

Ian Smillie

# Assessment of “Positive” Schemes to Enhance Formalization and Certification in the Diamond Industry

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In recent years there have been a variety of projects, programs and commercial ventures aimed at dealing with the underlying problems of Africa’s artisanal diamond mining sector, notably its informality and corruption, the poverty of those who work in it, and its potential for economic and social disruption. This paper describes recent interventions and provides evaluative comments where possible.

## 1 DONOR INITIATIVES

### 1.1 USAID: Peace Diamond Alliance in Sierra Leone

From September 1999 to December 2007, Management Systems International (MSI) was contracted by USAID to manage its \$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. Diamond cooperatives were envisaged as the vehicle for attempts to achieve market-led change, legalization, and miner empowerment.

The plan was to operate for two mining seasons with a view to the cooperatives becoming self-sustaining in that time. The cooperatives would sell directly to reputable international buyers, bypassing traditional ‘middlemen’. USAID set aside a \$522,000 revolving loan fund for the cooperatives, but an environmental assessment concluded that the credit scheme was unworkable, and USAID cancelled the revolving loan fund. Concerned that delaying the cooperatives would lead to disillusionment and a loss of momentum, MSI sought private finance for the cooperatives. One businessman, Martin Rapaport, invested \$55,000 and another invested \$20,000 in the scheme.

Thirty-five cooperatives registered with 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, and the project was cancelled shortly thereafter.

The project’s 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, major 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.<sup>1</sup>

USAID commissioned its own evaluation of the study in 2007.<sup>2</sup> The findings were misleadingly positive and envisaged a continuation of the project. That did not happen.

### 1.2 USAID: Property Rights and Artisanal Diamonds in Central African Republic

In 2007, USAID began piloting the Property Rights and Artisanal Diamond Development (PRADD) project in the Central African Republic (CAR). The project, managed by an American consulting firm, ARD Inc., is supported by the Department of State in furtherance of the U.S. Clean Diamond Trade Act which is the basis for US participation in the Kimberley Process. The project’s aim is to establish clear ownership of land on which diamonds are mined. For years, property rights in mining areas have been rooted in customary rules that were not recorded, making it difficult to trace the source of diamonds.

The PRAAD project uses community meetings and surveys as well as geospatial information to help miners establish property rights. This also helps the government of CAR comply with the Kimberley Process by identifying the exact source of diamonds. Once a property right is

<sup>1</sup> This project has been described and evaluated by DDI and a summary is available at <http://www.ddiglobal.org/pages/publications.php>.

<sup>2</sup> See [www.usaid.gov/.../USAIDSierraLeoneDiamondProgramEvaluationreport\\_final.pdf](http://www.usaid.gov/.../USAIDSierraLeoneDiamondProgramEvaluationreport_final.pdf)

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validated, a miner is able to acquire a diamond mining license from the government. To prevent cheating, PRADD provides training in diamond valuation. To address the environmental effects of open-pit diamond mining by large numbers of artisanal miners, PRADD supports rehabilitation of damaged areas and the adoption of techniques to limit degradation. The project also includes training for alternative livelihoods and agricultural productivity.

Because of PRADD’s apparent success in pilot areas in CAR, it is now being expanded to other areas. Similar work in Guinea was suspended by USAID following the December 2009 coup, but USAID is now expanding the PRADD program to Liberia.<sup>3</sup> No evaluations are yet available.

### 2 FAIR TRADE: THE TRANSFAIR STUDY

In 2008, Transfair USA, with funding from the Tiffany & Co. Foundation, commissioned a “Feasibility Study for the Development of a Fair Trade Diamond Standard and Certification System”.<sup>4</sup>

The study concluded that the business case for Fairtrade Certified diamonds is “generally positive” and that there is a “clear development case for Fair Trade to engage with the diamond sector”. It stated that the best opportunities lie with small-scale mining companies and to some extent in the micro-mining sector<sup>5</sup> but not with unorganized subsistence artisanal miners. The report discussed the need for the development of standards for producers, manufacturers and buyers, and warned of the “‘lootability’ and extra ‘corruptibility’ potential of diamonds.” It warned also of the financial risk and the complexities involved in the creation of a “Fair Trade diamond supply chain” from mine to retailer. It concluded by saying that “obtaining

adequate quality and quantity of supply, keeping the cost of production to competitive levels, ensuring the backing of the industry-at-large, and finding micro- and small-scale partners who are able to come to compliance quickly will be the main challenges in bringing Fair Trade certified diamonds to market.”

While the study concluded that diamonds could be made eligible for Fair Trade Certification, the risks would be high and a considerable amount of effort would be required, including the development of standards for producers, manufacturers and buyers. The report did not discuss in any detail the additional requirements that might be required of diamond miners or companies in order to comply with Fairtrade standards.

Even without all of the caveats and possible pitfalls, diamonds would be a stretch for the Fairtrade movement, which has hitherto focussed almost exclusively on agricultural products and sports balls. It has, however, recently developed a system for Fairtrade and “Fairmined” gold.<sup>6</sup> (see Annex I for a brief discussion of the Fairtrade Labelling Organization.)

The Transfair Study was completed at the end of 2008. A consultative meeting in 2009 was inconclusive and no further action has been taken by the Fairtrade movement on diamonds.

### 3 COMMERCIAL INTERVENTIONS

There has been a great deal of discussion in the wider commercial world about “fair trade” and “ethical” diamonds over the past five years, however the terms have been used very loosely and in a variety of contexts by individuals who have little apparent understanding of what they mean. Several commercial initiatives, some with an NGO connection, have been undertaken and are described below.

<sup>3</sup> For more information, see

[http://www.usaid.gov/press/frontlines/fl\\_jun10/p16\\_diamonds100622.html](http://www.usaid.gov/press/frontlines/fl_jun10/p16_diamonds100622.html)

<sup>4</sup> See [www.diamonds.net/fairtrade/.../FT-TransFair\\_USA\\_Diamond\\_Feasibility\\_StudySummary.pdf](http://www.diamonds.net/fairtrade/.../FT-TransFair_USA_Diamond_Feasibility_StudySummary.pdf)

<sup>5</sup> Organized artisanal miners, legal or illegal; semi-professional; assets <\$0.5m

<sup>6</sup> See

[http://www.fairtrade.net/single\\_view1.html?&cHash=4773a37889&tx\\_ttnews\[tt\\_news\]=130](http://www.fairtrade.net/single_view1.html?&cHash=4773a37889&tx_ttnews[tt_news]=130)

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### 3.1 Rapaport “Fair Trade” Diamonds

Martin Rapaport, a major player in the international diamond industry, has long advocated better prices for artisanal diggers as part of a comprehensive program of conflict prevention in countries where artisanal diamonds are produced. Generally speaking, what he means by the term “fair trade” is “fair price” – diggers should receive closer to market prices than is currently the case.

Rapaport has ventured commercially into the field twice over the past seven years, first with a scheme of his own, and then in conjunction with USAID’s Peace Diamond Alliance (described above). Rapaport’s initial venture was based on a plan to buy directly from diggers in Sierra Leone, offering them much better prices than they were getting and linking them as far as possible to international prices. He expected that either a local or an international NGO would work with him to vouch for the probity of the diamonds that might be offered to him. He would buy these diamonds on approval at a guesstimated 75% of Antwerp value. He would then auction the diamonds in Antwerp (or elsewhere) under the scrutiny of an international NGO; he would deduct 10% of the realized value for his own cost and profit margin, and would return the balance to the digger(s). He placed his own employee, a Belgian diamond expert, in Bo and opened for business.

The enterprise soon collapsed in disarray. Several things went wrong:

- He was unable to make an arrangement with a local or international NGO to vouch for the probity of the diamonds that might be purchased;
- The scheme never got to the point of auctioning any diamonds, so the idea of an NGO watchdogging the Antwerp sales never materialized; it is questionable whether this would have been feasible;
- Within a few weeks of arrival in Sierra Leone, his buyer was arrested on what seemed to be trumped-up charges of illegal diamond possession, probably inspired by local Lebanese buyers who were threatened by the initiative. Rapaport flew to Sierra Leone and took the issue

to the US Ambassador and the President of the country, his man was released and the project was closed down.

Rapaport believed after his own negative experience that the USAID/Peace Diamond Alliance offered better prospects, although as noted above, it did not. Rapaport remains interested in what he calls “fair trade diamonds”<sup>7</sup> but field activities are limited.

### 3.2 The Clarity Project

The Clarity Project states that it is buying “fair trade” diamonds from women’s cooperatives in Lesotho and is investigating opportunities elsewhere. It says that it is “the first and only jewellery retailer to invest 100% of our profits back into mining communities.”<sup>8</sup> Clarity works in part with Thomas Siepelmeyer, “a respected German geologist and anthropologist [who] has been overcoming obstacles large and small in an effort to bring fair trade gemstones to market.”<sup>9</sup>

### 3.3 Brilliant Earth

Brilliant Earth, a California retailer, makes a specialty of conflict-free and “ethically produced” diamonds, saying, “We carefully track all of our diamonds from mine to market to ensure they are mined, cut, and polished in a socially and environmentally responsible manner. While many of our diamonds that are verified to be responsibly harvested originate from Canada, we also offer ethical origin African diamonds from Namibia. These diamonds are carefully tracked to ensure they originate from ethical and environmentally responsible sources, while also benefiting local economic development.”<sup>10</sup>

<sup>7</sup> See <http://www.diamonds.net/fairtrade/>

<sup>8</sup> See <http://www.clarityproject.com/fairdiamonds.html>

<sup>9</sup> See <http://www.clarityproject.com/fairdiamonds.html>, see [http://www.faire-edelsteine.de/index.php?id=3\\_2](http://www.faire-edelsteine.de/index.php?id=3_2); most of the site is in German.

<sup>10</sup> See <http://www.brilliantearth.com/>

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Brilliant Earth donates a portion of its profits to NGO activities (including DDI), and has recently initiated an on-line petition demanding reform in the Kimberley Process.<sup>11</sup>

### 3.4 Pride Diamonds and Target Resources

Pride Diamonds in Sierra Leone “believes that the time is particularly ripe for a socially responsible diamond company. Consumers are increasingly concerned about the effect their purchases have around the world, and are looking to ensure that their dollars are encouraging just and fair trade.” Pride is owned by Target Resources, of which its CEO has said, “I am delighted at becoming a part of a company that, in my opinion, has both the strongest and most ethical alluvial operation in Sierra Leone.”<sup>12</sup>

### 3.5 Ruff&Cut

Ruff&Cut is a jewellery design and retail business that “seeks to purchase our raw materials from socially responsible sources whenever possible. For transparency, each piece of jewellery comes with a certificate of specific origin.” The company was founded by Wade Watson, who also founded the Pride Diamonds mining operation in Sierra Leone, sold in 2007 to Target Resources (see above). Ruff&Cut says, “In keeping with the company’s dedication to giving back to the community, 10 percent of the wholesale cost of each piece will go directly to nongovernmental organizations (NGOs) working in Africa to improve the lives and livelihoods of communities involved in metal and gemstone mining and jewellery manufacturing.”

<sup>11</sup>

[http://humanrights.change.org/petitions/view/demand\\_complete\\_reform\\_of\\_the\\_failing\\_kimberley\\_process\\_to\\_prevent\\_conflict\\_diamonds](http://humanrights.change.org/petitions/view/demand_complete_reform_of_the_failing_kimberley_process_to_prevent_conflict_diamonds)

<sup>12</sup> See <http://www.pridediamonds.com/index.html> and <http://www.target-resources.co.uk/>

### 3.6 Dreams of Africa

“Dreams of Africa” is an initiative of Whiteflash.com, a Texas-based on-line diamond and jewellery business.<sup>13</sup> The Dreams of Africa website<sup>14</sup> offers “A designer range of custom jewellery created to help the victims of ‘blood diamonds’. 100% of profits go towards World Centers of Compassion for Children (WCCCI).”

### 3.7 Conflict-Free Diamond Council<sup>15</sup>

This appears to be an organization dedicated to selling Canadian diamonds – its website offers little information on its principals.

### 3.8 The Diamond Empowerment Fund

Russell Simmons – American recording, fashion and jewellery entrepreneur – has created a fund and an NGO that support educational projects in Botswana, in part from the sale of diamond jewellery. It is not specifically tied to “ethical” or “fair trade” diamonds, but is an example of a part of the industry “giving back”. “Founded in 2007, The Diamond Empowerment Fund™ (D.E.F.) is a non-profit international organization with the mission to raise money to support education initiatives that develop and empower economically disadvantaged people in African nations where diamonds are a natural resource.” (<http://www.diamondempowerment.org/mission/>)

### 3.9 Observations

Some of the individuals involved in these commercial interventions, most of them quite small, are fairly well known in the diamond world (although some are not). Many are well-intentioned and have helped by “giving back” through their contributions to development projects in Africa. They demonstrate that there is a perceived commercial advantage to offering “fair trade” or “ethical” or “conflict-free” diamonds, and to the extent that consumers respond, that there is a demand as well.

<sup>13</sup> See <http://www.whiteflash.com/>

<sup>14</sup> See <http://www.dreamsof africa.org/Home.htm>

<sup>15</sup> See <http://www.conflictfreediamonds.org/learnmore.html>

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What none of them have done is to offer third party validation for any of their claims.

#### 4 THE RESPONSIBLE JEWELLERY COUNCIL

The Responsible Jewellery Council is an international not-for-profit organisation created in 2005, bringing together over 260 member companies across the gold, diamond and platinum supply chains, from mining through to retail. Its objective is to promote responsible ethical, human rights, social and environmental practices in a transparent and accountable manner. Where diamonds are concerned, the RJC may have been motivated in part by the failure of the Kimberley Process to provide convincing bona fides for diamonds, and by the fact the Kimberley Process does not deal with development, human rights or environmental issues. Basically, the RJC aims to reinforce consumer and stakeholder confidence in jewellery products.

The RJC has created a certification system, which applies to all of its members – businesses that contribute to the diamond, gold and platinum jewellery supply chain. Under the RJC system, all commercial members are required to be audited by accredited, third party auditors to verify their conformance with the RJC Code of Practices, and become certified under the RJC System. The Council began operating its system in December 2009 and the first member company to be accredited, in November 2010, was the French jewellery firm, Cartier.<sup>16</sup>

The RJC system is extremely important for the international diamond trade because its code of practice is rigorous and detailed, and because unlike most “codes” adopted by extractive industries, this one is compulsory for all members.

The RJC system has two limitations. The first is that it has not yet developed a chain of custody arrangement. This means that while a mining company may meet RJC standards, and a retailer may meet RJC standards, there

is no connection between the two entities. The retailer is not obliged to buy from other RJC members, and so may well be selling goods that do not meet the RJC standards, even though the retail firm itself does. RJC recognizes this weakness and is currently working on solutions.

The second limitation is that the RJC system applies only to RJC members. The RJC is made up of the largest mining, trading and retail firms in the business, and while there is no reason that smaller companies like those described in previous sections of this paper could not join, the cost and logistics involved are undoubtedly beyond the means of most. More importantly, the RJC has no facility for certifying diamonds that are produced artisanally. This effectively excludes most of the diamonds produced in Sierra Leone, DRC and Liberia, large volumes produced in other African countries such as Angola, and most of the diamonds produced in South America. As the RJC system becomes more recognized (and if it can overcome the chain of custody weakness), the effect will be to create two classes of diamond: those with a rigorous RJC “good housekeeping seal of approval”, and those without. Those without the RJC seal will undoubtedly become an inferior product, which could disadvantage already poor countries and already underpaid diamond diggers.

#### 5. THE DIAMOND DEVELOPMENT INITIATIVE

The Diamond Development Initiative (DDI) aims to deal with many of the problems described above. DDI was formed in 2005 and incorporated as a not-for-profit charitable organization in 2007. Its Board and Advisory Group include a broad cross-section of individuals representing civil society, industry, academia and governments. It was created as a complement to the Kimberley Process after it became clear that the KP would not expand beyond its regulatory mandate. Some governments, however, notably those where diamonds are produced artisanally, along with industry members and civil society, recognized that the roots of conflict diamonds lay in the chaotic alluvial diamond fields of Sierra Leone, DRC, Angola and other countries where diamonds are mined artisanally. Many of the problems were and remain economic and developmental in nature, and they require economic and developmental solutions if regulation is to be effective.

<sup>16</sup> Details of the RJC certification system can be found at <http://www.responsiblejewellery.com/certification.html>



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DDI was not created in order to do one-off development projects in African diamond mining areas. It was created in an attempt to bring about systemic changes in the way alluvial diamonds and artisanal miners are understood and engaged. In the long run, the ideal is to bring this largely unregulated informal sector into the formal economy in ways that benefit miners, wider regional and national economies and the diamond industry as a whole. DDI's initial priority is to learn as much as possible about this largely misunderstood part of the diamond economy, and to gain the attention and confidence of mining communities, governments and development organizations.

DDI has a small projects fund which supports local and international NGOs in undertaking projects that contribute to the growth of knowledge about the sector. Projects dealing with youth, gender, alternative livelihoods, the environment and the education of miners have been supported, and DDI has produced policy papers based on the results of these projects. Its major activities, however, fall into three categories: miner registration, appropriate mechanization technologies and the Development Diamond Standards.

### 5.1 Registration

There can be no formalization of the diamond industry, and absolutely no compliance with Kimberley Process minimum standards, without miner registration. Without registration, a country has no way of knowing anything about diamond production volumes and values, and cannot say with any assurance where diamonds were mined. The current absence of viable registration systems in almost every African country where diamonds are mined artisanally makes a joke of KP standards. Some 40% of diamonds presented for export from DRC, for example, are derived from comptoirs in Kinshasa that cannot say where the diamonds came from. They may be Congolese diamonds, but they could be from Angola or Zimbabwe, or any other place on earth, because there is no registration system and no tracking of any kind.

The ability to track diamonds through a chain of custody is the foundation on which the Kimberley Process was

created, and yet in the countries most affected by conflict diamonds, it still does not exist.

In 2009, DDI researched the system used for tracking diamonds in Guyana. The system is simple, paper-based and inexpensive. A “how-to” manual was created and produced in English, French and Portuguese, and it was discussed at a DDI workshop in February 2010 that brought together representatives of 15 African governments and the Government of Guyana. As a result, several countries offered to test the system on a pilot basis. The groundwork has been laid for two pilots in DRC covering 20,000 miners in two areas. The government of DRC will participate financially and has changed its mining regulations to create a conducive environment for the pilots which will be carried out during 2011. Local NGOs will be involved at all levels of operation and the project will be carefully monitored for lessons that can be applied to other areas in DRC, and to other countries as the project evolves.

### 5.2 Mechanization

Working closely with the governments that are members of the Kimberley Process Working Group of Alluvial Artisanal Producer countries (WGAAP), DDI responded to a priority identified by them: mechanization. The introduction of intermediate technologies to artisanal mining sites could improve productivity and therefore incomes, without displacing labour if carefully applied. They could also help to induce formalization. DDI engaged a German firm, Project-Consult, to examine the history, problems and potential of low-level technological improvements in alluvial diamond mining. A summary version of the report was produced in English, French and Portuguese and discussed with governments at the November 2010 KP meeting in Israel. Enthusiasm for uptake is high. DDI is now looking for a locale(s) where a pilot or pilots might be introduced. This will require care in order to avoid obvious pitfalls such as those that bedevilled USAID's Peace Diamond Alliance Project in Sierra Leone.

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### 5.3 Development Diamond Standards

DDI has studied the various “fair trade” initiatives and has served on RJC advisory panels in order to understand the RJC system, and to ensure wherever possible that it takes into consideration the problems and needs of artisanal miners. DDI has concluded that a formal system of fair trade diamonds is unlikely to emerge any time soon, but that even if it did, it would not be accessible to the vast majority of artisanal diamond producers.

RJC does not cover artisanally-produced diamonds and is not accessible to small and microenterprises – and probably never will be. These diamonds represent the bulk of diamond exports from DRC and Sierra Leone, and are significant in other African countries and South America. Development Diamond Standards, therefore, offer a complement to what the RJC is developing.

In working to create “development diamond standards”,<sup>17</sup> DDI’s objective is a system that is widely accessible, available on the initiative of local producers rather than outsiders like the NGOs that typically promote Fairtrade products, and subject to independent third party verification. It would in some ways be less than the typical Fairtrade project in that it would not necessarily result in cooperatives and formal systems of community participation. But it would be much more in the sense that it would be much more widely accessible.

The purpose in creating a system of “development diamond standards” is to ensure that artisanally produced diamonds are not “left behind” in the move to higher standards by large companies involved in the RJC, to create better working conditions and prices for miners, to help in the formalization process and thus benefit the wider economies of countries where such diamonds are mined.

DDI has worked with a Steering Committee drawn from industry and civil society. It has consulted widely with certification bodies in Europe and North America. It has undertaken structured consultations with miners in DRC,

Central African Republic and Brazil, and has workshopped the concept with members of the WGAAP. Principles and standards have now been agreed and pilot projects are currently being developed. Because these are pilots, different approaches will be taken to third party verification. Pilots will be possible in DRC in conjunction with the registration project, and perhaps through USAID’s PRAAD project in Central African Republic. Additional pilots are possible in countries like Sierra Leone where some elements of formalization already exist (e.g. in conjunction with some of the small companies described in section 3, above.)

### 5.4 Observations

Although it is still young and growing, DDI represents the first attempt to take a holistic approach to the challenges of artisanal alluvial diamond production, working with governments, miners, civil society and industry to solve problems that have plagued the sector for 75 years. Governments are supportive because they have everything to gain from greater levels of formalization in a sector that has produced few benefits and many problems over the years. The wider diamond industry is supportive of DDI because the poverty, illegality and chaos surrounding artisanally produced diamonds present real reputational risks to the industry at large.<sup>18</sup> Miners themselves are positive about anything that will improve their incomes and the conditions under which they work, and are regularly consulted by DDI in the development of its projects.

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<sup>18</sup> Artisanally produced diamonds represent an estimated 15% of the global gem diamond trade. For young couples purchasing an engagement ring, a 15% possibility that diamonds might have been produced by people living in absolute poverty could have a negative impact. The industry has recognized that in a world where “ethical” products commend growing attention, it had to create the Responsible Jewellery Council and its rigorous standards. It can also see that if 15% of the world’s diamonds are produced “unethically”, this could affect the overall reputation of diamonds and negatively affect the efforts of the RJC.

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<sup>17</sup> See <http://www.ddiglobal.org/pages/projects-dds.php>

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### 6 OPTIONS FOR INTERVENTION

#### 6.1 Research/Study Possibilities with Particular Reference to Sierra Leone and other MRU Countries

- An study of the relevance to Sierra Leone of the PRADD project on land registration in Central African Republic;
- A feasibility study on the establishment of trading centres in diamond mining areas, ascertaining what financial, valuation, security and other support services might be required in order to bring international buyers and prices closer to artisanal diamond miners;
- A field review of current commercial mining and trading companies in Sierra Leone claiming “ethical” and/or “fair trade” standards to determine their suitability for DDS pilot projects.

#### 6.2 Pilot Projects in Sierra Leone

- Registration of artisanal miners, based on DDI’s DRC pilot;
- Application of DDI’s Development Diamond Standards to a pilot or pilots in Sierra Leone;
- Pilot mechanization project(s) based on foundations laid by DDI during 2010;
- Support to DDI’s “partnering fund” to enable international and Sierra Leonean civil society to undertake their own small pilot projects related to greater formalization and certification in the diamond industry;
- Education on basic civil and human rights for state agents and miners in diamond mining areas.

*December, 2010*





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### ANNEX I

#### THE FAIR TRADE MOVEMENT

Fairtrade<sup>19</sup> is an alternative approach to conventional trade, based on a partnership between producers and consumers. The Fairtrade Labelling Organization, based in Bonn, has 24 member organizations that accounted for €3.4 billion in global Fairtrade retail sales in 2009. Fairtrade products are mostly agricultural or are derived from agricultural production.<sup>20</sup> Fairtrade offers producers a better deal and improved terms of trade. It also offers consumers a way to reduce poverty through their everyday shopping.

When a product carries the Fairtrade Mark it means the producers and traders have met Fairtrade standards. The standards are designed to address the imbalance of power in trading relationships, unstable markets and the injustices of conventional trade. There are two distinct sets of standards, which acknowledge different types of disadvantaged producers. One set applies to smallholders working together in co-operatives or other organizations with a democratic structure. The other set applies to workers whose employers pay decent wages, guarantee the right to join trade unions, ensure health and safety standards and provide adequate housing where relevant.

Generic Trade Standards: companies trading Fairtrade products must:

- Pay a price to producers that covers the costs of sustainable production: the Fairtrade Minimum Price;
- Pay an additional sum that producers can invest in development: the Fairtrade Premium;
- Partially pay in advance, when producers ask for it;
- Sign contracts that allow for long-term planning and sustainable production practices.

Standards for small-scale producers:

- The majority of the members of the organization must be smallholders who don't depend on hired workers all the time, but run their farm mainly by using their own and their family's labour.
- Profits should be equally distributed among the producers. All members have a voice and vote in the decision-making process of the organization.

Standards for hired labour:

- The so-called Joint Body, which includes workers and management, is responsible for the management of the Fairtrade Premium in accordance with Fairtrade Standards.
- Workers have the right to join an independent union to collectively negotiate their working conditions.
- Working conditions are equitable for all workers. Salaries must be equal or higher than the regional average or than the minimum wage in effect. Health and safety measures must be established in order to avoid work-related injuries.

<sup>19</sup> This note has been drawn from material on the FLO website: <http://www.fairtrade.net/>

<sup>20</sup> For example, wine and vodka. Sports balls are the largest non-agricultural product group; a new project on Fairtrade gold has recently been developed.