



# The GemFair Way 2019-2020

Keeping people safe during a global pandemic, while continuing to raise the standards of artisanal miners.

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## The context

The outbreak of COVID-19 has created a crisis for countries around the world, with Sierra Leone being no exception. At the outset, there was concern whether the country's healthcare sector would be overwhelmed by patients. However, building on a wealth of knowledge from the previous Ebola pandemic, the country employed a strong programme of tracking, tracing and isolating possible infections. This contributed to Sierra Leone largely being spared the high caseloads and fatalities that other countries have experienced; yet, the damage is still likely to be felt economically, longer-term.



Mining village in Kono

The GemFair field team, all from the local area, were committed to being there for members and neighbours throughout. With our field presence and wide network of contacts in Kono District's artisanal and small-scale mining (ASM) community, the team were ready to act as soon as the crisis reached Sierra Leone. Each month, our field officers visited mine sites to distribute food parcels, soap and protective masks. Meanwhile, we also donated personal protective equipment to the local hospital and purchased radio airtime for public health messaging to reach remote communities.



GemFair staff delivering food parcels

Despite a year of unprecedented change, uncertainty and adaptation, there are green shoots ahead. In 2021, GemFair will continue to support the formalisation of the ASM sector by implementing training and knowledge sharing on responsible ASM standards, the OECD Due Diligence Guidance for Responsible Mineral Supply Chains and sharing our world-renowned diamond expertise with members of government, civil society and the artisanal mining sector through our collaboration with the Mano River Union and the German Development Cooperation, or GIZ.



Diamond recovered from the mine

## Covid-19

### Covid-19 affected our industry, operations and community

For GemFair, 2020 began on a high note. We scaled to a further 42 mine sites (bringing our total to 136 members), our training programme was running efficiently and we were receiving positive feedback from miners, government and civil society organisations. Our programme was drawing interest from other luxury brands also wanting to source artisanally mined diamonds with a positive impact. GemFair was becoming a benchmark model of responsible sourcing from artisanal diamond miners.

However, the outbreak of the COVID-19 pandemic profoundly impacted GemFair's local operating environment in Sierra Leone, as well as the wider diamond market globally. The global diamond industry also experienced a strong start to 2020, following challenging trading conditions in the previous year. Yet, the implementation of strict lockdown measures around the world caused widespread disruptions to both diamond demand and supply, affecting all parts of the industry and leading to a global reduction in rough diamond prices.



With disruption across the industry, compounded by movement restrictions and a ban on international flights, artisanal diamond miners in Sierra Leone were dealt a double-edged blow, which included a significant drop in diamond prices, alongside an inflation in food prices.

In March, we decided to bring our expatriate diamond buyers home to their families before the Sierra Leonean border closed for an indefinite period. Our field team, meanwhile, continued to work tirelessly, following the COVID-19 guidance of government and health experts on social distancing, wearing face coverings, undertaking daily temperature checks and frequent hand washing.

Sierra Leone's economy continues to be heavily affected by the pandemic and the negative consequences will likely continue to be felt in artisanal mining communities and beyond, for a considerable time to come.

We knew we had to do all we could to help the local community during this unprecedented crisis. Our Sierra Leonean team quickly mobilised to carry out a survey with our ASM members to better understand where we would be best positioned to help. With food prices rocketing as a result of the border closures, movement restrictions and a poor harvest, just as rough diamond prices were dropping, overwhelmingly our members said that food security was their biggest concern. Many respondents told us they were unable to feed their families. Meanwhile, consultations with local healthcare professionals revealed a sector unable to protect their frontline workers sufficiently if there was an outbreak in Kono.

We therefore developed and rolled out an extensive COVID-19 response plan, focussed on providing food and medical support, which, alongside keeping our staff safe, became our operational focus for the year.

## Civil Society Call to Action

Our COVID-19 response has, in part, been guided by a letter written in May 2020, by a coalition of 73 civil society organisations urging governments, financial institutions, international organisations, private sector actors and others to 'shore up the resilience' of ASM communities during this time of crisis. The letter highlights several risks which have been intensified by the COVID-19 crisis:

### **Financial insecurity**

ASM miners fetching lower prices for their goods.

### **Economic desperation**

Revealing a risk that more vulnerable groups like women and children will become involved in mining and a potential rise of sexual and gender-based violence.

### **Rising food prices**

Leading to food insecurity and a greater strain on livelihoods.

### **Lower government capacity to monitor ASM**

Risking illicit and armed actors preying on miners and controlling mine sites.

While not all of these risks apply to our operations in Sierra Leone, we take this Call to Action seriously, and have planned our COVID-19 response efforts with consideration of the vulnerabilities raised, particularly food security, the provision of personal protective equipment (PPE) and handwashing stations, among others.

Likewise, we have increased the monitoring of participating artisanal mine sites and our team is poised to flag any critical breaches of our ASM Standard Requirements, such as child labour or sexual and gender-based violence, if they occur. We are also inviting local civil society organisations to our training sessions on the GemFair ASM Assurance Programme and the OECD Due Diligence Guidance, building their capacity to engage with ASM communities.

## Highlights of our community response plan



### Food aid

We delivered food parcels to artisanal miners and their families to help combat hunger.



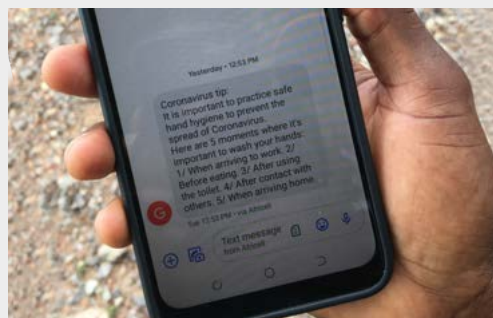
### Radio airtime

We donated radio airtime for health officials to hold live Q&A sessions on COVID-19 with remote communities.



### PPE donation

Just as the first cases were announced in Kono, we provided an in-kind donation to the Kono District Hospital to help frontline healthcare workers stay safe.



### Covid-19 weekly SMS

We repurposed our digital solution to send out COVID-19 health guidance from the World Health Organisation to miners.



Lansana dividing up food parcels for the workers at his mine site

**“[GemFair's food parcel programme] is a blessing and I never expected it.”**  
 Lansana, artisanal miner

### Community response plan

9	79	4,703	1,715
Duration of food aid (months)	Mine sites reached	Food parcels delivered	Direct beneficiaries
10,290	200	4,000	200
Indirect beneficiaries (approx.)	Boxes of surgical masks	N95 masks	Face shields
100	220	5	4,971
Litres of hand sanitizer	Boxes of exam gloves	Portable hand-washing stations	SMS messages sent



**“When you move around rural communities, they have trouble meeting their basic needs under normal circumstances. This year, with a low-yield agricultural season and the COVID-19 restrictions, communities are hit with a double burden. Behind the scenes, there are many dependents who are surviving on our aid.”**

Raymond, Location Manager, GemFair Sierra Leone

## People

### Positive community engagement reinforced

Over the course of 2020, much of our community engagement activities were in villages where people were already familiar with the GemFair programme—contrasting to our first year of operation, where some were wary of a new buyer, following poor experiences with other buyers in the sector. After a year of positive engagement in the mining communities near Koidu, we saw many more miners approaching us, eager to join the programme. As a result, we have been able to reinforce our already strong relationships with miners and their families, while introducing new applicants to GemFair’s way of doing business.



Kono residents at church

## Progress on outreach

### 2020 highlights

7	60	136	1,995
Chiefdoms visited	Villages visited	Mine sites participating in GemFair	Individual workers (approx.)

### 2019 highlights

7	70	94	1,410
Chiefdoms visited	Villages visited	Mine sites participating in GemFair	Individual workers (approx.)



Market day in Koidu

## Programme

### ASM Assurance Program was scaled

This year we rolled out training on the GemFair ASM Standard and mine site first aid to a further 213 miners. We revamped our curriculum, incorporating feedback from both our trainers and ASM alumni. By the end of the first quarter of 2020, the field team was poised to work with the miners to course correct on some common errors in safety and environmental management, as well as provide hands-on guidance to strengthen their organisational capacity.

## Digital training programme introduced

Due to social distancing restrictions, we had to pause our in-person training workshops with miners until the fourth quarter, instead drawing on our digital platform to support the development of an on-demand training programme. We recorded short video tutorials, adjusted to a low-bandwidth environment, and distributed the training on tablets to our ASM membership. As a result, our ASM Standard training programme is more resilient should social distancing become the norm, and it also allows us to access hundreds of individuals living in remote communities that are hard to reach through more traditional, classroom-based training methods.

## Our management system

### 2020 highlights

142

AML checks

4

Classroom trainings

213

Classroom training participants

51

Digital training participants

56

Baseline assessments

155

Spot checks

180

COVID-19 check-in's

1

Third-party audit

### 2019 highlights

188

AML checks

10

Classroom trainings

186

Classroom training participants

17

Baseline assessments

67

Spot checks

2

Third-party audits



This year we evolved our due diligence management system. We built on the progress we had made in 2018 and 2019 to ensure that we had the capacity to onboard new ASM members into our programme. Meanwhile, we developed a risk ranking methodology to govern how we went about monitoring the members, either through spot check assessments or other measures.

## The Diamond Development Initiative

Through our collaboration with the Diamond Development Initiative (DDI), we jointly onboarded 33 mine sites in late 2018 and early 2019. In 2019, DDI provided training for 18 of those sites on the Maendeleo Diamond Standards (MDS), environmentally responsible mining techniques and first aid. We carried out spot check assessments on all the sites periodically throughout the year to verify that they were meeting our requirements.

DDI had to pause its work on MDS in Sierra Leone earlier this year due to capacity and funding gaps caused by the COVID-19 pandemic and they were unable to commission a third-party audit of any of the sites participating in the MDS programme. We therefore included these sites within our management system audit. We will be inviting these sites to join our assurance programme so that they can benefit from our training and other capacity development opportunities. DDI is now engaged in planning to restart work on MDS.

We welcome the news of DDI's recent merger with Resolve and look forward to potential future opportunities for collaboration.

The GemFair Responsible ASM Assurance Programme is designed to provide participating miners with a clear and fair set of rules and expectations. When we suspect a member of breaching our requirements – either in a material or non-material manner – we have a process in place to investigate the potential breach and give each party the opportunity to talk this through, not taking action until we have gathered sufficient evidence.

This year, we suspended engagement with one member for a breach of our traceability standard until we were satisfied that he had implemented the required corrective action. A further member was also suspended from the programme when it was uncovered that an excavator was being used, which is against the law for artisanal miners in Sierra Leone. The membership was reinstated when the miner provided documentary evidence that the excavator had been removed from the site.

## Case study – Access to finance

The ASM sector has long been associated with poor working conditions, environmental degradation and even child labour. But these factors are only symptoms of a wider problem. A primary reason that the ASM sector suffers from informality is the lack of formal financing of the sector.

In Sierra Leone, the financing structures for artisanal mining operations are complex and opaque. There is a deep dependence of artisanal miners on informal financial backers, locally called 'supporters.' When we conducted a survey with our membership in 2019 to better understand the scale of this dependence, we found that almost 70 per cent of our members received full financing from supporters and that 73 per cent repaid the pre-financed sum in diamonds. This creates a situation in which the supporters – not the miners – determine the price of the diamonds and it may be in their interest to depress that price and keep the miner in debt to them for as long as possible. This cycle of dependency and debt creates knock-on effects often observed at artisanal mine sites, including low standards, wages and environmental management, due to a lack of funding making them nice-to-haves, rather than essential practices.

GemFair decided to pilot a programme that did things differently, levelling the relationship between the miner and diamond dealer. In this pilot, GemFair provided eligible artisanal diamond miners with a way to access financing for their mining operations, under fair terms. The goal of the pilot is to create a win-win solution between the miner and GemFair where the miner receives financing and GemFair can positively influence the improvement of working and business practices of the participating miners. To date, GemFair has invested over US \$275,000 into its ASM access to finance programme.

In this pilot, GemFair enters into Forward Purchase Agreements (FPAs) with members of the GemFair ASM Assurance Programme in good standing. Under the contract, both parties agree on a workplan and accompanying budget for the season, which gives the miner sufficient working capital for the duration. In exchange, GemFair obtains the right to forward purchase the miner's future diamond production from the area funded by the FPA during the contract period at market value. This price is equal to the price that every member of GemFair's programme is offered.

Under the contract, miners gradually repay the pre-financed amount as they recover diamonds. When the miner presents us a diamond for sale, we offer them the same price that any other miner would receive. To recover the forward purchased sum, GemFair then withholds 70 percent of the value of the diamonds up to the amount of the agreed upon sum of the advanced funds plus a risk premium. The risk premium is set at fair terms in line with comparable development financing programmes. While the FPA and risk premium are still in the process of being repaid by the licence holder, he or she continues to receive 30 per cent of the value of the offer, enabling profit-sharing amongst his or her workers. If the miner does not recoup the sum we pre-financed to them, they are under no obligation to repay, provided our assessment of their mining operations shows no breach of contract. This ensures that there is no repeat of the debt cycle that other supporters require of miners. As a result, the miner knows exactly how much he or she needs to repay and that anything beyond that is for them to keep.

GemFair has not made a profit on the FPA and we have made the commitment that any potential future profits from the programme would be re-invested into the scheme to allow more miners to receive fair and equitable access to finance.

The early results of the FPA pilot are positive, showing that greater access to finance can be an important tool to support formalization of business practices and improve standards at ASM sites.

This programme is featured in DELVE's State of the ASM Sector report, visit [www.delvedatabase.org](http://www.delvedatabase.org).



Digital training on the GemFair ASM Standard Requirements

## Scaling ASM training and diamond expertise beyond Sierra Leone

This year, we signed a Memorandum of Understanding with the German Development Cooperation (GIZ) and the Mano River Union (MRU) to develop and deliver a capacity building programme in the MRU member countries of Sierra Leone, Liberia, Guinea and Ivory Coast to enhance practices in the ASM sector. Designed for miners, government officials and civil society organisations in the four countries, the training programme covers three key areas:

- Mine site health and safety, environmental management and ethical working standards;
- A deep dive on the OECD's Due Diligence Requirements and the Kimberley Process Certification Scheme; and
- Diamond valuation and synthetic detection.

We anticipate the programme will provide crucial support to the Regional Approach of the Kimberley Process, enhancing knowledge of OECD requirements and introducing safer and more environmentally friendly mining techniques for artisanal miners in the MRU region.

So far, we have held two training sessions for 32 participants from the four MRU countries. Participants came from government agencies from all four countries, including from the Ministry of Environment, Mining and Law Enforcement as well as representatives from civil society and the artisanal mining sector. With this project's support, we also held two trainings at the national level in Sierra Leone for 44 participants, where we carried out a deep dive on the GemFair ASM Assurance Programme for participants from local and national government, artisanal mining and civil society. Twenty-two individuals also participated in a two-day first aid course. Next year, travel restrictions permitting, we will deliver valuation and synthetic detection training to government diamond valuers at the De Beers Group Diamond Academy in Botswana.



## Reporting back

### Reporting to society, in Sierra Leone and beyond

In late 2019, our GemFair outreach team completed a tour of 25 mining communities that had participated in a livelihoods household assessment in 2018, reaching over 520 men and women, both miners and non-miners.

We used these visits to check in with mining and non-mining communities, sharing more about our GemFair programme, challenges of working in the ASM sector, as well as reporting on the key findings of the assessment and providing an opportunity to ask any questions.

We shared what we discovered about working conditions at artisanal mine sites, and we provided guidance on avoiding heat stroke while working at the mine site and putting safety first to prevent injuries and accidents. We also left public information signs in each village that provided advice on mine site and road safety.

**“In my whole career as a miner, I have never seen an organisation that seeks our feedback or shows such concern about the welfare of diggers (ASM workers.)”**

Sahr Gumby, licence holder

### The DELVE Covid-19 Working Group

We participated in a working group organised by the DELVE programme, who lead a definitive global platform for artisanal and small-scale mining data, gathering ASM stakeholders from around the world to discuss challenges and solutions as the COVID-19 crisis unfolded. The working group was an opportunity to share information about our COVID-19 community response with members of civil society, academia and the private sector and encourage others to engage directly with their artisanal mining stakeholders.

The DELVE COVID-19 Working Group meetings culminated in an unprecedented and rapid global effort of data collection and reporting on the social, economic, security and health impacts of the pandemic on ASM communities. We deployed our field team to carry out over 170 surveys designed by the World Bank and the Harvard Humanitarian Initiative.

**Some of our key findings for Sierra Leone included:**

**↓ Food security**

Food security for artisanal miners in Sierra Leone (and globally) decreased drastically with the onset of the pandemic: 74 per cent of respondents indicated that since the COVID-19 pandemic began, their food security situation had decreased, and 42 per cent of respondents said that at least one person in their household now had to skip at least one meal daily.

**↓ Diamond sales climate**

Diamond prices dropped significantly leading to lower incomes for artisanal miners: One hundred per cent of respondents said that diamond prices had fallen and 71 per cent of respondents that are involved in selling a site's respective production indicated that the quantity of minerals they sold was lower than before the pandemic struck.

**↓ Employment changes**

Numbers of workers onsite decreased, leading to lower job security: 59 per cent of respondents reported that the number of workers at their mine site had decreased in comparison to the previous year.

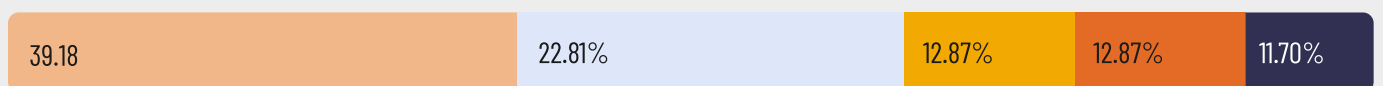
**↓ Resuming operations**

Miners need the following to restart their operations after the COVID-19 crisis:

**First priority**



**Second priority**



**■ Financing (access to capital to restart operations)**

**■ Access to PPE**

**■ Support with licencing and regulatory requirements (including customary and surface rent fees)**

**■ Education and resources to implement safe mining practices**

**■ Access to tools & equipment**

For the full results on a country or global aggregated basis, please visit the DELVE website: [www.delvedatabase.org](http://www.delvedatabase.org).

# Conclusion

## Stronger together

Starting in 2019, we built trust and credibility with our artisanal mining stakeholders. We identified our most critical risks for trading in Kono's unique ASM sector, then we set about de-risking our diamond pipeline through our ASM Assurance Programme and digital solution. Our diamond buying and ASM training operation was well-received by miners. We demonstrated to them that we are a trusted buyer who is also committed to raising standards in the sector.

COVID-19 brought to the forefront vulnerabilities that already existed and for the diamond industry, no segment is more vulnerable than the artisanal mining sector. But when the pandemic hit, GemFair remained resolutely committed to our communities. We immediately assessed the requirements of our stakeholders in Kono, which highlighted the need for food security and protection for those working on the frontline. We continue to deliver a long term COVID-19 response to support miners and their families through this difficult time, so that when the immediate crisis has passed, they are in a viable position to recover their livelihoods.

Through our GemFair programme, we have shown that regular long-term engagement and a commitment to implementing ASM programming properly, brings real and lasting impact to the artisanal mining sector. While 2020 has been a challenging year for us all, we will emerge stronger and more resilient as we start 2021, because we have listened, reacted and most of all, pulled together. After all, no one will emerge from this crisis until we all do.



The GemFair team, from left to right, Koidu and London





GEMFAIR™