



**KEY NOTE ADDRESS BY MINISTER OF MINERAL RESOURCES, MS. SUSAN SHABANGU (MP)
AT THE 8TH ANNUAL MEETING OF THE WORLD DIAMOND COUNCIL IN VICENZA, ITALY
FROM THE 13TH TO 14TH MAY 2012**

Mr. Eli Izhakoff, President of the WDC

Mr. Saul K Molobi, South African Consular-General in Milan

Mr. Ernest Blom, Honorary President of the WDC

Mr. Avi Paz, President of the World Federation of the Diamond Bourses

Mr Moti Ganz, President of the International Diamond Manufacturers Association

Dr. Gaetano Cavalieri, President of the World Jewellery Council

Ambassador Gillian A. Milovanovic, Chairperson of the Kimberley Process

Mr. Nicky F. Oppenheimer, Chairperson of De beers Consolidated Mines limited

Distinguished Guests

Ladies and Gentlemen

It is my profound honour to once more address this premier event in the annual calendar of the world diamond industry, following my address in Dubai in 2011. In the past this gathering has concerned itself with the growth and governance of the industry. Today our task is no different.

The diamond industry has indeed been faced with an unprecedented number of challenges in recent years, not least of which was the global economic and financial crisis in 2008, whose tremors we still feel today. World diamond production declined by 23 percent to 125 Million carats (Mct) between 2008 and 2009, as low consumer demand in the traditional markets dampened production. In South Africa, diamond production also contracted. As a result of the low diamond mine production in recent years, employment in the sector declined correspondingly, especially in the African continent where socio-economic challenges remain a concern.

Notwithstanding persisting relicts of political and economic uncertainties in some developed economic blocks, some modest economic recovery translated into a revival of the global diamond industry.. In South Africa, production also rebounded in 2010 increasing by 31%. According to the World Bank, while overall economic growth is expected to average 3.6 percent between 2012 and 2013, representing a healthy departure from contraction and stagnation, developing economies are projected to be growing at almost twice that global average.

Africa specifically is presented an exceptional opportunity to leverage faster and sustained growth. The GDP of Sub-Saharan Africa is projected to grow 5.5 percent between 2012 and 2017 solidifying the modest pace set in 2011.

The global economic community has been playing catch-up, grappling with the success story of a growing Africa. From the seminal McKinsey piece of 2010 entitled “Lions on the Move”, to the Ernst and Young 2012 “Africa Attractiveness Survey”, released earlier this month, it is inexorable, Africa is rising.

As per the McKinsey report, the key reasons behind Africa’s growth surge were improved political and macroeconomic stability which foster’s economic growth. The same paper found that Sierra Leone’s economic growth rate averaged 11 percent between 2000 and 2008 from an average contraction of 4.6 percent the previous decade, and at the center of that success story was the ending of the civil war in 2001.

While the primary objective of the World Diamond Council is to represent industry in the development and implementation of regulatory and voluntary systems, the partnership forged over the years with the Kimberley Process Certification Scheme should be applauded and celebrated.

This partnership has contributed immensely to the development and subsequent implementation of a plan to curtail the trade in conflict diamonds. It is also important to note that the WDC has achieved several successes since its inception, such as;

- The role played in the formation of the Kimberley Process;
- Providing support to the Kimberley Process where necessary;
- Representing the industry in the Kimberley Process committees;
- Serving as focal point for its members and communicating actions taken to ensure compliance with KP statutes.

As a multilateral body mandated to stem the trade of diamonds linked to the fuelling of armed conflicts and the illicit economy in diamond producing states, I would like to take this opportunity to recognize the Kimberley Process, its leadership and members for the work done over the past decade and the laudable achievements thereof. Notwithstanding its challenges, the Kimberley Process has achieved substantial success, in that countries such as Angola, Sierra Leone the Democratic Republic of Congo and recently Zimbabwe are able to positively realise benefits from the sale of diamonds following interventions of the certification scheme in resolving challenges that previously hampered the legitimate trade of diamonds in these jurisdictions.

Ladies and gentlemen, as we reflect the 2011 meeting of the WDC in Dubai, you will recall that the meeting was held under the atmospheric of contagious issues surrounding the Zimbabwean Marange Diamonds. We once more applaud the leadership of WDC, KP and ADPA, which ensured the resolution of the Zimbabwean impasse.

It is accordingly apt to recognise the sterling work of the Association of African Diamond Producing Countries (ADPA) to the stability and growth of the diamond industry in Africa which has as its primary focus on the implementation of aligned policies and strategies intended to maximise the benefits derived from revenues of diamonds across the African Continent.

ADPA has succeeded in developing a best practice model which is informed by a harmonised policy framework which has as its solitary objective the attraction of major external investments into the diamond sector for the benefit of all ADPA member states. More significantly, ADPA necessitated the reinstatement of one of its members into the Kimberley process when it was unjustly annexed from the scheme in the recent past. I cannot over emphasise the need to disabuse ourselves of the temptations to use credible tools we develop as a collective to fight unrelated battles, as was the case with this member country.

The WDC had a significant role in ensuring that the statutes and resolutions adopted in KP plenaries did not wither on paper but rather were effectively communicated with and implemented by industry. It is through this partnership among governments, industry and civil society as facilitated by the Kimberley Process that we are able to proudly proclaim that over 99% of all diamonds that enter this value chain are legitimate in their origin and conflict free.

The geo-political environment within which diamonds are traded is constantly changing. As such, it is important that institutions that oversee the legitimacy of diamond trade constantly sharpen the efficacy of their tool to be swiftly responsive to such changes in order to remain current and relevant. The challenge to the sustainability of this industry is no longer limited to stemming the trade of conflict diamonds, but today, it also means ensuring that we support the fledgling democracies, and emergent economies previously ravaged by conflict fuelled by the illicit trade of this commodity. How do we take this commodity which has been distorted into a symbol of oppression, violence and inequality into a beacon of hope and prosperity for all? It can only be by ensuring that the citizens of these producer countries enjoy a fair share of the revenues generated from their diamond endowments.

As the priorities and the challenges evolve, by definition so would the Kimberley Process and the role of members such as the WDC, who are constantly required to champion an appropriate industry response and shape its evolving mandate.

In Africa, we have done our homework, as captured in the Africa Mining Vision which recognizes the challenges confronting the mining sector as a whole, both inherent and extrinsic. Amongst these are the sector's extractive and non-renewable nature, the limited value addition close to source, the sub-optimal distribution of rents and the management of environmental liabilities. It was in the interrogation of these challenges that the African Union adopted as central to the African Mining Vision;

- A knowledge-driven African mining sector that catalyses & contributes to the broad-based growth & development of, and is fully integrated into, a single African market through the building of down-stream, up-stream, and side-stream linkages, knowledge management and innovative partnerships between the state, private sector and other stakeholders, and
- A sustainable and well-governed mining sector that effectively garners and deploys resource rents and that is safe, healthy, gender & ethnically inclusive, environmentally friendly, socially responsible and appreciated by surrounding communities;

Despite more than a century of modern diamond mining, South Africa remains a relatively junior player in the downstream sector of the diamond value chain, with a disproportionately small and underdeveloped beneficiation industry. This situation is not unique to South Africa as the vast majority of diamond beneficiation takes place in countries that have little or no mine production of diamonds. It is very disturbing that such a huge discrepancy exists between South Africa's diamond resources and the beneficiation of such resources.

Diamond beneficiation has the potential to become the major driver in advancing the empowerment of historically disadvantaged South Africans, as it presents opportunities for the development of new entrepreneurs in large and small scale mining and beneficiation ventures.

As I have alluded to previously, the development of this sector in South Africa has immense economic potential, as it will stimulate business development in the diamond industry and related industries and contribute positively to address the socio-economic development challenges that threaten our constitutional democracy and nation building.

One of the barriers to the development of South Africa's diamond beneficiation industry is the shortage of advanced cutting and jewellery manufacturing skills. In response to this impediment, the South African government is engaging sector stakeholders and institutions of higher education to ensure that the requisite skills are developed for diamond beneficiation. We have also developed strong foreign partnerships with governments that have both jewellery hubs and markets in other parts of the world.

It thus gives me great pleasure in announcing that the South African government has approved a policy framework aimed at increasing domestic value addition, the “Beneficiation Strategy” for which we are now developing a strategic and integrated approach to the diamond and jewellery value chain, from the *“mine to the finger”*.

South Africa is further positioning itself for the establishment of a diamond industrial hub, which will facilitate seamless access to rough diamond for local beneficiation. This presents opportunities for members of the World Diamond Council to evaluate prospects of investment in South Africa and further confirm your enduring contribution to development.

It is towards that end that South Africa will be hosting a Jewellery Summit later this year. This Summit will converge major protagonists in the diamond industry, ranging from government, the diamond industry across the value chain, suppliers and other stakeholders with an objective of developing a blue print for efficient and integrated diamond beneficiation industry in South Africa.

As the South African government, we recognise the role of well established technologies, skills and markets in the developed world, which present opportunities to partner with us to develop the diamond value chain in South Africa. I invite you all as my guests to the diamond Jewellery Summit in South Africa to explore these partnership opportunities. This summit seeks to concretize the establishment of the Diamond hub to which I made reference to in my address last year.

I am particularly enthused as Vice Chair by the inaugural words of Ambassador Gillian A. Milovanovic in her capacity as current Chair of the Kimberley Process as she stressed the urgency of reviving the Kimberley Process Certification Scheme and tackling its recent challenges head-on. South Africa is privileged indeed to be bestowed the honour of Chairing the 2013 Kimberley Process, when it celebrates its tenth anniversary.

This will be an opportune time to continue celebrating our achievements, while reviewing, reflecting and realigning the KP process within a dynamic world and evolving needs. At the recent Ad hoc Committee on Review held in Brussels, Belgium participants were cautioned against widening the scope of KP mandate thereby duplicating the functions of other institutions such as United Nations.

We look forward to welcoming you all to our beautiful and vibrant country and to your valued contribution to the vision that further enhances the strong heritage of the Kimberley Process and bequeath it to posterity.

I thank you.