



Government of Sierra Leone

Ministry of Mineral Resources
And
Ministry of Local Government

Diamond Area Community Development Fund
(DACDF)

Operational Procedures and Guidelines

November, 2008

Table of Contents

1	Introduction.....	2
2	Calculating Allocations	2
3	Project Development & Approval Cycle.....	3
3.1	Chiefdom Project Development.....	4
3.2	District Council Project Development	5
4	Project Implementation.....	6
4.1	Procurement.....	6
4.2	Payment.....	8
5	Monitoring & Evaluation	9
	Annex A: Artisanal Diamond Mining Licence Report	11
	Annex B: DACDF Allocations Table.....	12
	Annex C: Project Appraisal Criteria	15
	Annex D: Project Proposal Form – DACDF.....	16
	Annex E: District Projects-Summary Report.....	17
	Annex F: National DACDF Disbursements Form.....	18
	Annex G: Local Purchase Order.....	19
	Annex H: Project Implementation Report	21

1 Introduction

The Diamond Area Community Development Fund (DACDF) was initiated in 2001 and represents one-quarter of the 3% tax levied on the value of artisanal diamonds exported from the country. The Government Gold and Diamond Office (GGDO) deposits 0.75% of this export value to a joint Ministry of Mineral Resources and Ministry of Local Government account registered with the Sierra Leone Commercial Bank.

The fund is designed to achieve the following objectives:

- To implement post-war transformational efforts whereby communities themselves could benefit from diamond resources (particularly when these resources were re-directed to fuel the civil war)
- To reclaim diamond areas that were overtaken by insurgents during the war by returning a portion of mining wealth to communities
- To enable local communities, led by the Paramount Chief, to promote their own development agenda that would address issues related to poverty and basic service provision
- To reduce the level of illegal artisanal mining by providing an incentive scheme by linking the number of licenses issued to the amount received by each Chiefdom/District located in a diamondiferous area.

This document presents the specific details associated with the utilisation and governance of the DACDF.

2 Calculating Allocations

1. By the 1st of March and again by the 1st of September every calendar year, the Ministry of Mineral Resources' Government Mines Engineers will submit a table (**Annex A**) detailing the number of artisanal mining licences issued in specific Chiefdoms for the previous year to the Director of Mines.
2. By January 15th and June 15th of every calendar year, the Government Gold & Diamond Office will submit a statement of accounts detailing the total diamond export tax revenues, and the proportion of DACDF contributions to the Director of Mines.
3. Utilising the table found in **Annex B**, specific allocations will be calculated using the following formulas:

Formula 1: District Council Allocation

$$\sum_{\text{June, Dec}}^{\text{Jan, July}} \text{DACDF Collections} \times 0.2 \times \frac{\text{N}^{\circ} \text{Licences in District}}{\text{Total N}^{\circ} \text{Licences in all Districts}}$$

= District Council Allocation (DCA)

Formula 2: Chiefdom Base Allocation

$$\sum_{\text{June, Dec}}^{\text{Jan, July}} \text{DACDF Collections} \times \frac{0.2}{\text{N}^{\circ} \text{Diamondferrous Chiefdoms}}$$

= Chiefdom Base Allocation (CBA)

Formula 3: Allocation per Artisanal Diamond Mining Licence

$$\sum_{\text{June, Dec}}^{\text{Jan, July}} \text{DACDF Collections} \times \frac{0.6}{\text{N}^{\circ} \text{Artisanal Diamond Mining Licences (N}^{\circ} \text{AL)}}$$

= Allocation per Artisanal Diamond Mining Licence (APL)

Formula 4: Total DACDF Allocation to Chiefdom

$$(\text{N}^{\circ} \text{AL within Chiefdom} \times \text{APL}) + \text{CBA}$$

= Total DACDF Allocation to Chiefdom

4. The allocations will be calculated twice a year, the first allocations will cover January 1st to June 30th and the second will cover July 1st to December 31st.
5. The Ministry of Mineral Resources will complete **Annex B** detailing precise allocations and disseminate to Chiefdoms, District Councils and the public one month after the close of a six month period (i.e. July 31st and January 31st).

3 Project Development & Approval Cycle

Money allocated to Chiefdoms and District Councils are not automatically distributed. Funds will only be disbursed once specific development projects have been considered and approved.

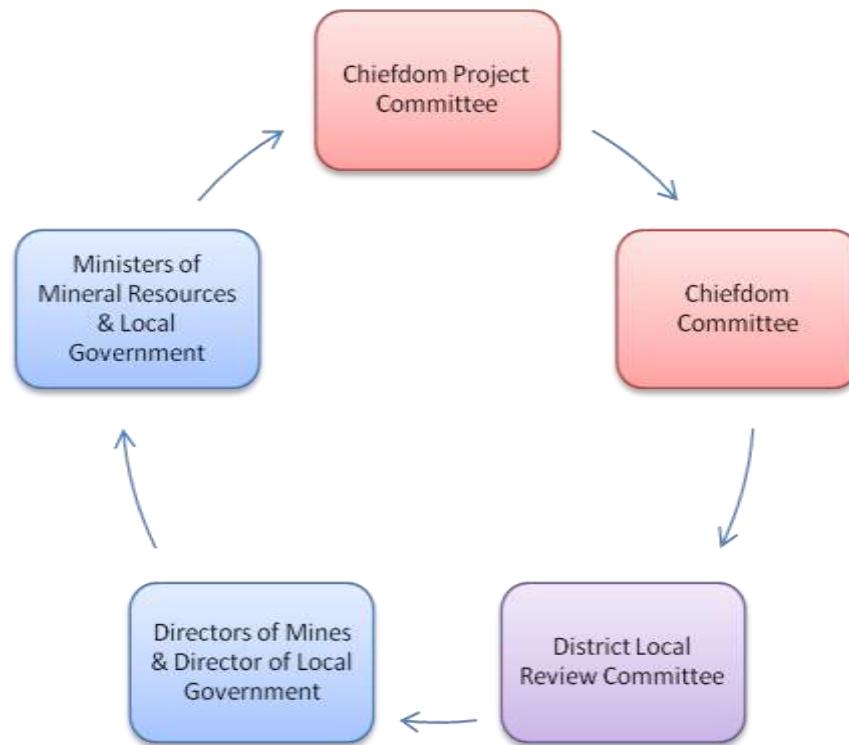
3.1 Chiefdom Project Development

The following are guidelines and the process through which **Chiefdoms can access the DACDF**.

1. Each diamond ferrous Chiefdom will form a **Chiefdom Project Committee (CPC)**, consisting of at least 5 residents from within the Chiefdom. The members will be elected at an Annual General Meeting of the Chiefdom. The Chair of the CPC will be selected from within the CPC by the members themselves.
2. The CPC will solicit project ideas from the wider community, compiling a list of potential ideas, prioritising the list based on criteria set out in **Annex C (Project Appraisal Criteria)**. This may also be done through a more extensive community needs assessment and in line with Chiefdom Development Planning.
3. Based on the list of project ideas and appraisal criteria, the CPC will be responsible for completing the **Project Proposal Form (Annex D)**. These forms will be completed on a six month cycle, with the CPC completing the forms by April 15th (with the view of accessing funds in July) and October 15th (with the view of accessing funds in January). The project proposal form will also require the CPC to develop a budget for the activity.
 - For previously approved projects the Chiefdom Project Committees will be responsible for completing the **Project Implementation Report (Annex H)** and submitting along with new project proposals.
4. The Project Proposals completed by CPCs will be submitted to their respective **Chiefdom Committee (CC)** by the end of April and October respectively. The Chiefdom Committee will then review the application and evaluate them against the appraisal criteria and the wider Chiefdom Development Plan.
5. Each District will form a **Local Review Committee (LRC)**; this committee will be responsible for reviewing all project proposals submitted by Chiefdom Committees within the district. The LRC will ultimately be responsible for approving or rejecting proposals based on a review of **Annex C (Project Appraisal Criteria)**. Each LRC in a District will be comprised of:
 - District Administrator;
 - Government Mines Engineer (Ministry of Mineral Resources)
 - Provincial Administrator
6. Based on the approved project proposals and budgets, each LRC will complete a summary report for projects approved within the District, this form can be found in **Annex E (District Projects - Summary Report)**.
7. Upon receiving summary reports (**Annex E**) from each District, the Directors of Mines and Local Government will consolidate the reports and prepare a **National DACDF Disbursements Form (Annex F)** and submit it to both the Ministers of Mineral Resources and Local Government.
8. Once the National DACDF Disbursement Request is approved by the two Ministers, cheques will be prepared in the name of specific Chiefdom Development Committee bank accounts, signed by the Ministers (two signatures required) and distributed back to the respective Chiefdoms.

9. The Directors of Mines and Local Government will notify each respective Local Review Committee when cheques are distributed to Chiefdom Committees. The Directors will also publish the **National DACDF Disbursement Form** every six months within select national newspapers. Efforts will also be made to disseminate this information widely within the Districts.

Figure 1: DACDF Chiefdom Project Development Cycle



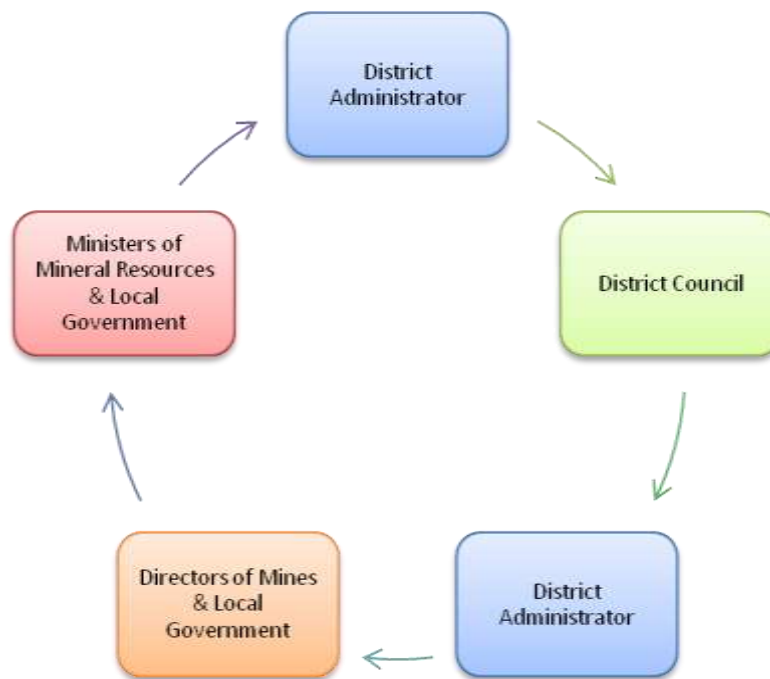
3.2 District Council Project Development

Based on formula 1, used to calculate District Council allocations, the following are the guidelines and process through which District Councils are able to access their DACDF allocations. District Councils will not be able to pay salaries or cover operating expenses through the DACDF. Like Chiefdoms District Councils will be required to develop and submit project proposals.

1. Based on an assessment of the District Development Plan, and consultations with relevant City Councils, District Councillors, the District Administrator (DA) will complete the **Project Proposal Form (Annex D)**.
2. The District Administrator will submit the completed Project Proposal Form and associated budget to the District Council for review and approval. The District Council will be required to consider the Project Proposal in a formal sitting of the Council.
3. Once approved by the Council, the District Administrator will submit the Project Proposal Forms to the Director of Mines and Director of Local Government.

4. Upon reviewing and Project Proposals from the various Districts, the Directors of Mines and Local Government will consolidate the funding requests into the **National DACDF Disbursement Form (Annex F)** and submit to the Ministers of Mineral Resources and Local Government.
5. Once the National DACDF Disbursement Request is approved by the two Ministers, cheques will be prepared in the name of specific District Council bank accounts, signed by the Ministers (two signatures required) and distributed back to the respective Districts.
6. The Directors of Mines and Local Government will notify the respective District Councils when cheques are distributed to District Administrators. As with payments to Chiefdoms, the Directors will publish the **National DACDF Disbursement Form** every six months within select national newspapers.

Figure 2: District Council DACDF Project Cycle



4 Project Implementation

Once the payments have been made to Chiefdoms and District Councils the Chiefdom Project Committee and District Administrator will be responsible for implementing the approved projects. The following are guidelines for how the CPC and District Administrators are to manage this process.

4.1 Procurement

For goods and services valued at less than Le60 million, District Administrators and Chiefdom Project Committees are required to utilise a **Local Purchase Order (Annex**

G). This document will need to be completed for each supplier of goods and services and retained for auditing purposes. This document essentially forms the contract between the goods/service provider and the CPC/DC. The Local Purchase Order will also need to be accompanied by a quotation and an invoice and can be authorised by the CPC Chairperson or the District Administrator.

For goods and services valued above Le60 million, the District Administrator and Chiefdom Project Committee will be required to seek a minimum of three quotations for the contract. Recognising that limited capacity of the CPC's, they will not be required to go through a formal tendering process but will be expected to make the procurement opportunity available to the wider community. While the CPC Chairperson and District Administrator will be responsible for collecting the quotations, they will be expected to share the quotations with all members of the CPC and District Council respectively. The selection of service provider should be based on price and benefit to the local community (i.e. local labour, local business etc.). Once a consensus on the preferred supplier has been reached within the CPC and DC, the CPC Chairperson and District Administrator will be responsible for utilising the **Local Purchase Order (Annex G)**.

In line with national procurement guidelines, suppliers should be registered and tax paying businesses. For the purpose of the DACDF this should apply to companies/individuals supplying goods/services above Le60 million but recognising the informal nature of small businesses in the Districts this requirement will be waived for contracts less than Le60 million.

4.2 Payment

DACDF disbursements will be made to the respective Chiefdom Development Committee Accounts and District Council accounts upon approval and submission of project proposals to Local Review Committees and the Ministries of Mineral Resources and Local Government respectively. The DACDF will be disbursed every six months; the following are approximate timelines for project development, approval and the issuance of payments. The same basic timeline will also apply to District Council project proposals.

Figure 3: Project Cycle Timeline 1

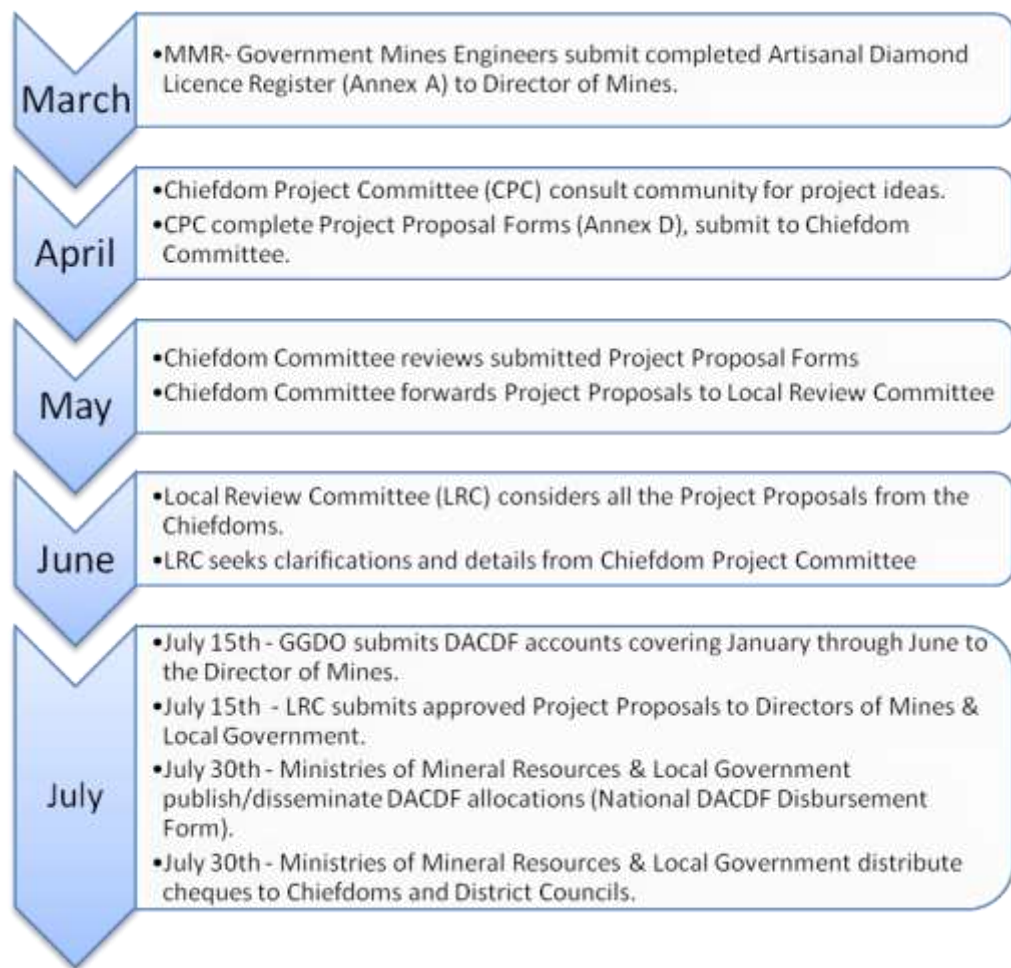
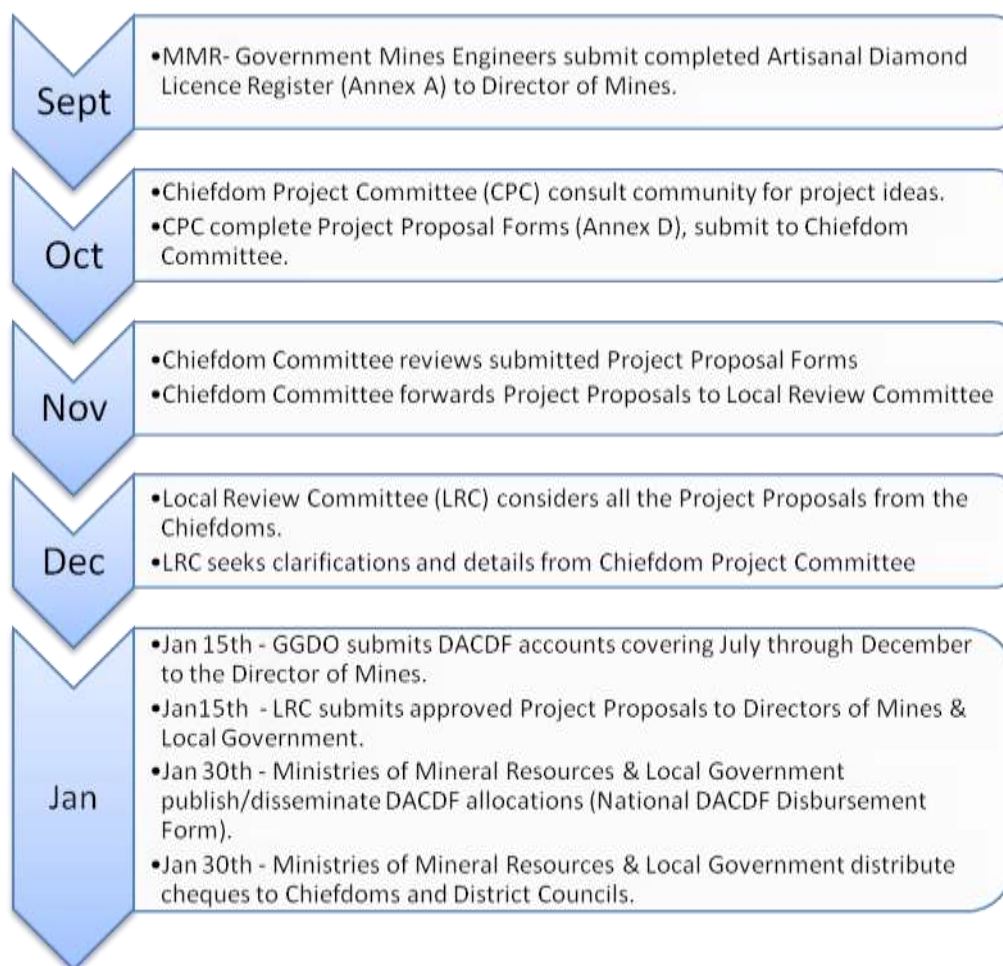


Figure 4: Project Cycle Timeline 2



According to existing financial arrangements, all Chiefdoms should have a Chiefdom Development Account. There should also be at least two signatories to this bank account, ideally the Chairperson of the Chiefdom Project Committee and the respective District Administrator. The name of this account will be provided within the Project Proposal Form and payments from the central DACDF account will be made to the specific account.

5 Monitoring & Evaluation

With the proper utilisation of all the forms provided with this document the Government should be able to monitor the utilisation and effectiveness of funds. The following is a breakdown of responsibility;

1. Government Mines Engineer, responsible for;
 - a. Completing **Artisanal Diamond Mining Licence Report (Annex A)**
2. Chiefdom Project Committee, responsible for;
 - a. Completing **Project Proposal Forms (Annex D)**
 - b. Completing **Project Implementation Reports (Annex H)**

- c. Utilising/approving **Local Purchase Order (Annex G)**
- 3. Chiefdom Committee, responsible for;
 - a. Endorsing **Project Proposal Forms (Annex D)**
- 4. Local Review Committees, responsible for CPC projects;
 - a. Approving **Project Proposal Forms (Annex D)**
 - b. Completing **District Project Summary Report (Annex E)**
 - c. Reviewing **Project Implementation Reports (Annex H)**
- 5. District Administrators, responsible for;
 - a. Completing **Project Proposal Forms (Annex D)**
 - b. Completing **Project Implementation Report (Annex H)**
 - c. Utilising/approving **Local Purchase Order (Annex G)**
- 6. Director of Mines & Director of Local Government, responsible for;
 - a. Approving **Project Proposal Forms (Annex D)** submitted by District Administrators.
 - b. Completing **DACDF Allocations Table (Annex B)**
 - c. Completing **National DACDF Disbursements Form (Annex F)**
- 7. Minister of Mineral Resources & Minister of Local Government, responsible for;
 - a. Approving **National DACDF Disbursement Form (Annex F)**

The objective of creating the system described above is to ensure the funds are utilised appropriately and a mechanism is put in place to ensure accountability throughout the process.

Ultimately the Local Review Committees will be responsible for overseeing the utilisation of DACDF resources by Chiefdoms. Similarly and the Ministries of Mineral Resources and Local Government are responsible for overseeing the utilisation of the DACDF by District Councils. In executing this responsibility, the Local Review Committees will be required to investigate and audit Chiefdom Project Committees, ensuring that all the necessary documents have been utilised and the information provided in the forms reconciles with bank statements. The same will be required of the Ministries in relation to District Councils. If there are discrepancies then future payments will be suspended until CPCs and/or District Councils can remedy the problem.

The system not only documents how the money is spent but also identifies those Chiefdoms and District Councils that are not spending their allocation. In these instances the LRC and Ministries will also suspend further allocations until appropriate project proposals are developed and approved.

In support of monitoring the DACDF, the Internal Audit sections of the two Ministries will be engaged to undertake targeted annual reviews.

Annex A: Artisanal Diamond Mining Licence Report

District	Government Mines Engineer:	Page of
Date:	Signature	

Name of Licence Holder	Licence Number	Date of Issue	Date of Expiry	Chieftdom
			TOTAL	

Annex B: DACDF Allocations Table

Period Covering:	Compile By:
Total Diamond Export for Period:	Total DACDF Collected for Period:
Base DACDF Allocation Per Chiefdom:	
DACDF Allocation Per Artisanal Licence:	

District	Chiefdom	Number of Licences	Base Allocation	Allocation by Licences	Total Allocation for Period	Previous Disbursements to-date
Kono	Gbense					
	Kamara					
	Sandor					
	Tankoro					
	Nimikoro					
	Nimiyama					
Kenema	Goroma Mende					
	Wandor					
	Kandu Leppiama					
	Simbaru					
	Small Bo					
	Lower Bambara					
	Nongowa					
	Melegohun					
	Gaura					
	Dama					
	Koyo					
	Dodo					
	Nomo					
	Tunkia					

District	Chiefdom	Number of Licences	Base Allocation	Allocation by Licences	Total Allocation for Period	Previous Disbursements to-date
Bo	Baoma					
	Tikonko					
	Lugbu					
	Jaiama Bongor					
	Badjia					
	Valunia					
	Komboyo					
	Kakua					
	Bumpeh-Ngao					
Pujehun	Makpele					
	Soro-Gbema					
	Malen					
	Sowa					
	Barri					
	Galinas Perri					
	Kpanga-Kabondeh					
	Kpanga-Krim					
Kailahun	Jawi					
	Njaluahun					
	Malema					
	Mando					
	Yawei					
	Luawa					
Bombali	Sella-Limba					
Bonthe	Bum					
	Kpanda-Kemoh					
	Jong					
	TOTALS					

$$\sum_{\text{June, Dec}}^{\text{Jan, July}} \text{DACDF Collections} \times \frac{0.2}{N^{\circ} \text{Diamondferrous Chiefdoms}} = \text{Chiefdom Base Allocation (CBA)}$$

$$\sum_{\text{June, Dec}}^{\text{Jan, July}} \text{DACDF Collections} \times \frac{0.6}{N^{\circ} \text{Artisanal Diamond Mining Licences (N}^{\circ} \text{AL)}} = \text{Allocation per Artisanal Diamond Mining Licence (APL)}$$

$$(N^{\circ} \text{AL within Chiefdom} \times \text{APL}) + \text{CBA} = \text{Total DACDF Allocation to Chiefdom}$$

Districts	Number of Licences	District Council Allocation for period	Amount Dispersed previous period	Amount Dispersed to-date
Kono				
Kenema				
Bo				
Pujehun				
Kailahun				
Bonthe				
TOTAL				

Annex C: Project Appraisal Criteria

This appraisal criterion is to be used by Chiefdom Project Committees when developing projects as well as by Local Review Committees when evaluating project proposals. The following set of questions is to be asked of individual project proposals.

Project Effectiveness & Impact

- Does the project address the needs of the community and relate to the Chiefdom, District and national development poverty reduction strategy?
- Will it make a difference in the community to aid or resolve issues?
- Does the project provide employment to local businesses/contractors?
- Has the impact on women been considered?
- Have youth been considered?

Project Sustainability

- Has the project considered its longer-term sustainability once the original funding allocation has been spent?
- How will the project continue after funding? (longer-term sustainability objective)
- Does the project build local capacity so that other similar projects could be undertaken when the project is completed?

Project Feasibility

- Is the proposed approach practical?
- Are the timeline realistic and the budget adequate?
- What relevant skills do the proponents bring to the project?
- Has the group (i.e. Chiefdom or partners) succeeded in similar project implementation?

Partnerships with Other Funding Sources

- Has the project been developed with the objectives and mandates of other funders in mind?
- Have other funders been sought to increase impact and increase economies of scale?
- Has the private sector (mining), country donors or international financial institutions been approached to co-fund?

Balance of Portfolio

- Is there a balance of the grant portfolio in terms of gender, youth, environment and other identified issues to be addressed? (this would apply when a number of project proposals are received from the same Chiefdom and there would have to be a balance within the grant submission portfolio)

USEFUL PROJECT DEVELOPMENT TIPS

1. Consult widely within the community.
2. Refer to Chiefdom Development Plans.
3. Select projects that will have spin-off effects (create local jobs, improve health, improve education etc.)
4. Coordinate with other community based organisations.

Annex D: Project Proposal Form – DACDF

Chiefdom/District Council:	Project Title:	Date:	Reference No.
Specific Location (s)		Name of Bank Account:	
Project Description			
Project Objectives		Indicators for Achievement of Objectives	
Beneficiaries/Target Group		Timeline (start date – duration)	
List of Goods & Services to be Purchased		Cost Estimates (Specific Breakdown)	
Community Contribution (labour, materials, etc.)		Additional Sources of Funding	
Additional Comments			

Prepared by: District Administrator or Chiefdom Project Committee (CPC) Chairperson		
Name:	Signature:	Date:
Chiefdom Committee Chairperson (applicable for CPC proposals)		
Name:	Signature:	Date:
Local Review Committee Chairperson (for CPC proposals) or Director of Local Government (for District Council proposals)		
Name:	Signature:	Date:

Annex E: District Projects-Summary Report

District	Period Covering	Local Review Committee Members			
Chiefdom	Allocation this Period (Le)	Project Title	Ref. No.	Budget (Le)	Balance DACDF (unspent to date)
Total Allocation		Total Budgeted & Balance			

LRC Chairperson:	Signature	Date:
------------------	-----------	-------

Annex F: National DACDF Disbursements Form

The following is based on artisanal diamond mining licence figures provided by various Government Mine Engineers and total Diamond Area Community Development Fund (DACDF) collected by the Government Gold and Diamond Office.

Period Covering		Total DACDF Collected	
District	Allocation to District Council	Total No. Licences	Allocation to Chiefdoms
Kono			
Kenema			
Bo			
Pujehun			
Kailahun			
Bonthe			
Bombali			
TOTAL			

The following is based on information provided by District Administrators and Local Review Committees.

District	Disbursement to date	Cumulative Projects Budget	Unspent DACDF to date
Kono			
Kenema			
Bo			
Pujehun			
Kailahun			
Bonthe			
Bombali			
TOTAL			

Compiled and verified by:

Director of Mines	Signature	Date
Director of Local Government	Signature	Date

Diamond Area Community Development Fund disbursements to District Councils and Chiefdom Project Committees for the period of have approved by:

Minister of Mineral Resources	Signature	Date
Minister of Local Government	Signature	Date

The Director of Mines and Director of Local Government are hereby instructed to distribute payments and publish disbursement amounts.

Annex G: Local Purchase Order

Procurement – For Office Use					
Chiefdom	District	Project No.	Contract No.	Bid/RFQ/RFP no	Financial Year

To:

Your quotation reference dated is accepted and you are required to supply the goods or perform the works or services as detailed on the attached Schedule of Requirements against the terms contained in this Purchase Order. This order is placed subject to the attached General Conditions of Contract for Local Purchase Orders, except where modified by the terms stated below.

SPECIFIC TERMS OF THIS PURCHASE ORDER:

- 1) **Contract Sum:** The Contract Sum is Le.....
- 2) **Completion Period:** The goods are to be delivered or the works or services performed within days/weeks/months from the date of this Purchase Order.
- 3) **Warranty:** The warranty/guarantee period is:months.
- 4) **Delivery point:** The goods are to be delivered to, or the works or services provided at *[physical address]*.....
- 5) **Contact Person:** Enquiries and documentation should be addressed to [name and position of individual] at [address]

 Telephone Number: Email/Fax Number.....
- 6) **Payment to Supplier:**
 Payment will be made in full within thirty (30) days *[or state alternative agreed payment terms]*..... on completion of satisfactory performance of the contract. The following documentation must be supplied for payments to be made:
 - i). An original and two copies of an Invoice;
 - ii). A delivery note evidencing despatch of the goods,
 - iii). A completion certificate signed by *[Authority responsible for certifying satisfactory completion of the order]*;
 - iv). *[List other documents required e.g. packing lists, certificates, special shipping documents]*
- 7) **Add any other specific terms of contract appropriate to the Local Purchase Order.**

Purchase Order Authorised by:

Signature:..... Name:.....
 Position:..... Date:

Procurement – For Office Use					
Chiefdom	District	Project No.	Contract No.	Bid/RFQ/RFP no	Financial Year

Schedule of Requirements/Activity Schedule

Item No	Description <i>(Attach additional specification if necessary)</i>	Unit of Measure	Quantity	Unit Price <i>(Currency)</i>	Total Price <i>(Currency)</i>
Total Order Price					

RECEIPT OF ORDER BY THE SUPPLIER:

Signature: Name:
 Position:
 On behalf of: Date:

Annex H: Project Implementation Report

Before being able to submit any new Project Proposals, Chiefdom Project Committees and District Councils are required to complete the following report for projects previously submitted and approved. Therefore, if a Chiefdom Project Committee has 3 previous projects approved they must produce 3 Project Implementation Reports. This report is to be completed every six months until such time as the project has been completed.

Chiefdom	District	Project Title	Reference No.
Date Submitted		Date Approved	
Submitted By (CPC Chairperson)		Approved By	
Original Budget	Local Procurement Contract No (s).	Value(s)	
Project Update (<i>completed, partially completed, yet to commence</i>)			
Project Outcomes (indicators of achieving objectives)			
Additional Comments (<i>Challenges, lessons etc.</i>)			
DACDF Allocated to-date		Balance of DACDF unspent to-date	
Report Prepared By	Signature	Date	

FOR AUDIT PURPOSES ONLY

This section will be completed and signed if and when an audit or verification has been done on the project. This is not a requirement for every project and will only be done for select cases.

Name of Person	Position
Observations	
Signature	Date of Audit/Verification