

# **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

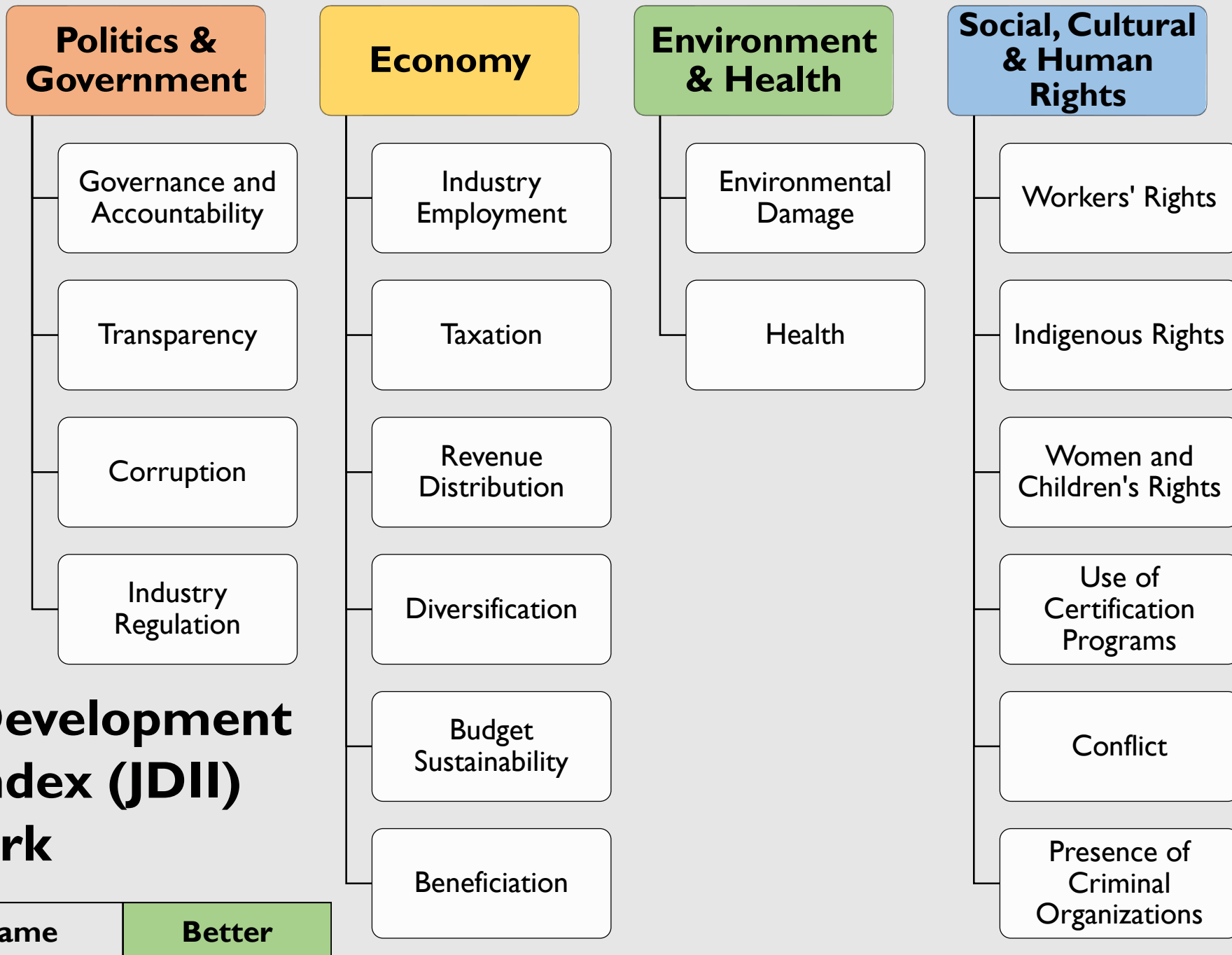


Source: True Africa





# Jewelry Development Impact Index (JDII) Framework



**Politics & Government**

Governance and Accountability



Transparency



Corruption



Industry Regulation





# *Transparency*

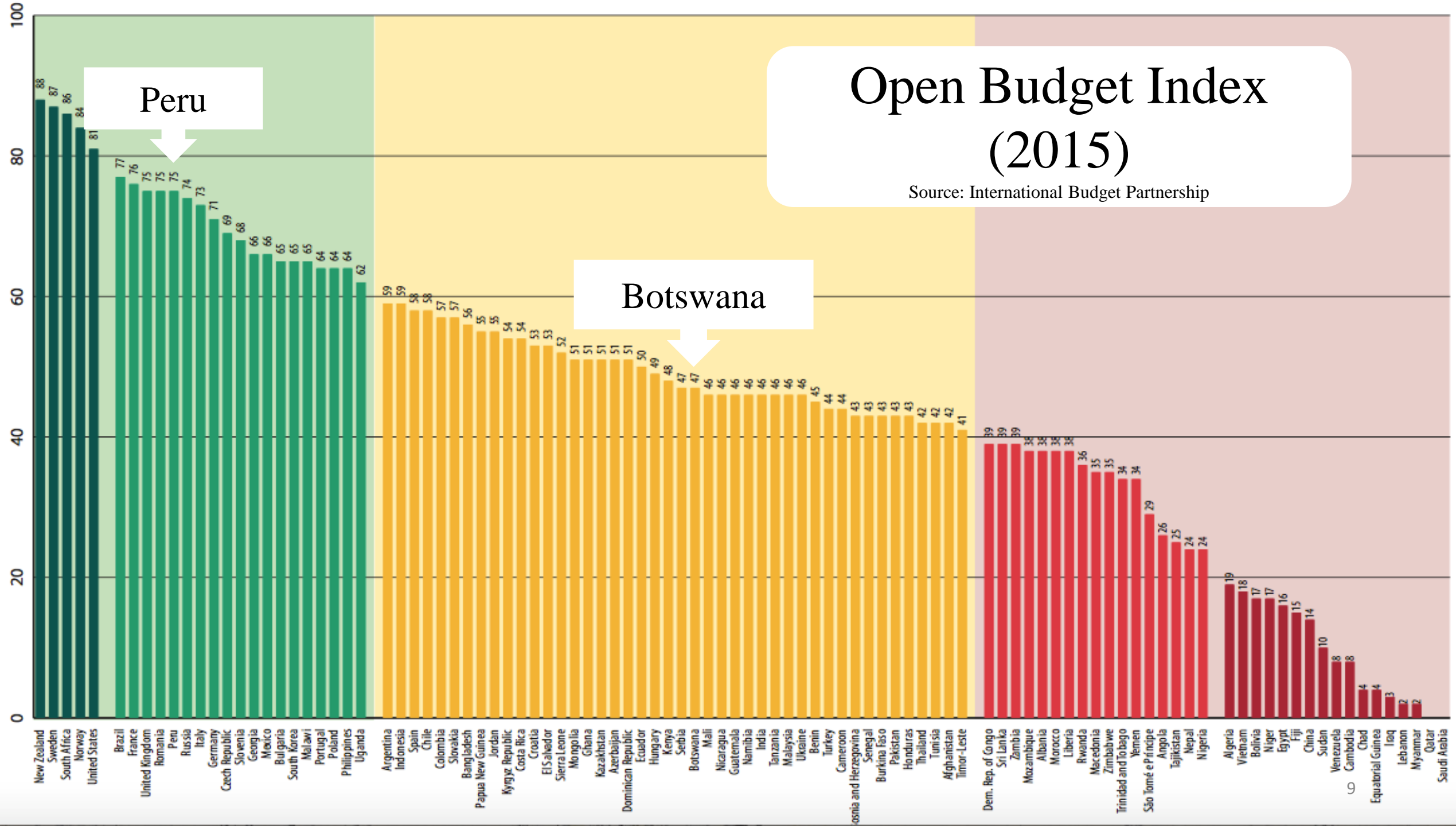
<b>Botswana</b>		<b>Peru</b>
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- Critiqued for secrecy and lack of transparency in the diamond industry

- 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

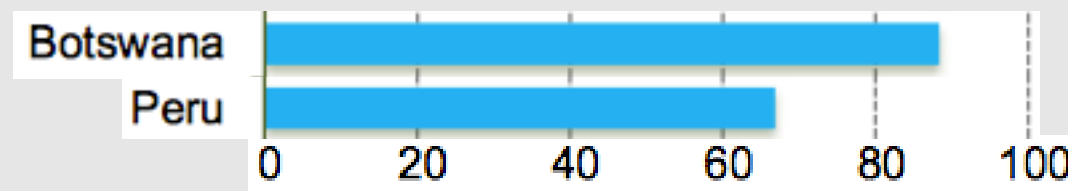
Botswana

- 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

**FRASER  
INSTITUTE**

Policy Perception Index (2015)



Rank: 55<sup>th</sup>  
(out of 109)

Rank: 14<sup>th</sup>  
(out of 109)

# Economy

Industry  
Employment

Peru

Botswana

Taxation

Same

Revenue  
Distribution

Peru

Botswana

Diversification

Botswana

Peru

Budget  
Sustainability

Same

Beneficiation

Peru

Botswana



# 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



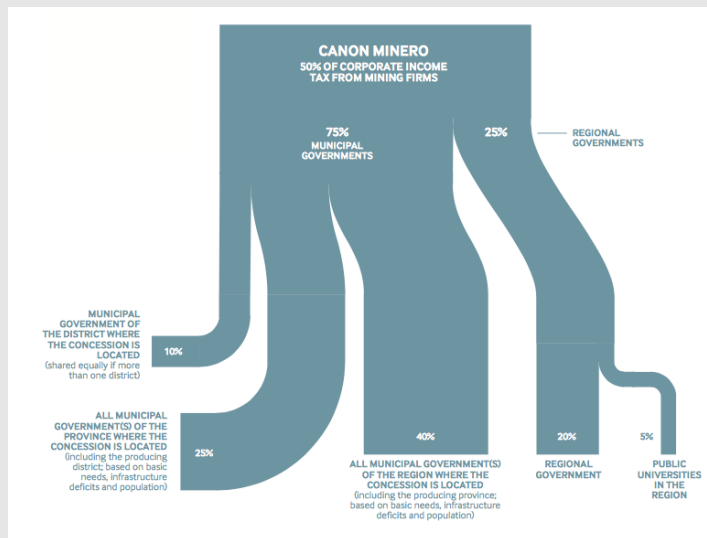
Source: Mining Technology

# Revenue Distribution

**Peru**

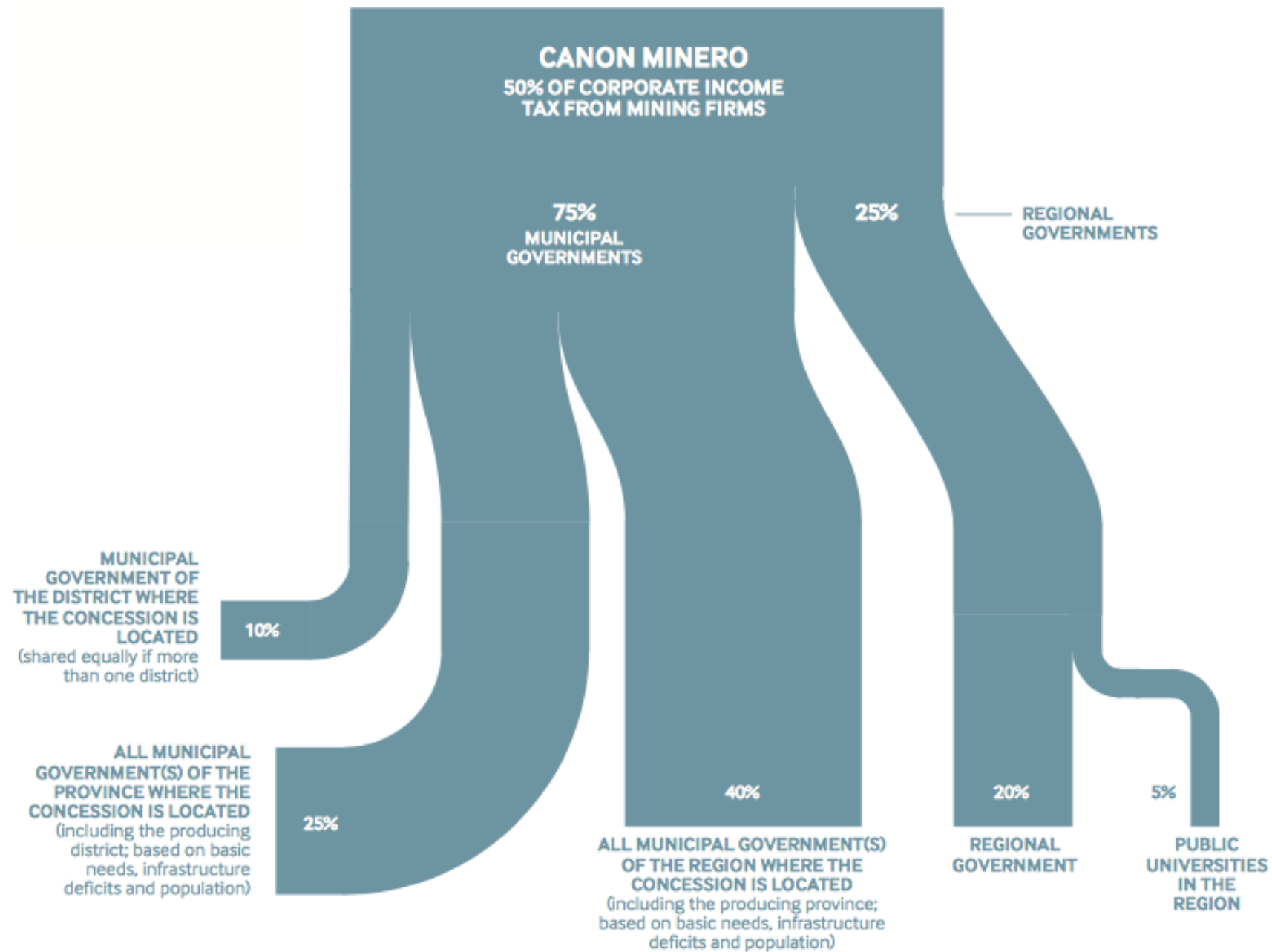
**Botswana**

- “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



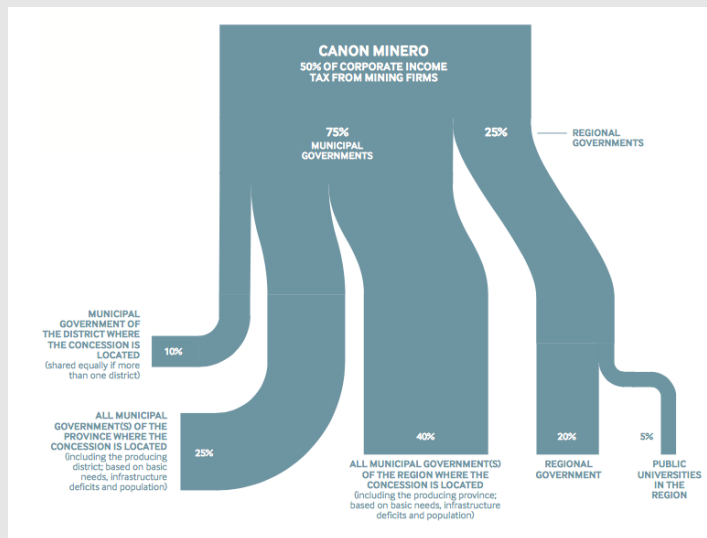


# Revenue Distribution

**Peru**

**Botswana**

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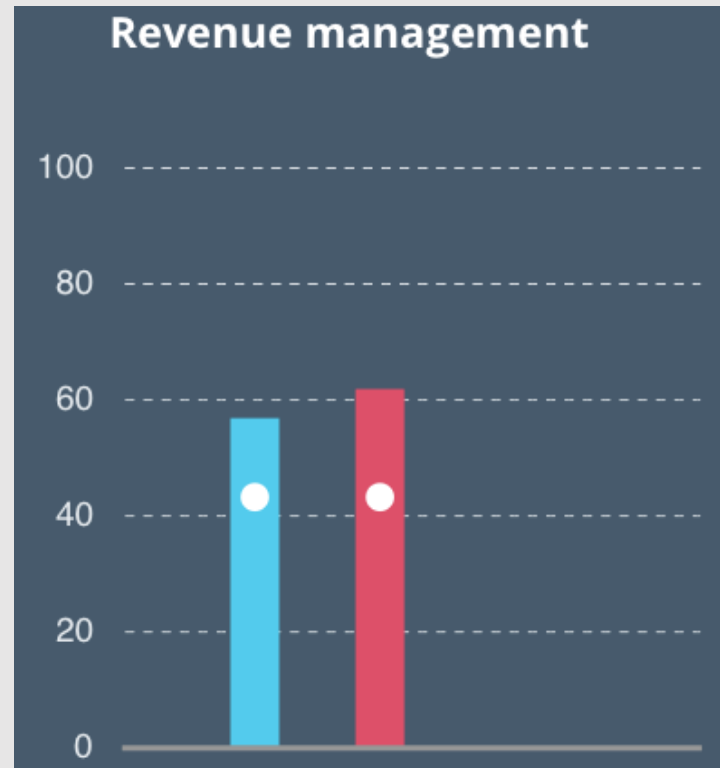
- Bottom-up approach to development priorities
- Rising rural-urban tension





# Measuring Distribution of Revenue

## Resource Governance Index

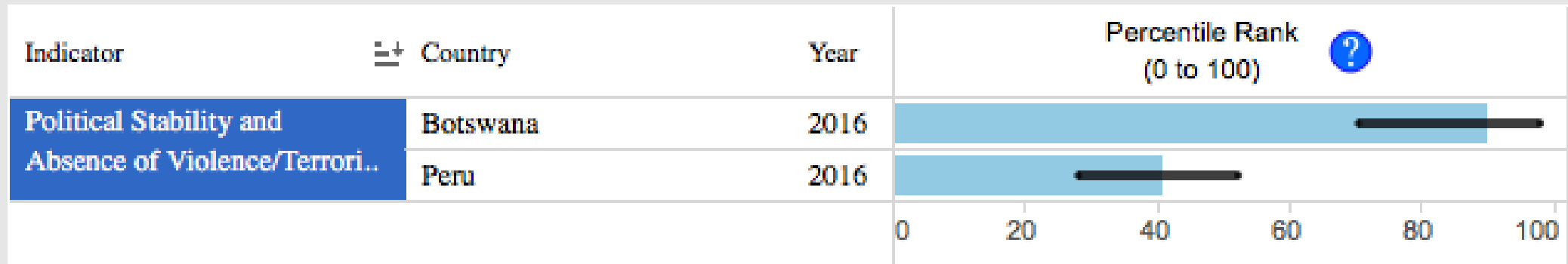


(Peru: 57, Botswana: 62)

Source: Natural Resource Governance Index

# Measuring Distribution of Revenue

## World Bank Governance Index Political Stability and Absence of Violence



# ***Beneficiation***

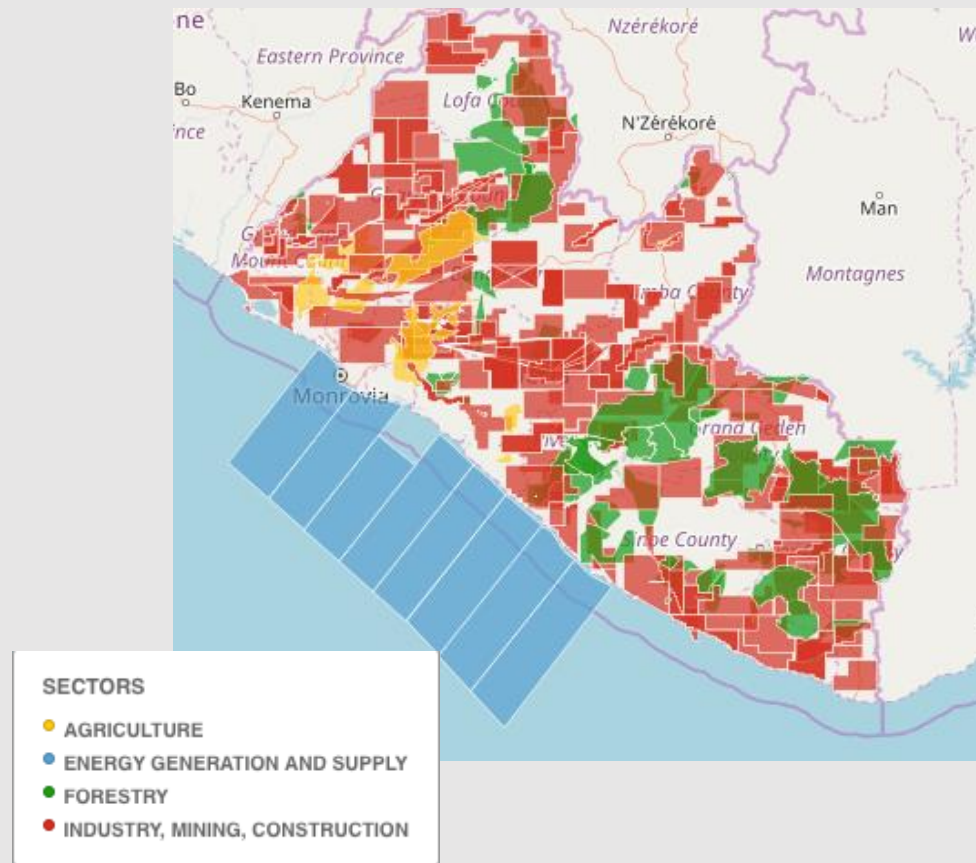
<b>Peru</b>		<b>Botswana</b>
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- Fewer positive examples
- Conflict between mining companies and local communities regarding environmental and social community needs

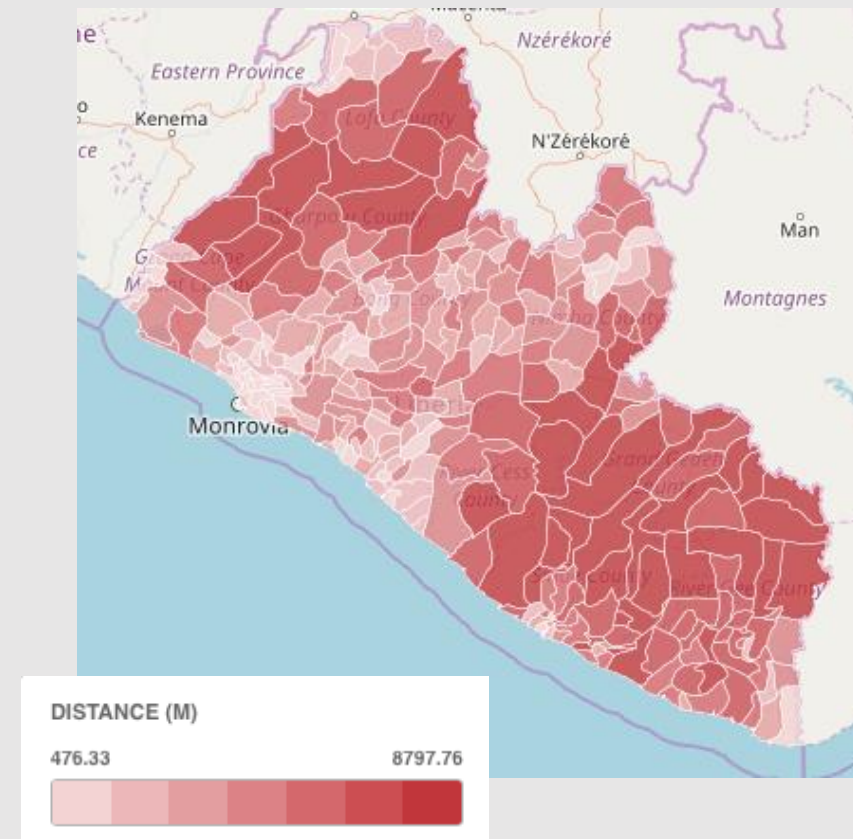
- Many examples of positive diamond industry efforts to provide lasting positive benefits through infrastructure, social programs, and human development

# 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

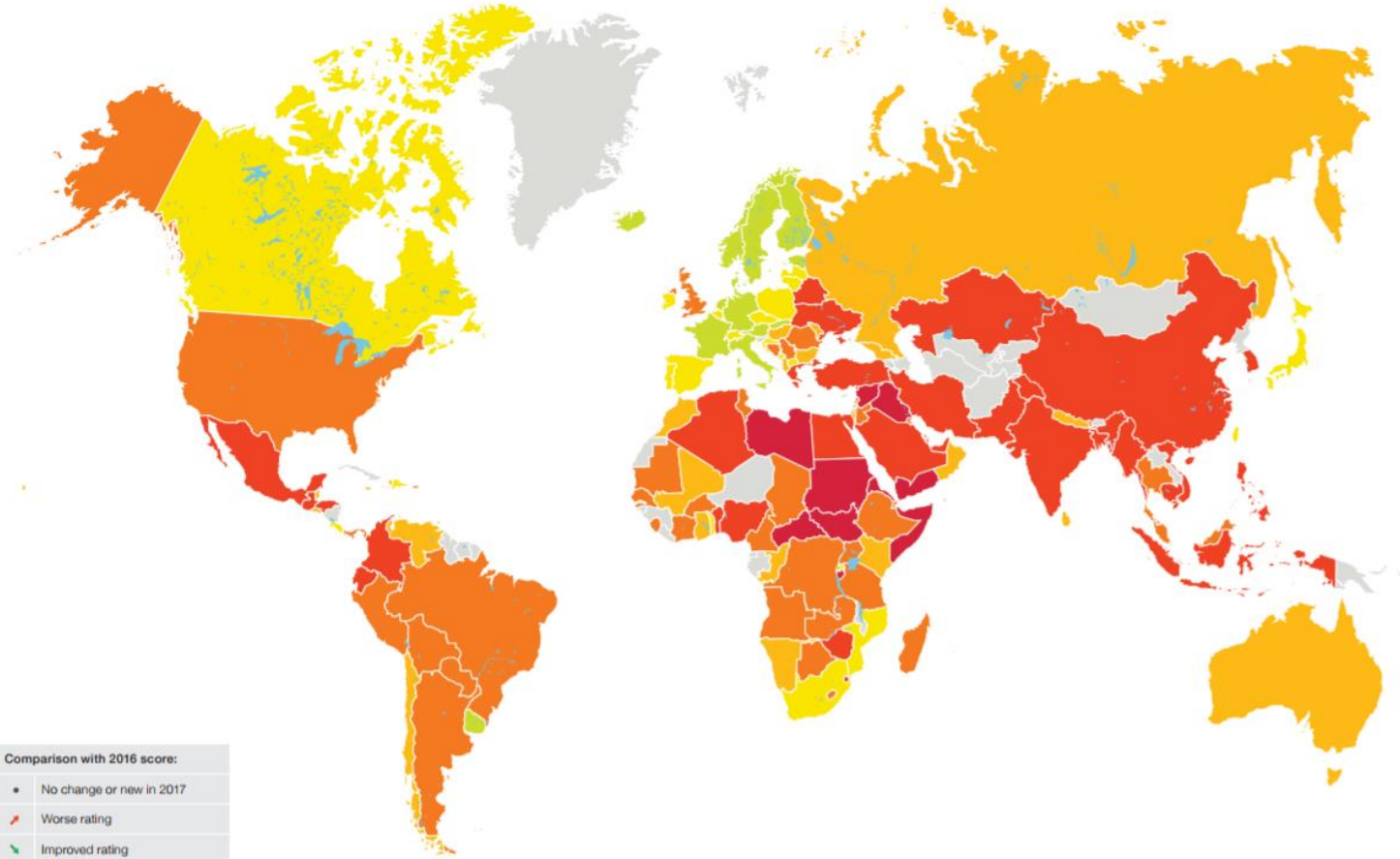


<http://survey.ituc-csi.org>

#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



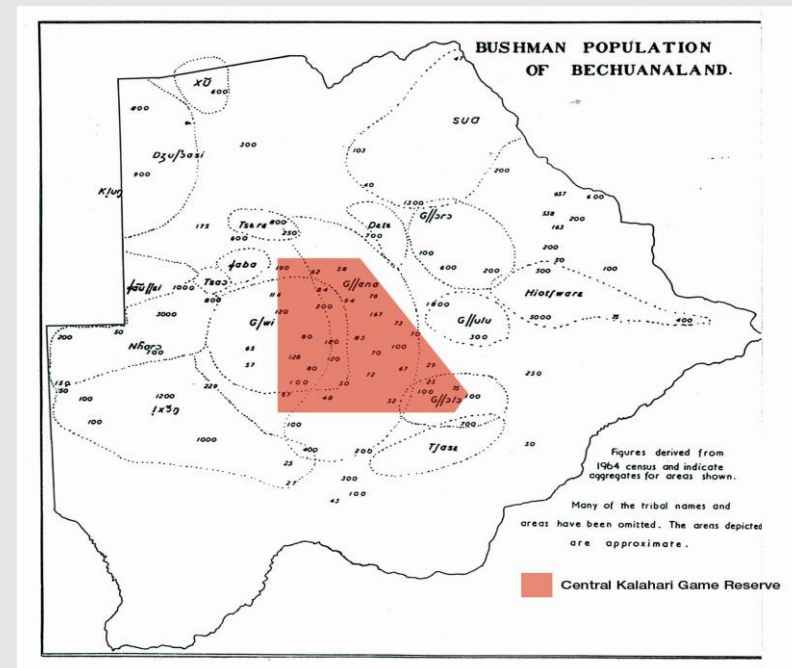
# Indigenous Rights

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



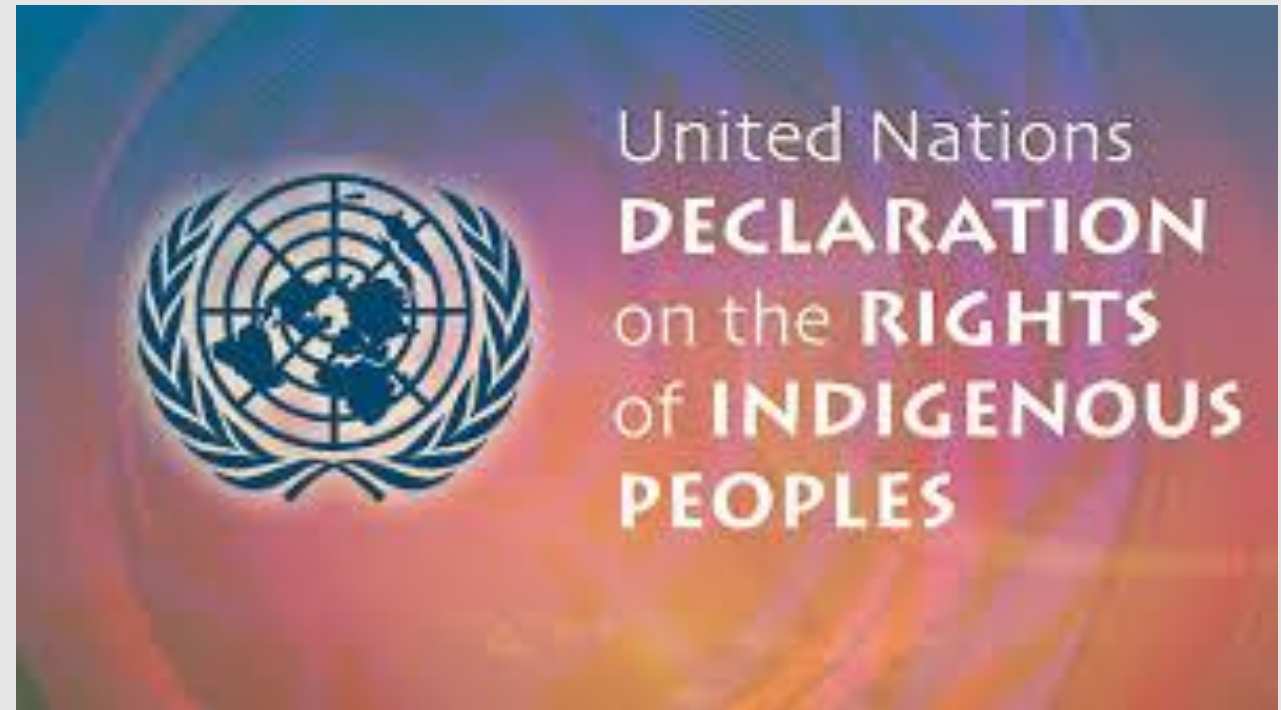
- Central Kalahari Game Reserve (CKGR) evictions
- Discrimination toward San people





# Measuring Indigenous Peoples' Rights

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



# Environment & Health

Environmental  
Damage

Peru

Botswana

Health

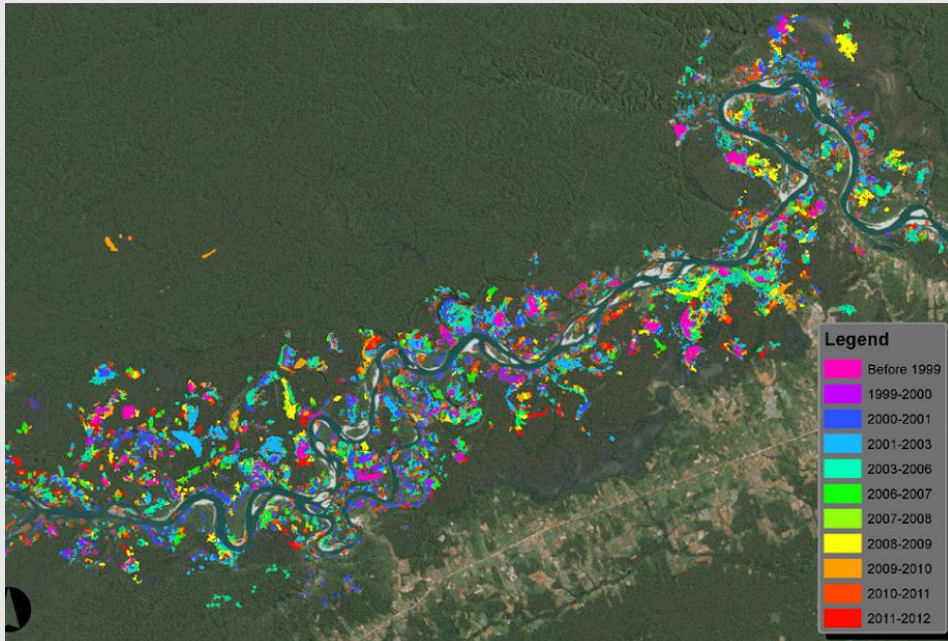
Peru

Botswana

# Environment

## Peru

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



## Botswana

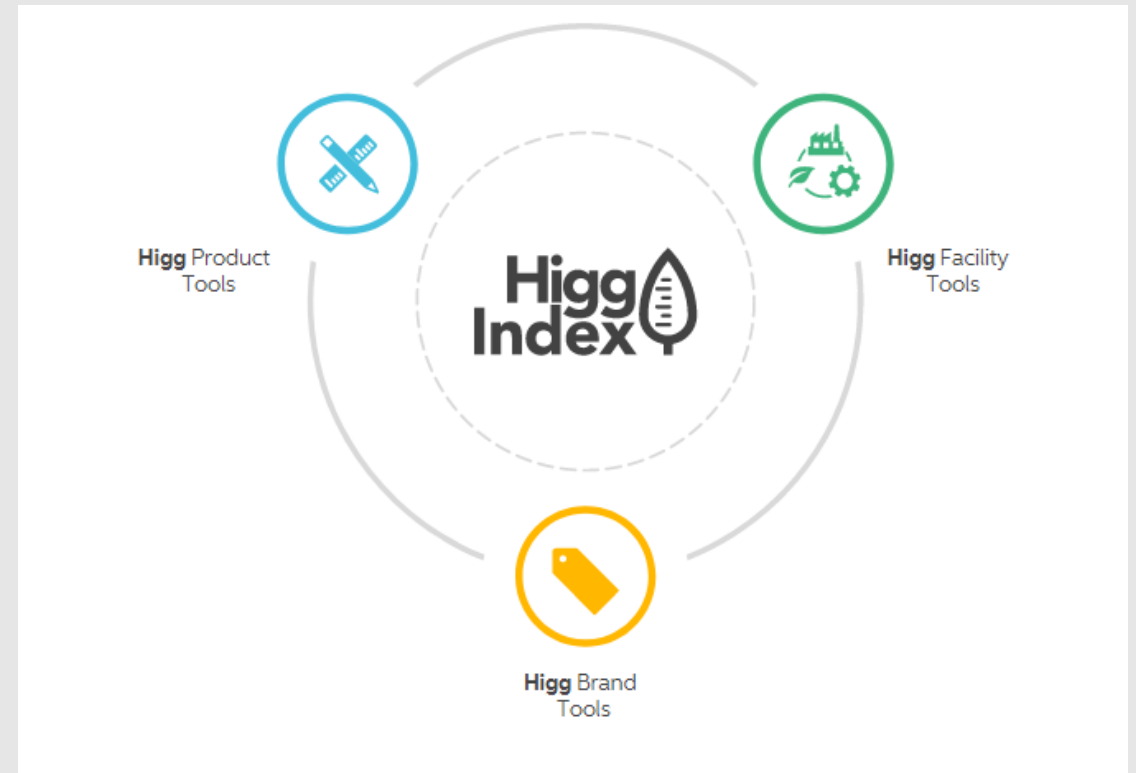
- Controlled and regulated mining operations
- R&D for energy and water conservations
- Land restoration initiatives



# 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

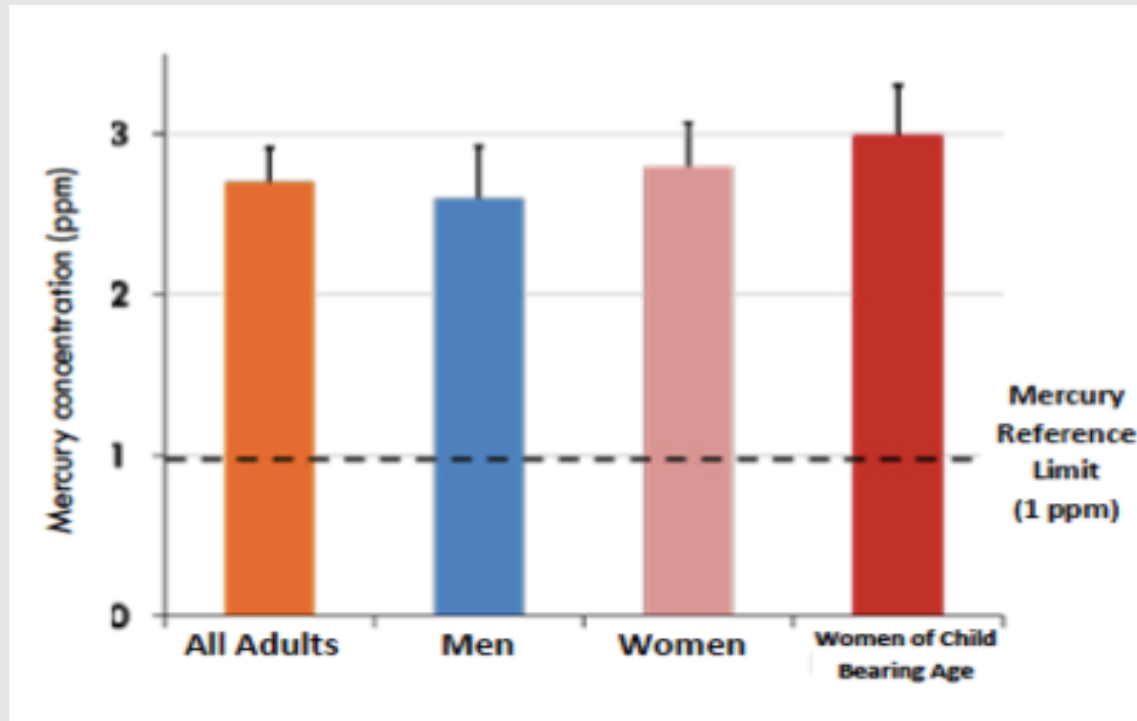


# Health

**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

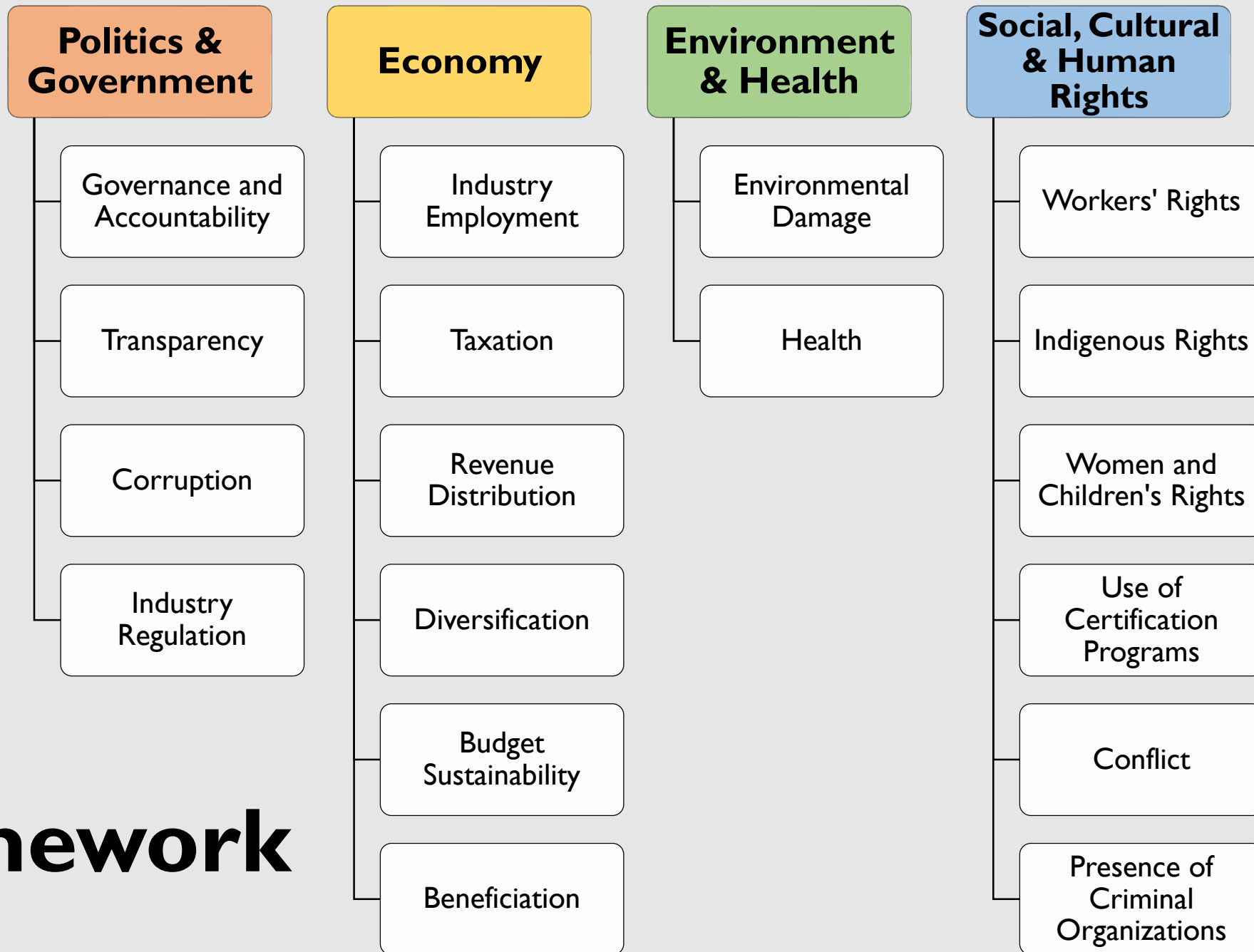
# Gap Analysis

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



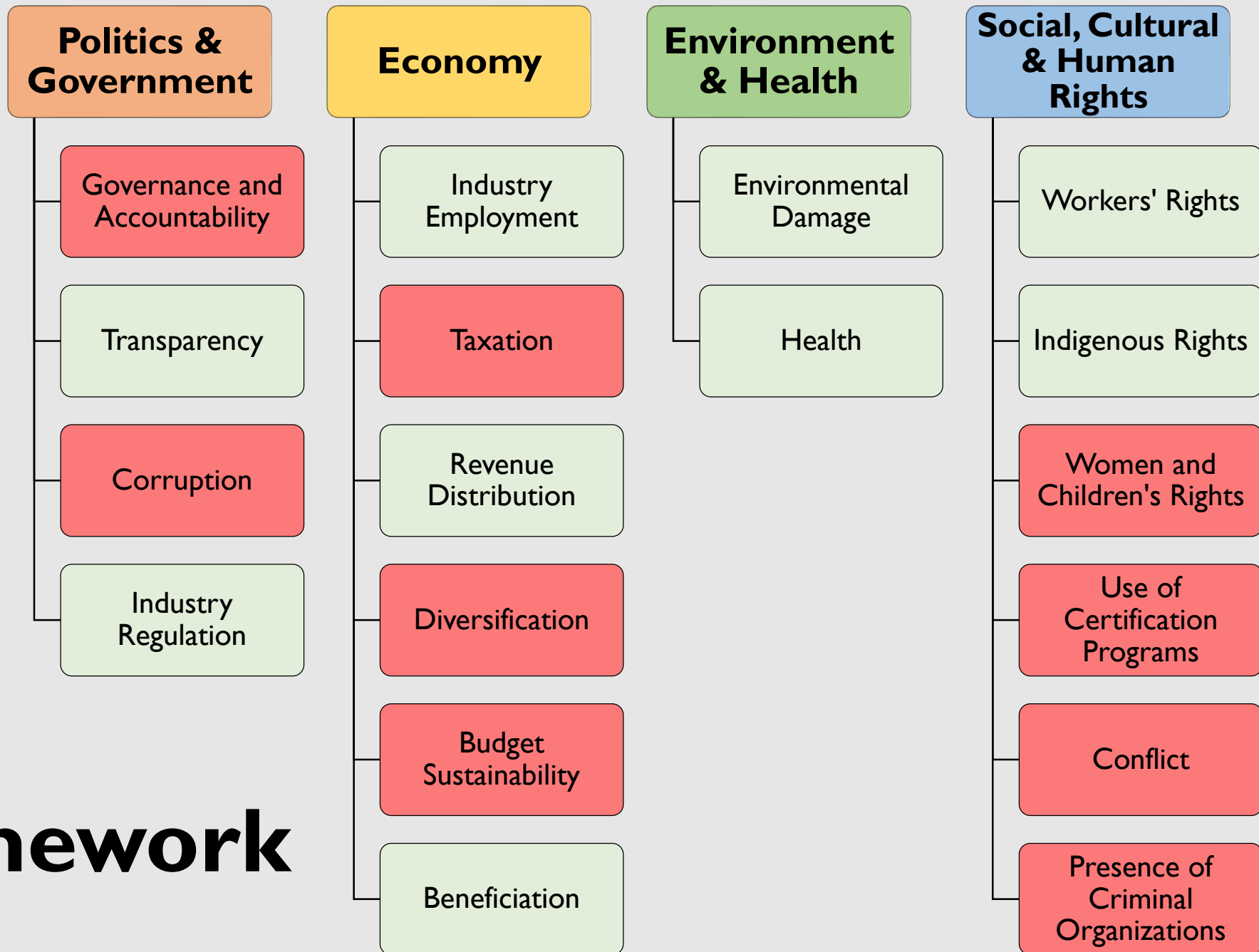


# JDII Framework



# 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

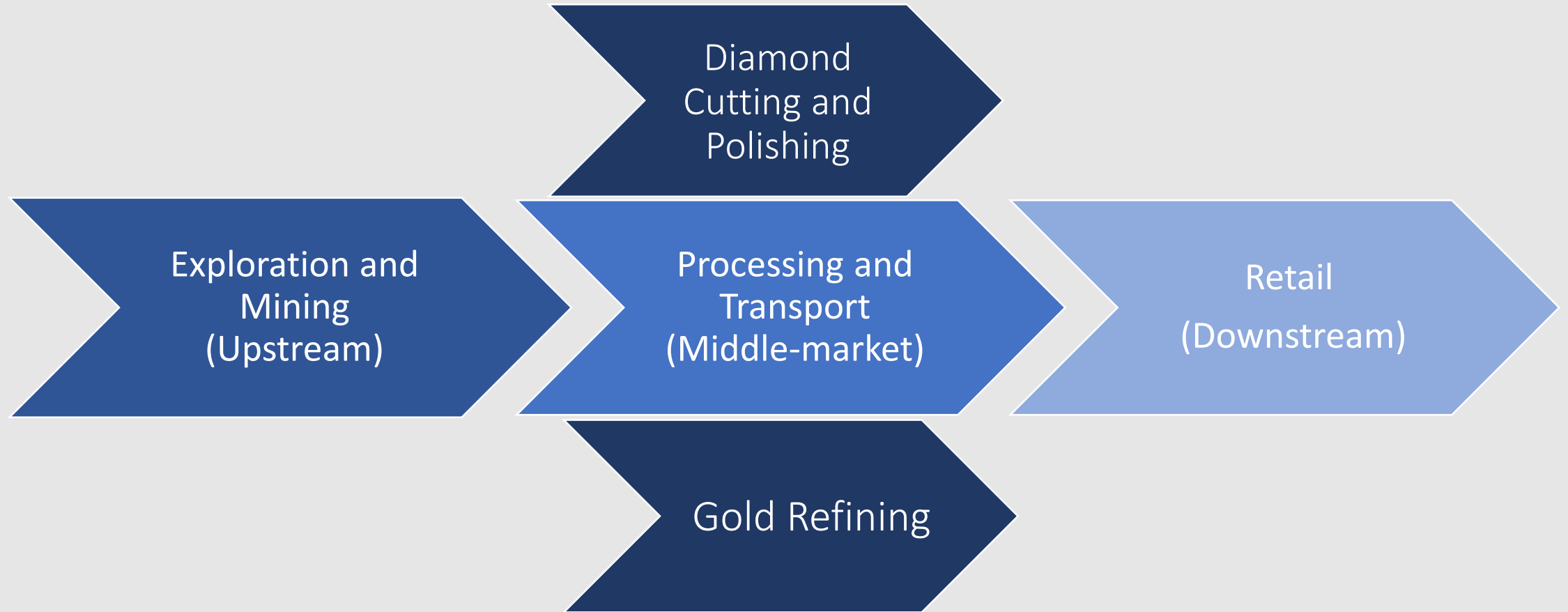
- Countries, regions, and corporations that may gain significant business for positive scores
- Boost public opinion about the jewelry industry
- Large jewelry companies that want to boast about their commitment to CSR
- Risk management Perspective:
  - Financial Sector
  - Investors

## 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



Source: InSight Crime