



REPUBLIC OF BOTSWANA

STATEMENT BY

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PRESENTING THE ANNUAL REPORT OF
THE KIMBERLEY PROCESS UNDER AGENDA ITEM 10

*“The Role of Diamonds in Fueling Conflict
Breaking the Link Between the Illicit Transaction of
Rough Diamonds and Armed Conflict as a Contribution
to Prevention and Settlement to Conflicts”*

United Nations General Assembly
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1. Madam President, in view of the wording of this Agenda Item, let me begin by stating that diamonds are a valuable resource. Clean diamonds have and continue to make an enormous contribution to economic development and bring happiness to many especially during this time of the festive season.

2. Diamonds are one of Africa's major natural resources. About sixty five percent of the world's diamonds, worth over \$8 billion dollars per annum are sourced from Africa. In Southern Africa, more than twenty-eight thousand people are employed by the diamond industry. At the global level about ten million people are either directly or indirectly supported by the diamond industry.

3. Botswana owes its advances in development to the exploitation of minerals, especially diamonds which account for about 33% of Gross Domestic Product, about 75% of export earnings and about 50% of Government revenues. As all mineral rights are vested in the state, revenue earned through taxes, royalties and dividends from government's shareholding in the company that mines the diamonds accrue to the national coffers. These are the revenues that we have used to develop schools, health facilities and physical infrastructure.

4. It is against this background that Botswana alongside the international community is fully committed to working in partnership and co-operation with Member States of the Kimberley Process to maintain and enhance the credibility of the Kimberley Process Certification Scheme and the legitimate diamond trade.

5. Madam President, distinguished delegates, I am pleased to present to the General Assembly, the annual report of the Kimberley Process. The Kimberley Process held its annual plenary in Gaborone, Botswana from the 6-9 November 2006. The report gives an overview of the activities of the Kimberley Process during 2006, the challenges that the Kimberley Process Certification Scheme (KPCS) faces and strategies agreed by the Gaborone Plenary to address these challenges.

6. The Kimberley Process is a unique tripartite arrangement between governments, non-governmental organizations and the diamond industry, whose main objective is to exclude conflict diamonds from the legitimate trade in rough diamonds. Since its inception, the Kimberley Process has enabled a closer interaction between Participants, Observers, applicants and various organizations, providing a valuable platform to consolidate the KPCS as well as explore ways and means of curbing the flow of illicit diamonds. In this way, the Kimberley Process has been instrumental in contributing to the prevention of conflict and the maintenance of peace and security.

7. The Kimberley Process remains open on a global, non-discriminatory basis to all countries and regional economic-integration organizations, willing and able to fulfill its requirements. In this regard countries continue to apply and join the Kimberley Process. During 2006 New Zealand and Bangladesh joined the Scheme bringing the total number of Participants to 47 representing 71 countries. The 25 European Union (EU) Member States are represented by the European Commission (EC) as a single Participant. With its current membership, the Kimberley Process now covers the vast majority of all states involved in trade in rough diamonds.

8. A number of countries such as Cape Verde, Republic of the Congo, Gabon, Kazakhstan, Democratic People's Republic of Korea, Liberia, Mali, Mexico, Swaziland, Tunisia and Turkey have expressed interest to join. It is the desire of the Kimberley Process to see the widest possible participation. To this end it continues to engage and encourage countries to do so.

9. Madam President, the peer review mechanism, the quarterly statistical submissions and annual reporting by Participants are major tools for monitoring the implementation of the Kimberley Process Certification Scheme by Participants. As at the end of November 2006, 34 Participants had received review visits. This compares with 19 for the same period last year.

In all, a total of 43 of the 47 Participants have received or invited review visits, thus ensuring that the largest number of Participants is monitored under the peer review mechanism.

10. Review visits are now increasingly seen, not only as part of a long term sustained process of implementation, of the Kimberley Process Certification Scheme, but also, as tools for technical assistance, thus serving a dual purpose of monitoring and support. Plans are underway to begin a second round of review visits to build on the lessons learnt and successes of the first round of visits and thus further strengthen the monitoring process.

11. Statistics that the Kimberley Process collects and analyses, form an integral part of monitoring to ensure, that conflict diamonds do not enter the legitimate trade in rough diamonds. Participants are required to submit statistics on a quarterly basis and I am particularly pleased to report that all Participants submitted statistics for 2005. This is an important improvement over 2004. The annual analysis exercise enables specific concerns for individual Participants to be brought out.

12. Analysis of the 2005 statistics identified data discrepancies as the most common problem. The bulk of data discrepancies were however, resolved through bilateral reconciliations by Participants.

In order to improve statistical reporting and to advance transparency, the Gaborone Plenary agreed that in future, summary data on trade and production, by value and volume as well as counts of certificates issued under the Certification Scheme should be released.

13. During 2006, our major preoccupation has been the review of the Kimberley Process Certification Scheme. When the Certification Scheme was established in 2003, it was agreed that it would be subjected to periodic reviews to allow Participants to conduct a detailed analysis of all its elements.

14. The review was to include among others, consideration of the continuing need for the Certification Scheme taking into account the perceptions of the Participants and of the continued threat posed by conflict diamonds at the time of the review. It was further agreed that the first review be conducted within three years of its implementation. As the Certification Scheme was implemented in July 2003, the review had to be undertaken and concluded in time for presentation to the Gaborone Plenary.

15. Indeed preparations for the review started at the Gatineau, Canada Plenary, where an Ad-hoc Working Group, chaired by Canada, was established. The mechanics of the review were agreed during the Moscow Plenary.

The review was completed and presented to the Gaborone Plenary for consideration and adoption. In broad terms, the review focused on the following three main areas:

- the impact of the Kimberley Process Certification Scheme on the international trade in rough diamonds, and the extent to which the Scheme has been effective in preventing the flow of conflict diamonds into the legitimate trade in rough diamonds;
- the technical provisions of the Scheme and whether they are functioning as planned or require improvement; and,
- the operations of the Scheme, their effectiveness and efficiency.

16. The findings of the review are that;

- all available data suggest that the majority of the international trade in rough diamonds is now carried out within the Kimberley Process Certification Scheme;
- since the implementation of the Certification Scheme in 2003, it contributed to substantial increases in the volume and value of rough diamonds exported through official

channels in countries previously affected by conflict diamonds.

- the technical provisions of the Certification Scheme were overall found to be working well. They were being enforced, through a number of seizures of irregular shipments and prosecutions for infringements of the Certification Scheme regulations by various participants. However, as can be expected with an international system of such complexity, technical problems continue to be encountered. The Kimberley Process continues to address these emerging challenges. During the review, suggestions were made regarding possible solutions to dealing with technical problems. Many of these suggestions were captured in the report and presented in the form of recommendations;
- Effective implementation of internal controls is one of the issues that was identified in the Review as an important challenge. A number of recommendations were put forward to address it. Given that internal controls form the very foundation of the Certification Scheme, recommendations in this area require immediate implementation as internal controls and their effectiveness remain the major priority of the Process.

- On the operations of the system, the findings of the review is that the collection and analysis of statistics as well as the peer review monitoring systems are not only working well but remain essential tools.

Evidently, given the achievements of the Certification Scheme to date, there can be no doubt that it must be continued and improved as appropriate.

- Participants, Observers and other stakeholders made many suggestions in the areas of statistical requirements and the peer review monitoring system. The majority of those suggestions have been captured in the recommendations.

17. Madam President, the Report of the review contained over 40 recommendations. The Gaborone Plenary endorsed the recommendations following full and constructive deliberations. In terms of the Rules of Procedure of the Kimberley Process, the Report will be implemented, as soon as the Report has been translated into all the working languages of the Kimberley Process which are English, French, Portuguese, Spanish and Russian.

18. There is overwhelming evidence that the introduction of the Certification Scheme has had a positive impact on reducing the trade in conflict diamonds.

However, the mining of diamonds in northern Cote d'Ivoire, which is under rebel control, presents a very difficult and challenging situation. The Kimberley Process is seriously disturbed by the leakage of Ivorian diamonds into the legitimate trade in rough diamonds.

19. The problem of diamonds from Cote d'Ivoire is not new but it is one that continues to plague the Kimberley Process. Its solution requires the collective resolve of the international community. Cote d'Ivoire prohibited the export of diamonds from its territory as far back as 2002. This prohibition is still in force. Consequently, since the beginning of the implementation of the Certification Scheme, exports of diamonds from Cote d'Ivoire have been banned by the authorities in that country.

20. The introduction of rough diamonds into the legitimate diamond trade not only threatens the integrity and credibility of the Kimberley Process, but it also presents an area of grave concern to the international community. In addition to the 9 point resolution that the Kimberley Process adopted at the Moscow Plenary to stop Ivorian diamonds from entering the legitimate trade in rough diamonds, the United Nations Security Council imposed sanctions on exports of Ivorian diamonds in December 2005. This decision effectively prohibited all States, irrespective of whether they were Kimberley Process Participants or not, from dealing in Ivorian diamonds.

21. In implementing the 9 point resolution, the Kimberley Process conducted a survey of Participants in 2006 to find out if any diamonds suspected of originating from Cote d'Ivoire had entered the territory of any of the Participants. To date, only one Participant has reported confiscation of a shipment of rough diamonds suspected of being of Cote d'Ivoire origin.

22. The situation concerning Cote d'Ivoire's diamonds was discussed at length during the Gaborone Plenary and a number of measures were agreed to help contain the leakage of Ivorian diamonds into the legitimate trade. These measures will remain a priority of the Kimberley Process until such time that the problem is resolved. Of course other efforts aimed at resolving the Cote d'Ivoire must be intensified especially as diamonds are not the course of that conflict.

23. Madam President, I wish to commend the Government of Liberia for their strong determination to meet the requirements of the Kimberley Process Certification Scheme. We welcome the readiness of the Government of Liberia to constructively engage the Kimberley Process on the relevant issues and their preparedness to co-operate in the search for solutions.

24. At the invitation of the Liberian Minister of Lands, Mines and Energy, a Kimberley Process mission was sent to Liberia in May 2006.

This expert mission was undertaken against the backdrop of an earlier visit in February 2005. The 2006 mission was mandated to among others, assess the measures taken by the Liberian Government to establish a transparent, effective and verifiable system to implement the Kimberley Process Certification Scheme with particular focus on the establishment of a system of internal controls.

25. The expert mission reported that in spite of the post conflict difficulties that Liberia faces, the country has made considerable progress in implementing the recommendations of the February 2005 mission. The biggest challenge facing the country was the establishment of internal controls. On this front Liberia is receiving technical assistance from the United Nations Mission in Liberia (UNMIL), the United States Government who, through the Futures Group, have a consultant working with the Liberian Ministry of Lands, Mines and Energy, the United Nations Development Programme (UNDP) as well as private sector organizations such as De Beers and the Dubai Diamond Exchange.

26. I am therefore pleased to state that Liberia has made a lot of progress in implementing the recommendations of the May 2006 mission. I am sure I speak for everyone when I say that we will continue to support and encourage others to support Liberia in its endeavours to prepare itself to meet the requirement of and join the Certification Scheme once sanctions are lifted.

27. Madam President, the Kimberley Process has through its peer review mechanism, recognized that some Participants may require technical assistance to improve or enhance their capacity to fully implement the Certification Scheme. In its role as the informal co-ordinator for technical assistance, the US has identified several major assistance programmes which are now being implemented.

28. In addition, the U.S. has had a long-standing assistance programme in Sierra Leone. The United Nations Development Programme is also helping to foster cooperation among the diamond-producing countries of the Mano River Union and sponsored a conference in June 2006 to promote regional harmonization of policies. The World Diamond Council has also provided technical assistance and training to many Participants over the years.

29. Madam President, let me conclude by taking this opportunity to express our deep gratitude for the assistance and co-operation the United Nations has and continues to extend to the Kimberley Process and in particular to Botswana as Chair. Without the support and cooperation of the UN, the Kimberley Process would not have been able to visit northern Cote d'Ivoire to assess first hand diamond mining activity in that part of the country and to appreciate challenges that this situation presents to all of us.

I am sure the Kimberley Process will continue to rely on this support in its endeavour to eliminate conflict diamonds.

30. I reiterate the fact that the Kimberley Process is committed to working tirelessly to make the diamond industry, one of which the international community can be truly proud, and above all, an industry that continues to make a positive difference to the lives of many people across the world.

31. I wish to end by congratulating the European Commission on the imminent assumption of the Chair of the Kimberley Process in 2007. I welcome the leadership of the European Commission which represents 25 Members of the European Union. The European Commission can count on the strong and assured support of India as Vice Chair, and indeed that of Botswana as immediate former Chair. The combined leadership of the European Commission and India should enable us to effectively address the challenges which the Kimberley Process has identified.

32. I thank you for your attention.