

WORKING GROUP ON STATISTICS

**ADMINISTRATIVE DECISION ON THE *GUIDELINES FOR THE PREPARATION, REVIEW
AND ANALYSIS OF KP STATISTICAL DATA DOCUMENT***

As set forth in Annex III of the Kimberley Process Certification Scheme (KPCS) core document, the Kimberley Process (KP) recognizes that reliable and comparable data are an essential tool for the implementation of the Certification Scheme, particularly for identifying any irregularities or anomalies that could indicate conflict diamonds are entering legitimate trade. These statistics are made available for expert analysis by interested parties and by the Participants and Observers, individually or collectively.

This Administrative Decision serves as guidance to the members of the Working Group on Statistics (WGS) as they conduct annual statistical analyses of all Participants and the rough diamond trading entity of Chinese Taipei.

Appendix I of this Administrative Decision is the updated version of the document adopted under AD/02/2013 at the South Africa Plenary meeting.

The Kimberley Process welcomes this effort and requests the WGS Chair to provide updates on its progress.

Moscow, 12 November 2021

Kimberley Process Working Group on Statistics

Guidelines for the Preparation, Review and Analysis of KP Statistical Data



Moscow, Russian Federation

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Kimberley Process Working Group on Statistics

Guidelines for the Preparation, Review and Analysis of KP Statistical Data

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1. Introduction

Annex III of the Kimberley Process Certification Scheme (KPCS) core document affirms that

“[...] reliable and comparable data on the production and the international trade in rough diamonds are an essential tool for the implementation of the Certification Scheme, and particularly for identifying any irregularities or anomalies that could indicate that conflict diamonds are entering the legitimate trade”

and commits Participants, inter alia,

“to make [...] statistics available to an intergovernmental body or to another appropriate mechanism identified by the Participants for compilation and publication (1) on a quarterly basis in respect of exports, imports and certificate counts, and (2) on a semi-annual basis in respect of production. These statistics are to be made available for analysis by interested parties and by the Participants, individually or collectively, according to such terms of reference as may be established by the Participants”.

The Terms of Reference of the Kimberley Process Working Group on Statistics (WGS), adopted in Guangzhou, China in 2014, entrust the WGS members with, among other roles and responsibilities, to

“[...] Prepare expert analysis of the annual statistical data of the KP Participants for the countries allocated to them within the scheduled timeline.”

This document has accordingly been prepared by the WGS in order to provide guidance to WGS members on how to conduct annual statistical analyses in a uniform, coherent and transparent manner.

2. General Principles

As outlined in the WGS Terms of Reference, all WGS members are required to contribute to the preparation of Annual Statistical Analyses for KP Participants.

The objective of the annual statistical analyses is the identification of irregularities or anomalies in the data submitted to the KP Rough Diamond Statistics website by Participants, which could indicate that conflict diamonds are entering the legitimate trade.

Data review and analysis are based on rough diamond production, trade and Kimberley Process Certificate (KPC) count data submitted by Participants in accordance with their obligations under the KPCS. These data are then tabulated by the office of the WGS Chair in a number of standardized tables summarizing production and trade for each Participant.

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Since 2016, to reduce the burden of the analysis process on WGS members, the charts and tables to be used in the preparation of the annual statistical analysis reports are automatically generated by the office of the WGS Chair and incorporated into template reports. The WGS Chair provides WGS members with the appropriate template reports according to the allocation of the annual statistical analysis assignments. The template reports form the basis on which analyses will be conducted and are based on reviewed Participant's data for the current year and the previous 4 years. All data in the templates are shown as sourced from the KPCS with the date of data extraction from the KP Rough Diamond Statistics website.

Data review and analysis should be guided by the following principles:

1. Statistical data are analyzed with particular attention to the most recent (current) calendar year. A comparison of data for the current year with data of the previous four calendar years should be included.
2. Volume (in carats) will provide the basis for analysis and comparison. An examination of unit price (value/volume, in USD/carat) is also necessary. In addition, an analysis based on value (in USD), while susceptible to market variations, is nonetheless recommended for inclusion.
3. A more detailed analysis should be written based on the charts and tables provided in the template report. Also, observations/questions identified as a result of the analysis of the charts and tables should be indicated in the Observations/Questions section of the main body of the report.
4. Obvious and serious irregularities and anomalies should be reported immediately to the Chair of the WGS and should not necessarily wait for completion of the annual statistical analysis report.
5. WGS members are required to review the previous three annual statistical analyses to ensure that observations/questions were addressed. If not, the observations/questions should be revisited in the current report.
6. The report includes a summary box to be completed once the analysis has been done. The WGS member will complete the box with a summary of statistical requirements and issues to be addressed.
7. Once complete, the report is submitted to the Chair of the WGS who forwards it to the Participant under review with a copy to the WGS member who prepared the report, for a response within 30 calendar days.
8. With knowledge of their own statistical data and of their diamond industry, Participants will review their analysis prepared by the WGS and are expected to respond to each of the observations/questions indicated in the annual statistical analysis. Participants are also required to make any necessary changes to the KP Rough Diamond Statistics website and address issues

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that require follow-up, if necessary. In their responses, reviewed Participants are encouraged to provide the methodologies used to compile their submitted statistics, if requested. Information on production capacity, stocks/stockpiles, diamond processing activities or statistics for periods prior to the implementation of the KPCS could be useful additional information.

9. Annual statistical analysis reports along with the responses to the reports are uploaded by the WGS Chair to the Participant Statistics Area (Participant only section) of the KP Rough Diamond Statistics website under the “Statistical Analyses and Database” section. They are accessible to all Participants and Observers.

3. Data Preparation

3.1 Submission of Data

Each Participant is required to submit to the KP Rough Diamond Statistics website, in standardised format, their aggregated rough diamond trade and certificate count data (exports and imports) on a quarterly basis, and their aggregated rough diamond production data on a semi-annual basis. In accordance with the *2010 AD on the Use of KPC Based Data all Participants* should collect, submit, and report rough diamond trade (export and import) data, as well as KP certificate count data, based on the date of issuance (Issue Date) of the KP certificate.

Trade statistics for volume (in carats) and value (in USD) should be provided by trade type (import or export) as follows:

- for exports; by destination, origin (mining), and relevant Harmonized System classification code (HS code – 7102.10, 7102.21, or 7102.31)
- for imports; by provenance, origin (mining), and HS code.

The number of KP certificates should be provided by destination, for exports and by provenance, for imports.

Production statistics should be provided by volume (in carats) and by value (in USD). As per the *2019 AD for the Submission of Production Data by Type – Large Scale Mining and Artisanal Small Scale Mining (LSM/ASM)*, production data must be submitted by production type semi-annually.

The data format requirements are in line with Annex III of the KPCS Core Document. Only data received in the required format, and then verified and published by the data-owning Participant, are considered to be in compliance with statistical requirements. Instructions on verifying and publishing statistical data can be found in the KP Rough Diamond Statistics Website User Manual accessible at <https://kimberleyprocesstatistics.org/>. The WGS Chair may, in exceptional circumstances and on request, upload data on behalf of a Participant.

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Participants are expected to ensure the accuracy and completeness of data prior to submission to the KP Rough Diamond Statistics website. Following the revised *Administrative Decision on statistical reporting*, adopted in Sun City in 2003, the deadline for data submission is now three months after the end of the reference quarter for trade and certificate count data and three months after the end of the reference semester for production data. Subsequently, all statistical data will be checked by the Office of the WGS Chair for compliance with obligations under the KPCS with regard to completeness and correct format. Deficiencies will be addressed with the Participants concerned. Approximately two weeks after the submission deadline, the Chair of the WGS will notify all Participants who have not submitted complete statistical information to the KP Rough Diamond Statistics website for the reporting period and provide them with the opportunity to address the situation. Three weeks after the submission deadline, the Chair of the WGS will report cases of non-compliance to the KP Chair and the Chair of the Committee on Participation and Chairmanship, with a copy to the non-compliant Participants and all members of the WGS, in accordance with the *2005 Administrative Decision on the Guidelines for the Participation Committee with respect to Statistical Non-submission*.

3.2. Preparation of Preliminary and Final Statistical Tables for Participants

Within two weeks after the deadline for data submission, the Chair of the WGS will place preliminary statistical tables in the Participant Statistics Area (Participant only section) of the KP Rough Diamond Statistics website under the “Participant Statistical Tables” section.

Upon posting of the preliminary statistical tables, Participants should examine their data submitted up to and including the current reference period to ensure that they are complete and accurate. If this is not the case, Participants are requested to correct their data (both for the current and for the previous reference periods) within three weeks from the deadline for data submission. All corrections to the data should be done in the KP Rough Diamond Statistics website. Corrections entered by Participants will be included in the next update of the statistical tables.

Participants should also examine how their data compare to those reported by their trading partners. Trading partners should reconcile their data after communicating to each other their transaction/aggregate level data. Participants are encouraged to use import confirmation to reconcile Data prior to reporting statistics to the KP Rough Diamond Statistics website (see the *AD for the Guidelines Document for the Reconciliation of KP Statistical Data with Trading Partners (2019)*).

Final statistical tables will be generated for each Participant no later than four weeks after the reporting deadline for the reference period in question. These tables will form the basis of the annual statistical analysis for each Participant.

Participants will be notified of the availability of the preliminary and final statistical tables on the KP Rough Diamond Statistics website by the Chair of the WGS.

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4. Data Review and Analysis

Once the final statistical tables for the previous calendar year have been posted, the Chair of the WGS will allocate annual statistical analysis assignments to the members of the WGS via email or at the next teleconference meeting. This allocation does not preclude further analysis of data by individual members of the WGS.

Data analysis should seek to identify irregularities or anomalies that *could* indicate a breach of the closed KP rough diamond-trading network. Such irregularities/anomalies may include:

1. For producing Participants, instances when exports minus imports exceed production, in volume (carats), substantially and inexplicably. Similarly, for non-producing Participants, instances when exports exceed imports, substantially and inexplicably. This data examination should be done based on the data tables and charts provided in the statistical analysis template report provided by the WGS Chair: annually and semi-annually for production; annually and quarterly for trade. N.B. Stockpiles from previous years may explain some of the increase, and therefore the *change in net inventory* (in table 1 of the automatically generated statistical tables) from previous years should be taken into consideration.
2. Irreconcilable trade statistics, i.e., exports (in volume and/or value) from Participant A to Participant B do not balance with corresponding imports by Participant B from Participant A for a particular period. Similarly, for KP certificate counts. This data analysis is done for annual and quarterly data.

The analysis should include an examination for comparatively large increases or decreases over time (i.e., compared to the earlier four years/the reference period) in the following statistics:

3. For producing Participants, consider annual exports / imports / production; for non-producing Participants, consider annual exports / imports. Consider primarily volume (carats) but also value (USD).
4. The volume of annual exports (carats) and the volume of annual imports (carats). Consider total exports (and imports) i.e., for the three HS codes merged, and optionally each HS code. Also, consider the value of annual exports and imports (USD).
5. For producing Participants, the annual volume of production (carats). Also, consider annual value of production (USD).
6. The unit price (USD/per carat) in production, exports and imports. For trade, consider total trade (the three HS codes merged), and optionally each HS code separately.

WGS members should flag any data that is statistically relevant or significant. WGS members should flag changes or discrepancies in (as indicated in points 1-6 above) for further examination, if they exceed 25%. Depending on the variability of the data being analyzed, the WGS members may choose to adopt a different threshold in conducting their analysis.

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The analysis is not primarily focused on changes in the trading patterns among trading partner Participants. For this reason, the exports and imports of the reviewed Participant in 1, 3, 4, and 6 above are aggregated over all its trading partners. This, however, does not preclude an analysis of trading patterns among trading partners, if warranted.

For producing Participants, the WGS member may also examine

1. If there is evidence that the method for valuation of production is dependent of the valuation of exports and
2. What is reported as Country of Origin (mining) for exports. Generally, it is expected that producing Participants are exporting rough diamonds mined in their territory. This is especially relevant for exports of HS code 7102.10. N.B. This analysis/determination cannot currently be made from information provided on the annual statistical analysis template. However, the WGS member will instead have to examine the data in the Statistical Analyses and Database section of the website, under View/Download Database Tables.

The computer-based detection of the first three of the following issues will be addressed in the future. For the time being, the WGS member should be aware of and indicate in the report any of the following that may signify data entry or data quality issues:

1. Do certificate counts, or volumes, or values traded appear in duplicate?
2. For exports, is destination to non-Participants reported? Similarly, for provenance from, in imports.
3. For exports, do the same destinations appear in certificate counts and trade (volumes and values)? Similarly for provenance from, in imports.
4. The presence of anomalously high unit prices (USD/carat) for HS code 7102.21 (industrial diamonds) or anomalously low values for HS code 7102.31 (non-industrial diamonds), may point to incorrect HS coding.

The WGS member allocated the analysis of the data of Participant will give the observations and comments in the analysis template in the space provided below each of the sections (observations/questions) to present findings on the above considerations. The template has sections on production, trade (exports and imports) and certificate count statistics in addition to import/export reconciliation and annual net difference/stockpile.

The WGS member that prepared the annual statistical analysis should indicate the country they represent at the end of the report. The date of submission of the report to the WGS Chair should also be indicated.

In special situations, or upon request of other KP working bodies, in addition to KP data available on a Participant, the following could be examined:

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- Inconsistencies between production reported by the Participant to the KP Rough Diamond Statistics website, its production capacity or historical production, and production reported in other available sources if such data are available;
- Inconsistencies between the trade reported by the Participant to the KP Rough Diamond Statistics website and its trade reported in other available sources

Results will be brought to the attention of the Participant under review for comment and /or action.

5. Follow-up to Data Review and Analysis

The Chair of the WGS will relay the prepared report to the Participant under review (with a copy to the WGS member who prepared the report) and will ask for a reply with comments and explanations as deemed necessary. The reply should be sent within the timeline indicated in the covering e-mail. After receiving the reply from the Participant, the Chair of the WGS may ask the reviewing WGS member to assess whether the response(s) is adequate.

The Chair of the WGS may consult WGS members to discuss and explore possible explanations for irregularities and anomalies identified in the data review and analysis process and to explore possible explanations for irregularities and anomalies, including seeking further information from the Participant concerned.

6. Further Work

Section 4 of this document outlines elements of descriptive statistics. The WGS welcomes and encourages the preparation and presentation of other approaches (e.g., inference statistics) as a complement to the statistical analysis outlined in section 4.

The WGS will review and update this document, as necessary.