



**THE ESSENTIAL GUIDE TO IMPLEMENTING  
THE KIMBERLEY PROCESS**



**WORLD  
DIAMOND  
COUNCIL**



## **The Essential Guide to Implementating the Kimberley Process**

*These guidelines have been prepared by the World Diamond Council on behalf of the World Federation of Diamond Bourses and the International Diamond Manufacturers' Association.*



## **Kimberley Process Certification Scheme & the System of Warranties**

In order to fully combat the scourge of conflict diamonds, on November 5, 2002, fifty-two governments ratified and adopted the final Kimberley Process Certification Scheme. In essence, these countries have agreed that they will only allow for the import and export of rough diamonds if those rough diamonds come from or are being exported to another Kimberley Process participant.

Participants in the Kimberley Process as of December 20, 2002 include:

Angola, Australia, Botswana, Brazil, Burkina Faso, Canada, Côte d'Ivoire, People's Republic of China, Cyprus, Czech Republic, Democratic Republic of Congo, Austria, Belgium, Finland, France, Germany, Greece, Holland, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, United Kingdom, Gabon, Ghana, Guinea, India, Israel, Japan, Republic of Korea, Lesotho, Malta, Mauritius, Mexico, Namibia, Norway, Philippines, Russian Federation, Sierra Leone, Socialist Republic of Vietnam, South Africa, Swaziland, Switzerland, Tanzania, Thailand, Ukraine, United Arab Emirates, United States of America and Zimbabwe.

### **Rough Diamond Exports**

The Kimberley Process Certification Scheme requires that each shipment of rough diamonds being exported and crossing an international border be transported in a tamper-resistant container and accompanied by a government-validated Kimberley Process Certificate. Each certificate should be resistant to forgery, uniquely numbered and include data describing the shipment's content.

The shipment can only be exported to a co-participant country in the Kimberley Process. No uncertified shipments of rough diamonds will be permitted to enter a participant's country.

Once a certified shipment has entered its country of destination it may be traded – in whole or part – and mixed with other parcels of rough diamonds as long as all subsequent transactions are accompanied by the necessary warranties (see section below, “Industry Self-Regulation via a System of Warranties”).

Failure to adhere to these procedures can lead to confiscation or rejection of parcels and/or criminal sanctions.

Any rough diamonds being re-exported will also require Kimberley Process Certificates, which will be issued in the exporting country. These re-exports can comprise any combination of rough diamonds that have been previously imported through the Kimberley Process Certification Scheme.

## **Industry Self-Regulation via a System of Warranties**

In order to strengthen the credibility of the Kimberley Process agreement, as well as to provide the means by which consumers might more effectively be assured of the origin of their diamonds, the World Diamond Council proposed that the industry create and implement a System of Warranties for diamonds. Under this system, which has been endorsed by all Kimberley Process participants, all buyers and sellers of both rough and polished diamonds must make the following affirmative statement on all invoices:

**“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”**

In addition, each company trading in rough and polished diamonds is obliged to keep records of the warranty invoices received and the warranty invoices issued when buying or selling diamonds. This flow of warranties in and warranties out must be audited and reconciled on an annual basis by the company’s own auditors. If asked for by a duly authorized government agency, these records must be able to prove that you are in compliance with the Kimberley Process.

Additionally, all industry organizations and their members have adopted the following principles of self-regulation:

- ◆ to trade only with companies that include warranty declarations on their invoices;
- ◆ to not buy diamonds from suspect sources or unknown suppliers, or which originate in countries that have not implemented the Kimberley Process Certification Scheme;

- ◆ to not buy diamonds from any sources that, after a legally binding due process system, have been found to have violated government regulations restricting the trade in conflict diamonds;
- ◆ to not buy diamonds in or from any region that is subject to an advisory by a governmental authority indicating that conflict diamonds are emanating from or available for sale in such region, unless diamonds have been exported from such region in compliance with the Kimberley Process Certification Scheme;
- ◆ to not knowingly buy or sell or assist others to buy or sell conflict diamonds;
- ◆ to ensure that all company employees that buy or sell diamonds within the diamond trade are well informed regarding trade resolutions and government regulations restricting the trade in conflict diamonds.

Failure to abide by the aforementioned principles exposes the member to expulsion from industry organizations.

Under the terms of the Kimberley Process, it will be considered a violation to issue a warranty declaration on a sales invoice unless it can be corroborated by warranty invoices received for purchases.

Failure to adhere to these principles will prompt investigation and could result in expulsion from the various diamond industry institutions.





## What Does This Mean for Each Sector of the “Diamond Pipeline”?

### 1. Mining companies and rough diamond buyers (at source)

Rough diamonds may not be exported to a Kimberley Process participant unless the export country is a Kimberley Process participant.

Mining companies and rough diamond buyers operating in countries where the diamonds are first recovered wishing to export their shipments must ensure that:

- ◆ the country in which they operate is a participant of the Kimberley Process;
- ◆ the country to which they wish to export is also a participant.

Further, as a minimum requirement, you will need to keep auditable records to demonstrate that the rough diamonds in your shipment were either mined from your property and/or purchased from other legitimate sources (i.e., if the latter, the purchase must be accompanied by a warranty declaration).

You will then need to notify the relevant exporting authority who will validate your shipment, prepare and provide the necessary documentation – including a Kimberley Process Certificate – and seal your diamonds in a tamper-proof container.

The arrival of each export must be confirmed by the importer either electronically or by fax.

Compliance with the Industry’s System of Warranties is also necessary and warranties must be included in each sale and/or export of rough diamonds.

### Compliance Checklist

1. Is the country from which you are exporting your diamonds a participant of the Kimberley Process?
2. Is the country you are exporting to a participant of the Kimberley Process?

If the answer is NO to either one or both of the above, you will not be able to export your diamonds.

If the answer is YES to both questions, you may export your diamonds.

- ◆ Apply for export in the usual way, providing proof of origin and/or a warranty declaration.
- ◆ Once satisfied, the relevant government authority will ensure that your parcel is sealed according to Kimberley Process regulations and will issue a Kimberley Process Certificate to accompany the parcel.

## 2. Recipients of imported rough diamonds

No Kimberley Process participating country will allow the importation of rough diamonds unless it has been exported from a Kimberley Process country in the prescribed manner.

In order to import rough diamonds, the importer and exporter must both be from Kimberley Process countries, you must receive a warranty and a Kimberley Process Certificate from the exporter and you must confirm receipt of the import with the importer.

Once you've taken receipt of the shipment, you are free to trade, divide and/or mix the diamonds as you wish, provided you receive or issue warranty invoices for each transaction.

In addition, after January 1, 2003, each invoice of every transaction must be carried out under the directives stated above and bear the following signed declaration:

**"The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds."**

### Compliance Checklist

1. Is the country into which you are importing your diamonds a participant of the Kimberley Process?
2. Is the country you are importing from a participant of the Kimberley Process?

*continued next page*

### Compliance Checklist, cont'd

#### 3. Does the invoice carry warranties?

If the answer is NO to any or all of the above, you will not be able to import your diamonds.

If the answer is YES to these questions, you may import your diamonds as follows:

- ◆ In most participating countries, your shipment will arrive as usual.
- ◆ Once satisfied that the container carrying your diamonds is intact and the Kimberley Process Certificate is in order, the relevant government authority will allow your parcel to enter the country.
- ◆ You are required to confirm with the exporter upon receipt of your shipment that everything is in order.
- ◆ You are now free to trade your diamonds as you wish, although you are obliged to adhere to diamond industry regulations, as set out above, and provide your clients with a written warranty declaration on your invoices.

### 3. Rough diamond dealers trading within a country's borders

Rough diamond dealers within a country will be expected to follow the same guidelines as mentioned above, except for the necessity of Kimberley Process Certificates, which are used only for cross-border shipments. Therefore, rough diamond dealers must ensure that they only purchase rough diamonds from vendors who are able to provide an invoice with the System of Warranties declaration.

Under the same industry regulations, they will be expected to keep records of the warranties accompanying both purchases and sales and instruct their independent auditors (accountants) to verify annually that these warranty records have been created and maintained accurately in the normal course of business.

### Compliance Checklist

Is your vendor prepared and able to provide you with the System of Warranties declaration on their invoice for diamonds imported after January 1, 2003?

If the answer is NO, you may NOT purchase their diamonds.

If the answer is YES, you may purchase their diamonds.

- ◆ Keep a record of the warranties received and provided by you for your auditor's annual inspection.

#### **4. Rough diamond dealers who wish to re-export**

For dealers and/or polishers and manufacturers who wish to re-export rough diamonds from countries or territories into which they have already been imported under a Kimberley Process Certificate, an application for a Kimberley Process re-export certificate will have to be made.

When presenting your shipment for re-export, you will need to assert to the relevant authority that the diamonds contained in the parcel have been traded and purchased in accordance with Kimberley Process requirements. That is, they were originally imported under the Kimberley Process Certification Scheme and each subsequent transaction was accompanied by a System of Warranties declaration. Essentially, you are required to maintain records of warranties given and warranties received. In order to re-export, you must provide an invoice covering the shipment with the required industry warranty.

As a minimum requirement, if asked by a duly authorized government agency, you must be able to demonstrate in an auditable manner that the diamonds contained in the shipment are covered by the necessary warranties. Every year, your auditor must be able to verify that you have maintained accurate and reconcilable records of warranties received and warranties given.

##### **Compliance Checklist**

1. Do you meet the requirements for a Kimberley Process re-export certificate?
  2. Have you maintained warranty invoices covering the purchases for the diamonds that you wish to re-export – remembering that the shipment might contain portions of several parcels that you may have purchased and/or mixed?
- ◆ If the answer is NO, you may not re-export.

#### **5. Diamond polishers and manufacturers**

Diamond polishers and manufacturers, when dealing with rough diamonds, are subject to the same guidelines as laid out in the sections on dealing with rough diamond dealers. Additionally, all sales of polished diamonds fall under the voluntary Industry System of Warranties. Therefore, each sale of polished diamonds will require a warranty invoice stating the following:

**“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”**

You are required to maintain records of warranties received and warranties given. Further, on an annual basis, your independent auditor must be able to verify that you have maintained records of warranties received and given.

You are not required to apply for a Kimberley Process Certificate when exporting polished diamonds.

## **6. Polished diamond dealers and jewelry manufacturers**

All sales of polished diamonds fall under the voluntary Industry System of Warranties. Therefore, each sale of polished diamonds will require a warranty invoice stating the following:

**“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”**

You are required to maintain records of warranties received and warranties given. Further, on an annual basis, your independent auditor must be able to verify that you have maintained records of warranties received and given.

You are not required to apply for a Kimberley Process Certificate when exporting polished diamonds.

## **7. Diamond jewelry retailers**

Retailers have a crucial role to play in helping to ensure that the System of Warranties is both employed and effective.

Retailers are therefore required to insist that their suppliers provide warranties for all diamonds polished after January 1, 2003. It is also recommended that retailers:

- ◆ inform your suppliers in writing that you will require a warranty;
- ◆ retain these warranties for at least five years.

## Diamonds Mined and/or Polished Prior to January 1, 2003

It is commonly understood by parties associated with the Kimberley Process that there are billions of dollars worth of diamonds, both as rough and as polished, in existing inventories. Additionally, there is an even greater volume of polished diamond jewelry owned by consumers, some of which may re-enter the market over time.

Therefore, if you are purchasing diamonds that pre-date January 1, 2003, it is recommended that you ensure, to the best of your ability, that these diamonds are from legitimate and known sources, preferably with a statement from the seller attesting to this fact.

If you are selling diamonds or jewelry that contains diamonds that pre-date January 1, 2003, you must consider using language such as:

**“The diamonds herein invoiced have been purchased prior to January 1, 2003 from sources that, to the best of our knowledge, are reliable. The seller hereby guarantees that they have no personal knowledge or reason to believe that these diamonds are involved in funding conflict and/or have been traded in violation of any United Nations Resolution.”**

For all diamonds supplied to you with accompanying warranties stating that the diamonds were purchased in accordance with Kimberley Process requirements, IF ASKED, retailers COULD state TO THEIR CUSTOMERS:

**“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”**

If you are selling parcels of diamonds or jewelry with pre- and post-January 2003 stock, you may include both of the above statements in your invoice. However, you will still need to keep accurate records verified by your warranties of all transactions of post-January 1, 2003 diamonds. Of course, RETAILERS HAVE NO OBLIGATION TO INCLUDE THIS STATEMENT ON INVOICES TO CONSUMERS, BUT COULD MAKE THE STATEMENT, IF ASKED BY A CUSTOMER.

Notwithstanding general compliance guidelines set forth above, all companies engaged in the trade of diamonds and/or diamond jewelry are urged to check with their national diamond office or appropriate national trade association to determine what additional national regulations may apply.





## Background & History of the Issue

### What are “conflict diamonds”?

In 1998, the world became aware that certain rebel movements in Africa were selling, among other things, illegally obtained diamonds – known as conflict diamonds – to fund their wars against legitimate and internationally recognized governments.

In 1998, the non-governmental organization (NGO) Global Witness first brought to the world’s attention the fact that UNITA, a rebel group in Angola, was funding its war against Angola’s legitimate government through the control, and subsequent sale, of rough diamonds. These rough diamonds have since become known as conflict diamonds.

Today, we also know that rebel groups in Sierra Leone and the Democratic Republic of Congo were also funding their wars against the legitimate governments through the control, and subsequent sale, of conflict diamonds.

Most recently, with the establishment of peace in Sierra Leone and Angola and a cease-fire in the Democratic Republic of Congo, the volume of conflict diamonds being traded is significantly lower. However, the diamond industry regards this as no reason for complacency and remains fully committed to introducing measures and procedures that will protect legitimate channels of distribution from any potential conflict diamond infiltration.

### What has been done to stop the trade in conflict diamonds?

In 1998, and then in 2000, Global Witness and Partnership Africa Canada, two non-governmental organizations (NGOs) from the United Kingdom and Canada respectively, brought to the attention of the diamond industry and the world media that the illegal trade of rough diamonds was funding the activities of rebel organizations in Angola and Sierra Leone. This followed the imposition of comprehensive economic and political UN sanctions on Angolan rebels mining diamonds in central Angola in June 1998.

The diamond industry immediately began cooperating with the United Nations and engaged with governments and leading NGOs to seek ways to halt the trade in conflict diamonds.

Progress to achieve this shared objective began in earnest in May 2000 when the South African government convened a meeting in Kimberley for all interested parties to meet and discuss a way forward. The meeting brought together, for the first time, governments, industry and NGOs. What followed was a series of meetings, hosted by governments around the world, which came to be known as the **Kimberley Process**. In December 2000, all 191 members of the United Nations General Assembly voted unanimously to support the process.

Although these meetings were primarily inter-governmental, the diamond industry and NGO community became active participants. It was the first time that a global industry had cooperated with the United Nations, governments and civil society to address an important humanitarian issue.

Over a period of two years, an agreement on an International Certification Scheme was reached. Essentially, this scheme will ensure that official exports of rough diamonds from producing countries are dispatched in tamper-proof containers and accompanied by unforgeable certificates. Only countries with reciprocal arrangements would be able to import these consignments.

In November 2002, the final draft of the Kimberley Process measures were ratified by more than fifty nations. It was agreed that implementation of the International Certification Scheme would take place on January 1, 2003.

It is an important proviso of the UN General Assembly resolution that established the Kimberley Process that the measures introduced “do not place undue burden on the legitimate diamond trade.”

At its peak in 1999, the trade in conflict diamonds accounted for less than four percent of the world’s annual rough diamond production. Although this was a relatively small amount, the international diamond industry has declared that even one diamond traded in this way is one diamond too many.

## **Action by the World Diamond Council**

As industry awareness of conflict diamonds, as created by Global Witness and Partnership Africa Canada, grew, the industry became increasingly concerned about the grave human suffering being caused by several rebel organizations, partly funded by their illegal trade in diamonds. The industry recognized the clear moral and commercial imperatives and galvanized its members to present a united front in the campaign to stop the trade in conflict diamonds.

These concerns were addressed in detail at the 29th World Diamond Congress in July 2000. The World Federation of Diamond Bourses (WFDB) and the International Diamond Manufacturers’ Association (IDMA)

issued a joint resolution declaring “zero tolerance” towards the trade in conflict diamonds. The resolution comprised a nine-point plan, providing practical measures to combat this trade, many of which have since been adopted by the Kimberley Process.

A key proposal set out in the joint resolution was the creation of a **World Diamond Council (WDC)** that would represent the entire diamond industry, from mining through to retail, at meetings of the Kimberley Process. The WDC formed and held its inaugural meeting within two months in Israel.

One of the most significant contributions to the Kimberley Process by the WDC has been the development of a form of self-regulation on behalf of the diamond industry called the System of Warranties. This industry-driven initiative has been designed to complement and support the International Certification Scheme being developed by governments and is being implemented at the same time as the Kimberley Process.

Essentially, this means that once a parcel of rough diamonds has been imported into a country under the Kimberley Certification Scheme, each subsequent sales transaction that takes place with those diamonds must include language on the invoice declaring that the diamonds have been purchased through authorized channels. These proposals were welcomed both by governments and non-governmental organizations.

Although WFDB and IDMA have made this mandatory for the trade in rough diamonds, polished dealers and retailers are also being encouraged to adopt the system to ensure that the entire diamond pipeline from mine to jeweler is covered by an industry-wide system of warranties which can provide the consumer with assurance that the diamonds purchased are, indeed, conflict-free.

These measures have been negotiated by the WDC on behalf of the industry in order to meet the requirement of the international community that action be taken to halt the trade in conflict diamonds without placing undue burden on the industry. These measures are the minimum standards acceptable to all parties.

## **Diamonds and economic development**

The international diamond industry employs some two million people around the world, many in third world and developing countries. The vast majority of the world’s diamonds come from sources that aid development and provide sustainable employment. Diamonds, like other natural resources, are vital to the economic development of a number of countries in Africa and elsewhere in the world. Given good governance and the rule of law, diamonds are a vital source of revenue for the building of infrastructure and essential social services. The measures agreed on by the industry within the Kimberley Process are designed to protect the interests of all countries with diamond interests, whether they be producing, processing or consuming nations.

**For more information about the Kimberley Process and to view Kimberley Process Certificates, please visit [www.kimberleyprocess.com](http://www.kimberleyprocess.com)**

## **World Diamond Council**

Eli Izhakoff  
Chairman & CEO  
580 Fifth Avenue  
New York, NY 10036  
U.S.A.

Phone +1 212 575 8848  
Fax +1 212 840 0496  
Email: eli@diamondsview.com

Matthew Runci  
Executive Director  
52 Vanderbilt Avenue  
19th Floor  
New York, NY 10017  
U.S.A.

Phone +1 646 658 0246  
Fax +1 646 658 0256  
Email: matt@jewelofam.org

Cecilia Gardner, Esq.  
General Counsel  
25 West 45th Street  
Suite 400  
New York, NY 10036-4902  
U.S.A.

Phone +1 212 997 2002  
Fax +1 212 997 9148  
Email: clgardner@jvclegal.org

**[www.worlddiamondcouncil.com](http://www.worlddiamondcouncil.com)**

## **Kimberley Process Secretariat**

Abbey Chikane  
Chairman  
South African Diamond Board  
240 Commissioner Street  
SA Diamond Center  
Johannesburg, South Africa

Phone +27 11 334 89 80  
Fax +27 11 334 88 98  
Email: noahhp@sadb.co.za

Rina Louise Pretorius  
Diplomatic Liaison  
Department of Foreign Affairs  
Private Bag X152  
0001 Pretoria, South Africa

Phone +27 12 351 14 24  
Fax +27 12 351 16 54  
Email: kimberleyprocess@foreign.gov.za

Khosi Jiyane  
General Manager  
9 Georgian Crescent  
Bryanston  
Johannesburg, South Africa

Phone +27 11 706 98 13  
Fax +27 11 706 98 11  
Email: Khosi@kimberleyprocess.com

**[www.kimberleyprocess.com](http://www.kimberleyprocess.com)**



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