

Background Paper on the establishment of the Diamond Area Community Development Fund (DACDF), current issues and options

1. Introduction

Following significant reduction in hostilities in Sierra Leone, Cabinet at its 36th Meeting on 20th December 2001 established the Diamond Area Community Development Fund (DACDF). In its conclusion-CP36 (2000) 19 (5), Cabinet approved the allocation of 25% of revenue accrued from Diamond Export Taxes (i.e. 0.75% of total export value) to a fund for the development of diamond mining communities. Relative to this decision and subsequent others

Alongside the above Cabinet decision-making process, cited in a number of memoranda, discussions also took place between Donors and the Sierra Leone government regarding possible assistance. Contingent on the Sierra Leone government willingness and commitment, Donors would provide seed money/matching funding to the DACDF in order to sustain social and infrastructural development in mining communities 'whose environment have borne the brunt of decades of [artisanal] mining'.

Matching arrangements are unclear but to date 54 chiefdoms with a combined 2,313 licenses have and continue to benefit from the fund. At 0.75% Diamond Export Revenue returns per chiefdom, from 2001 to 2004 end, a total of nearly \$1,923,000 was paid out to mining chiefdoms by the government, with almost \$850,000 in 2004 alone.

However, disbursement of funds, community capacity to implement projects, monitoring and in recent times a pending decision to have NaCSA implement the Fund has provoked controversy from various quarters.

2. Criteria for allocation of funds

The Cabinet decision of 2001 targeted as beneficiary communities those chiefdoms where diamond mining is taking place and neighboring communities who will utilize the social and economic services (see type of services below) created as a result of the fund. The level and criteria of chiefdom benefits are based upon:

- i. Number of diamond mining licenses issued
- ii. Quantity of legal exports. (There remains the argument that a chiefdom with 20 licenses but with high value diamonds might contribute more to export value than a chiefdom say, with 100 licenses).
- iii. Added reward for special stones

3. Use of funds

DACDF projects were to be directed to such activities that would enhance social and economic development in diamond mining communities. Priority was vested on the following components:

- A. Community infrastructure: Schools, Health Centers, Markets, Roads, Bridges, Water Supply, Waste Disposal, Community Center (Barries) or Court Houses.
- B. Community Agriculture, especially post-harvest crop processing (drying floors and storage facilities)
- C. Vocational Skills Training Centers.

4. Management and Oversight

In subsequent communiqués, guidelines that would ensure project uniformity; proposal preparation, implementation and monitoring were provided. For example, DACDF proposals

were required to complete problem analyses, establish clear aims and objectives for the project, establish how projects addressed wider community needs as well as provide aspects of sustainability, monitoring plans and budgets. Additionally, a Technical Team answerable to a Sub-Cabinet Committee was proposed as an oversight body, to approve community proposals and where necessary, provide technical assistance to communities.

This Team was to comprise of the following:

- The Permanent Secretary, Ministry of Mineral Resources- Chairman
- The Director of Mines-Member
- Professional Head, Min. of Works & Tech. Maintenance-Member
- The Director of Rural Development-Min. of Local Government-Member
- The General Manager, GGDD-Member
- Director of Planning, Min. of Dev. & Economic Planning-Member
- An Ex-Officio member to be co-opted as and when necessary

The above proposed project implementation and oversight arrangement was not implemented at the time of the establishment of the fund. The view by donors was that such administration would create a barrier to the then 'urgent' distribution of funds.

5. Subsequent Activities

By 2002 ad hoc reports suggested that a number of chiefdoms were not effectively utilizing the DACDF fund. In 2003, a coalition made up of a number of NGO's, and Government line ministries (Ministry of Local Government and Community Development and Ministry of Mineral Resources) engaged in series of activities to ensure that the DACDF was efficiently and effectively utilized by beneficiary chiefdoms.

The implementation of the project was divided into two components with TDS taking the lead in the area of sensitization about the DACDF while CRS, NMJD and Local Government took the lead in the reorganization/reconstitution/formation of Chiefdom Development Committees (CDCs) and their capacity building through training.

Concerns have continued to be raised at the Diamond High Level Steering Committee and further disbursement of funds was suspended during 2004. Ineffective utilization of DACDF resources has closely been linked to the absence of adequate monitoring mechanisms. A Ministry of Mines-led follow-up in March 2004 categorized chiefdoms into 'A' Performing, 'B' Under performing and 'C' chiefdoms where funds received were small (threshold 10 million Leones) and hence major impact was difficult to achieve or measure. 12 chiefdoms were seen to be performing with 11 listed as under performing. The balance was listed as Category 'C'.

6. Issues with the DACDF:

The Coalition report highlights lack of local awareness of the fund and a lack of local contribution in the decision making process. However a lack of local reporting skills also add to the initial transparency problems. Training sessions undertaken worked with the Chiefdom Development Committees (CDCs) but in most chiefdoms CDCs comprise of Section Chiefs, thus effectively alienating other stakeholders such as youth and women and therefore, stifling the concept of local ownership.

There are instances of a lack of fund awareness at the chiefdom level, and prior utilization has suggested that some chiefs use the fund to enhance the chiefdom authority, often without close coordination with those sections whose efforts may make the biggest contribution. The increasing

size of the fund in some cases stretches the local absorptive-capacity. Information regarding the existence and purpose of the fund is often limited at the chiefdom level leading to incidence of resource misdirection and low community participation in project decision-making. Substantive allocation of funds without clear laid-down development plans proves problematic.

It should be noted that much has changed in Sierra Leone since the Fund was first proposed. For example, the Local Government Act had not been enacted and as such there were no Local Councils or roles to devolve, all of which now impacts on the implementation of the Fund. As decentralization continues local councils are now also beneficiaries to the fund. Local councils are also charged with ensuring development within their districts. Clarification is necessary as to who is the lead, Chiefdom, Council or both.

It is now necessary to re-think the DACDF. The nature of the fund allocation, based upon legal mining licenses within chiefdoms, remains a positive aid to mine monitoring at the local level, especially as chiefs now realize the size of the benefit. However, community awareness remains low, questions as to how effectively the fund is used including limited utilization and accountability of the fund continues to be critical problems. The fund, possibly pushed through with some haste, now requires a solid working framework. It is possible that the original reporting structure envisaged would fulfil the accountability needs. This would however require considerable capacity building at the local level.

A Sub-group of the Technical Committee has proposed the under mentioned options for the consideration and review of both the Technical Committee and the HLSC.

- It is proposed to hold a two-day USAID/IDMP funded workshop in Kenema (21-22 July) for Eastern Province diamond chiefdoms and local councils to deliberate on a way forward. It is envisaged that the workshop will deliver a local strategy paper for the Diamond High Level Steering Committee to review.
- Establish an independent DACDF Monitoring Team. Independent of both the MMR and chiefdom administration, this team will provide the Ministry, HLSC and other stakeholders with a 3 monthly objective and impartial reports regarding the utilization of the fund, implementation processes and impact of community-led projects.
- Institute a DACDF project proposal review mechanism: Part of the problems associated with the fund has been assumptions regarding absorptive community capacity and technical know-how to prioritize and design projects that addresses wider community needs and interests. With a review mechanism in place, the team will be able to spot and assist communities with appropriate community action plans (CAPs) way ahead disbursement and receipt of funds. Perhaps, this is where the role of NaCSA comes in rather than have NaCSA implement the fund.
- Disburse DACDF in tranches: Most often, the outcome of CAPs is to help communities to do systematic project planning and therefore, enhance the chances to achieve better results. This would require recipient communities to submit to the project review team lists of activity plans, timelines and budgets. Funds will then be disbursed in tranches according to projected activities and budgets and upon satisfactory completion and accountability of previously funded activities.
- Increase the level of community awareness of the fund at chiefdom level.
- Reorganize CDCs to address the problem of fair representation and increase the participation of women, youth communities outside chiefdom headquarters in project decision-making processes.

- Government should make clear the competing development roles between Local Councils and chiefdom authorities as far as the utilization of the fund is concerned.

Appendix A

Current Distribution of DACDF as at end 2004						
Eastern Province						
<i>District</i>		<i>Chiefdoms</i>	<i>Classification</i>			<i>Licenses</i>
			A	B	C	
Kenema		12	3	6	3	629
Kono		6	4	2		1123
Kailahun		3	1		2	46
<i>Eastern Totals</i>		<i>21</i>				<i>1798</i>
<i>Percentage of National Total</i>						<i>77.73</i>
Southern Province						
<i>District</i>		<i>Chiefdoms</i>	<i>Classification</i>			<i>Licenses</i>
			A	B	C	
Pujehun		8	1	1	6	85
Bonthe		3			3	7
Moyamba		1			1	1
Bo		12	3	2	7	279
<i>Southern Totals</i>		<i>24</i>				<i>372</i>
<i>Percentage of National Total</i>						<i>16.08</i>
Northern Province						
<i>District</i>		<i>Chiefdoms</i>	<i>Classification</i>			<i>Licenses</i>
			A	B	C	
Bombali		4			4	136
Port Loko		2			2	3
Kambia		2			2	3
Tonkolili		1			1	1
<i>Northern Totals</i>		<i>9</i>				<i>143</i>
<i>Percentage of National Total</i>						<i>6.18</i>

Comment Bernd: 31 chiefdoms of 54 chiefdoms with mining activities are applying for funding less than 10 Million Leones. It might be considered to keep them out of the complicated proposal process to allow them making use of the funds in a non bureaucratic way. Even monitoring might not be worth it, neither getting NaCSA involved for less than 4000 \$ a year

Of the remaining 23 chiefdoms 12 are classified under 'A' which indicates that things are running there more or less smooth.

Only for the 11 chiefdoms classified under 'B' immediate action is needed to enhance the situation.

To create a set of lessons learnt from the persons involved in writing proposals for the Fund and implementing the projects would be a good theme for a workshop.

A second workshop can introduce these lessons learnt to the chiefdoms classified 'B'.

It could be suggested that each of the 'B' classified chiefdoms is assigning people to learn from the 'A' classified chiefdoms and in that way learning based on in country experience.

Still it might be of need to distinguish further more between the chiefdoms by the amount of funds eligible. There might be only 5 or 6 chiefdoms that have to handle an amount of funds, which need much more professional management.