

Jewelry Industry Impacts

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Agenda

- Project overview
- Methodology
- Socio-cultural context
- JDII Framework
- Breakdown
 - Politics & Government
 - Economy
 - Social, Cultural & Human Rights
 - Health & Environment
- Gap Analysis
- Conclusion
- Questions

Project Overview

- Initiated by State Department and Joia Consulting
- Comparative case study of the impacts of gold in Peru and diamonds in Botswana
- Jewelry Development Impact Index (JDII)

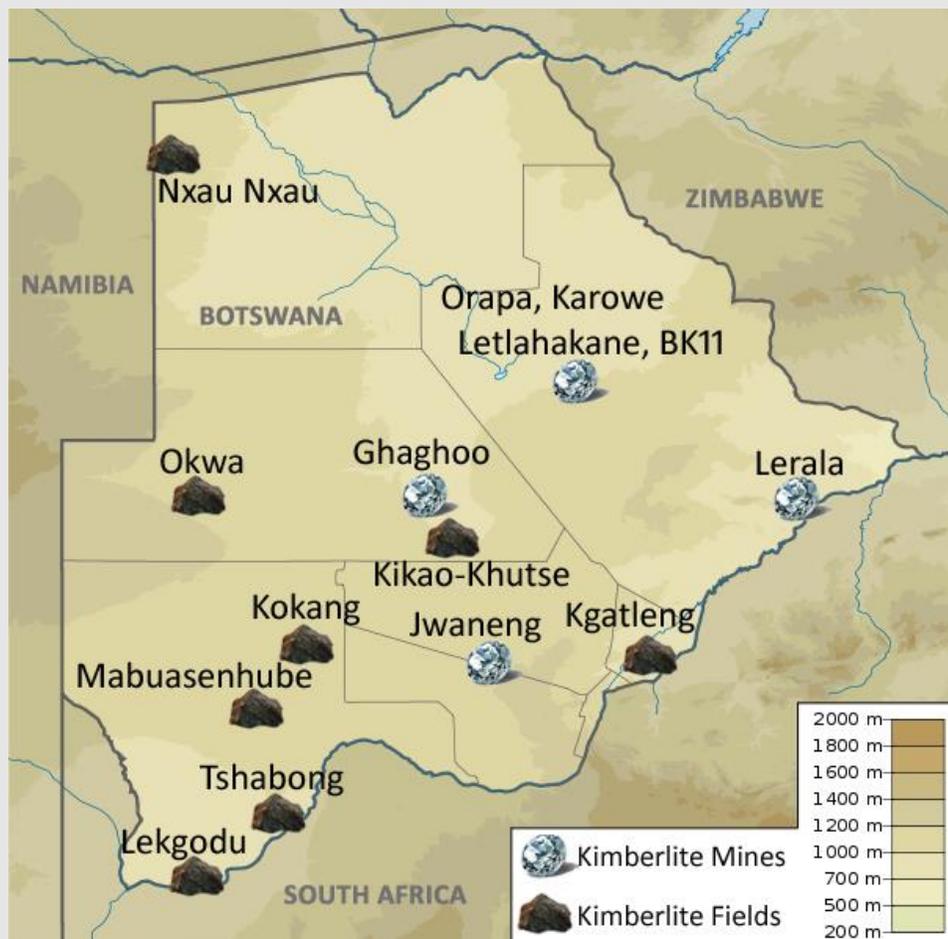


Methodology

- Stakeholder interviews
- Independent research
 - NGOs, private industry, government, etc.
- Qualitative assessments



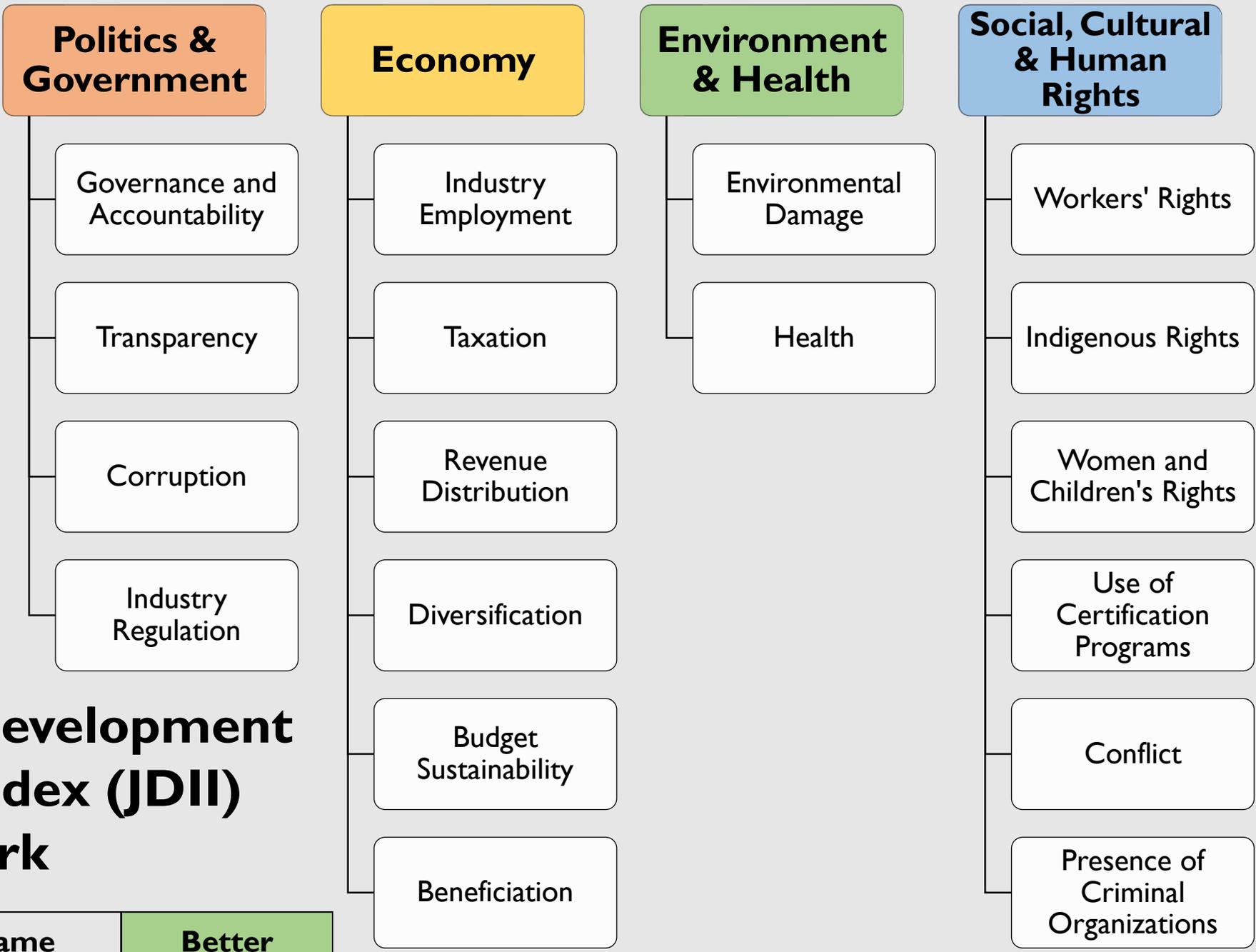
Botswana



Source: CNBC



Source: True Africa



Jewelry Development Impact Index (JDII) Framework

Politics & Government

Governance and Accountability

Peru

Botswana

Transparency

Botswana

Peru

Corruption

Peru

Botswana

Industry Regulation

Peru

Botswana

Transparency

Botswana

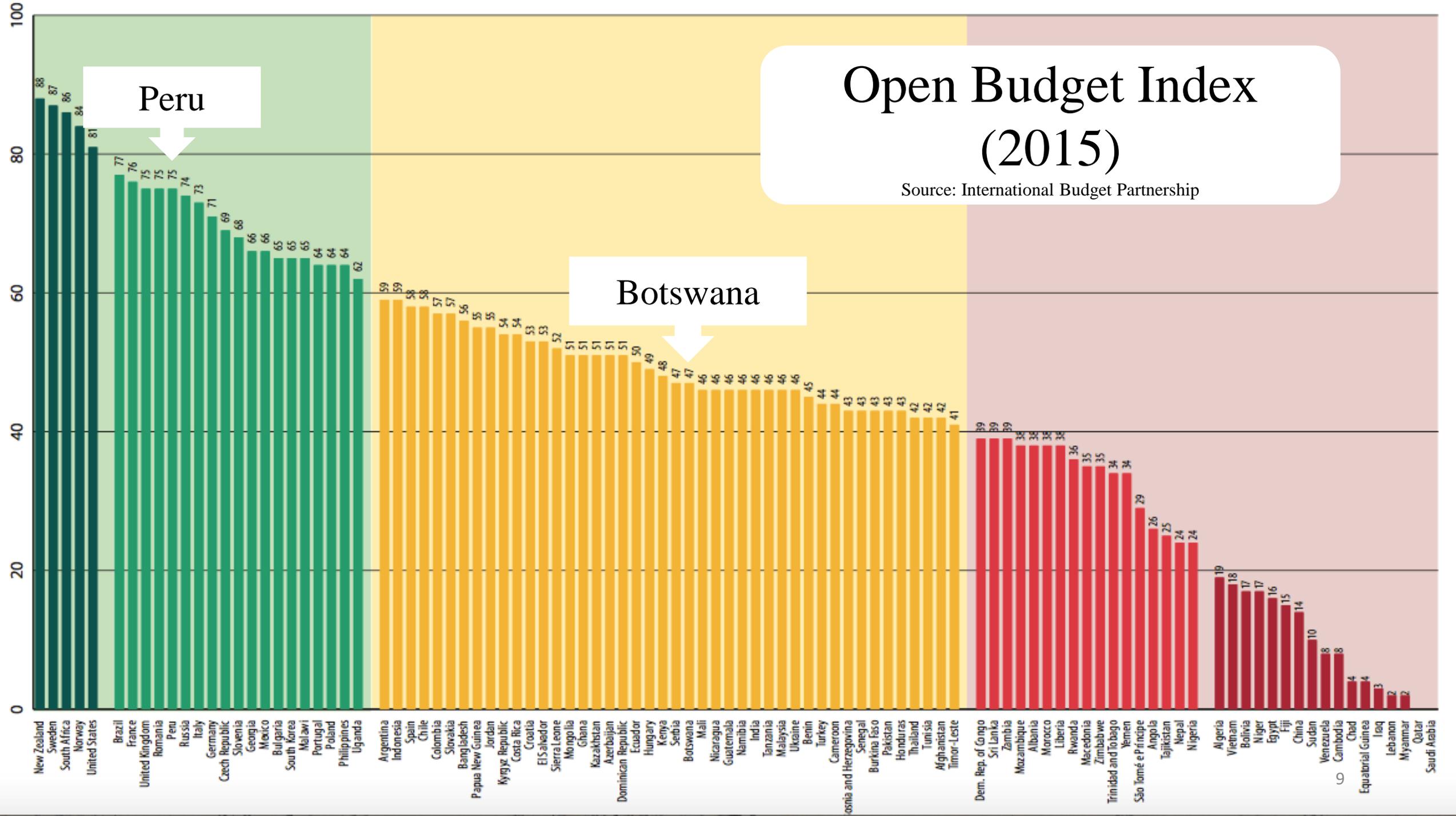
- Critiqued for secrecy and lack of transparency in the diamond industry

Peru

- Efforts to increase budgetary sustainability have increased transparency, at least at the central government level

Open Budget Index (2015)

Source: International Budget Partnership



Industry Regulation

Peru

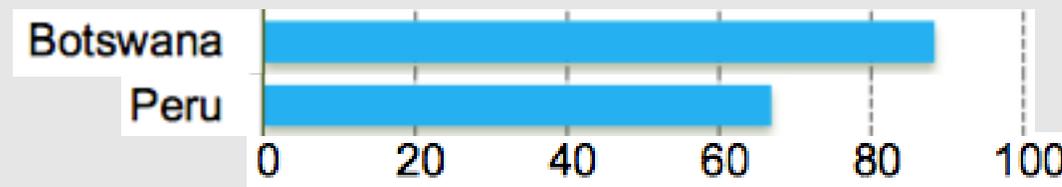
Botswana

- Struggles to address high levels of informality and illicit gold mining operations

- Formed one of the most successful partnerships in the world with its diamond industry partners

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Policy Perception Index (2015)



Rank: 55th
(out of 109)

Rank: 14th
(out of 109)

Economy

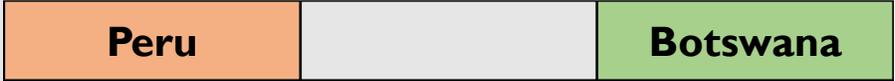
Industry
Employment



Taxation



Revenue
Distribution



Diversification



Budget
Sustainability



Beneficiation



Industry Employment

Peru

- High rates of informal and illicit industry employment



Source: Borgen Magazine

Botswana

- Mining is the third-highest compensated sector
- Potentially unsustainable indirect government employment



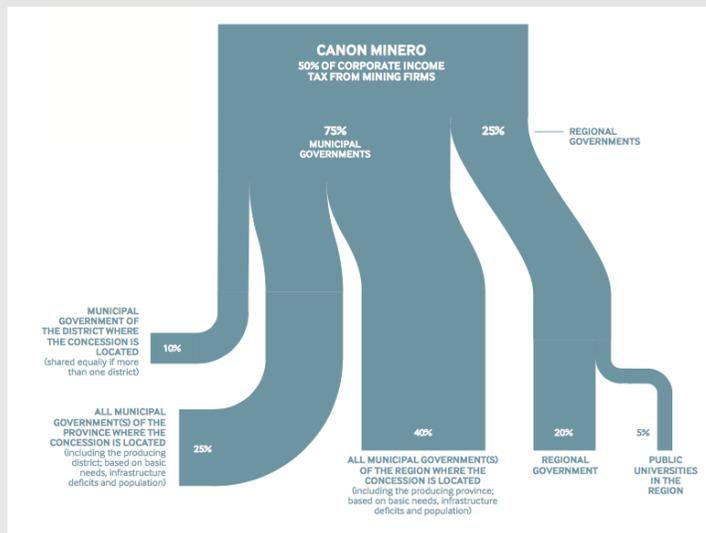
Source: Mining Technology

Revenue Distribution

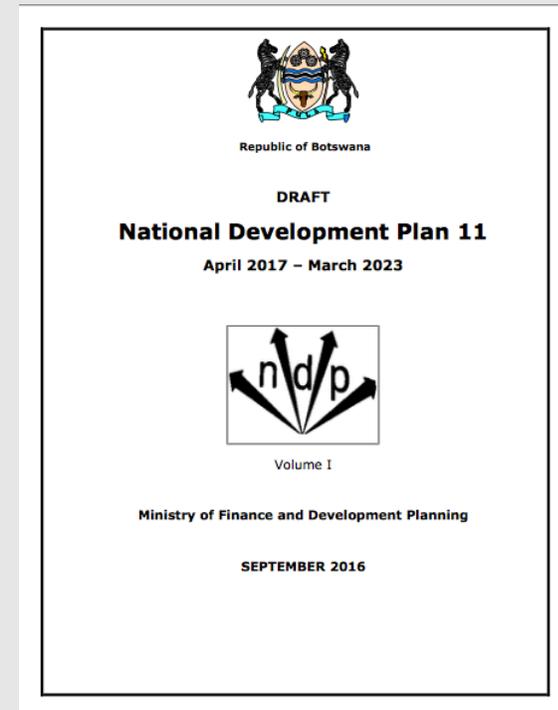
Peru

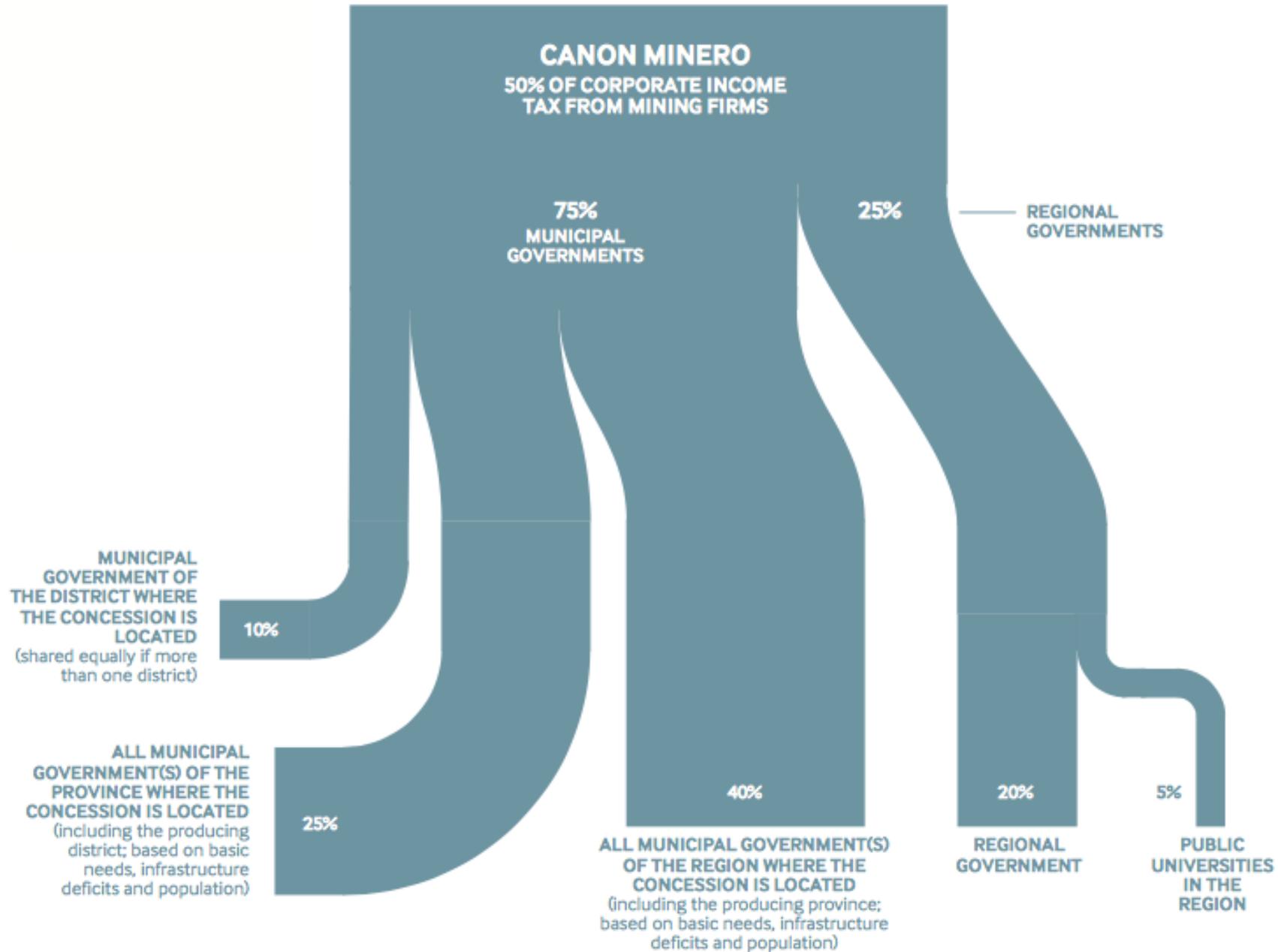
Botswana

- “Derivation” system
- Inter-regional competition over resources, weak local accountability, lack of capacity to make effective local investment



- Bottom-up approach to development priorities
- Rising rural-urban tension



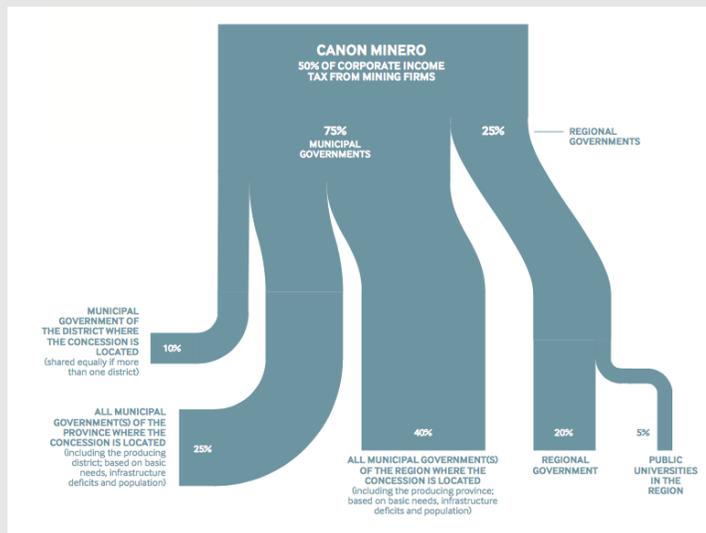


Revenue Distribution

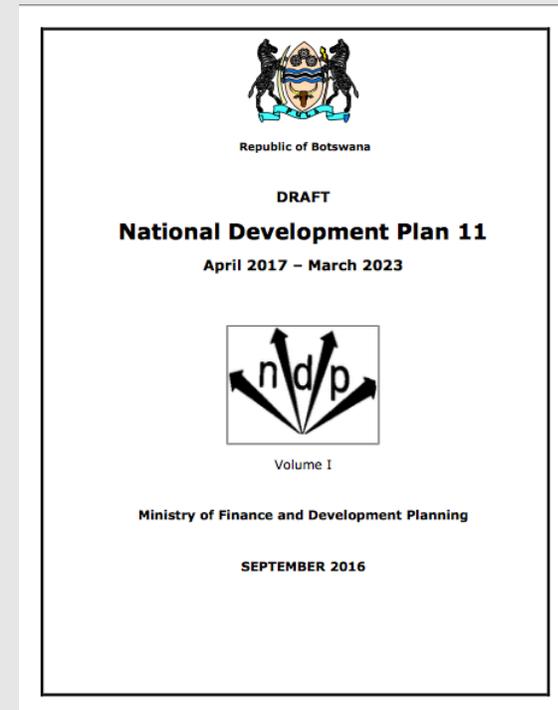
Peru

Botswana

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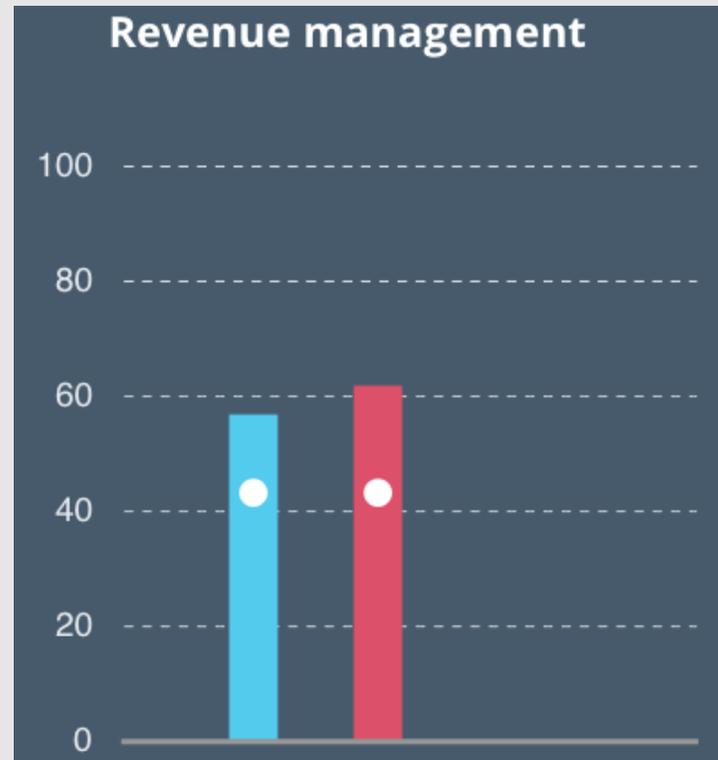


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Measuring Distribution of Revenue

Resource Governance Index

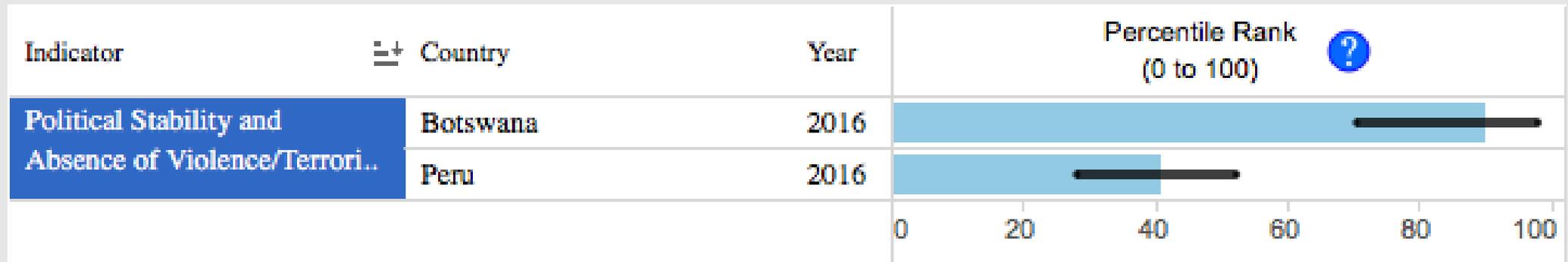


(Peru: 57, Botswana: 62)

Source: *Natural Resource Governance Index*

Measuring Distribution of Revenue

World Bank Governance Index Political Stability and Absence of Violence



Beneficiation

Peru

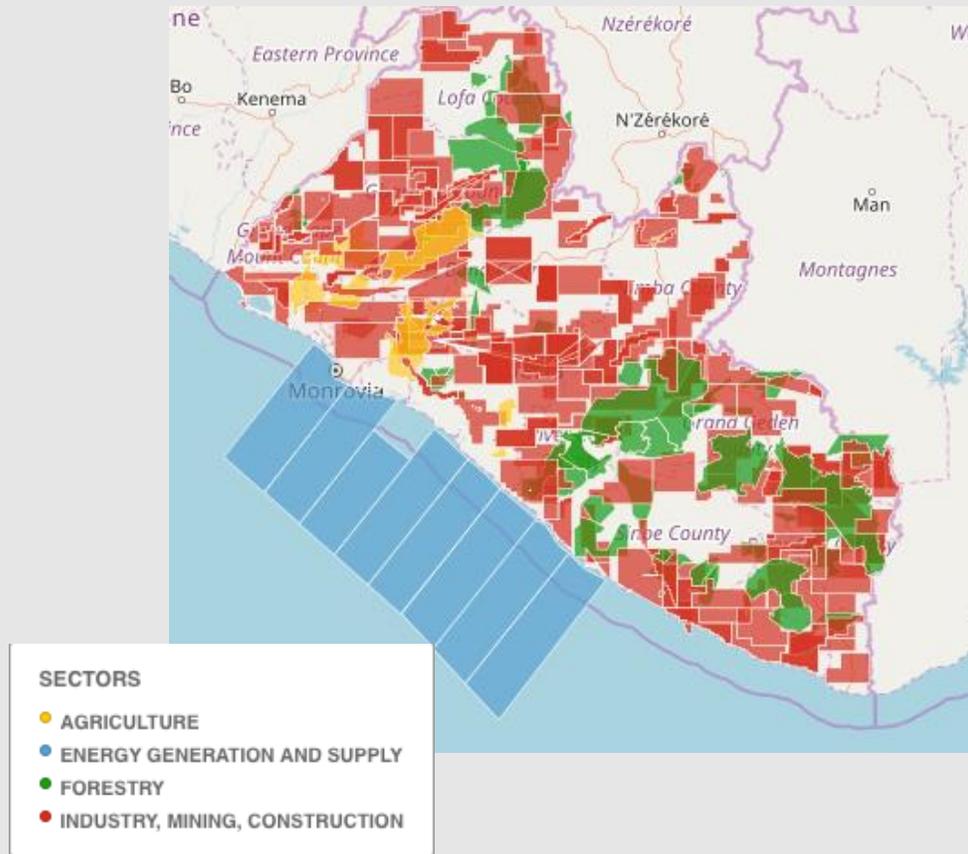
- Fewer positive examples
- Conflict between mining companies and local communities regarding environmental and social community needs

Botswana

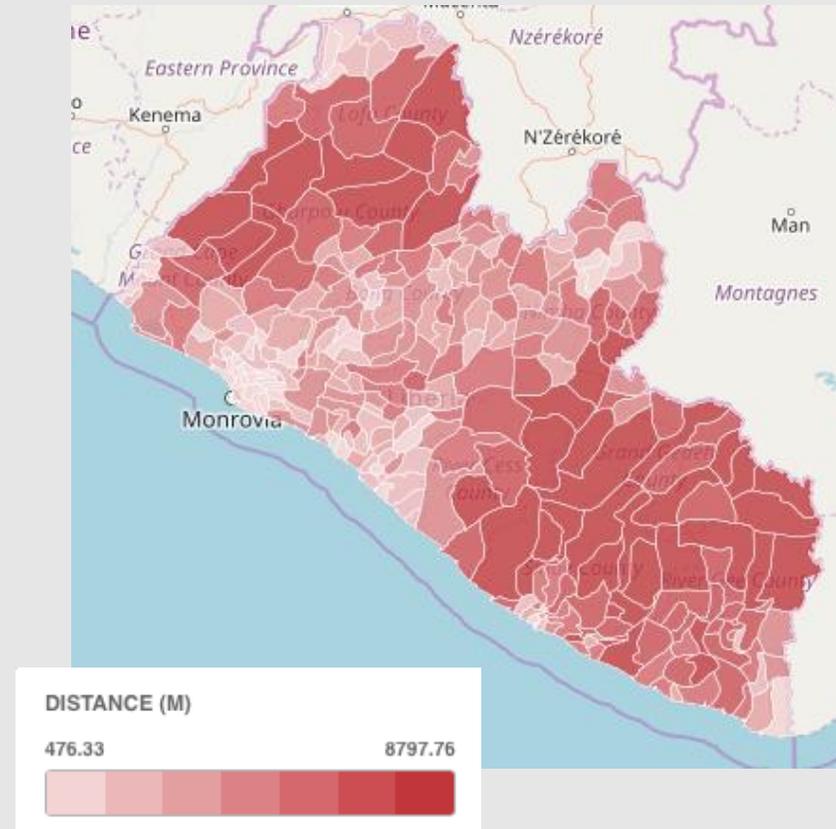
- Many examples of positive diamond industry efforts to provide lasting positive benefits through infrastructure, social programs, and human development

Measuring Beneficiation

Location of Concessions



Distance from Roads



Social, Cultural & Human Rights

Workers' Rights

Peru

Botswana

Indigenous Rights

Same

Women and
Children's Rights

Peru

Botswana

Use of Certification
Programs

Peru

Botswana

Conflict

Peru

Botswana

Presence of Criminal
Organizations

Peru

Botswana

Workers' Rights

Peru

- Lured under false pretenses
 - Debt bondage
- Unsafe standards



Source: *The Verite Report*

Botswana

- Debswana employee benefits
 - Disease management
 - Financial training
- Restricted right to strike



Source: *Yahoo Finance*

Measuring Workers' Rights

The 2017 ITUC Global Rights Index

The World's Worst Countries for Workers

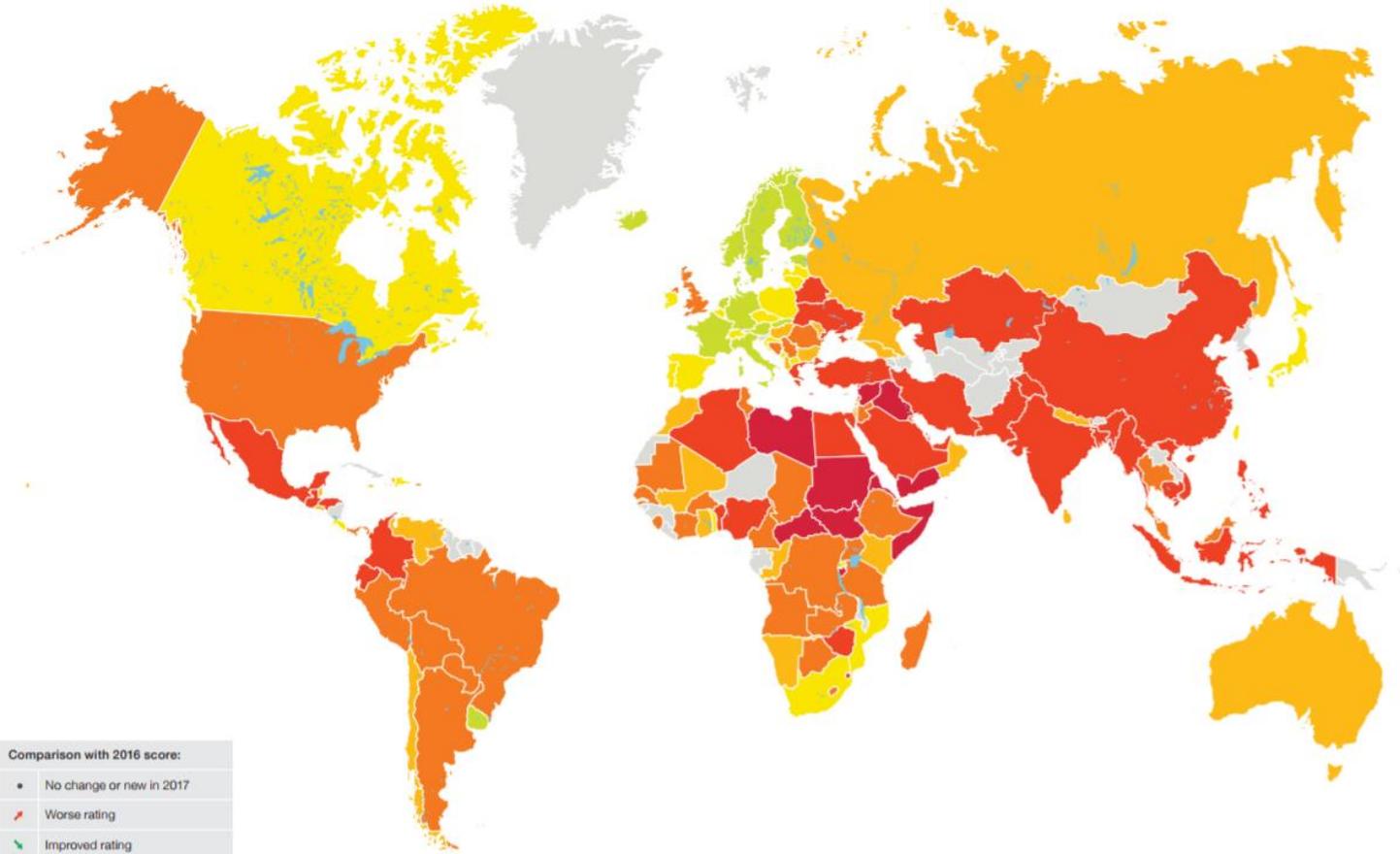


<http://survey.ituc-csi.org>

#rightsindex

5*	No guarantee of rights due to the breakdown of the rule of law
5	No guarantee of rights
4	Systematic violation of rights
3	Regular violation of rights
2	Repeated violation of rights
1	Irregular violation of rights
	No data

Comparison with 2016 score:	
•	No change or new in 2017
↘	Worse rating
↗	Improved rating



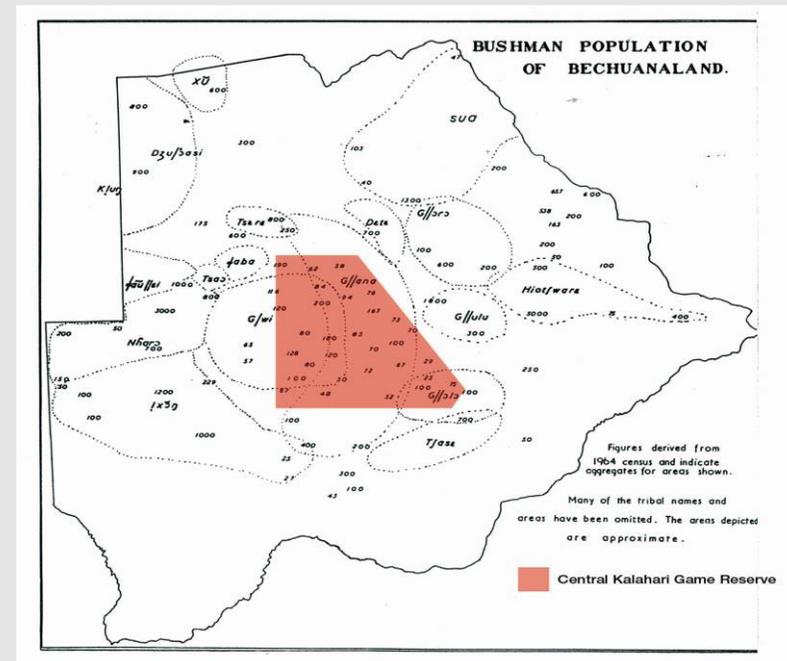
Indigenous Rights

Peru	Same	Botswana
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- Mercury impacts
- Protest violence
- Vulnerable to exploitation
 - *indocumentados*

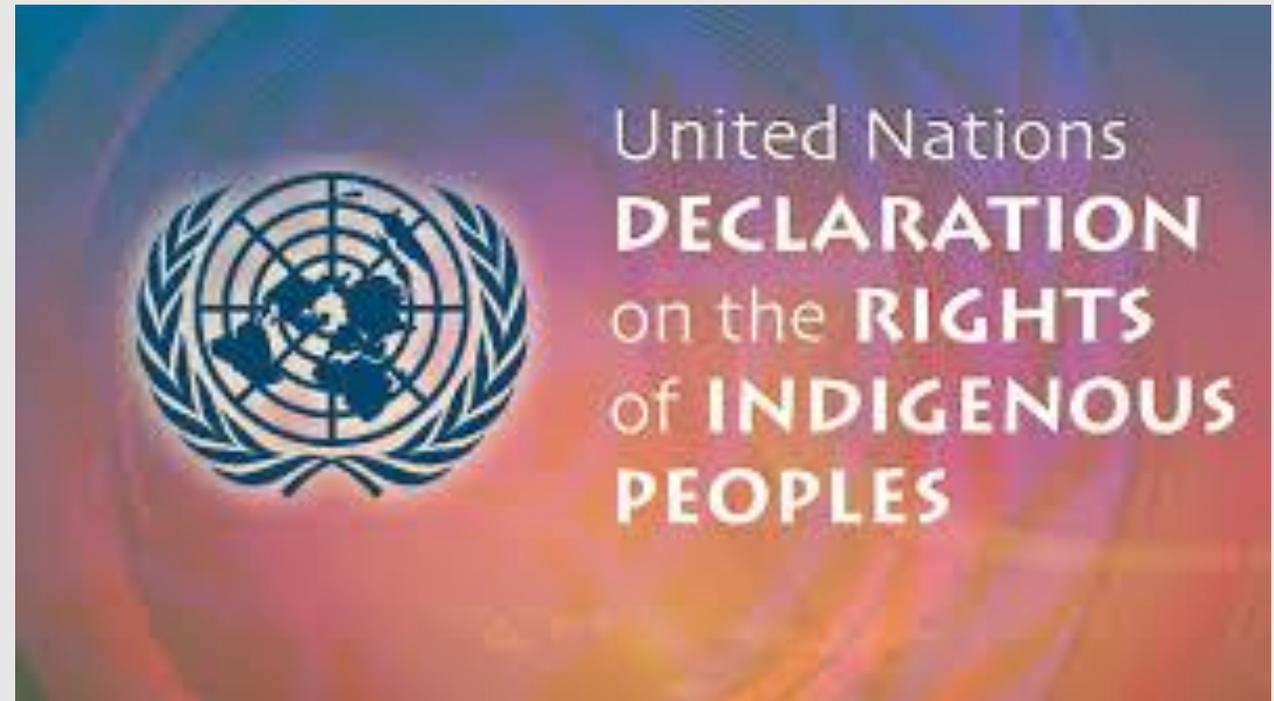


- Central Kalahari Game Reserve (CKGR) evictions
- Discrimination toward San people



Measuring Indigenous Peoples' Rights

- Not narrowly tailored towards mineral industries
- Create standard based on UN Declaration



Environment & Health

Environmental
Damage

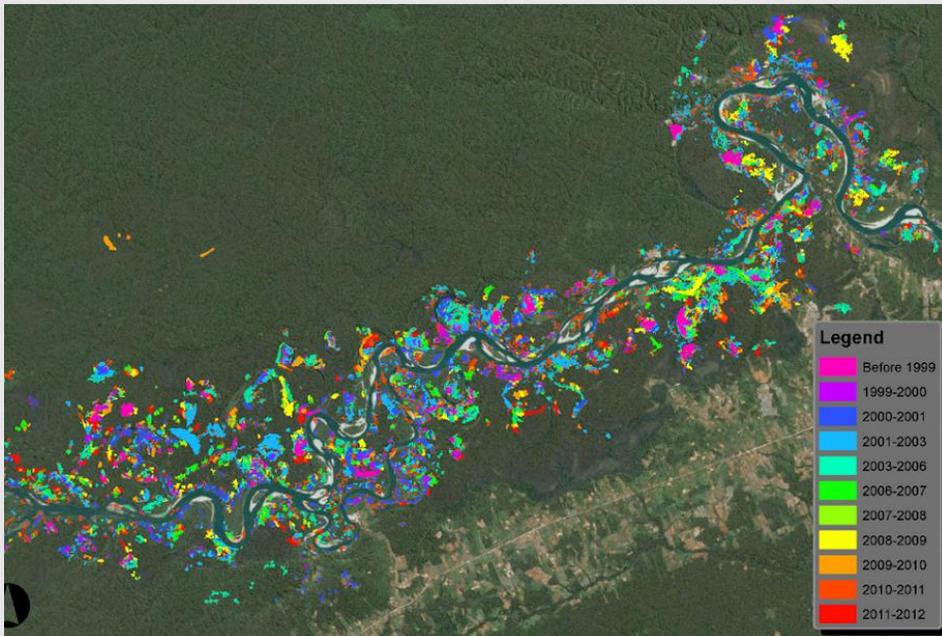
Health



Environment

Peru

- Massive scale deforestation
- Fish species mercury poisoning
- Topsoil destruction



Botswana

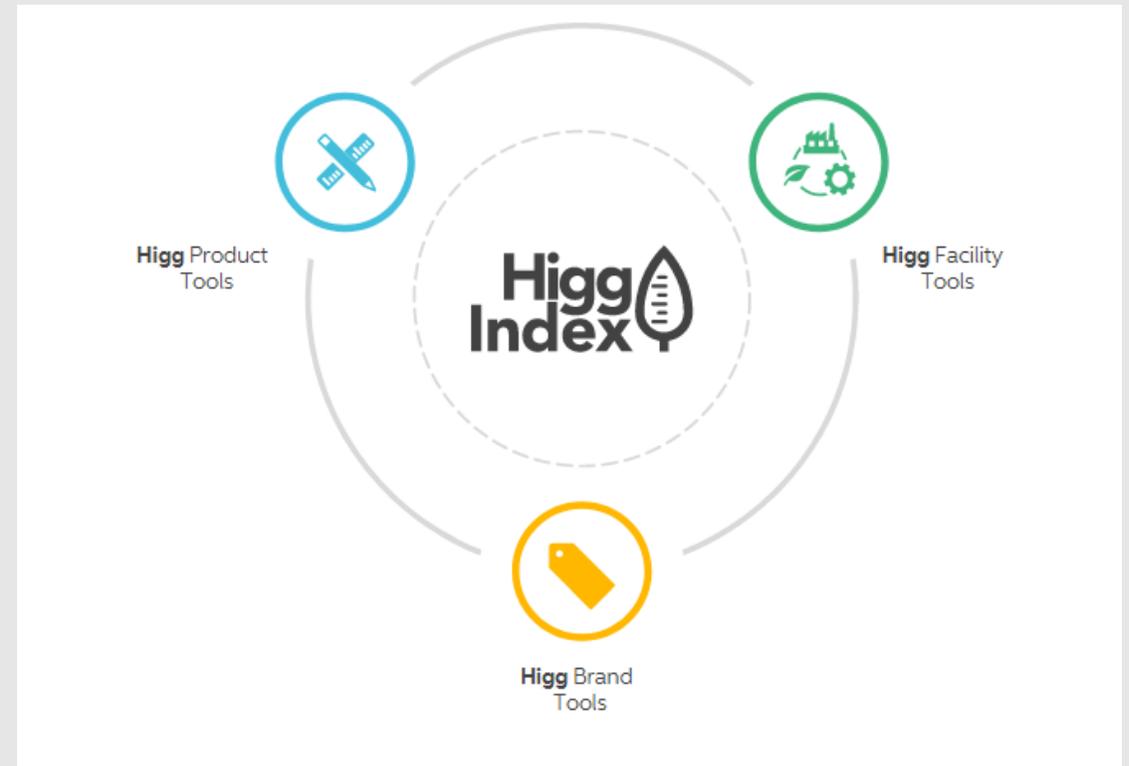
- Controlled and regulated mining operations
- R&D for energy and water conservations
- Land restoration initiatives



Measuring Environmental Impacts

- Measures apparel industry to understand environmental impact of making and selling products
- Could be adapted to fit mineral industry

The Higg Index

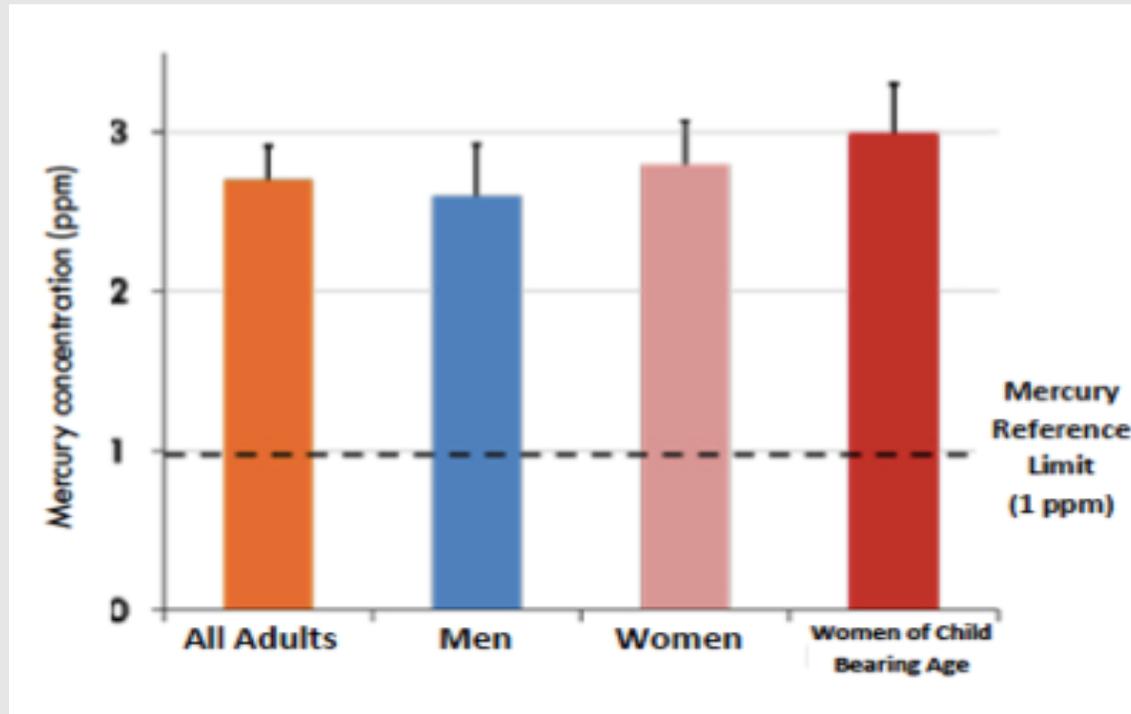


Health

Peru

Botswana

- Mercury poisoning above WHO recommended safeguards
- Health emergency



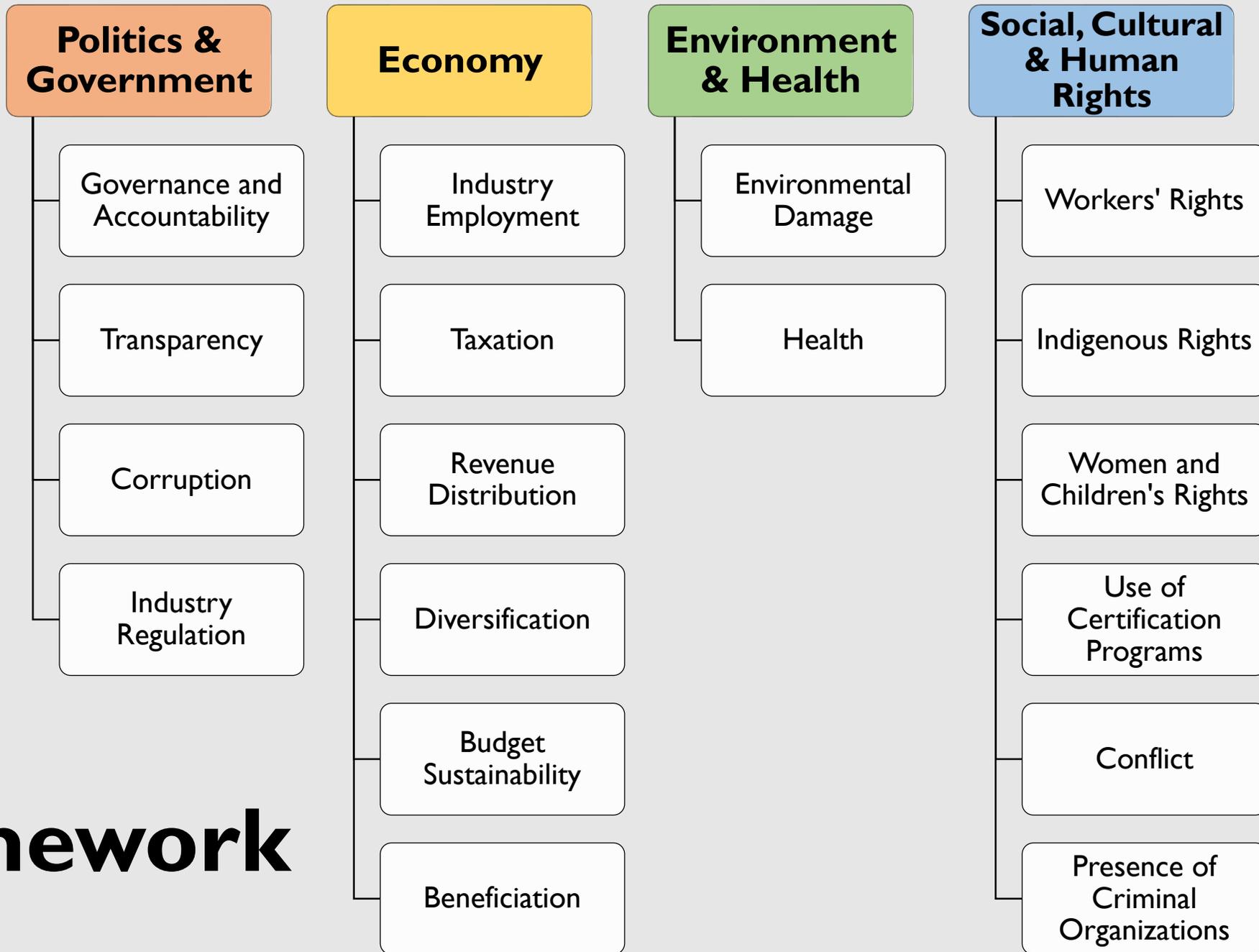
- Hundreds of millions of USD spent on anti-viral HIV/AIDS treatment
- Botswana sponsored employee and spouse anti-viral program

Gap Analysis

- Challenging data
 - Transparency issues
- Lack of jewelry-specific information
- Language barrier

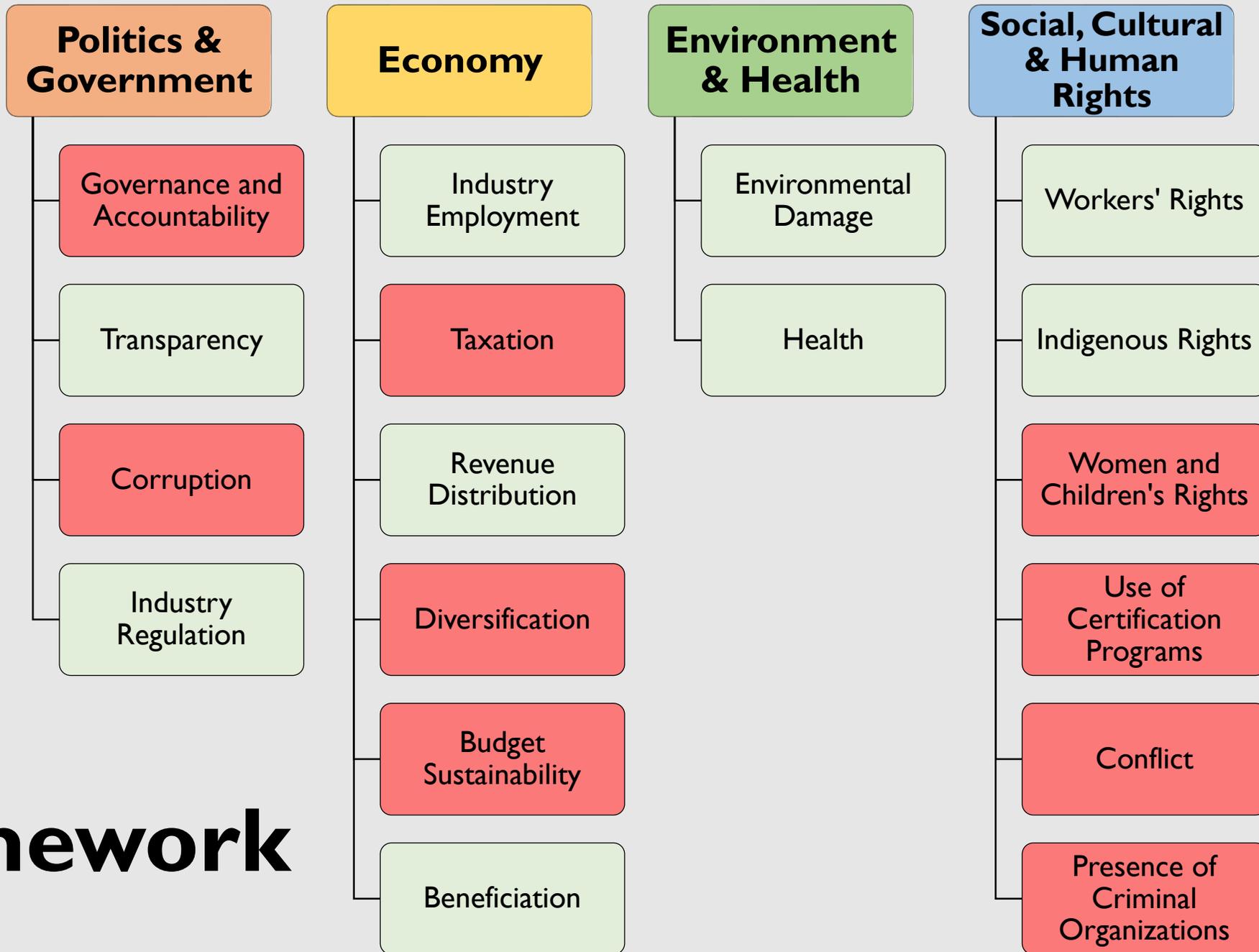


JDII Framework



Questions?

JDII Framework



Additional Information Slides

Corporate Social Responsibility (CSR)

“Corporate social responsibility” (CSR) and “sustainability” are two of many terms used to describe the social and environmental contributions and consequences of business activity.

The notion of sustainable development lies in progress within 3 dimensions:

1. Economic Development,
2. Environmental Protection
3. Social Cohesion

Potential Acceptance of JDII

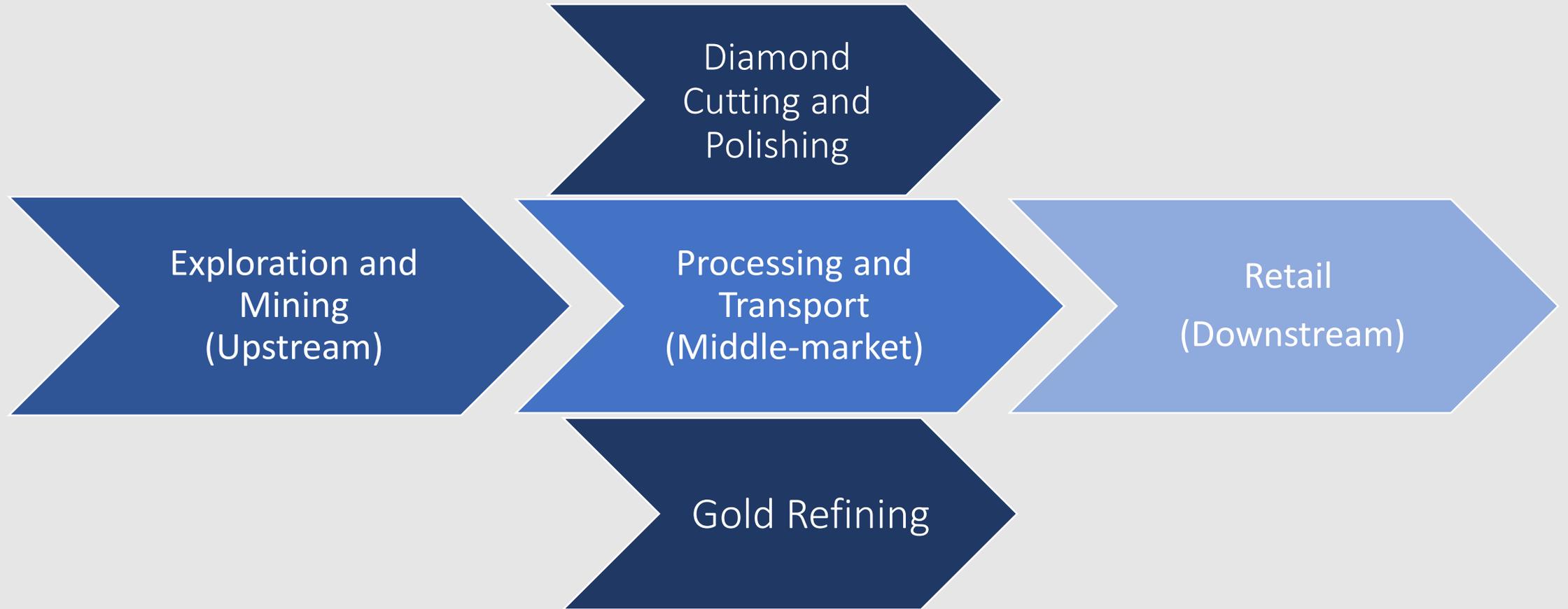
Positive

- Countries, regions, and corporations that may gain significant business for positive scores
- Boost public opinion about the jewelry industry
- Large jewelry companies that want to boast about their commitment to CSR
- Risk management Perspective:
 - Financial Sector
 - Investors

Negative

- Countries, regions, and corporations that may lose significant business for negative scores
- Governments that will fight against bad reputation
- Smaller companies that may feel that they can not compete, particularly in ASM
 - Offset this by having a tier cost structure for smaller, medium, and large companies to able to join the index

Simplified Value Chain



Presence of Criminal Organizations

Peru		Botswana
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- Informal and illicit sectors
 - Gold exceeds cocaine exports
- Variety of negative consequences
 - Trafficking, child labor, etc.

- Little to no presence

