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Excellencies, Dear Friends,

I will present first some of the results of the work that the KP Working Group of Diamond Experts that I chair on behalf of the WDC, has accomplished in the past year, and the workload for the coming months. Secondly, I will present as co-monitor of the KP Monitoring Team on Marange a summary brief on the situation in Marange, Zimbabwe. And finally, I would like to discuss briefly WDC's System of Warranties and a possible way forward to strengthen it. Before starting however, I would like to extend my warm gratitude to Ari Epstein, CEO of AWDC and the Board for allowing me to do this work on behalf of the WDC, and especially for supporting it.

The Working Group of Diamond Experts has been concentrating its efforts on a number of topics that have remained on the agenda for a number of years. One recurring topic is about providing clarification on the implementation of the HS harmonized customs codes, especially in providing guidance on the distinction between rough and polished for the KPCS. On this and other topics we are now assisted by the World Customs Organization directly.

Another recurring topic is about harmonizing valuation methodologies. This discussion has been restarted after ending the 2008 financial crisis and its aftermath and is now led by South Africa. The WGDE is further continuing its work on improving and preparing production footprints especially in West-Africa and develop comparison methodologies for the use of the Working Group of Statistics.

Finally and not in the least, the scientific subgroup that has been created to start fingerprinting research on conflict diamonds from Côte d'Ivoire, co-chaired by US and South African under a mandate from the United Nations Security Council, will be able for the first time, to receive a confiscated parcel under the exemption clauses.

The second topic that is of course much more controversial is about the situation in Marange. As all of us have witnessed up-close or from a distance, the Kimberley Process has suffered a complete gridlock during 2 full years over Zimbabwe, or better over Marange. During the last KP Plenary in Kinshasa, the KP was able to free itself of these shackles and consider other important issues as well.

Part of the Kinshasa agreement consisted of a conditional liberalization of the exports from compliant diamond mines in Marange. At that time, only 2 compliant mines had been identified: Mbada Diamonds and Marange Resources that was formerly known as Canadile.

Part of the agreement was that a KP Monitoring Team would be dispatched to verify compliance of other new mines. Since then, Abbey Chikane and I have visited and verified compliance of Anjin Investments, a Chinese-Zimbabwe jv company, and of DMC, a UAE-Zimbabwe jv company. Both mines have been found to fulfill the requirements and have been added to the list of compliant diamond mines in Marange. Visitors to Marange today will see an area that has been turned into a giant high security area with state-of-the art diamond mines. A far cry from the pictures of dusty pits filled with whole families digging with rudimentary implements that are still being frequently used in the media.

Different from the previous arrangement – the 2009 Joint Work Plan- the individual exports of these compliant mines need not to be inspected by the KP Monitoring Team before being exported. Under the current agreement, compliant mines are required to provide mine level data on production and exports, allowing a holistic overview of the state of affairs.

Three months after concluding the Kinshasa Agreement, more than 3.5 million carats valued at slightly less than 190 million USD has been exported from the 4 compliant Marange mines.

So where are we today? Since the Kinshasa Decision, smuggling has gone down to a trickle from what it once was, as can be judged from the now almost complete absence of diamond buyers in Villa de Manica in Mozambique that only a few months ago was a boom-town thriving on diamonds smuggled from Zimbabwe. Consequently, the amount of reported incidents of violence against illegal diggers has gone down as well. However, these improvements still need to be consolidated and others still have to be made. Not all is well yet.

The relocation programme of the families affected by the diamond mining activities to the Arda Transau Estate has been harmonized by the Mutare Rural Development Council and is now promoted by Zimbabwe's civil society as a showcase example.

The KP civil society coalition representatives in Zimbabwe have already travelled to the Marange diamond fields on a guided tour. We hope that this access will continue to be extended so that civil society can continue reporting. Other hopeful signs are also the guided visits to Marange by Zimbabwean and international press in December 2011 and especially inviting CNN in March 2012. Last but not least, two open round table meetings have been held by the Ministry of Mines and Mineral Development including all stakeholders in order to produce a new Diamond Policy for Zimbabwe.

The KP Monitoring Team will continue to oversee the developments leading to the next KP Plenary end of this year and invites all to read their reports that have been put on the public site of the new KP website.

The last item on my presentation is centered on WDC's System of Warranties (SoW).

The System of Warranties has been hammered out during the negotiation phase of the Kimberley Process and has been presented in its current form at the negotiation meeting in November 2001 in Luanda, Angola, so more than 10 years ago. Since that time, a lot has changed in the diamond business, indeed in the world.

10 years ago, the WDC's proposal to launch the System of Warranties to support the KPCS, was nothing but revolutionary. Since then, all of our businesses have also been subjected to implementing particular measures to combat money laundering and terrorism financing. Terms such as "Know Your Client/Know Your Supplier", "due diligence" and "risk assessment" have become just as familiar to us as say "internally flawless" and "mixed goods". To make things worse, we find ourselves regularly at meetings with representatives of other extractive business sectors that claim better governance systems.

Indeed, maybe our 10 year old System of Warranties really needs to be revamped. Maybe it needs to take on board some of the principles of other governance systems that we in the diamond and jewellery sector also have already implemented such as AML requirements.

Mind you, when WDC offered its System of Warranties to the KP, we had in mind, a system that would link diamond traders and manufacturers that would consist of members of our professional organizations. For mostly legalistic reasons this did not happen, and today we find our System of Warranties weakened by a lack of oversight and universal control over its implementation. This is best illustrated when reading in reports of KP review visits on KP Participants with artisanal alluvial diamond production that the WDC's System of Warranties failed to be implemented from the first seller at the mine-site to the final exporter... Obviously, the SoW did never pretend nor was ever invented to offer ready-made solutions for improving the internal controls required from local governments.

Let's not forget that the SoW was proposed first and foremost to offer additional assurances for trading rough diamonds within the borders of KP Participants after first being certified as conflict-free by a KP Participant. Secondly, it was to allow retailers offering documented assurances to the final consumer of the conflict-free nature of the polished diamonds in jewellery, indeed well beyond the scope of the Kimberley Process. The System of Warranties smallest but most fundamental building block is the warranty on the invoice. This is to be underpinned by verification and certification by independent company auditors that tally the received and issued warranties.

More than 10 years ago, we proposed the System of Warranties to be a "one-size-fits-all", today we can but accept the fact that this one-size principle does not cover all aspects of the trade. The rough diamond trade, the manufacturing of polished diamonds and the diamond jewellery production represent many different layers with specific characteristics and dimensions. It is a stratified and complex business, as is the risk involved. It makes no sense to grant as much credit to the warranty on an invoice of an "accidental" rough diamond seller with no sector affiliation whatsoever to the warranty of for instance well-established members of WFDB and IDMA or reputed diamond mining companies. What is missed here is a risk indicator taking into account a number of parameters such as standing in the diamond business, sourcing and finally proximity to conflict areas.

The changes needed to have these features incorporated in the System of Warranties are not that onerous or revolutionary. We have to bring about an evolution, a merger of sorts, of the different compliance systems we are already implementing. All the building blocks are already there, we just need to assemble them into a coherent and effective structure. That is the task we have before us. Thank you for your attention.