1. BUILDING ON DIAMONDS

Botswana's President, His Excellency Ian Khama, after being appointed as the Southern African Development Community (SADC) chairperson during the 35th SADC ordinary summit of heads of state and government in Gaborone on 17 August 2015.

1. BUILDING ON DIAMONDS

The modern history of Botswana is closely linked to the story of diamonds. This, in turn, is linked to the story of the Partnership, formed in 1969 between the Government of Botswana and De Beers.

500x

Increase in nominal GDP growth since 1960

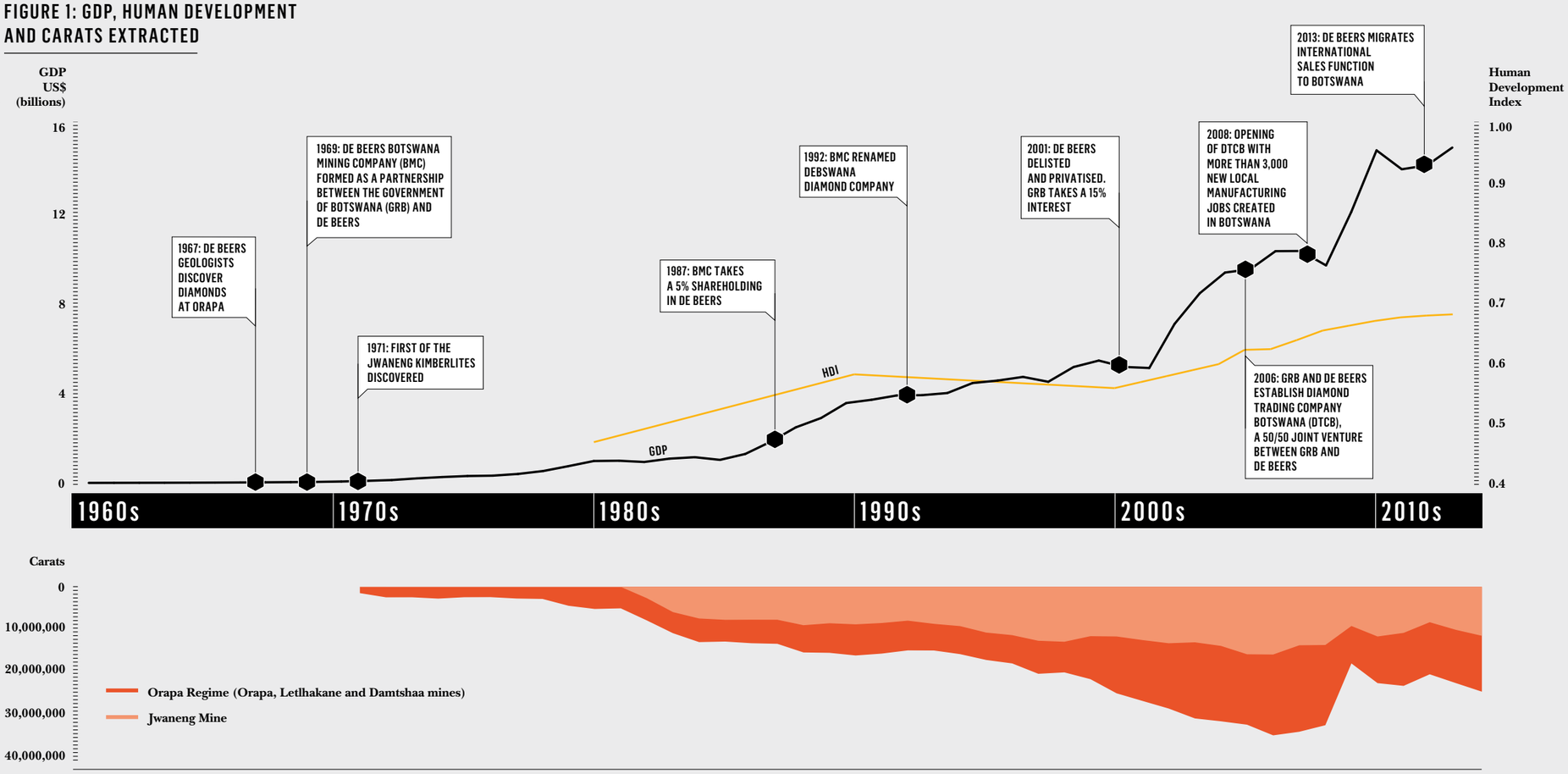
These intertwined stories are captured in Figure 1, which shows the close relationship between Botswana's GDP growth from the 1970s onwards (above the horizontal axis) and the growing supply of diamonds produced by Debswana's mines (below the axis). Over nearly five decades, the Partnership has recovered 708 million carats of diamonds. The more the Partnership has mined, the more it has supported Botswana's socio-economic development.

The yellow line shows that, over this time, Botswana has improved its score in the United Nations Human Development Index, a composite statistic of life expectancy, education and income indices, and a broad measure of human development.

De Beers was established as a diamond mining company in South Africa in 1888, following the Kimberley diamond rush. Today, De Beers is the largest diamond producer in the world by value (approximately 34 per cent),[3] and it is active in the exploration, mining, sorting, valuing, sales, marketing and retailing of diamonds employing nearly 23,000 people worldwide.[4] De Beers has mining operations in Botswana, Canada, Namibia and South Africa.

THE MORE THE PARTNERSHIP HAS MINED, THE MORE IT HAS SUPPORTED BOTSWANA'S SOCIO-ECONOMIC DEVELOPMENT.

FIGURE 1: GDP, HUMAN DEVELOPMENT AND CARATS EXTRACTED



Source: World Bank (2015) and United Nations Development Porgramme (2014)

1. BUILDING ON DIAMONDS

CONTINUED

The footprint of the Partnership in Botswana has expanded over time.

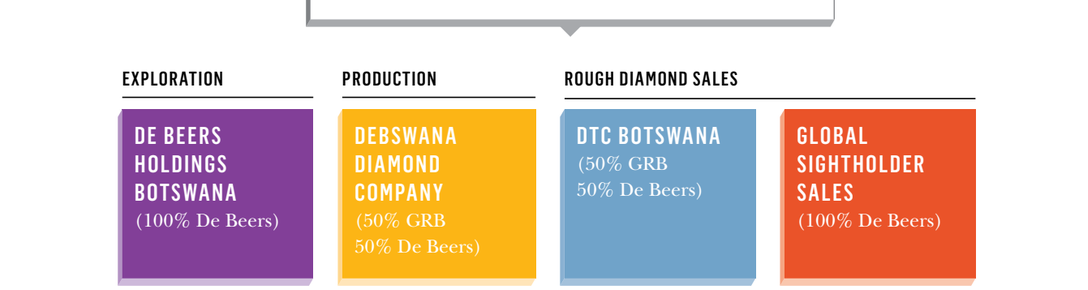
Together, De Beers and the Government established Debswana, then the De Beers Botswana Mining Company, as a joint venture in 1969. The Government held 15 per cent of the company at its founding, increasing its shareholding to 50 per cent in 1975. The name of the company became the Debswana Diamond Company (Pty) Ltd (or Debswana) in 1992.

From mining, the Partnership extended operations down the value chain. In 1971, the Botswana Diamond Valuing Company was formed as a 50/50 joint venture for the sorting and valuing of Debswana's diamonds. This was replaced in 2006 with the formation of Diamond Trading Company Botswana (DTCB) (a 50/50 joint venture) in order to provide a regular supply of diamonds for local manufacture by Sightholders and further domestic diamond beneficiation. In 2008, DTCB opened the largest and most sophisticated rough diamond sorting and valuing facility in the world.[5]

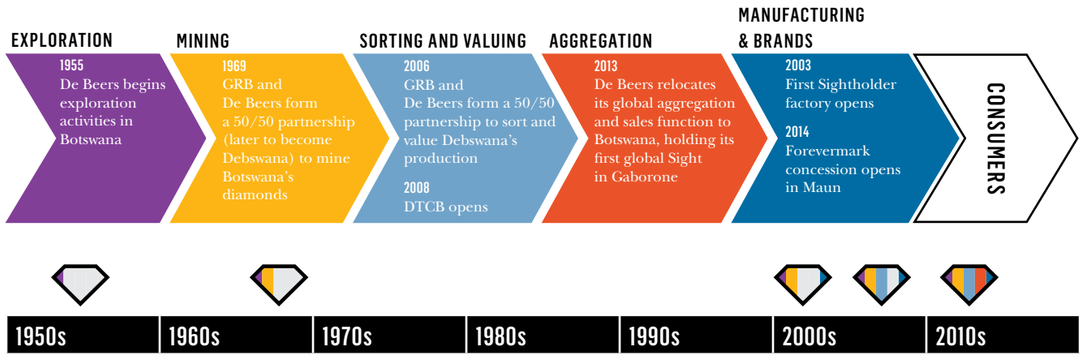
The most recent development in this story of increased participation in the diamond value chain was the relocation of De Beers' international sales function – De Beers Global Sightholder Sales (DBGSS) – to Gaborone from London at the end of 2013.

The activities of the Partnership companies, and the flow of diamonds through their operations, are depicted in Figure 2.

FIGURE 2: THE ORGANISATIONAL STRUCTURE AND ACTIVITIES OF THE PARTNERSHIP IN BOTSWANA



PARTICIPATION THROUGHOUT THE DIAMOND VALUE CHAIN



Note: The Government's 15 per cent ownership was not included within this study.

THE GOVERNMENT HELD 15 PER CENT OF DEBSWANA AT ITS FOUNDING, INCREASING ITS SHAREHOLDING TO 50 PER CENT IN 1975.

Botswana parliament building.

1. BUILDING ON DIAMONDS

CONTINUED

FIGURE 3: THE PIPELINE IN BOTSWANA FROM EXPLORATION TO MANUFACTURING

EXPLORATION

Currently, De Beers' exploration activities in Botswana are focused on early stage exploration work programmes in Tsabong, Orapa, Palapye and Kang.

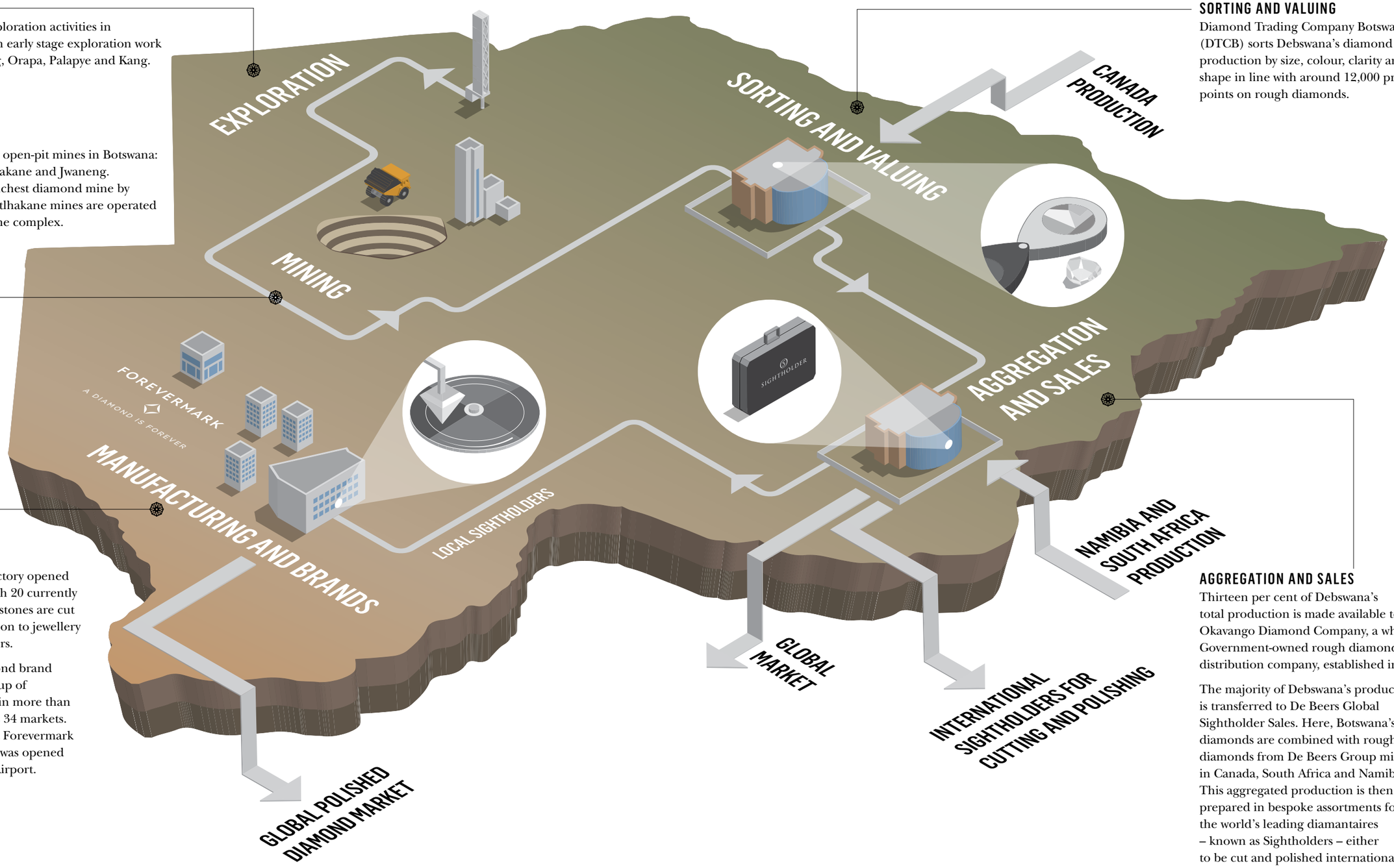
MINING

Debswana operates four open-pit mines in Botswana: Orapa, Damtshaa, Letlhakane and Jwaneng. Jwaneng is the world's richest diamond mine by value. Damtshaa and Letlhakane mines are operated as part of the Orapa Mine complex.

MANUFACTURING AND BRANDS

The first Sightholder factory opened in Botswana in 2003, with 20 currently operating. Here, rough stones are cut and polished, then sold on to jewellery manufacturers and others.

Forevermark, the diamond brand from The De Beers Group of Companies, is available in more than 1,600 retail stores across 34 markets. In August 2014, the first Forevermark concession in Botswana was opened at Maun International Airport.



SORTING AND VALUING

Diamond Trading Company Botswana (DTCB) sorts Debswana's diamond production by size, colour, clarity and shape in line with around 12,000 price points on rough diamonds.

AGGREGATION AND SALES

Thirteen per cent of Debswana's total production is made available to the Okavango Diamond Company, a wholly Government-owned rough diamond distribution company, established in 2012.

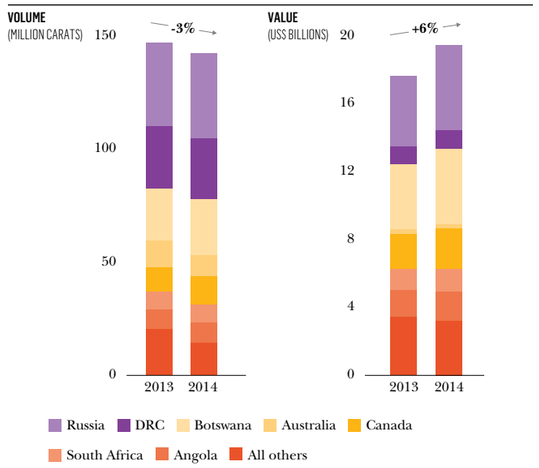
The majority of Debswana's production is transferred to De Beers Global Sightholder Sales. Here, Botswana's diamonds are combined with rough diamonds from De Beers Group mines in Canada, South Africa and Namibia. This aggregated production is then prepared in bespoke assortments for the world's leading diamantaires – known as Sightholders – either to be cut and polished internationally or locally in Botswana to support beneficiation.

1. BUILDING ON DIAMONDS

CONTINUED

JWANENG IS THE WORLD'S RICHEST DIAMOND MINE BY VALUE.

FIGURE 4: ROUGH DIAMOND PRODUCTION BY MAIN PRODUCING COUNTRIES, 2013 AND 2014



Source: De Beers Diamond Insight Report (2015)

Botswana is one of 22 diamond producing countries. It is the second-largest producer in the world by value and third largest by volume (see Figure 4).

While some junior diamond miners operate in Botswana, the vast majority of the country's production comes from Debswana's Orapa and Jwaneng mines, with Jwaneng Mine being the world's richest diamond mine by value.[6] This is supplemented with additional production from Debswana's Damtshaa and Letlhakane mines, which are part of the Orapa mining complex.

Debswana's production is sorted and valued by DTCB and up to 15 per cent of its production is made available for sale to Okavango Diamond Company, a company established by the Government in 2012 to sell some of Debswana's diamonds independently. The remaining 85 per cent of Debswana production is combined with De Beers' global production from Canada, Namibia and South Africa in a process called aggregation. Aggregation creates a larger, more diverse and more consistent assortment of rough diamonds, allowing rough diamond parcels to be prepared to meet buyers' specific requirements on a consistent basis.

The creation of bespoke assortments of diamonds – in different value categories depending on size, shape, colour and quality – to suit the needs of diamond manufacturing is an important step in maximising diamond value.

These assortments are at the heart of De Beers' sales model, in which the majority of its rough diamond customers – called Sightholders – qualify for three-year supply contracts for the supply of a specific profile of diamonds.

Since the end of 2013, De Beers Sights – international rough diamond sales events held 10 times per year – have taken place at a newly-built facility in Gaborone. In addition to its global supply contracts, De Beers also sells rough diamonds to customers with factories in Botswana for cutting and polishing in-country, thereby supporting the development of a domestic cutting and polishing sector.

The Partnership is actively involved in exploration, mining, sorting, valuing and selling functions in Botswana, while also supporting activity in the local cutting and polishing industry.

The allocation of revenues and profits between the Government and De Beers is set out in long-term agreements that run broadly in parallel with the 25-year mining licences for the Debswana mines.

1.1. THE CONTRIBUTION OF DIAMONDS TO BOTSWANA'S DEVELOPMENT

A challenging beginning

"Bechuanaland: An impoverished, arid and hungry land without hope of achieving economic stability makes its debut this week among the community of nations. The new blue, white and black flags are flying everywhere in Gaborone, its incongruous capital city. But elsewhere in the vast, trackless wasteland that will take the name of Botswana, there is little to celebrate. Two years of disastrous drought and crop failure have brought havoc and hunger to its widely scattered agricultural inhabitants. More than one fifth of the population is literally being kept alive by emergency feeding and the numbers are rapidly increasing."

Charles King, Southern Africa News Service in Gaborone 28 September 1966

Botswana, previously a British Protectorate, secured full independence from Britain in 1966. As it was poor and undeveloped, there was some scepticism about its prospects as an independent nation. The second president, His Excellency Sir Ketumile Masire, was fond of saying, *"When we asked for independence, people thought we were either very brave or very foolish."*[7]

The Republic of Botswana is landlocked, arid, sparsely populated and, at independence, had limited economic potential. Although it was a democracy, it was surrounded on three sides by minority regimes in South Africa, the then South West Africa (Namibia), and Rhodesia (Zimbabwe). The country's finances were heavily dependent on foreign aid from Britain.[8]

Economic possibilities were minimal as the people were rural and agrarian, raising cattle in a climate prone to drought and disease. An abattoir for beef exports that opened in Lobatse in the 1950s was the only formal industry in the country.[9] A drought in the 1960s had destroyed one third of the national cattle herd and many workers had left Botswana to seek waged labour in neighbouring South Africa. Income levels were low, even by the standards of other poor African countries. The national infrastructure was virtually non-existent with no energy generation capacity and only 12 kilometres of tarred roads in a country with a land mass larger than that of Spain.[10]

Human capital was also grossly underdeveloped. The first government secondary school was built in the year before independence.[11] It has been estimated that in 1966 there were about 40 university graduates and about 100 secondary school graduates in a population of 595,000.[12] Records from 1960 show the presence of only one doctor for every 47,652 people.[13]

With daunting economic, infrastructural and human capital challenges to overcome, and with no discernible driver for development, Botswana faced an uncertain future.

250x

Percentage growth of graduates in 2014 compared with 1966

1. BUILDING ON DIAMONDS

CONTINUED

THE DISCOVERY OF DIAMONDS

Prospects changed just one year after independence, when promising deposits of diamonds were discovered. De Beers had secured prospecting rights in Botswana in 1938 and was exploring consistently by 1955. After 10 long and unsuccessful years, De Beers considered withdrawing, when its lead geologist, Dr Gavin Lamont, persuaded his seniors to continue searching for one more season. The team had instructions that, if diamonds were not found by the end of winter 1966, exploration would end.

Two months before the deadline, the team found the first kimberlite pipe in the Mochudi area. One year later, diamonds were discovered at Orapa. This marked the start of an exciting period during which all of today's major mines, Orapa, Letlhakane and Jwaneng, were discovered by De Beers. Jwaneng, a dusty scrubland, was to become the world's richest diamond mine by value.

THE RIGHT CHOICES

The success of Botswana was not inevitable as resource-rich economies often grow more slowly than resource-scarce economies. Windfall discoveries of minerals or oil can, in fact, become a 'resource curse'.[14] This paradox has been attributed variously to negative effects such as Dutch Disease (a sharp currency appreciation that makes other exports less competitive), the loss of incentives to invest in human capital, the volatility of commodity prices which makes planning difficult, and political factionalism or an armed struggle for control of the resource.

Botswana managed to avoid the worst effects of the resource curse by developing and managing its diamond resources with long-term development goals in mind. Consequently, a significant body of literature now recognises Botswana as an example of how good political institutions and prudent economic policy can promote sustainable resource-led growth and development.[15]

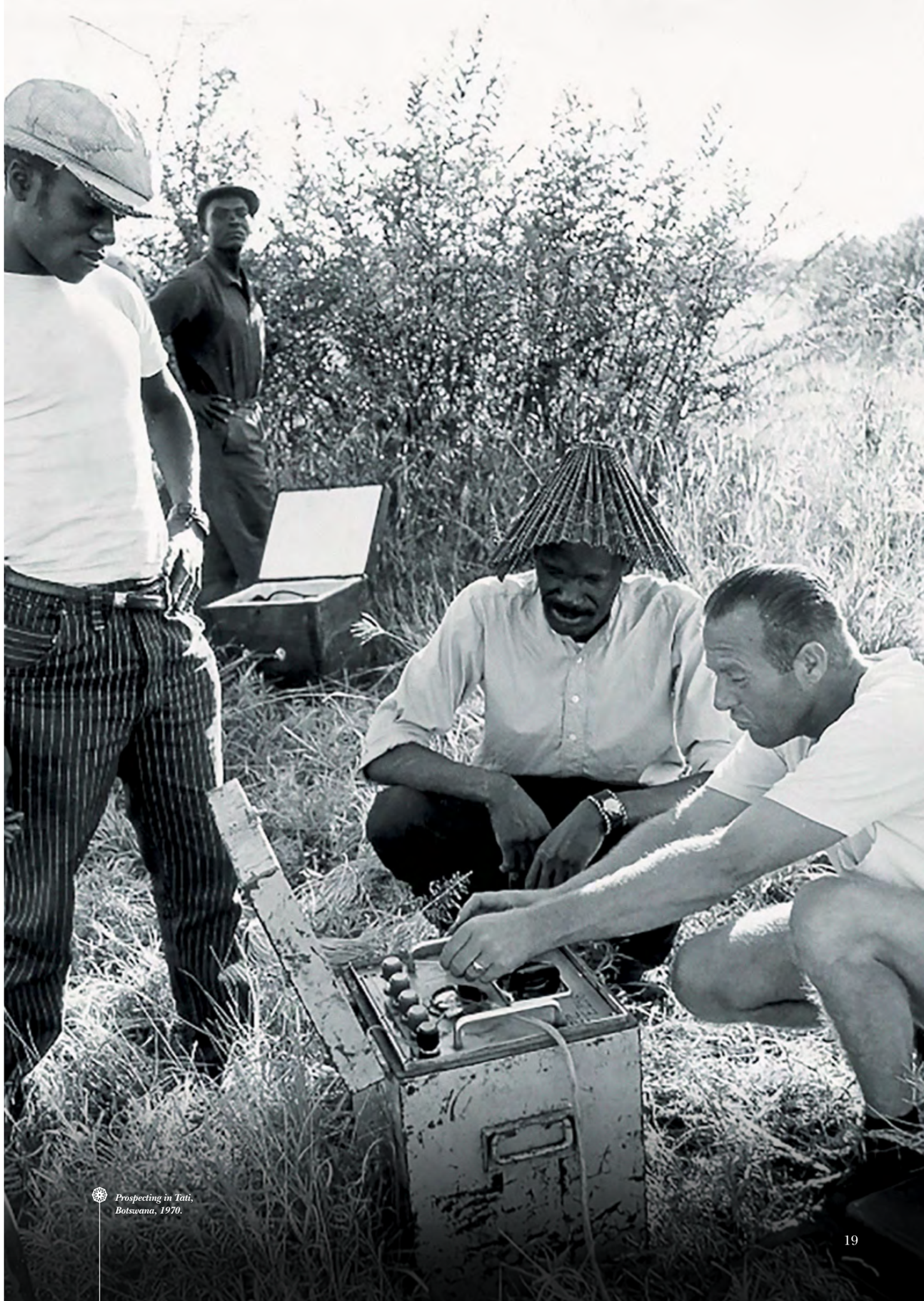
The foundation stones of this success story were political stability, respect for the rule of law, and democratic leadership, drawn from the traditions of Batswana culture in which the will of the people is recognised, and in which high levels of consultation and consensus-seeking are common.

A second feature was the careful planning and investment of all diamond resources in infrastructure and human capital development. Five-year National Development Plans have been introduced since the time of independence, and these have consistently directed mining rents to investment in water and transport infrastructure, education and healthcare.[16] Public spending on social services, still heavily funded by diamond revenues, remains high today.

The worst effects of Dutch Disease, which are common in heavily resource-dependent economies, were mitigated in Botswana by a number of actions:

1. The introduction of a revenue stabilisation fund in 1970 to even out revenue fluctuations and store budget surpluses.
2. The accumulation of international reserves, and the introduction of a national currency, the Pula, in 1976, pegged to a basket of currencies to prevent rapid currency appreciation.
3. The establishment of a sovereign wealth fund as an offshore investment vehicle for diamond revenues, to be drawn upon in times of crisis.

THE SUCCESS OF BOTSWANA WAS NOT INEVITABLE AS RESOURCE-RICH ECONOMIES OFTEN GROW MORE SLOWLY THAN RESOURCE-SCARCE ECONOMIES.



Prospecting in Tati, Botswana, 1970.

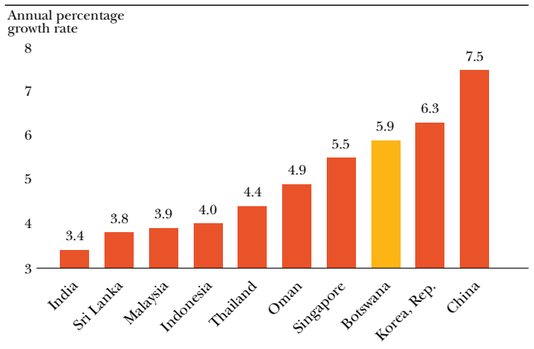
1. BUILDING ON DIAMONDS

CONTINUED

ECONOMIC GROWTH

Capital expenditure on mines helped to kick-start other sectors, notably construction, financial services and transport. Growth in the economy increased revenue, allowing for further developmental investment, and lifted national wealth levels rapidly. From 1966 to 2014, Botswana's GDP per capita (a basic measure of national wealth) grew at an average of 5.9 per cent a year (measured in purchasing power parity), one of the highest rates in the world over that period (see Figure 5). Diamond mining accounted for a large portion of the value added to the economy from the mid-1970s to the mid-2000s.

FIGURE 5: TOP 10 COUNTRIES WITH THE FASTEST GROWING GDP PER CAPITA PPP 1966-2014

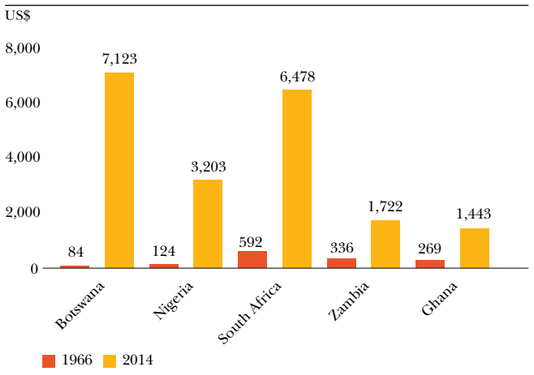


Source: The World Bank (2015)
Note: Only countries with a full data set from 1966 to 2014 are included, except for Oman which is missing the latest 2014 figure.

Botswana has had 11 general elections since independence and is a stable democracy. It has the best sovereign credit rating on the continent and continues to score well on indices of good governance, political stability and control of corruption. Income levels have surpassed countries that started with much higher rates 50 years ago.

FIVE DECADES OF GROWTH AND HIGH LEVELS OF PUBLIC SPENDING HAVE CREATED A BETTER STANDARD OF LIVING FOR MOST BATSWANA.

FIGURE 6: GDP PER CAPITA, 1966 AND 2014 (CURRENT US$)



Source: The World Bank (2015)

HUMAN DEVELOPMENT

Five decades of growth and high levels of public spending have created a better standard of living for most Batswana. Public services and facilities that were only aspirational at independence have been developed. These include free public healthcare; access to free primary and secondary education; and the development of transport, energy and water infrastructure. The ratio of one doctor for every 47,652 people in the 1960s has now improved to one doctor for every 3,300 people.[17] Botswana was also the first country in Africa to provide free anti-retroviral therapy (ART) to all citizens, and it is estimated that 90 per cent of those requiring treatment for HIV/AIDS are receiving ART.[18] Access to schooling and the pupil/teacher ratio in both primary and secondary schools in Botswana have improved steadily. From just 40 tertiary graduates and 100 secondary school graduates at independence, Botswana produced 10,668 tertiary[19] and 8,268 secondary school graduates in 2013.[20]

CHALLENGES

The Government of Botswana has stressed continually that past achievements may not translate into future successes. Challenges that are common in many developing nations must still be overcome, including unemployment, high levels of inequality, residual poverty, and the over-reliance on diamonds.

The unemployment rate in Botswana is just below 20 per cent and the youth unemployment rate may be as high as 35 per cent.[21] A consequence of rapid growth has been a steep rise in levels of inequality. Poverty has decreased but has not been eradicated. The World Bank estimates that more than 13 per cent of the population still lives on less than US$1.90 a day, the Bank's measure of absolute poverty.[22]

As a relatively new country, Botswana faces challenges as it works to maximise the value of diamonds while also diversifying the economic base away from this resource by improving private sector competitiveness. The economy remains heavily dependent on diamonds for fiscal and export revenue, with the resource accounting for 86 per cent of export revenues in 2014.[23]

Botswana stakeholders interviewed as part of the research for this report commented that the wealth generated by diamonds may have created some complacency about growing other sectors, and had made some citizens overly dependent on the State. The Government acknowledges that growth, impressive as it has been, was mostly dependent on capital accumulation from diamonds rather than improvements in productivity, competitiveness and growth in employment.[24]

Therefore, in the past two decades, there has been much attention given to diversification of the economy in order to move beyond a dependency on diamonds. The 2008 Strategy for Economic Diversification noted that future policies must foster the emergence of competitive, sustainable private enterprises, and should develop skills needed by an open and competitive economy.[25] The current National Development Plan 10 (2010 to 2016) also seeks to strengthen economic diversification away from reliance on diamond mining to broader private sector growth.

86%

Of export revenues in 2014 attributed to diamond resources

There has been some success with diversification policies, and mining is no longer as dominant as it once was. In 2012, the non-mining sector accounted for 70 per cent of the total value added to GDP compared with less than 50 per cent a decade earlier.[26]

These challenges should not diminish the extraordinary success Botswana has had in generating rapid economic growth off a minimal base and improving the basic living conditions of most Batswana in just two generations. Botswana has managed, where many others have failed, to translate the potential of resources below ground into enduring value above ground.

Orapa Mine – Pharmacy Technician Lebogang Lekagane dispenses medicines at the Orapa Hospital Pharmacy.

1. BUILDING ON DIAMONDS

CONTINUED

1.2. PRINCIPLES OF PARTNERSHIP

To understand the story of Botswana's growth is to understand the story of its vast diamond resource and the Partnership that transformed it into a driver of development. The Partnership is, of course, codified in various agreements and contracts, but its longevity and success are due to something deeper, namely a mutual understanding that diamonds are unique and require a long-term view; that they are a finite resource whose value must be maximised while it lasts; that they are ultimately a luxury product; and that true partnership requires shared incentives. This section examines these fundamentals in more detail.

1.2.1. A LONG-TERM VIEW

Diamond mining is a capital-intensive undertaking with long-term horizons. Finding and mining diamonds in remote areas requires a large investment in exploration, project development, infrastructure, mining equipment and human capital. It can take many years to find and develop a resource, and a mine can operate for decades.

In the case of Orapa, the first mine to be developed in Botswana, exploration took 11 years, with another four years to bring the mine to production. Letlhakane took eight years from discovery to production and Jwaneng 11 years.[27] The ability to develop and maximise diamond supply necessarily requires a long-term perspective and confidence in the operating environment. This, in turn, depends on political stability, predictable policies and respect for the rule of law.

In 1967, the new and relatively inexperienced leadership of Botswana had to make long-term choices about how to develop and manage its newly-found diamond resource. A windfall of such magnitude could have started a struggle for control of the diamonds. This was avoided by strong leadership. His Excellency Sir Seretse Khama, the first President, saw that the potential of diamonds would not be realised without a long-term vision for national benefit. He persuaded the Council of Chiefs, the Dikgosi, to relinquish individual tribal rights over diamond discoveries in favour of ownership of the diamonds by the Republic for the benefit of all Batswana. This far-sighted view provided the political basis to develop the diamond industry with stability and confidence.

The early leadership also understood that Botswana did not have the capital or expertise to develop and manage diamond mines alone.[28] The Government therefore chose to form the partnership with De Beers, which had discovered the diamond deposits. In mining policy generally, the Government has struck an effective balance between securing the public good and incentivising private capital and skills inflows.

The first production of Debswana from Orapa Mine started in 1971, followed by Letlhakane in 1977, Jwaneng in 1982 and the smaller Damtshaa Mine in 2003. This required ongoing investment in capital-intensive projects as well as the technology required for more efficient mining and diamond recovery processes.

A further major investment was made in 2008 to allow for the next expansion of the Jwaneng open pit. The project is known as Cut-8 as this is the eighth cut, or expansion, of the pit. The cut requires the excavation of more than 500 million tonnes of waste rock before the associated diamond-bearing ore can be accessed at depth. Cut-8 provides access to approximately 105 million carats from around 89 million tonnes mined.[29]

2030

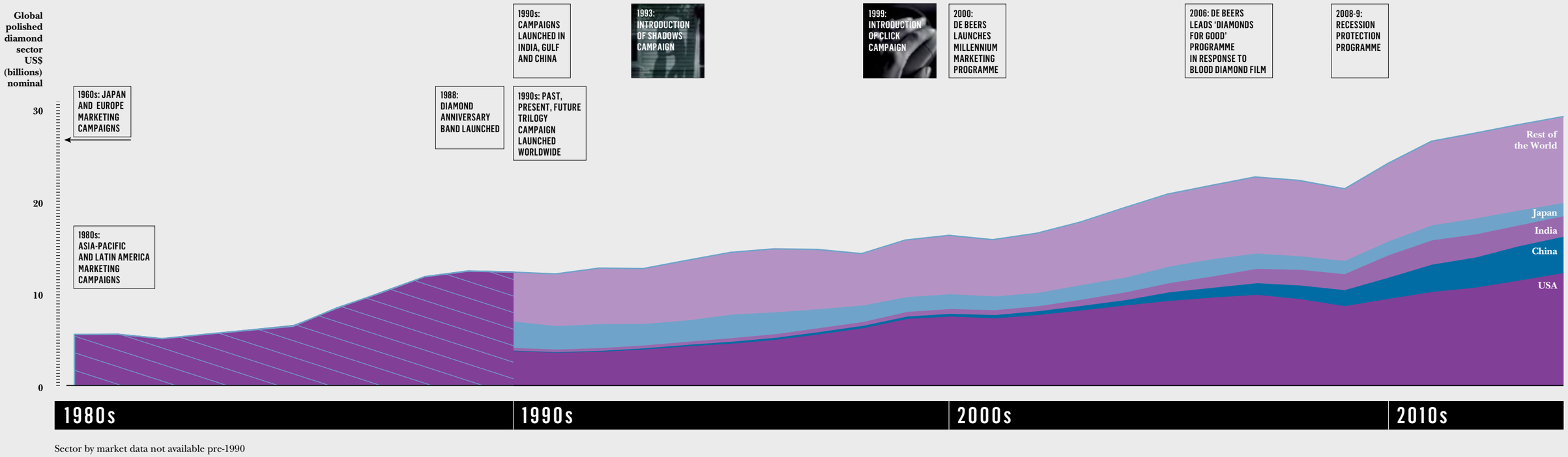
Beyond when operations at Jwaneng Mine are expected to continue

Cut-8 is expected to continue to yield diamonds until 2029, and stockpile and Tailing Mineral Resource mining will continue beyond 2030.[30] The 2015 Life of Mine plan is currently in progress and will inform a new resource and reserve compilation at the end of 2015. This investment will enable the Partnership to continue to invest directly in skills and training, education and healthcare and local enterprise development.

In addition to the diamond revenues provided to the Government, both Partners have chosen to harness the core business of the companies in the Partnership and set aside significant funds for social investment in order to support shared development goals. For example, the hospitals at Orapa and Jwaneng mines both serve the surrounding communities, with Orapa Hospital recording more than 82,000 patient visits in 2014. Through bursaries, as well as local employment with ongoing training and skills development, the Partnership has sought to grow the ultimate natural resource of Botswana – its people.

A view of the Jwaneng Mine pit, which is expanding with Cut-8.

FIGURE 7: KEY MARKETING CAMPAIGNS AND GROWTH IN POLISHED DIAMOND VALUE



Sector by market data not available pre-1990

THE PARTNERSHIP IS COMPELLED TO SEE EACH DIAMOND AS IRREPLACEABLE, AND TO MAXIMISE THE VALUE OF EVERY CARAT IT RECOVERS.

1.2.2. A FINITE RESOURCE

It is a paradox that one of the undeniable characteristics of diamonds that gives them lasting value is that production will not last forever. When combined with the importance of diamonds to Botswana's prosperity, the Partnership is compelled to see each diamond as irreplaceable, and to maximise the value of every carat it recovers. Specifically, this means growing demand for diamonds around the world and leveraging the country's leading producer position to expand its participation further down the value chain.

GROWING DEMAND

The long-term investment in Botswana's production is only part of the story. Steadily increasing production of rough diamonds from the 1970s would have accounted for much less if supply had not been matched, or exceeded, by global demand. Diamonds have deep symbolic meaning for many people and De Beers' well-documented investment over decades to capture that symbolism and transform it into tangible markers in people's lives has served as the foundation of the modern diamond industry. These efforts have included significant investments in marketing and advertising, building on the success of the 1940s 'A Diamond is Forever'[31] campaign and growing new markets in the United States (1940s/1950s), Japan and Europe (1960s), Asia-Pacific and Latin America (1980s) as well as in China and India (1990s/2000s). According to De Beers data, the polished diamond sector grew by more than 400 per cent from 1980 to 2014. Over the past 15 years, De Beers has invested more than US$1.6 billion in global marketing campaigns. This growth in consumer demand has expanded the end market for Botswana's diamonds and increased the value of them.

EXPANDING PARTICIPATION IN THE VALUE CHAIN

As a producer nation, Botswana has always understood that greater potential can be captured if more value is added to diamonds domestically. This helps to create ancillary industries in Botswana to support diamond activities. This strategy of beneficiation has been a Government priority from the start and remains a major focus for the Partnership. Many resource-rich developing countries have the same goals but have found that moving from mining to added beneficiation can be challenging.

1. BUILDING ON DIAMONDS

CONTINUED

Sustainable beneficiation occurs in very few of the countries in which diamonds are mined. Most of the world's diamonds are mined in Russia, Botswana, Canada, Angola, the Democratic Republic of Congo, and South Africa. However, most cutting and polishing takes place in India especially, also China and Israel, while most diamond jewellery manufacturing takes place in India and China, as well as in the main consumer markets. This is because competitiveness in diamond manufacturing does not necessarily translate into competitiveness in cutting and polishing as costs and productivity drivers may be very different. Successful and sustainable beneficiation therefore depends on the ability to establish global competitiveness in the new activity.

Even so, the Partnership has managed to secure more participation in beneficiation in Botswana. Some stakeholders interviewed for this research felt that De Beers could have thrown its weight behind in-country cutting and polishing sooner, although the important role played by relatively recent technology developments in enabling the establishment of sustainable cutting and polishing industries in producer countries should not be discounted.

Nevertheless, in the 2000s, strategic decisions were taken to support beneficiation. Implementation of the strategy included the formation of DTCB in 2006, which was set up to sort and value Debswana's production. It also included making a supply of rough diamonds available to Sightholders willing to manufacture diamond locally. Currently, 20 Sightholders have cutting and polishing factories in Gaborone.

THE MIGRATION OF DE BEERS' INTERNATIONAL SALES FUNCTION FROM LONDON TO GABORONE IN 2013 HAS BROUGHT A SIGNIFICANT TRANSFER OF ECONOMIC ACTIVITY TO BOTSWANA.

Moreover, the migration of De Beers' international sales function from London to Gaborone in 2013 has brought a significant transfer of economic activity to Botswana. De Beers' international rough diamond supply had been sold in London for more than 70 years, and the relocation of the global sales function to Botswana was a huge logistical undertaking involving the building of a new secure sales facility in Gaborone, new security services, the renegotiation of export taxes, the transfer of technology and systems, and the migration of 80 staff members and their families from London to Gaborone.

The Government also upgraded the international airport and improved access roads to support the expected increase in business and trade as well as the movement of people. Ten times a year, about 200 representatives of the world's leading diamond manufacturers and traders from places such as Belgium, Israel, the United States, India and China now travel to Gaborone to buy rough diamonds from De Beers. Botswana has seen the value of rough diamonds traded in-country rise from under US$1 billion annually before the relocation to more than US$6 billion since then.

The Kimberley Process Certification Scheme is an inter-governmental framework to prevent conflict diamonds from entering the legitimate value chain.

The relocation of the De Beers' international sales function was a coup for Botswana's beneficiation strategy. The Minister of Minerals, Energy and Water Resources at the time, Dr Ponatshego Kedikilwe, hailed the agreement as a major step in securing the future of Botswana's economy, saying, "Botswana and De Beers have today renewed one of the most successful public-private partnerships in the world. This agreement, and the tangible outcomes it will deliver, will enable Botswana to achieve its aspiration to be a major diamond centre engaged in all aspects of the diamond business."[32]

In addition to the employment created by the relocation of De Beers' sales arm DBGSS, and new ancillary services in sectors such as hospitality and retail, the move provided Botswana with direct access to the diamond market.

Of course, Botswana's increased exposure to the global diamond market heightens its vulnerability to the market's increasing volatility. For example, while one new local manufacturing factory opened in 2015, another three closed as the rough diamond sector experienced a downturn.

However, in just 15 years, the Partnership has succeeded in positioning Botswana as a global rough diamond hub, with several more decades at least to build its offering before the supply from mining is depleted. The intention is that the economic momentum will allow these parts of the diamond industry to persist even after the last diamond has been mined in Botswana.

US$6BN

Value of rough diamonds traded in-country in 2014 from under US$1 billion annually before the relocation of DBGSS

1.2.3. A LUXURY PRODUCT

A diamond's allure is based on an association with purity, love, commitment and a sense of the eternal. Consumers have come to expect verifiable assurances of the origin and provenance of their luxury purchases. The diamond producers and the diamond industry have a responsibility to provide real assurances, particularly as diamonds face competition from other luxury goods, changing consumer spending preferences and potential confusion caused by the emergence of synthetic diamonds.

Furthermore, the 'purity premium' associated with diamonds requires the constant safeguarding of diamonds as a responsible and positive product. The Partnership has played an important role in protecting the reputation of diamonds. In the 1990s, this reputation was threatened by an association with civil wars and child labour in some countries with large artisanal diamond deposits. In the early 2000s, governments, civil society and industry leaders (including from De Beers) came together under the auspices of the United Nations to establish the Kimberley Process Certification Scheme, an inter-governmental framework to prevent conflict diamonds from entering the legitimate value chain. Now, more than 99 per cent of the world's diamonds are certified conflict-free.[33]

Around the same time, De Beers also moved to formalise the introduction of responsible business practices and ethical standards in its diamond supply chain. In 2003, De Beers initiated the Best Practice Principles Assurance Programme (BPPs), a mandatory business conduct code that applies to all De Beers' operations as well as to De Beers Sightholders and substantial diamond contractors involved in diamond cutting, polishing and jewellery manufacturing. Meeting these standards is a contractual requirement of supply from De Beers, and compliance is audited externally.

In 2009, the BPPs were aligned with the Responsible Jewellery Council standards to promote responsible ethical, human rights, social and environmental practices in the gold and diamond industries. De Beers estimates that the BPPs directly and indirectly cover approximately 370,000 people working in the diamond industry globally.

Of course, while it is important that the frameworks developed to ensure diamonds (and the revenues accrued from them) do no harm, perhaps most important is recognising the real-world story of the positive role a prudently managed natural resource can play in the development of a nation. Botswana is testament to this, and the Partnership has worked to turn this story of responsible sourcing into a brand premium that can simultaneously protect and enhance the value of Botswana's diamonds in a highly competitive luxury landscape.