	A	Pujehun	27,731,112	GH/comp.	10,000,000	36.06%	33,053,228	GH/comp.	29,300,000	88.64%	60,784,340	39,300,000	64.65%
Gorama Mende	A	Kenema	55,771,134	Edu	55,771,134	100.00%	86,369,697	Edu	86,369,697	100.00%	142,140,831	142,140,831	100.00%
Lower Bambara	A	Kenema	85,016,948	MCB	85,016,948	100.00%	167,342,890	VP	144,300,000	86.23%	252,359,838	229,316,948	90.87%
Malegohun	A	Kenema	17,187,147	RW	16,300,000	94.84%	27,263,872	RW	7,575,500	27.79%	44,451,019	23,875,500	53.71%
Kamara	A	Kono	27,075,000	BT.Bonds	0	NA	86,139,520	MCB	86,139,520	100.00%	113,214,520	86,139,520	76.09%
Sandor	A	Kono	71,060,019	PHQ	60,000,000	84.44%	198,673,327	NIL	NIL	0.00%	269,733,346	60,000,000	22.24%
Gbense	A	Kono	53,580,625	RW, MCB	53,580,625	100.00%	216,779,442	RW,MCB	216,779,442	100.00%	270,360,067	270,360,067	100.00%
Nimikoro	A	Kono	42,441,796	RW	42,441,796	100.00%	174,785,462	PHQ,MCB	155,000,000	88.68%	217,227,258	197,441,796	90.89%
Tankoro	A	Kono	34,330,443	MCB	34,330,443	100.00%	136,814,895	PHQ,CAC	102,155,000	74.67%	171,145,338	136,485,443	79.75%
Nimiyama	A	Kono	43,355,751	Nil	0	0.00%	109,106,644	RW	100,000,000	91.65%	152,462,395	100,000,000	65.59%
Baoma (Yamandu)	A	Bo	86,738,526	MARK-S,RW	86,000,000	99.15%	104,579,719	MARK-S,MCB,RW	85,500,000	81.76%	191,318,245	171,500,000	89.64%
Tikonko	A	Bo	41,710,226	MARK-S,PHQ	37,000,000	88.71%	46,624,798	AG,MCB,Edu, MARK-S	46,624,798	100.00%	88,335,024	83,624,798	94.67%
Sorogbema	B	Pujehun	9,131,638	GH /incomp.	0	0.00%	NP	NA	NA	NA	9,131,638	Nil	0.00%
Small Bo	B	Kenema	12,833,743	CD/Acc	0	NA	NP	NA	NA	NA	12,833,743	NA	NA
Nongowa	B	Kenema	13,880,695	MCB	13,280,000	95.67%	NP	NA	NA	NA	13,880,695	13,280,000	95.67%
Malen	C	Pujehun	4,041,224	GH/incomp.	4,000,000	98.98%	6,393,966	AG, Edu	6,000,000	93.84%	10,435,190	10,000,000	95.83%
Kpaka Kabonde	C	Pujehun	6,026,048	GH/incomp.	6,026,048	100.00%	9,872,284	RH, AG	9,872,284	100.00%	15,898,332	15,898,332	100.00%
Sowa	C	Pujehun	1,900,000	GH/incomp.	1,900,000	100.00%	2,276,100	MARK-S	1,500,000	65.90%	4,176,100	3,400,000	81.42%
Gaura	C	Kenema	6,418,677	Nil	0	0.00%	8,081,973	GH/comp.	7,000,000	86.61%	14,500,650	7,000,000	48.27%
Dodo	C	Kenema	NP	NA	0	NA	2,000,000	CD/Acc	0	0.00%	2,000,000	NA	NA
Kakua	C	Bo	1,931,315	SAN, Gen	1,931,315	100.00%	3,165,012	MCB	2,475,184	78.20%	5,096,327	4,406,499	86.46%
Chiefdom Total			642,162,067		507,578,309	79.04%	1,419,322,829		1,086,591,425	76.56%	2,061,484,896	1,594,169,734	77.33%
Councils													
Dist. Council	DC	Kenema	NP	NA	NA	NA	79,937,331	AG,SAN, EQ	79,937,331	100.00%	79,937,331	79,937,331	100.00%
Dist. Council	DC	Kono	NP	NA	NA	NA	212,000,000	AG,GH,WO	NIL	Nil	212,000,000	Nil	0.00%
Council Total							291,937,331		79,937,331	27.38%	291,937,331	79,937,331	27.38%
Grand Total			642,162,067		507,578,309	79.04%	1,711,260,160		1,166,528,756	68.17%	2,353,422,227	1,674,107,065	71.14%

Source: IDMP *Year End 2005 Indicators Report, p11*

USAID/SIERRA LEONE DIAMOND PROGRAM EVALUATION: 1999-2006

SCOPE OF WORK
13 December 2006

I. Purpose

USAID/Sierra Leone, under its, "Strengthening Democratic Governance" Objective, supports initiatives to maintain peace, security and stability in this post-conflict country, with a positive spillover to its Mano River Union neighbors and others in the West African sub-region. The diamond sector program specifically supports activities aimed at strengthening the capacity of the government and people of Sierra Leone to manage their natural resources transparently, legitimately and effectively. Activities are likewise targeted to maximize the benefits from the diamond sector for the people of Sierra Leone, including increased revenue generation, with funds re-directed back to the local communities for their own development priorities. These sets of activities are currently captured under USAID/Sierra Leone's Intermediate Objective, "Improved Management and Accountability for Local and National Institutions."

This Scope of Work (SOW) outlines the objectives, purpose, and expected level of effort for an evaluation of the USAID diamond program implemented by Management Systems International (MSI) since 1999. The USAID diamond program aims to improve governance of the Sierra Leone diamond sector at both national and local levels by ensuring that government and communities derive increased benefits through improved, legitimate, equitable, and transparent management of the resource.. Since 1999, USAID has invested over $5.4 million dollars in programs in the diamond sector. The funding has been a combination of Office of Transition Initiatives funds (OTI), Economic Support Funds (ESF), Development Assistance funds (DA), and Department of State ESF-Kimberley Process funds. The diamond program is managed by USAID/ Sierra Leone.

The purpose of this USAID Diamond Program Evaluation is to ascertain the effectiveness of past and current USAID Diamond Sector Interventions, focusing on those undertaken since 2004. USAID, using current priorities for rebuilding countries will draw on lessons learned and best practices to date and reflect on weaknesses and failures to inform a future diamond program design.

II. Background

The link between diamonds and armed conflict in Sierra Leone is indisputable and well known. This unfortunate episode has been investigated, exposed, and deplored by human rights activists, journalists, politicians, civil society organizations, the international diplomatic and development community and even diamond industry leaders. Though less than 4 percent of the world's diamonds are considered to be "conflict diamonds", today these diamonds have nonetheless had a significant impact in fueling and prolonging armed conflict and instability in countries across Africa, including Sierra Leone. While the Truth and Reconciliation Report (TRC) report for Sierra Leone maintains that diamonds have facilitated, not caused, the armed conflict, what is less obvious are the complex dynamics, and underlying sources of conflict in Sierra Leonean society, fueled by the diamond trade. Sierra Leone has experienced exploitative systems of financial intermediation and resource management on one hand. On the other, entrenched poverty of local

communities is dramatically contrasted with the spectacular, often mysterious wealth of the diamond trade. In this regard, pre-war economic and social injustice, which developed during the war into the illegal, and finally criminal, behavior common of the diamond traffic in Sierra Leone, must be addressed as a complex development problem.[1]

U.S. involvement in the management of the diamond sector in Sierra Leone dates back to the Lome Peace Accord (July 1999), which recognized that part of the reason for the prolongation of the civil war was the struggle for diamond resources between various warring factions. In December 1999, USAID's Office of Transition Initiatives (OTI) began providing technical assistance to the Government of Sierra Leone (GOSL) to develop new diamond policies and establish new mining and exporting operations that would address the link between diamonds and the war. In March 2000, USAID/OTI, with consultants from MSI, facilitated a strategic planning workshop in Freetown. The meeting was attended by GOSL cabinet members and technical personnel relevant to the diamond sector, representatives of civil society, the rebel Revolutionary United Front (RUF), and international diamond industry leaders and experts, including De Beers. Following this exercise, De Beers led the industry in May 2000 with its proposals on how to identify conflict diamonds and prevent their exploitation by rebels in Africa, and particularly in Sierra Leone. USAID/OTI presented a working paper on May 8, 2000 that summarized a way forward, which was subsequently published by the GOSL under the title "Guidelines for Mining and Export of Diamonds in Sierra Leone," and adopted by the GOSL as its policy framework. It has been implemented systematically since mid 2000.

Following a proposal by the United Kingdom (UK), United Nations Security Council Resolution 1306 (2000) banned the import of all diamonds from Sierra Leone as of July 5, 2000, until an effective certification system was fully operational. In FY 2001, in response to the growing and clear demand for technical assistance, USAID/OTI funded an initial diamond initiative for $1.26 million, with MSI as the prime implementing partner.

By this time, the US Government, through USAID was working in a trilateral approach with Belgium and the UK, to assist the GOSL to develop new export policies to control "conflict" diamonds within the framework of the "Guidelines" paper – which turned out to be the precursor to the Kimberley Process Certification Scheme. A trilateral (US, UK, Belgian) technical mission in Freetown on July 14-15, 2000, served to unite assistance efforts in this area on behalf of the GOSL. Subsequent technical meetings in Antwerp (July 18), Washington (July 27), and New York (July 28) assisted Sierra Leone in designing a Certificate of Origin. In October 2000, the major elements of the new export regime were operational, and the Security Council granted the GOSL an exemption to Resolution 1306 in order to permit exports to resume. There was widespread acknowledgement that the new regime would require continuing international assistance, effort by the GOSL, and complementary actions by the international diamond industry, in order to effectively control "conflict" diamonds. Between 1999 and 2001, USAID/OTI worked through its "Diamond Policy and Management Program" to address the link between diamonds and the civil war.[2]

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[1] This paragraph, and some background text in this report, is drawn from USAID/OTI's Sierra Leone: Conflict Diamonds Progress Report on Diamond Policy and Development Program

[2] See Sierra Leone: Diamond Policy and Development Program Chronology of Actions and Assistance of USAID/OTI to April 6, 2001

During the past six years, the United States together with over 30 governments, the European Union, the international diamond industry, civil society organizations, local communities and diggers worked to control the trade of conflict diamonds while protecting legitimate producers through the Kimberley Process Certification Scheme. The Kimberley Process calls on participating countries to set up national certification schemes to control the trade in rough diamonds. On November 5, 2002, the Kimberley Process Certification Scheme was launched at a ministerial meeting held in Switzerland. Countries participating in the Kimberley Process agreed that as of January 1, 2003, they would not allow the import or export of rough diamonds to or from nonparticipating countries in an effort to keep conflict diamonds from entering legitimate diamond trade channels. The Kimberley certification process includes forgery-resistant certificates, tamper-proof shipping containers, internal controls, and effective enforcement to ensure that rough diamonds are traded through legitimate channels, with tax revenues returning to exporting countries.

USAID has continued to provide technical assistance to the Government of Sierra Leone, through a series of cooperative agreements responding to unsolicited proposals from MSI, to develop a certification system that provides a secure, legitimate channel for diamonds to be exported in compliance with the Kimberley Process. USAID has also worked with Sierra Leone to improve the capacities of local communities and the private sector to effectively manage the diamond sector, including helping local diamond-mining communities recover some of the revenue generated by diamonds for local development, decrease the indebtedness cycle of the diggers, empower the local diggers to increase their knowledge of diamond valuation and increase the diamond industry awareness resulting in growing corporate responsiveness and a desire to give back to the diamond communities from whence they generate their diamond profits. The program has concentrated its efforts in the Kono District and Tongo Fields of Kenema District, the latter region being an add-on in 1994. Since 2001 the USAID diamond sector reform program has consisted of:

1. Kono Peace Diamond Alliance (PDA) : $995,525; 2/12/03 - 10/31/04
2. Diamond Policy and Management (DIPAM): $940,000; 10/25/02 - 10/24/04
3. Integrated Diamond Management (IDMP): $2,000,000; 10/14/04 - 3/30/07
4. Extension of PDA to Tongo Fields - $275,000; 10/04 – 03/30/07

On April 25, 2003, President Bush signed the Clean Diamond Trade Act, which bans the import of illegally mined or traded diamonds into the United States, to complement the Kimberley Process. The United States imports more than half of the finished diamonds sold worldwide, but only a small portion of the world's rough diamonds.

All US Government diamond programs support the goal of diamond mining and trading in Sierra Leone resulting in a positive contribution to peace, security and prosperity with increased legitimate diamond export tax returns to the national and local coffers and increased benefits to the diamond mining communities.

III. Key Evaluation Questions

The evaluation will address, but not be limited to, the following key questions:

1. To what extent has the USAID Diamond Sector Program fulfilled the objectives stated in the original Cooperative Agreements/Project Descriptions and any subsequent modifications to the Cooperative Agreements?

    a) What have been the key achievements/contributions of the Diamond Sector Program to strengthening governance in Sierra Leone? Is it worth keeping? How can it be improved? What are the Program's strengths and weaknesses?
    b) How effective is the USAID Diamond Program's engagement with the Government of Sierra Leone and other key stakeholders in the sector (for example the High Level Steering Committee on Diamonds and the Kimberley Process Certification Scheme)
    c) To what extent have communities benefited from the Program (including Diamond Area Community Development Funds, the Peace Diamond Alliance, the Mining Cooperatives and participatory decision-making processes, etc.)? Looking toward the future, what are the priority needs and concerns at the community-level related to diamond mining and trading and the associated revenues?
    d) How constructively are youth and women integrated into the USAID Diamond Sector Program as a means of addressing the marginalization of these groups? How could this be strengthened?

2. Given the potential for future diamond-related conflict in Sierra Leone, how well targeted is the current scope (geographic and technical) of the USAID Diamond Sector Program in terms of resource management, good governance and conflict mitigation?

3. To what extent is the current USAID Integrated Diamond Management Program (IDMP) beneficial to the Mano River Union in terms of regional collaboration?

IV. Evaluation Tasks, Duration of Tasks, and Level of Effort

The following descriptions of tasks for the evaluation are intended to serve as an illustrative guide for respondents in developing a proposal for carrying out this evaluation. Respondents are encouraged to submit proposals that will best meet the objectives of the evaluation and may propose alternative means for achieving them within the total proposed level of effort.

1. Washington-Based Tasks

Prior to any field work, the evaluation team will spend nine working days reviewing relevant documentation related to the USAID/Sierra Leone Diamond Program and Kimberley Process, including:

- Sierra Leone: Conflict Diamonds Progress Report on Diamond Policy and Development Program

- OTI/Sierra Leone Final Evaluation Report
- MSI Work plans for all the diamonds programs,
- USAID Environmental Assessment;
- All MSI quarterly reports and other USAID reports on the Diamond Program;
- Sierra Leone Annual Reports;
- Clean Diamond Trade Act and the recent 2006 GAO audit;
- GAO Report, "International Trade: Critical Issues Remain in Deterring Conflict Diamond Trade,"
- GAO Report "Testimony: Significant Challenges Remain in Deterring Trade in Conflict Diamonds,"
- Global Witness Reports including, "Implementing the Kimberley Process: 5 years on – how effective is the Kimberley Process and what more needs to be done?"
- the new Strategy for Africa, and
- USAID Fragile States Strategy Statement, December 2005
- Relevant UN resolutions reports on conflict diamonds
- DFID documents on the diamond sector in Sierra Leone
- Other documents to be determined in consultation with the Sierra Leone Mission.

D.C. consultations: The evaluation team will likewise interview relevant Washington staff, including AFR/SD, AFR/WA, DCHA/CMM, GDA, EGAT/NRM, EGAT/ESP and DCHA/DG staff involved in programs addressing the use and transparency of extractive industries, as well as appropriate individuals from the Department of State (to be identified by USAID/Sierra Leone).

During the period of background reading and Washington interviews, the evaluation team will develop the evaluation research design, determine site visits in consultation with USAID/Sierra Leone and prepare the data collection instruments and the data analysis plan. It is envisioned that the majority of the data will be subjective, derived from key informant interviews with stakeholders. Initial contacts with the mission and travel arrangements will be made upon agreement of the evaluation team membership.

Prior to departure for the field, the team will provide USAID/Sierra Leone with a written product, outlining initial conclusions from their desk study, and proposing a detailed itinerary, with follow-up questions, for their time in country.

2. Sierra Leone –Based Tasks

The team will then travel to Sierra Leone and conduct interviews with, interalia: USAID staff, Embassy staff, donors, GOSL officials and Ministries, Central Bank and Sierra Leone Bank, the High Level Steering Committee and the Technical Committee, CEMMATS, Campaign for Just Mining (NMJD), National Advocacy Coalition on Extractives (NACE), Diamond Area Community Development Fund (DACDF), PDA, Koidu Holdings, diamond exporters, civil society organizations and NGOs and will communicate with USAID/WA GDA advisor and Environment Officer. Extensive site visits to the targeted USAID districts will take place and the team will interview relevant stakeholders, including contractors and/or grantees, local implementing partners, local government officials, paramount chiefs, community members,

mining cooperatives, private sector, and other intended recipients of USAID programming. This is anticipated to take approximately two weeks (six-day work week while on TDY).

At the end of the field work, the Assessment team will provide a preliminary verbal de-briefing to USAID/Sierra Leone to discuss findings, conclusions and recommendations and will hold a round-table with relevant stakeholders (to be identified in the work plan) to validate their preliminary findings. The team will then prepare and submit a draft report to USAID/Sierra Leone prior to departure from Sierra Leone. USAID/Sierra Leone will provide written comments back to the evaluation team within 14 work days. A final report will then be prepared and submitted to USAID/Sierra Leone.

Level of Effort (Illustrative)

1. Background reading, Washington interviews, preparation of research design and research instrument development, travel arrangements, mission contacts	10 days
2. In-brief with USAID/Sierra Leone, site visits and data collection	15 days
3. Data analysis, oral briefing, roundtable and report drafting	9 days
4. Final Drafting	4 days
Total	38 days

V. USAID's Role in the Evaluation

The USAID/Sierra Leone Program Manager will be the primary point of contact for this assessment and will provide feedback on the evaluation research design, data collection instruments, analysis plan, and overall work plan and on the draft and final reports.

USAID/Sierra Leone will provide information and facilitate access to their diamond program implementing partners, as well as stakeholders and other key constituents involved in the implementation of the diamond program and, if pertinent, other related activities.

USAID/Washington staff from DCHA/OTI, AFR/WA, AFR/SD, DCHA/CMM, and other relevant staff will provide information on USAID's diamond programming and on their experience with extractive industries initiatives to promote sustainable development and conflict management. Also, it will be important to interview State Department Conflict Diamond advisors (2). A select subgroup from this group will be virtual team members and provide comments on the draft final report.

The evaluation team will be participatory. It is envisioned that USAID/WA environmental officer, Rob Clausen, who re-evaluated the project Environmental Assessment completed in 2005 and is familiar with the program, will be a team member for at least part of the time. It is also envisioned that 1-2 Sierra Leonean technical experts will be team members.

The USAID/Sierra Leone Program Manager and Project CTO will provide all in-country project documents to the evaluation team and will assist the team in lining up logistical support (e.g., help set up meetings, identify transportation, etc.).

VI. Evaluation team Expertise

USAID intends to engage the services of a three- person professional team to conduct this Assessment. Specifically, USAID seeks knowledgeable individuals with the following profiles:

1) Team Leader: An extractive industry expert, especially in the diamond sector, with extensive technical skill with respect to all aspects of the mining (diamond), mineralogy and geology with a minimum of 10 years of experience in designing and implementing extractive industry(s) activities in this field, preferably with significant experience in Africa. Masters level or higher degree in a relevant field is required. Some experience with evaluation preferred.
2) An evaluation expert with 10 years or more of experience in evaluating democracy and governance, conflict management, community development, national institutional capacity building (e.g., the Ministry of Mineral Resources) or other programs with an anti-corruption component, preferably with significant experience in Africa. Masters level or higher degree in a relevant field required.
3) One Sierra Leonean technical expert with extensive knowledge of the extractive industry in Sierra Leone and grounded in the local dynamics and culture of the mining areas in Sierra Leone. He/she should complement the expert team's expertise, experience and skills.
4) USAID/WA environmental officer, Rob Clausen.

VI. Deliverables

The evaluation team's deliverables shall include:

- **A written work plan**, that includes the research design, the draft data collection instruments and the data analysis plan – response to Assessment SOW;
- **Desk study with final research plan**, detailed agenda for time in the field, and data collection instruments – due at the conclusion of Washington-based research;
- **At least one roundtable of in-country stakeholders** at the end of the consultancy, vetting key findings and recommendations to ground-truth conclusions prior to finalizing the final report;
- **A draft report** outline, with key findings and key recommendations will be submitted prior to departing Sierra Leone. A draft report will be due NLT two weeks following departure from Sierra Leone. USAID will provide its response in writing NLT two weeks following the submission of the draft final report.
- **A final report** outlining the broad history of diamond initiative history since 1999, providing an assessment of program effectiveness, lessons learned, and guidance for the direction of future programming, given current priorities. The core report (excluding annexes) shall not exceed 30 pages and must include a 2-4 page executive summary. The final report will then be submitted to USAID/Sierra Leone NLT one week after it submits its comments

II. Illustrative Budget

Sierra Leone: USAID Diamond Program Assessment Illustrative Budget					
Labor Category	Quantity	Daily Rate	Est Days	Multiplier	Total Cost
EXPATRIATE CONSULTANTS					
Team Leader - Extractive Industry Expert					
Evaluation Expert					
Subtotal expert labor					
LOCAL CONSULTANTS					
Civil Society/ Mining Area Community Development/ Human Rights Expert					
Total Local Labor Costs					
Total Labor Costs					
INDIRECT COSTS					
Travel and Per Diem					
International Airfares					
Per diem Expatriate					
Sierra Leone					
Per diem Local Consultant					
Local experts					
Communications					
Report Production					
In-country transportation/driver/vehicle					
Total Indirect Costs					
Total Direct Cost					
G&A					
Total Cost					

VIX. Assessment Factors

The selection criteria/assessment factors are as follows:

Personnel: (40 percent) - The experience, expertise and knowledge of all key staff.

Work plan Design: (40 percent) - Quality of evaluation team's overall work plan design. Prospective evaluators shall describe their overall approach to this scope, including how they propose to carry out each phase of the work.

Past Performance and Corporate Capabilities :(20 percent) - Prior experience and track record of contractor in design and conduct of extractive industry programs and other related evaluations.