



# Diamonds for Development

Monrovia, December 16, 2005

UNDP Liberia



# Part 1

Presentation  
Diamonds for Development  
Monrovia, December 2005

# UNDP Liberia



“Capacity building is at the heart of what UNDP does. In Liberia, it is clear that action needs to be swiftly taken to develop capacity across all sectors of government and society.... and on a scale sufficient to ensure that the country continues on the path towards lasting peace and sustainable human development. As a trusted partner of the transitional government, civil society, NGOs, the private sector as well as other UN agencies, UNDP is uniquely positioned to help coordinate an effective, coherent response to the post-conflict challenges, and new opportunities, that Liberia faces.”

*Mark Malloch-Brown, ex-UNDP Administrator*

# UNDP support to D4D

- Ministry of Land, Mines and Energy invited UNDP to participate to the KPCS working group early 2005;
- One of the results of this process is “Diamond for Development Programme”, complementing KP;
- D4D is addressing the issue of equitable distribution of revenues from a **developmental standpoint** by supporting interventions that target the whole cycle of revenues from diamonds,

# Proposed entry points [1]

## At local level D4D expects to:

- raise the stakes of individuals and communities in the **licit trade of diamonds** thus improving their quality of life and contributing to national reconciliation and peace building;
- further support **Local Governance** through the devolution of power for sustainable development, poverty reduction and MDGs achievement;

# Proposed entry points [2]

## At central level D4D supports:

- The revision of laws directly governing the extractive sector, with priority focus on the reorganization of the alluvial mining sub-sector. This exercise is expected to promote **transparency** in the appropriation of land and **accountability** in collection and **responsible management** of revenues;
- The constitution of an escrow account for transparent management of disbursement and **public investments and saving** for future generations;

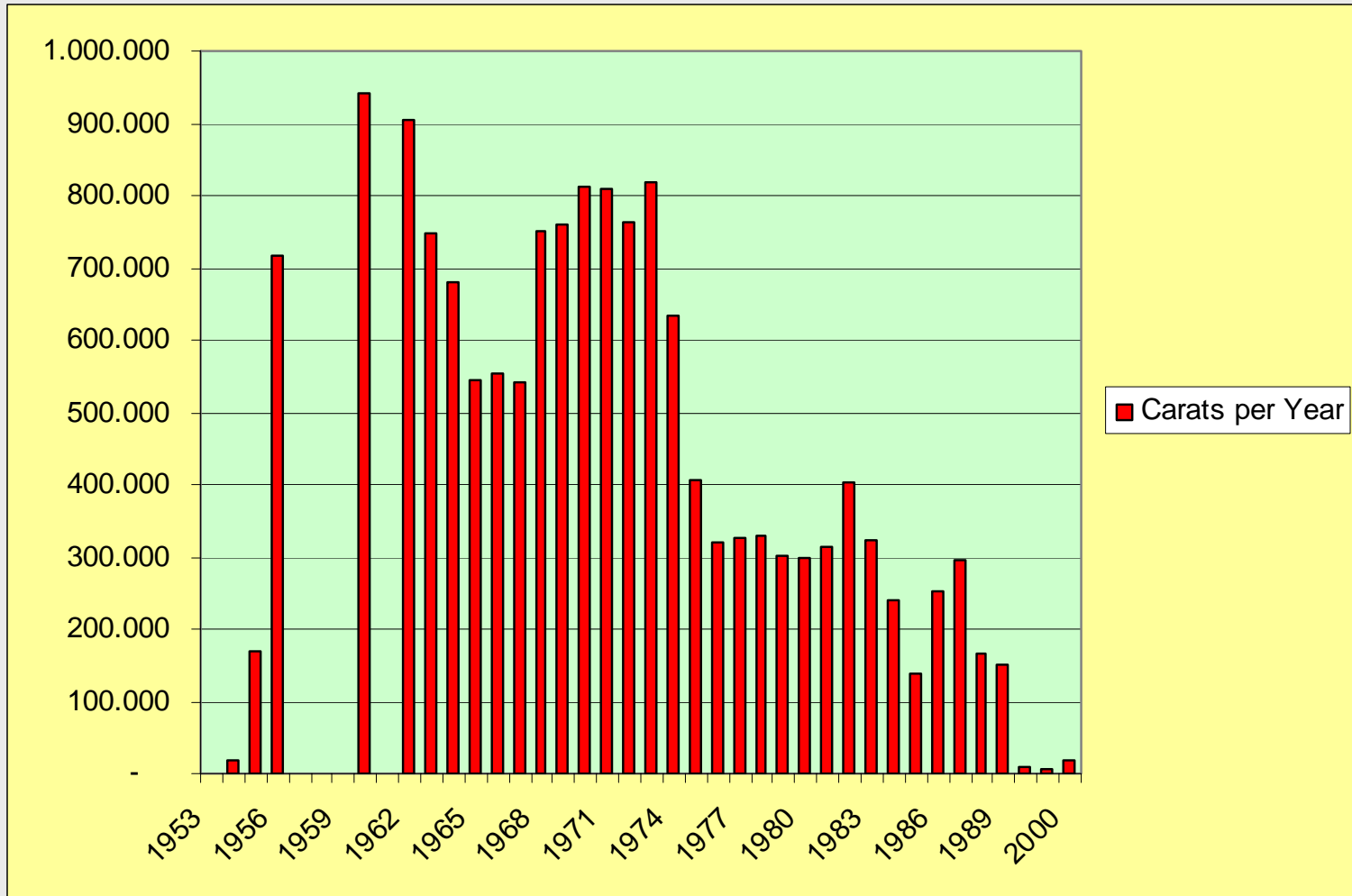
# Evolution of D4D

- January: Set-up of the KP task force by the MLME;
- February: joined KP mission of experts;
- April: UNDP mission and field visit to Lofa Bridge,
- June: joint MLME, ILO, UNDP/SURF mission to Sierra Leone;
- June: field visits to Camp Alpha and Nimba County;
- July-September: Different KP task force activities, and UNDP missions, and informal technical consultations;
- July-October: consultations with other partners (e.g IA), HQ and sister COs in the MRU;
- October: participation to the DDi Conference in Accra;



# Part 2

# Liberia Trends in Diamond Export



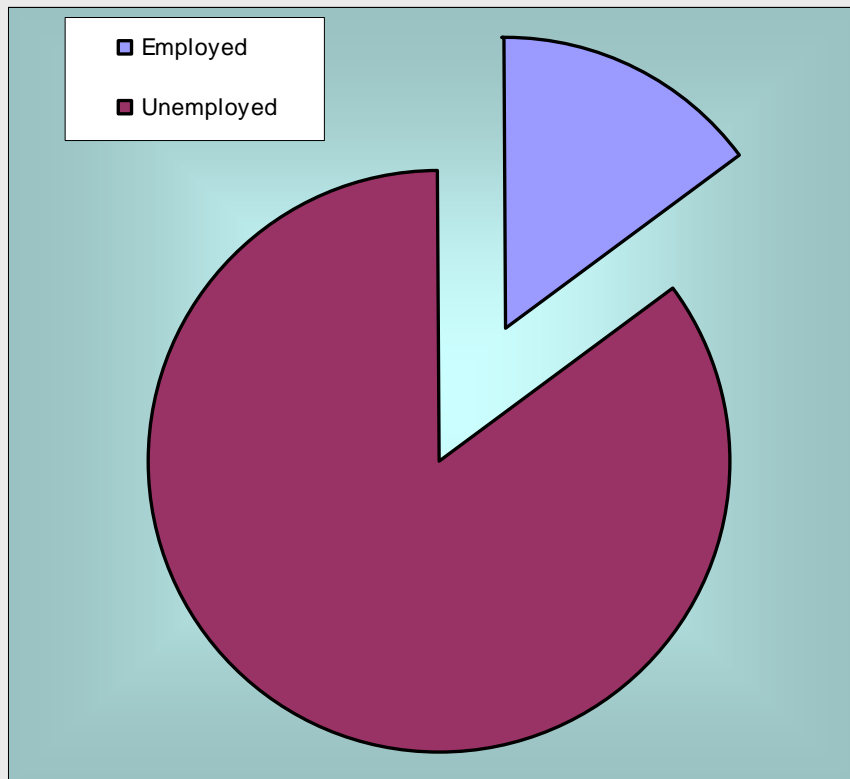
Because of peace, during 60s and 70s there was more of x-border movement into Liberia – its \$ economy was attracting diamonds

# Alluvial mining Revenues & Employment

Production potential ( <b>only alluvial</b> )	100,000 – 400,000 carats/year = \$ 13 – 50 million
Direct employment	50,000 – miners
Indirect benefit (household members)	300 - 400,000

**(Potential estimate of KCPS Mission of experts - Feb 2005)**

# Socio-Economic Context

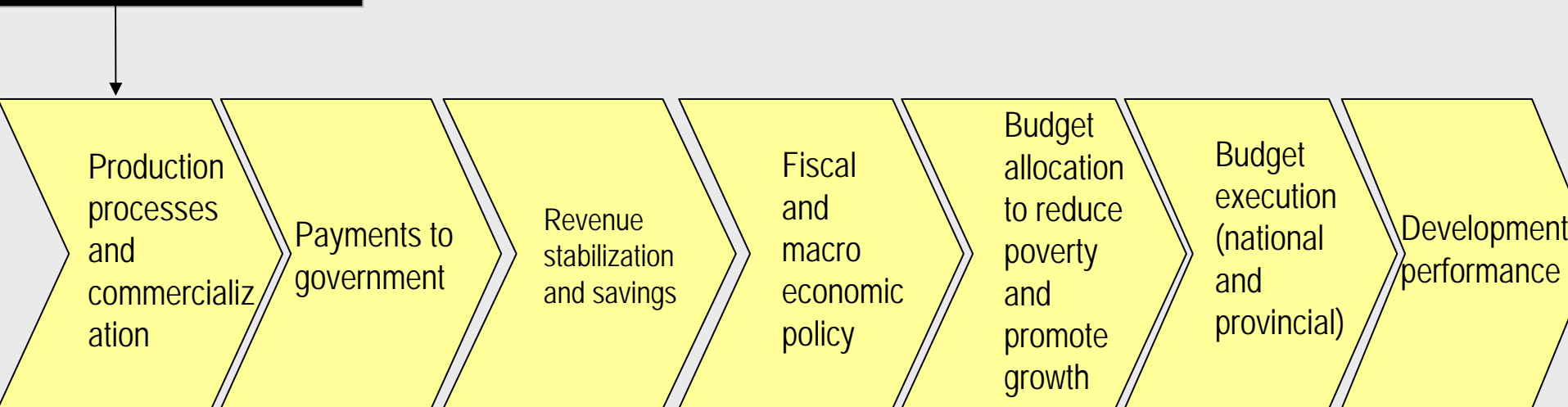


- 76.2% living in extreme poverty (< US\$1/day)
- 86% unemployed
- 74% NO access to safe drinking water
- 62.3% illiterates
- 60% NO access to education
- 86% living in rural areas

Source: MDG Report for Liberia 2004

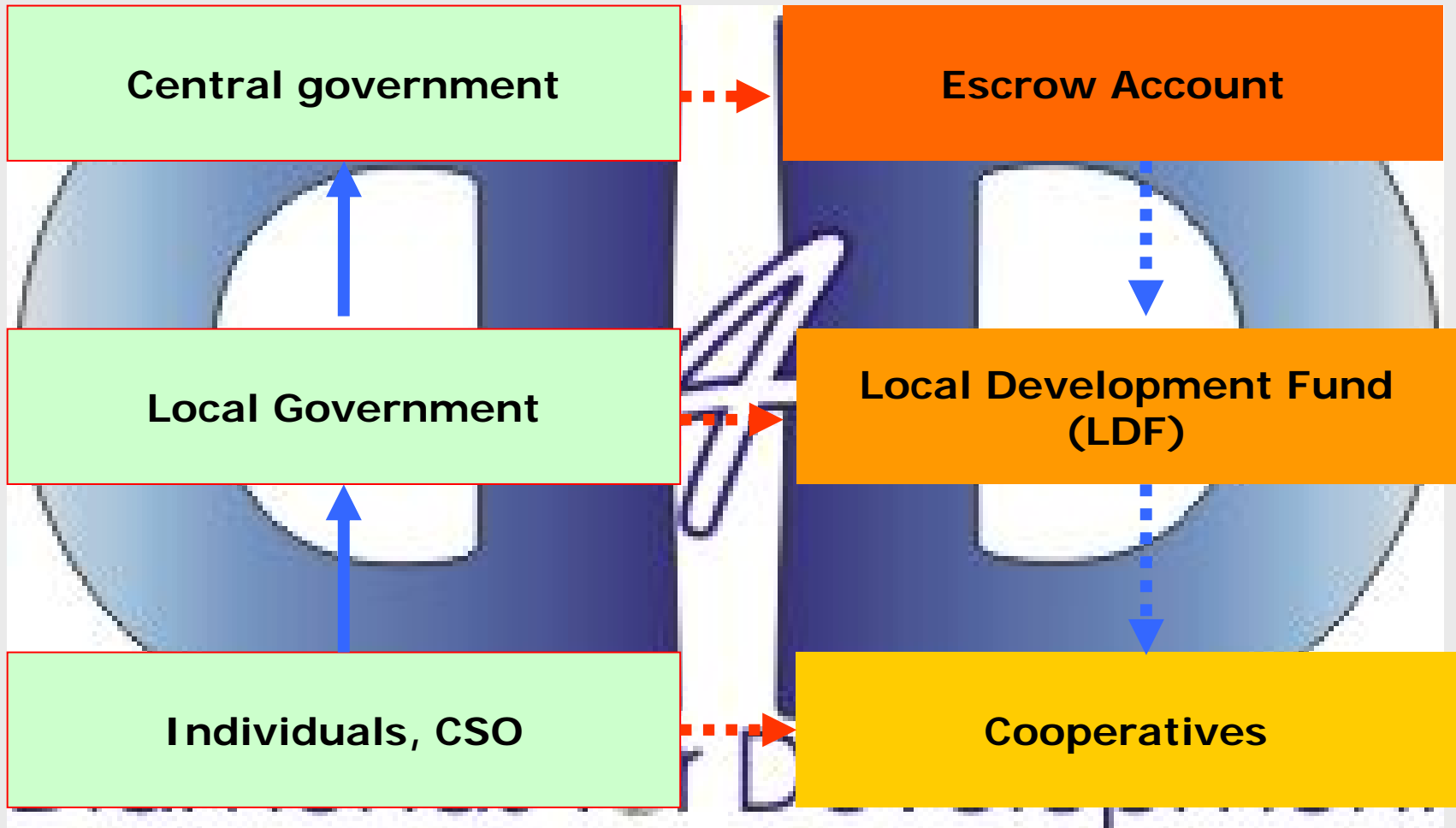
# Kimberley Process

## Kimberley Process



Revenue 'Cycle'

# Interventions at all levels of the revenue cycle

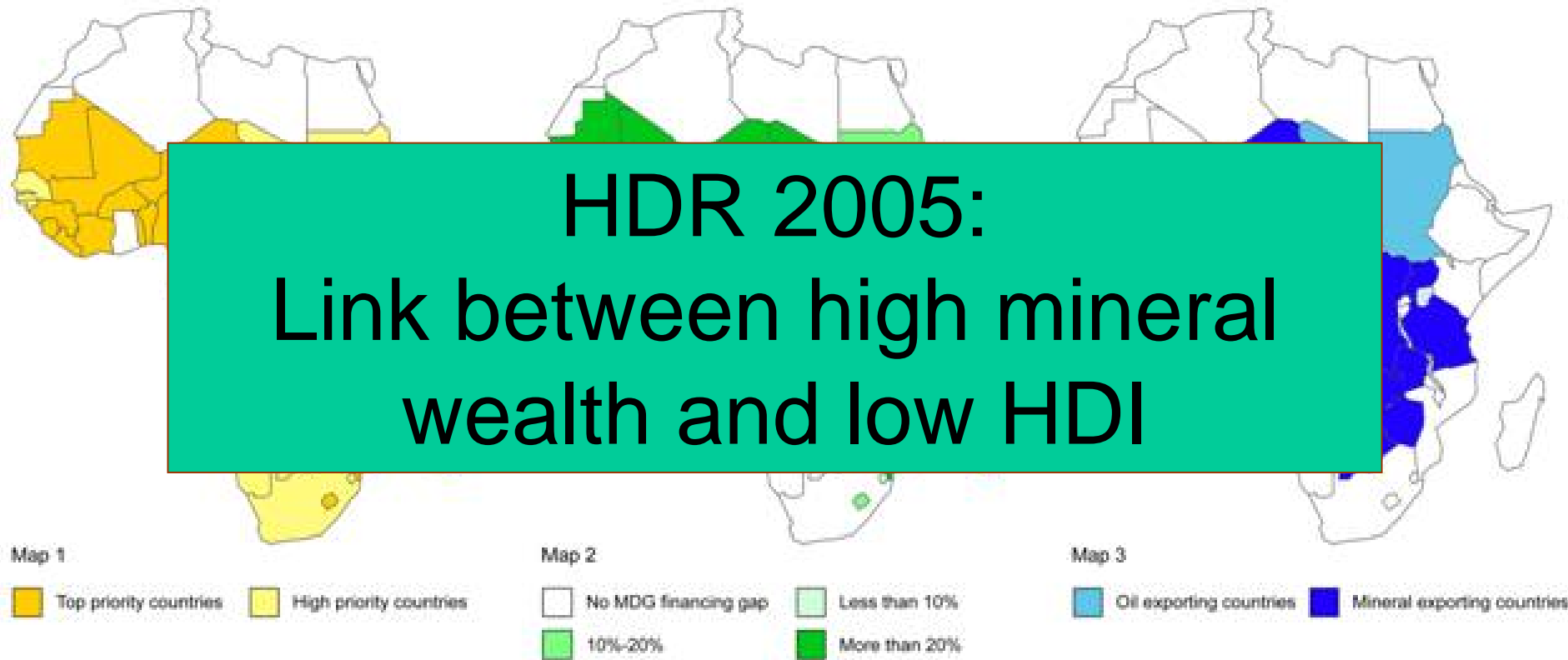


# Mineral Resources FOR Local Development

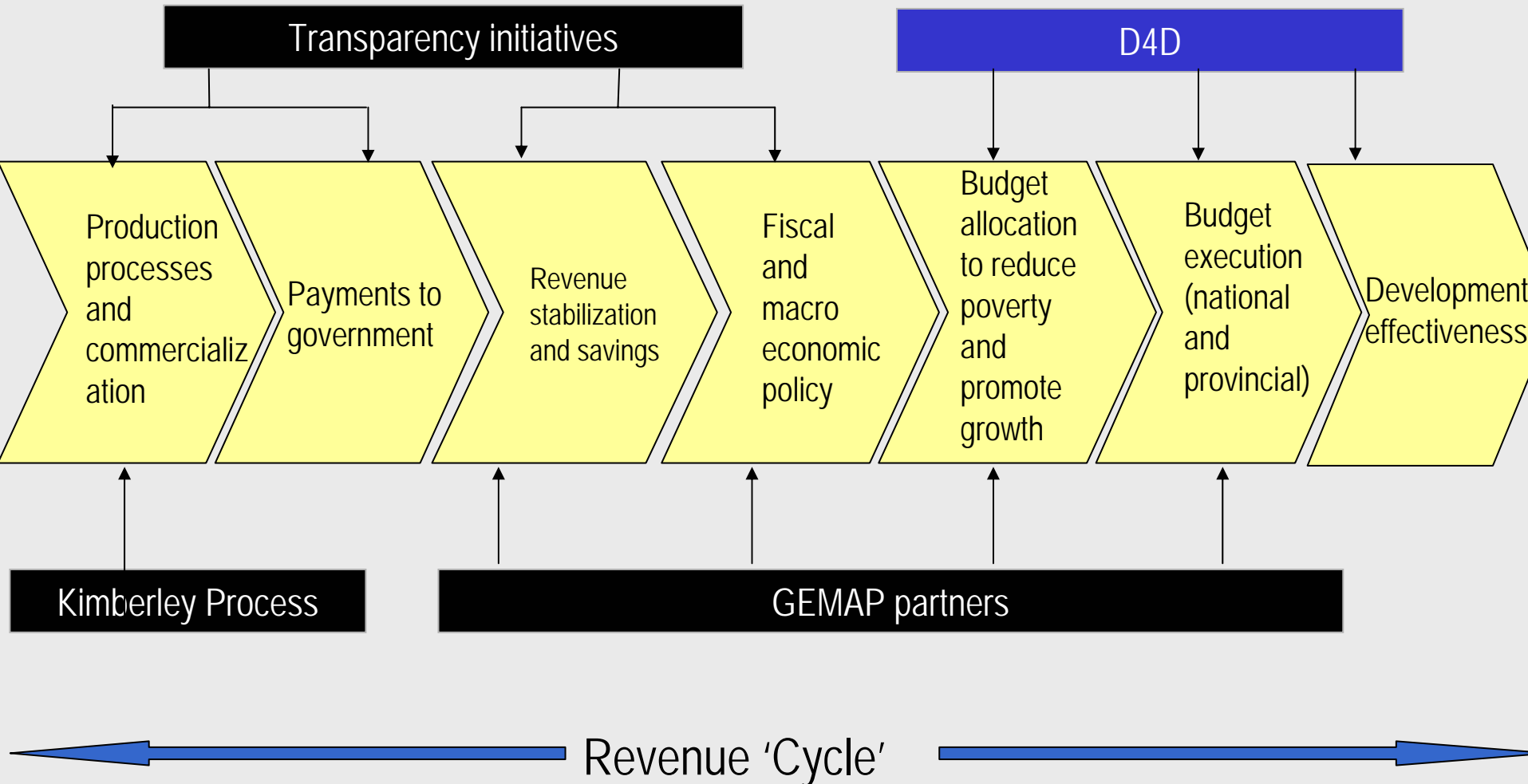
“If oil could be turned into aid, the development consequences would be enormous”.

*Source: Paul Collier, (2005) Is Aid Oil p24*

# MDG Top and High Priority Countries, MDG Financing Gap (2015), Oil, Gas and Mineral Exporting Countries

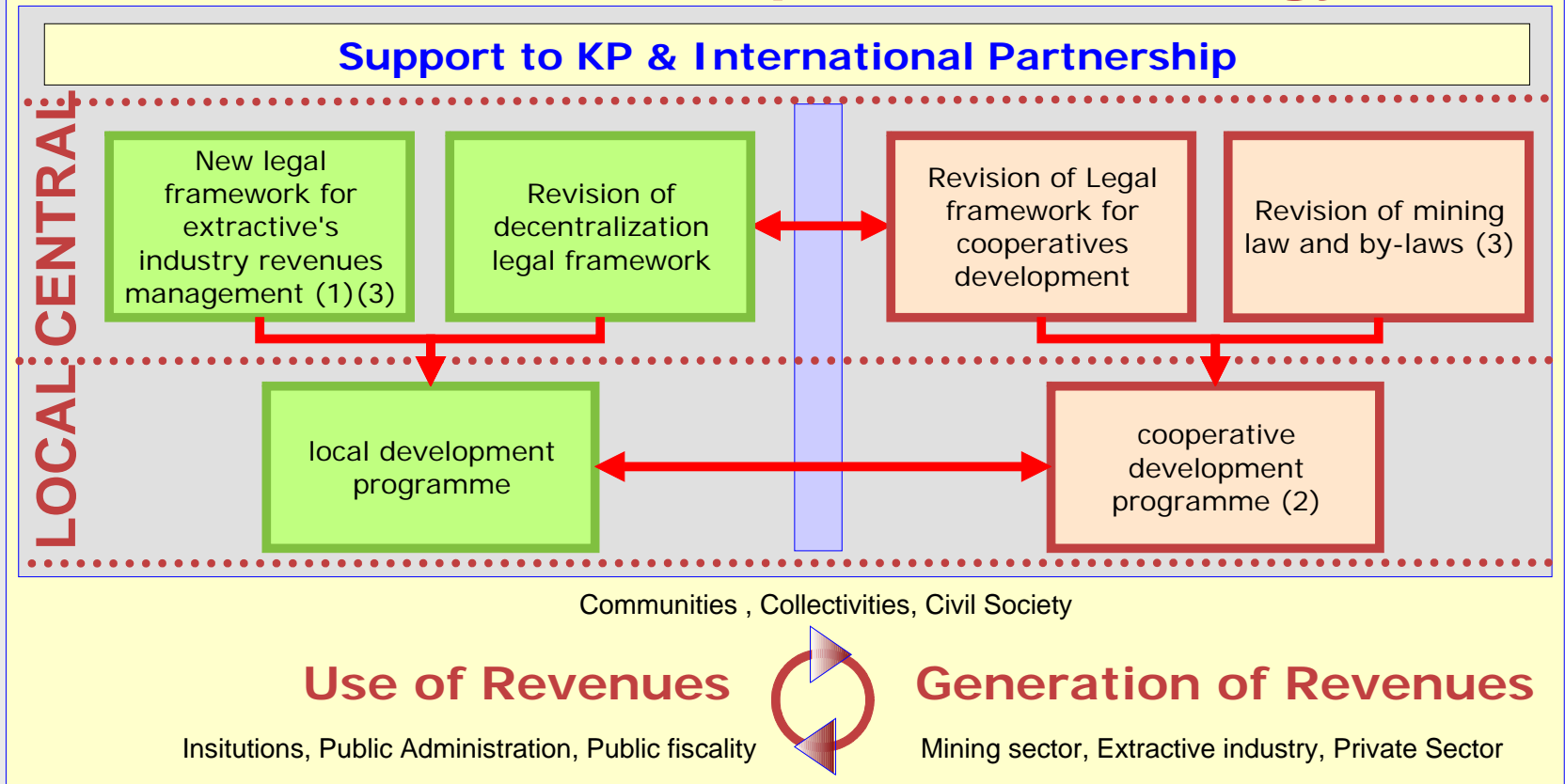


# Support to KP and International Partnership



# Diamonds for Development

## Diamonds for Development elements for an operational strategy



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# Matrix of Interventions

<b>A</b> central/ policy level	1	<p>New legal framework for the management of revenues accrued from extractive industries</p> <p><i>(includes here the whole set of the Country's mineral resources (diamonds, gold, iron ore, bauxite, and other minerals), and may include also Timber &amp; Rubber)</i></p>	<p>This may include:</p> <ul style="list-style-type: none"> <li>(i) creation of escrow account and funds for future generations,</li> <li>(ii) retrocession of a quota - up to 25% - of profits/taxes/incomes from diamonds &amp; others to local governments,</li> <li>(iii) creation of a Diamond's Fund with a compensatory mechanism.</li> </ul>
	2	Revision of mining laws and by-laws	Based on PSIA and other existing assessments
	3	Revision of legal framework for the development of cooperatives	
	4	Revision of decentralization legal framework	Based on capacity assessment and orientation from GRC
<b>B</b> local level (in selected mining areas)	1	Creating a local development fund/programme	<ul style="list-style-type: none"> <li>(i) Align capacity development in this segment of the public sector with the growing expectations of civil society in producing regions,</li> <li>(ii) Improving services delivery and economic development,</li> <li>(iii) Reducing poverty and contributing to MDGs achievement</li> </ul>
	2	Establishing mining cooperatives	<p>This may include:</p> <ul style="list-style-type: none"> <li>(i) micro-finance,</li> <li>(ii) support to cooperatives in other sectors.</li> </ul>

# Next Steps

- Undertake a Poverty Social Impact Assessment - PSIA exercise,
- Assessment of Local Governance structures and financial management capacities,
- ‘Issues paper’ in preparation in partnership with INGO,
- MRB conference (first quarter 2006),

# Outcomes

- **Increased dialogue:** new mineral revenue management legislation integrate “revenue sharing principle” at the local level (Chad, STP, Guinea, etc.);
- **Increased capacity:** to respond to the growing expectations of civil society in producing regions;
- **Increased transparency and accountability:** local management & direct social oversight (CSOs participation);
- **Increased social responsibility:** open public-private partnerships at local level for poverty reduction actions;
- **Increased sustainability:** endogenous source versus exogenous source;
- **Increased impact:** high sustained market price of Mineral resources (next 5-10 yrs);



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