

IMPROVING INTERNAL CONTROLS OVER ALLUVIAL DIAMOND PRODUCTION

DECLARATION ADOPTED BY THE MOSCOW PLENARY MEETING OF THE KIMBERLEY PROCESS

1. INTRODUCTION: THE CHALLENGE OF CONTROLLING ALLUVIAL PRODUCTION

The 2004 Gataineau Plenary Meeting of the Kimberley Process mandated the Working Group on Monitoring to establish an ad-hoc sub-group to address the challenges facing alluvial producers and promote the exchange of best practices. As tasked by the Gataineau Plenary Meeting, the ad-hoc sub-group has submitted a detailed report to Plenary. The report takes stock of the challenges facing alluvial producers, presents an overview of best practices implemented by a variety of alluvial producers, and sets out concrete ways in which further progress could be made towards proper traceability of alluvial diamond production.

Participants and Observers, meeting in Plenary in Moscow from 15 to 17 November 2005, welcome the report of the sub-group, and fully endorse the finding of the sub-group that effective internal controls in alluvial mining areas are crucial to the overall effectiveness of the Kimberley Process Certification Scheme in preventing conflict diamonds from entering the legitimate diamond trade. Plenary further notes that several Kimberley Process review visits to alluvial producer Participants have emphasized the need for further strengthening of internal controls over artisanal production and an enhancement of the traceability of production from mine to export. Plenary notes that action to this end will require both determined action by the authorities of alluvial producer Participants and, in many cases, targeted capacity-building assistance by other Participants and the international donor community.

In order to promote concrete steps towards more effective internal controls over alluvial production and the trade in alluvial diamonds, and based on the report of the sub-group, Plenary has identified a number of key policies and actions which, if implemented by alluvial producers, would significantly enhance their ability to guarantee that only diamonds produced and traded in accordance with national legislation and the standards of the KPCS can be exported. Relevant recommendations are outlined in Section 2 a) of this Declaration. Moreover, Plenary has identified a number of areas in which concerted and focussed assistance by bilateral and multilateral donors would be most valuable in enhancing national capacities to ensure effective internal controls; recommendations in this regard are outlined in Section 2 b) of this Declaration. The recommendations build on, and further elaborate on, the Recommendations for Participants with Small-scale Diamond Mining contained in Annex II to the KPCS document. Plenary agrees that the recommendations contained in this Declaration may usefully be taken into account in the review of the KPCS due to be completed in 2006, and notably in the review of Annex II thereof.

Plenary extends its appreciation to the three co-ordinators of the ad-hoc sub-group (Sierra Leone, for West Africa; the Democratic Republic of Congo, for Central and Southern Africa; and Brazil, for South America) for the work accomplished. Plenary agrees to extend the mandate of the ad-hoc sub-group, and tasks the sub-group with reporting back to the 2006 Plenary meeting on progress made towards implementing the recommendations contained in this Declaration. Plenary also tasks the sub-group with providing interim reports at regular intervals on progress made (see Section 3 of this Declaration).

2. RECOMMENDATIONS

a) Recommendations for Participants with alluvial production

(i) Ensuring traceability of production from mine to export

Participants are encouraged to:

- Ensure that full records of production are kept on daily basis by artisanal diamond miners, and back these requirements up with adequate provisions for penalties in cases of false record-keeping;
- Ensure regular cross-checking of these production records against sales records to be kept by diamond buyers at the local level; and
- Ensure that precise indications (plot) of the origins of a particular lot of diamonds are indicated on all invoices and documentation accompanying the diamonds to the point of export.

Participants are further encouraged to consider moving towards fully computerized systems for registering and tracking the volume and origin of diamonds produced and traded up until the point of export.

(ii) Regulating artisanal diamond mining

Participants are encouraged to:

- Establish functioning *cadastre* systems to maintain accurate and up-to-date information on production areas and mining licenses granted, and ensure that the information contained in *cadastre* entries is fed into and cross-checked against the information derived from production reports (as set out under point (i));
- Carry out detailed geological surveys of production capacities in artisanal mining areas, and ensure regular cross-checking of reported production against the capacity estimated by such surveys;
- Ensure that adequate numbers of mining inspectors are deployed in artisanal mining areas; and
- Apply legislation and regulations requiring that only licensed miners can engage in artisanal diamond mining, that mining licenses be shown whenever diamonds are offered for sale by artisanal miners, and that mining licenses indicate the area of authorized diamond mining activity.

(iii) Regulating the trade in alluvial diamonds

Participants are encouraged to:

- Verify buying licenses on a regular basis, and in this context verify the volumes of diamonds declared;
- Carry out spot-checks to ensure that reported purchases and sales between different levels of the buying chain add up;

- Ensure proper supervision of the activities of diamond trading offices, either through the presence of government officials in diamond trading offices to oversee transactions or through appropriate spot-checks;
- Ensure that daily buying records are kept and are regularly submitted to the appropriate authorities;
- Undertake spot checks to ensure that licence numbers given on receipts correspond to the actual origin of the diamonds; and
- Ensure that all stakeholders in the oversight and regulation of diamond production, trading and export have a clear understanding of the aims and modalities of the Kimberley Process Certification Scheme.

(iv) Tackling illicit cross-border trade

Participants are encouraged to:

- Coordinate policy at the regional level with regard to export and other relevant taxes, including through regional harmonization of tax rates where appropriate;
- Take the possible impact on the flow of illicit diamonds into consideration when implementing changes in national tax policy;
- Share information about export tax levels with other Participants in the same region and make this information more widely available within the Kimberley Process;
- Share data on diamond trafficking at a regional level, including through the establishment of regional databases and blacklists of organizations and/or individuals involved in the smuggling of rough diamonds; and
- Strengthen border controls, and ensure full cooperation with the customs authorities of neighbouring Participants, to help prevent illicit diamonds and potential conflict diamonds from neighbouring countries from being brought into the official export chain.

(v) Encouraging artisanal miners to move into the formal economy

Participants are encouraged to:

- Provide advice on effective and safe mining and efficient recovery methods in artisanal mining;
- Create incentives and regulatory frameworks for the establishment of miners' cooperatives;
- Consider mechanisms for allocating part of the tax revenue raised from diamond exports to the development of diamond-producing areas and support for artisanal miners; and
- Promote the development of formal banking infrastructures in artisanal mining areas.

b) Recommendations for other Kimberley Process Participants and for donors

Kimberley Process Participants with the capacity to provide relevant assistance, as well as other multilateral and bilateral donors, are encouraged to:

- Provide support for the establishment of effective traceability systems for artisanal production, focussing on:
 - The establishment of functioning *cadastre* systems;

- Putting in place workable and comprehensive systems for registering production data and ensuring that this is cross-checked with sales records;
 - Building capacity for mines inspectorates and other bodies responsible for the enforcement of mining regulations;
 - The conduct of geological surveys of the main artisanal mining areas;
 - The provision of detailed assessments of the size and nature of the artisanal mining sector in individual Participants; and
 - Support for efforts by civil society groups at the national level to promote the implementation of mining regulations.
- Promote the formalization of the artisanal mining sector, inter alia by:
 - Providing support for mining cooperatives; and
 - Supporting the economic viability of artisanal mining through the provision of skills and (where necessary) equipment.
 - Support regional efforts to address cross-border trafficking in rough diamonds.

3. FOLLOW-UP

Plenary agrees that regular follow-up to the recommendations contained in this Declaration will enhance their operational impact. Plenary therefore tasks the ad-hoc sub-group with reporting back to the 2006 Plenary Meeting through the Chair of the Working Group on Monitoring. This report could notably cover:

- Progress made towards implementing the recommendations contained in this Declaration by individual Participants with alluvial production;
- Follow-up at the regional or sub-regional level towards implementation of the steps recommended in Section 2 a) (iv) of this Declaration;
- Capacity-building assistance for improving internal controls in alluvial Participants, as provided by other Participants and by bilateral and multilateral donors, with particular reference to the recommendations contained in Section 2 b) of this Declaration.

Plenary further recommends that the sub-group provide interim reports on the areas set out above. These interim reports should be provided at four-monthly intervals to the Chair of the Kimberley Process through the Chair of the Working Group on Monitoring.

Finally, Plenary requests the Working Group on Monitoring to include a provision for reporting on steps taken to implement the recommendations, on a voluntary basis, in the annual reports to be submitted by Participants in 2006 regarding their implementation of the KPCS in 2005.

Moscow, 16 November 2005