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Peace Diamond Alliance

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“Integrated Diamond Management Scheme in Sierra Leone”.

My statement on Integrated Diamond Management in Sierra Leone is intended to acquaint you with some of the most notable developments in the management of the diamond industry in post war Sierra Leone. Since some of you know little about this country, let me begin with some basic background information.

Sierra Leone is a small West African nation, only 27 thousand square miles but endowed with substantial mineral wealth, ranging from diamonds, to bauxite, gold, rutile, platinum, iron ore, and chromite. And now, there are talks about oil. Additionally, Sierra Leone is blessed with a varied agricultural resource base with good potential for raising yields, and rich fisheries.

Diamonds are most sought after by both nationals and foreigners alike.

Since their commercial exploitation in the 1930s, diamonds have been the mainstay of the economy, the dominant foreign exchange earner, while contributing some 20% to the GDP, 15% to government revenues and the largest employer of unskilled labor. From their discovery in the 1930s, Sierra Leone has produced more than 80 million carats nearly 50% gem quality valuing over \$19 billion. By way of beneficiation, not much was transferred to the local mining communities or to the nation from this level of output.

The decade long brutal rebel war, which came to an end only two years ago remains a grim reminder of the consequences of low mineral benefits that went to the diggers and miners.. Whilst diamonds are not generally regarded as the principal cause of the war, it prolonged and financed it. The rest of this paper demonstrates post-war policy reform activities in the diamond sector to make the industry more transparent and maximize benefits to the diggers/miners and their communities. We must see that this occurs if we must avoid another war.

Against the above background it is true to state that by the end of 1999, it had become very clear that Sierra Leone's diamond industry needed substantial policy and institutional reforms necessary to convert diamond resources from a source of conflict

and civil strife to one of peace, economic growth and development. This way, the industry would reach its full potential by maximizing job creation and income-earning opportunities for the mining communities and fiscal revenues to the nation. Much has been written about the negative aspects of Sierra Leone's diamonds.

These negatives notwithstanding, diamonds can have a tremendous positive impact on a nation's economy if these scarce resources are judiciously, properly and efficiently managed to the benefit of the nation and its people.

The practical problems associated with diamond mining and marketing especially in the areas of transparency and accountability, require a creative partnership between public and private organizations because no single country or organization has all the required resources to address the problems. This is exactly how the Peace Diamond Alliance concept came into being in December of 2002.

Based on initial consultations among stakeholders such as the United States Agency for International Development, the United Kingdom Department for International Development, the World Bank, local and international NGOs and the Government of Sierra

Leone, the Peace Diamond Alliance has now developed into a full implementable strategy to promote peace and economic prosperity.

WHAT IS PDA?

Peace Diamond Alliance (PDA) is an association of private and public organizations. This organization is non-profit and its main goal is to ensure that the Sierra Leone diamond industry promotes peace and economic development. The Alliance brings together representatives of organizations committed to improved diamond mining and marketing for Sierra Leone. PDA stands for and is committed to making the diamond industry fairer and more transparent. The purpose of this exercise is to ensure greater beneficiation for diamond miners, diggers, and their communities.

PDA means more local control over diamond management decisions; and it means the workers of Kono and Tongo Fields who produce most of the diamonds, use their diamond resources for building peace and prosperity.

The trouble caused by “Conflict” or “Blood Diamonds” still remain graphic and vivid in the minds of Sierra Leoneans. We are instituting appropriate reforms in the diamond industry because we do not want to see our diamonds ever again contributing to war or war-related activities. Therefore, the diamond management policy

deliberately targets the percentage of the nation's rural labor force, mostly the young, engaged in mining, because of the "get rich by a big find syndrome". Most of these young people never get rich as expected, but remain in the mining areas for lack of employment opportunities in their rural home communities. And guess what? They eventually end up in poverty and constitute a very attractive recruiting pool for anti-government groups, either by joining their fighting forces or by searching for diamonds on their behalf to finance their cause.

THE INTEGRATED DIAMOND MANAGEMENT PROPOSAL (IDMP)

One of the key elements in the diamond management activities in post war Sierra Leone is the Integrated Diamond Management Proposal. Since 1999, the United States Agency for International Development (USAID) and its implementing partner, Management Systems International (MSI) have been working with the Government of Sierra Leone to help improve the diamond policy. Their continued work with the government and civil society supports the establishment of a process that restores sanity within the diamond industry.

This approach also aims at empowering miners and diggers to achieve more economic benefits from diamond mining and to have

a greater role in managing the diamonds. In order to achieve these aims, donors have been approached to fund the Integrated Diamond Management Proposal (IDM). This project is an unprecedented pilot scheme, which is expected to produce lessons that can be replicated locally and internationally.

The IDM proposal has three key elements:

- A financing scheme that would allow the PDA to provide credit to mining cooperatives to make it possible for them to sell their winnings at the highest possible prices
- A buying scheme that would enable diggers to receive the best prices for their production from reputable buyers. Prices will be the very best because the buying mechanisms will be more competitive than are currently available
- An Earth to Export Scheme to track the diamonds from the point of production until they are delivered overseas

Already much has been accomplished as a result of all the reform activities in the diamond sector. Legal diamond exports continue to rise from \$41 million in 2002, to about \$130 million this year.

Likewise, bigger diamonds are now being exported and are also valued more fairly from about \$120 to \$170 per carat in the first half of 2004.

To carry through the goal to maximize the benefits to diggers/miners and their communities, the government of Sierra Leone launched an innovative Diamond Area Communities Development Fund (DACDF) in January 2001. Through this mechanism, 25% of export taxes on diamonds is now sent back to diamond area communities. This scheme is already stimulating small-scale development in mining communities and is serving as strong incentive for those communities to support government policies designed to curb illicit digging of diamonds. To date, over a billion Leones has been allocated for distribution. Community development projects such as roads rehabilitation, the construction of health centers, clinics, multi-purpose community complex and traditional courts are already under way.

In like manner, USAID/MSI are training miners and diggers to be able to evaluate their winnings and increase their earnings. The local diamond area communities have become active participants in the diamond management process because they are receiving more benefits from diamonds mined in their areas than ever before.

We are proud to see this happen and to lead the way, demonstrating to other nations how to maximize diamond benefits to local communities.

The Peace Diamond Alliance Organization which was formally launched by His Excellency the President of Sierra Leone on August 27th 2003, has just celebrated its first year in operation as a leading force in the reform movement. Below are its accomplishments and challenges in perspective.

HOW DID THE PDA FARE IN ITS FIRST YEAR OF OPERATION?

The Peace Diamond Alliance has just celebrated its first year in operation with its second Annual General Meeting (AGM). The 2004 Alliance Annual General Meeting was attended by community leaders in the diamond sector in Kono and Tongo as well as high government officials, from civil society and from Sierra Leone's development partners.

Notable among the guests were the US Deputy Ambassador and the Canadian High Commissioner, who represented the Chairman of the Kimberly Process. Unlike the first AGM that focused on the recommendations of a Planning Task Force set up in December 2002, the 2004 AGM focused primarily on the

progress made by the PDA, PDA members and the PDA Executive Committee over the past year. During the first year, the following tasks were successfully accomplished:

- The PDA was registered as a legal organization within the laws of Sierra Leone. This will allow the PDA to pursue its objectives of moving the diamond industry toward fair market and transparent operations; maximizing benefits to diggers and their communities; and establishing more local control over diamond management decisions.
- A strong working relationship was developed among Executive Committee members.
- The World Bank has recently awarded a grant to the PDA to strengthen the organization's implementation and management capacities especially of the Executive Committee. We consider this grant not simply as a vote of confidence from a prestigious institution such as the World Bank, but hope it will open doors to private sector investment in our cooperative and small-scale mining activities especially in the area of financing heavy equipment.
- The AGM approved the Alliance's self-regulating instrument called the Code of Conduct to govern the

behavior of members especially in the areas of transparency and accountability; the environment; and the use of child labor in mining.

- PDA has played a vital role in bringing to the fore issues relating to environmental degradation caused by mining.
- A workshop aimed at enhancing a comprehensive monitoring and licensing procedure was conducted with over 70 participants.
- The Alliance has played a crucial role in trying to resolve mining related disputes amongst local communities.
- Up to twenty (20) mining co-operatives have been formed hoping to benefit from the Integrated Diamond Management Proposal (IDM).
- PDA field concerns are being forwarded on a regular basis to the High Level Steering Committee (HLSC).
- A computer literacy course for Ministry of Mineral Resources staff and some members of the Executive Committee for capacity building is on going.
- PDA has been extended to Tongo Fields.
- Small stones awareness and classification training of some 45 ordinary miners/diggers was completed and training is continuing.

. WHAT CHALLENGES LIE AHEAD?

In spite of the above-referenced successes, we still have and will continue to face a series of challenges:

- Getting the entire community to utilize the full potential of the organization.
- Making the PDA a self-sustaining and viable organization
- Making the PDA reflect the Community
- Ensuring that the PDA is gender sensitive
- Widening coverage and content of the small stones training
- Monitoring the use of the Diamond Area Community Development Funds to ensure maximizing benefits to local miners and diggers and their communities
- We badly need timely funding for the implementation of the IDM Proposal, not only to maximize benefits to local miners, diggers, and their communities, but also to implement our own self-governing tracking of diamonds from earth to export.
- Ensuring that members honor their pledges made to the Alliance. Without support from all the membership it will be difficult to realize the full potential of the PDA.

- We need funding to continue our research on alternative livelihood to mining

Those of us familiar with the sad story of Sierra Leone will readily agree with me that something great is happening there. That diamond resources can generate economic development and can become “development diamonds.” I would like all of us to see today as the dawn of Integrated Diamond Management in Sierra Leone. This is the way forward if diamond producers can use their benefits to build peace and their communities and support meaningful economic growth and development.

I would like to thank USAID and MSI for their continued support of the PDA. I trust that they will find a way to continue their assistance. I must in like manner not forget to thank DfID whose contribution of the Koidu office is a daily reminder of their cooperation.

I would like to thank the World Bank for their timely assistance and hope that they will continue to support the activities of the PDA especially with our cooperative and small-scale mining activities, which require heavy equipment to exploit the deeper but richer deposits for increased yield. We hope to

report on the progress made in the area of the challenges outlined above in future AGMs.

In closing I believe we have accomplished a lot but the challenges ahead are many. However, let me assure you that the PDA is now in a much stronger position than it was last year, and is ready and prepared to meet these challenges head on and to transform them to real possibilities.

I thank you for time and patience.