

PRADD Direct Trading/Sourcing Workshop
12 December 2011
Tiffany & Co Foundation; New York, NY

Timothy Fella welcomed over 27 in-person and teleconference participants from USAID, other US Government Agencies, NGOs and Private Industry to the workshop and recognized the Tiffany Foundation for hosting the event. He began by stating that the US Government is committed to the Property Rights and Artisanal Diamond Development (PRADD) Project, the Kimberly Process, reducing conflict, and creating jobs at home. At the end of the last workshop, held in October at the State Department in Washington DC, the group began exploring a model that had a syndicate of buyers and a cooperative of miners.

USAID recognizes that the solutions being explored are not just public or private sector. With that in mind, Mr. Fella outlined the following objectives for the day's workshop:

1. Define a Common Vision
2. Identify Risks and Opportunities
3. Identify Tasks
4. Identify Resource Partners

The morning session continued with presentations followed by questions and answers on Results and Analysis of a PRADD Household Survey in Liberia (Tim Fella), a USGS Geological Assessment in CAR (Peter Chirico), Lessons Learned from a Previous Diamond Miners' Co-op Program in Sierra Leone (Estelle Levin), and a FairTrade/FairMined Gold Certification Program (Gemma Cartwright).

The group discussion that followed presentations began with a review of the context, including issues raised in October and new items to consider.

- A cooperative of miners would need to include training and organizational development
- There is currently little or no access to financing for miners
- Established local power structures are strong and will need to be negotiated
- This is a challenging working environment, there is a low amount of formal structure
- The ethical aspects of artisanal mining (environmentally sound and possibly fair trade) should be incorporated
- Any partnership or new project activity must be commercially viable and profitable for both sellers and buyers
- We have to situate new activities within the appropriate social context (recognize and respect existing structures)
- Develop a project with a long term outlook and be willing to make mistakes and learn from them
- Utilize the strength of market forces
- There is a need to develop and agree upon minimum social and environmental standards
- KP doesn't do social and environmental development, but that is one of our goals
- Build upon existing systems and not from scratch

- Address the cutting and polishing piece of the supply chain
- Evaluate the possibility of an auction model instead of syndicate-co-op model
- Any ethical distinction would require a tightly controlled supply chain
- Activities developed must include miners and middle-men in the process

The discussion raised a number of questions.

- Is there a difference or preference between responsible sourcing and ethical branding? There were issues regarding the word “branding”, with some participants using it and others objecting to its use.
- What are the standards (supply chain certification) and the supply chain model?
- What is quantity and quality of the product?
- Is there interest from consumers and retailers in a ‘fairtrade’ product? Is there/should we conduct research to determine this? Labeling the small percentage of diamonds that could be called “fair trade” places the value of the much larger percentage of other diamonds in retailers’ stock at some risk. However, some participants voiced interest in being able to tell the story and impact behind the diamond.
- Is there a necessity of claim assurance? Or, is it good enough to definitively say a diamond is from CAR?
- Should we start with the lowest level and work incrementally toward something more comprehensive? E.g.: These are artisanal diamonds. These are artisanal diamonds from X country. These are artisanal diamonds from X country that make an impact in ways a, b, and c and bad things aren’t happening.
- Is third party verification essential in moving forward with what we’re discussing? (And would it need to be tested with retailers?)

Mr. Fella gave a presentation on various partnership options that the US Government uses to partner with the private sector. A Global Development Alliance (GDA) was emphasized and is a form of public-private partnership that includes a 1-1 contribution ratio between USAID and private sector interests. The model developed can be customized to account for the alignment of business interests and USG development goals under a common framework that is outlined within an MOU (for a PPP or GDA). In defining what a successful partnership meant to participants, private industry emphasized returns on investment and profits while the USG, NGOs and boutique jewelers placed similar emphasis on fair prices for miners and supporting a more transparent traceability system with basic social and environmental safeguards in place. The table below lists the elements of a successful partnership participants identified.

Success Circle
No Cheating
Basic social and environmental safeguards in place
Fair Price for Miners
Fair Price for Industry
System that is accessible to miners
Proper, Sustainable Development
Commercially Deployable

Improved Regulation (More Permits, Better Oversight and Governance)
Increased Consumer Awareness of Diamond Source
Flexibility
More Transparent Traceability
Sustained Consumer Confidence in Diamonds
Buyer Confidence (Reliable, with assurances, possible ethical differentiation)
Proven Replicable Model

Next, participants carried out a SWOT analysis of a potential partnership.

Strengths	Opportunities
Expertise in global diamond supply chain Diversity of expertise, experience, and platform Trust Funding available	Support from EU and World Bank Replicable and Scalable Consumer awareness Identify overlap and coordination Status of KP
Weaknesses	Threats
Conflicting interests and priorities Factories = need for quality and quantity Small buyers Lack of supply	Declining funds available Illicit diamond buyers Money launderers Vested interest Past failures Political instability Status of KP

Participants recognized that there are multiple interests and priorities surrounding a potential partnership, but everyone committed to **“Sourcing artisanal diamonds in a sustainable and ethical manner that is fair to all parties involved.”** Also, the decision was made to focus on CAR given the long-term presence of USAID and the more robust diamond production levels in the country.

Afterward, participants listed key actions necessary in developing a partnership by actor (Buyer and Seller) or function (Business Relationship and Public Private Partnership)

Sellers	Business Relationship	Buyers	Public Private Partnerships
Organizational development	Imposed solutions are bound to fail	Generate consumer demand	Draft MOU
Help miners source financing	Collaborative conversation on best practices	Understand consumer awareness	Long term ROI
Train miners to improve production	Establish links from sellers/buyers in country to buyers in major markets	Celebrity endorsement	Don't let consultants press agendas, let market players determine this
Teach sellers to value their rough	Pilot the DDS certification system	Conduct market research to understand demand opportunities	Assign responsibilities
Secure the artisanal plot	Understand why markets haven't already performed	Trade, retail, consumer	Clear written execution
Determine the sellers' perspective	NGO buy in	Profits	Clear written scope
Expose them to large group of buyers	Profits	Industry education	Long term sustainability
Consult with African participants to gage interest	Trade mission	Exposure to larger supply (quantities)	Itemize common USG - private sector interests
Provide education on formalization	Viable social environmental standards that evolve over time		Identify a common goal, set of objectives
Profits			Identify shared priorities and plan action steps
Attain critical mass with a sellers co-op			Identify resources available
			Estimate dollar and in kind costs
			Don't pigeon hole Liberia or CAR's DIA as to limit marketability

			<p>Ensure that entities operating in country should be RIC members and meet basic standards</p> <p>Ensure DIA's are KP compliant</p>
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The above key actions were then placed on a timeline along with identification of resources needed and possible partner contribution (noted in parenthesis in table below).

QTR	Sellers	Business Relationship	Buyers	Public Private Partnerships
Q1	Assess mining communities interests and ideas	Survey existing certification schemes and mechanisms (Staff Time--DDI)	Conduct market assessment to determine demand for "fair trade" or "ethically sourced" diamonds (Written documentation--JCK)	Identify action steps (Workshop-Tiffany Foundation)
	Establish governmental relations	Look at differences and similarities between CAR, Liberia, Sierra Leone in developing certification scheme (Research--USAID and DDI)	Identify who the buyers of the rough are and how will they be selected?	Identify common goals and interests (Workshop--Tiffany Foundation)
	Get buy-in of 'enlightened' middlemen (Money and time--USAID, govts and NGOs)	Joint site visit and trade mission	Determine role of cutting and polishing	Draft and circulate MOU (Staff time-USAID)
	Determine role of middleman in PRADD			
Q2		Determine supply quantity and quality and then the appropriate buyers for these stones (USGS)		<p>Identify PPP partners and their respective contributions</p> <p>Modify MOU based upon trade mission</p> <p>Craft Proforma</p>

Q3	Train miners to form associations and to handle resources (Money and trainers-- USAID, NGOs)		Supply Equipment and Training (Buyer investment)	Exchange gift letters if money is exchanged (Staff Time--TBD)
	Train miners in valuating diamonds (Money and trainers)			
	Train miners in prospecting and mining techniques (Money and trainers)			
	Publically validate mining rights and certify claims (Money, facilitators, community/govt-- USAID)			
Q4				

At the end of the workshop a number of key inputs for a pilot supply chain were outlined, with some tasks assigned to participating parties; however the core of any agreement could not be deliberated in much detail without first having spoken with PRADD miners and other relevant CAR stakeholders. Also, participants from the diamond industry expressed the need to have more information on the quality, quantity and size of the artisanal diamonds from CAR in order to inform whether a not such a venture would be profitable for them or not.

The consensus moving forward was that a trade mission to CAR (possibly in March 2012) is the next step in the process of determining if a partnership would be financially viable for the private sector.

Questions to be answered after that trip include:

- Are there sufficient quantity and quality of diamonds to make a partnership profitable?
- Who, from CAR, are our interested partners and how will they be organized?
- Who are the buyers of the rough diamonds?
- How are the diamonds marketed and who are they sold to?
- What standards will be adhered to and who will conduct the monitoring?
- What resources and investments do miners need?
- What resources and investments can industry provide?

In closing, participants were given an “Expressions of Interest” form that they could fill in before leaving the workshop or could submit at a later date. Participants were also asked to convey their interest and availability for the proposed trade trip to the Central African Republic (tentatively planned for late March) to USAID who would coordinate the logistics. Please send “expressions of interest” and information pertaining to the CAR trip via email to Tim Fella.