Policy Brief
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Artisanal Diamond Cooperatives in Sierra Leone: Success or Failure?

From September 1999 to December 2007, Management Systems International (MSI) was contracted by USAID to manage its US$6.5 million Integrated Diamond Management Program (IDMP) and its Peace Diamond Alliance (PDA) in Sierra Leone. The project aimed to formalize and rationalize the artisanal sector, and increase local beneficiation.

In Sierra Leone, artisanal diamond mining is traditionally done by landowner or tenant miners employing ‘diggers’ on a seasonal or occasional basis. In the most common system of production diggers work in exchange for support (meals, accommodation, basic health care and other ‘perks’) with a share of the ‘winnings’ when diamonds are found.

Diamond cooperatives were the vehicle for attempts to achieve market-led change, legalization, and miner empowerment by:

- Rationalizing artisanal production (fewer, better-organized units; training for responsible mining, efficient methods and technologies);
- Providing opportunities for youth, extremely important in maintaining peace and developing the country;
- Bypassing traditional middle-men ‘supporters’ who were believed to be responsible for ongoing smuggling and links to criminal and terrorist organizations;
- Empowering diamond diggers to become financially independent and able to diversify their livelihoods;
- Condensing the supply chain to bring a greater portion of the international value of diamonds to the producer level;
- Encouraging self-policing that would prevent theft, decrease smuggling, increase government revenue, and bring greater order to the sector.

The project included a buying scheme, a financing scheme, and an earth-to-export scheme. The plan was to operate for two mining seasons with a view to the cooperatives becoming self-sustaining in that time.

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Each cooperative was to have between 50 and 70 people, predominantly youth, with a ‘broad-based’ member-
ship, including a few prominent community stakeholders such as chiefs, and at least two experienced miners. In the buying scheme, the cooperatives would sell directly to reputable international buyers, bypassing traditional ‘middle-men’ and enabling a larger portion of the international value to be paid at the producer level.

The financing arrangement was supposed to be based on a revolving loan fund. USAID had set aside $522,000 for this purpose, but an environmental assessment (EA) was required. It took fourteen months for the EA to be organized, tendered and conducted, by which time the mining season was already under way. The EA concluded that the credit scheme was unworkable, so USAID abandoned the revolving loan fund. Aware of the hold-up and concerned that delaying the cooperatives by a year would lead to disillusionment and a loss of momentum, MSI sought private finance for the cooperatives. One American businessman invested $55,000 and another invested $20,000 in the scheme.

Thirty-five cooperatives registered with the PDA in Kono District, but only five could be funded. Total recovery at the end of the 2005 mining season was 320 stones weighing 60.37 carats, with a total value of $4,390. The diamond quality was poor, averaging $72.74 per carat against a national average of more than $200. The two investors recovered a total of only $4,400.

The project had a number of positive socio-economic outcomes for diggers: access to employment; access to proper medical care; improved social status and a sense of dignity amongst member miners; income generation for women providing support services; and increased household income enabling miners to attend to their children’s education, and rehabilitate and construct houses. These benefits to the members must be seen, however, in relation to the project goals, and to the investors’ extremely low returns, which led to a cancellation of the project.

With hindsight, there were many problems.

**Design Problems**

- **Wrong Premise:** that supporters and middlemen are the problem and should be eradicated. Some diggers were reluctant to abandon their relationships with supporters who provided occasional but very important financial or political assistance in times of trouble. Trying to eradicate the supporter system without alternatives was naïve and probably futile.

- **Just another Support Scheme?** The withdrawal of USAID funds meant that the financing scheme was actually very similar to the traditional supporter system. The greatest similarity was the obligation to re-pay the investor with diamonds rather than money. This meant that the cooperatives were obliged to sell to one person rather than to whomever they pleased. The scheme only transferred the miners’ obligations from a supporter they knew to one they did not.

- **Complexity.** The project was too complex, with so many policies and procedures that some had to be ignored for practicality’s sake.

- **Budget Rigidity** meant that the cooperatives could not use funds flexibly to respond to challenges as they arose.

- **Wrong Place?** The cooperatives might have been more successful in Tongo Field where the land ownership system is different from Kono District, where the PDA had secured access to 10 acres of virgin land, and where it had demonstrated results in environmental reclamation and reducing child labour.

- **Inadequate Finance.** The cooperative budgets, designed for artisanal activities without any mechanization, were unrealistically low, and contained no room for contingencies.

- **Inappropriate Selection Criteria.** The requirement that cooperatives have at least 50 members made little sense. Selection criteria were developed unilaterally by the first Project Coordinator and the cooperatives did not have the capacity to interpret or opportunity to change them.

**Implementation Factors**

- **Unviable Land.** The cooperatives claimed that they were allocated economically unviable lands.

- **Lack of Mining Expertise.** No geologists or mining engineers were employed for prospecting or to guide implementation.
• Corruption of some government officials, IDMP/PDA officials and cooperative members led to manipulation and misdirection of funds.

• Inadequate Monitoring.

• Poor Information Flow between the cooperatives and the PDA/IDMP compromised trust and meant that issues were not dealt with quickly.

• Short-Termism. It would have been impossible for the scheme to achieve its objectives in two years, much less the one year it was ultimately given.

Internal Factors

• Weak Cooperatives. The cooperatives were undemocratic; executive members were selected according to social status rather than merit; understanding was poor and member relations were not equal or fair. Production was similar to traditional systems, with gangs of younger workers managed by older, more powerful community members.

• Unrealistic Expectations. On all sides.

• A Beneficiary Mentality. The cooperatives aimed to help members move from dependence to independence. Instead, the overall effort became little more than a classic top-down aid project.

• Weak Capacities. Some cooperatives found it extremely difficult to do budgets or to record information on the diamonds found. Co-op members did not understand the basics about cooperatives, how loans would be repaid, and how winnings would be shared.

• Poverty? Many members were either unwilling or unable to contribute funds to the cooperative, meaning that there was no shared ownership.

• Theft. Theft should not have been a surprise where trust, a sense of duty and future potential did not have time to develop, and where some workers were not paid.

Conclusions

The PDA cooperative project has received an enormous amount of attention from organizations and companies interested in the concept of ‘ethical’ diamonds and jewellery. A pioneer amongst these, it was the first to attempt to change the structure of artisanal diamond mining.

Its principal failings were that the cooperatives found very few diamonds, lost money, and suffered from corruption. The principal reasons had to do with inadequate socio-cultural preparation, design and implementation weaknesses, inadequate prospecting and exploration, donor delays, and the removal of support for the revolving loan fund at a critical moment in the project’s development.

The PDA experience, however, does not demonstrate that the cooperative model is unviable. Cooperatives may prove be appropriate for artisanal diamond mining, but they must be introduced with due attention to design, pacing, ownership, training, management, budget and evaluation. It is vital that implementing agencies recognize the long-term commitment required to achieve harmonious, productive cooperatives and robust monitoring systems.
Key recommendations

• Make the scheme as simple as possible, preferably based on the formalization of existing practices. Seek guidance from organizations with solid cooperative experience.

• The need for capacity-building in democratic organization, responsibility, accountability, entitlements and management cannot be overstated.

• Ensure proper guidelines and procedures are in place and are understood at all levels.

• Empower cooperative members to manage their own affairs and finances; ensure that clear grievance and disciplinary mechanisms for ensuring accountability are in place.

• Provide assistance and training in productive and responsible mining techniques.

• Provide adequate, timely financing and a contingency budget, and require financial and other material contributions from members.

• Be prepared to mechanize production if the diamond deposit requires it, and to mechanize washing if it will minimize theft.

• Mine land with good potential. Prospect scientifically.

• Ensure a robust monitoring system. Monitor the monitoring system.

• Manage expectations by communicating, listening, and re-communicating. Ensure information is getting right down to the ground.

• Encourage and enable the pursuit of supplementary and alternative livelihoods to help when prices fall or diamonds are not found.

• Ask key questions: Who owns, decides, and controls? Are the members compatible? Are members’ objectives compatible with those of project managers? How will external dependency be prevented? How can powerful people’s interests be prevented from undermining the cooperative?

Given the circumstances in which the PDA cooperatives were attempted, it is perhaps not surprising that the project was unsuccessful. Outsiders, whether donors, government or commercial enterprises, must introduce new initiatives responsibly, learning from what has gone before, taking care not to persuade people living in difficult and fragile circumstances to join ill-planned efforts that may damage their livelihoods. In that sense the PDA experience has many lessons to offer.

For more information on the key to successful cooperatives, see www.dgrvsa.co.za, www.ica.co-op, www.yebocoop.co.za, and www.ilc.org

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About DDI International

DDI is an international non-profit organization that aims to gather all interested parties into a process that will address, in a comprehensive way, the political, social and economic challenges facing the artisanal diamond mining sector, in order to optimize the beneficial development impact of artisanal diamond mining to miners and their communities within the countries in which the diamonds are mined.

A major objective is to draw development organizations and more developmentally sound investment into artisanal diamond mining areas, to find ways to make development programming more effective, and to help bring the informal diamond mining sector into the formal economy.

More information on DDI International can be found at www.ddiglobal.org, and we can be reached at enquiries@ddiglobal.org.

About Partnership Africa Canada

Partnership Africa Canada (PAC) undertakes research and policy dialogue initiatives that tackle issues of human rights, human security and sustainable development affecting Africa. PAC’s most important programme deals with natural resource extraction and human security. PAC participates in the work of the Kimberley Process, is a member of several of its committees and helps coordinate civil society participation in it. Other programmes include support for civil society participation in the African Peer Review Mechanism - a programme to strengthen governance in Africa - and support to civil society programmes to prevent violence against women in DRC and to promote biodiversity in West Africa.

More information on PAC can be found at www.pacweb.org or by writing to info@pacweb.org