Taking our Diamonds from De Beers

State-owned enterprises, trading and processing minerals

A case of Botswana's Okavango Diamond Company

Sheila Khama

November 2025

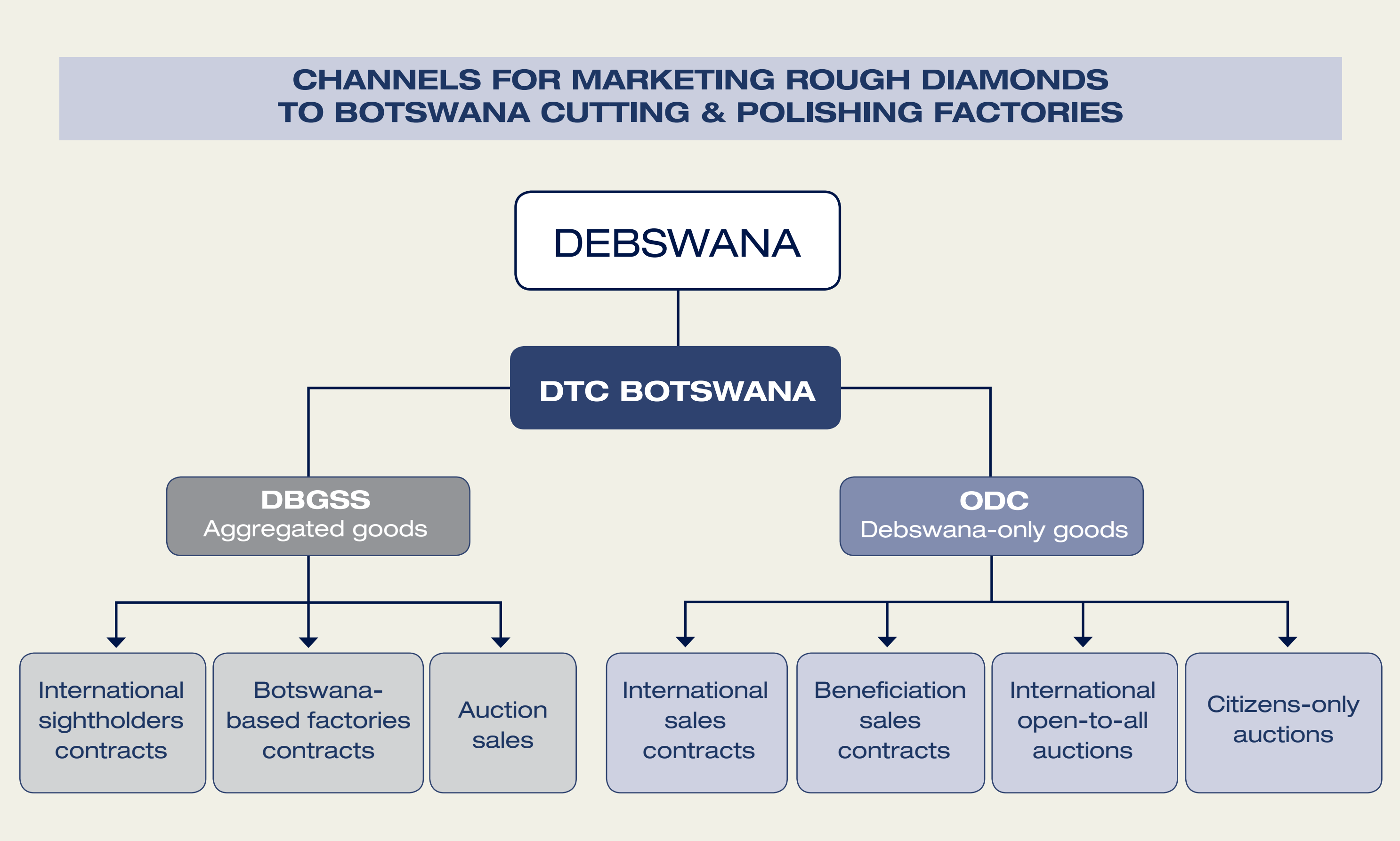
The rights of the State as protected in law and based on agreements between itself and mining companies are not an end in themselves. On the contrary, the rights are a first step towards leveraging its position to maximize natural resources value. Therefore, ultimately, it is how the State uses opportunities presented by such arrangements that determines whether operations of State owned enterprise (SOEs) deliver value. In the case of Botswana diamonds, the performance of the diamond trading SOE with production sharing rights for Debswana diamonds should ideally be assessed on its ability to pass this test based on proof of commercial viability, among others. Such a yardstick goes to the core of the value proposition of this and other SOEs in extractives.

So, while President Boko's statements of 17/07/25 were interesting, they also provoked thought for what they did not allude to. *https://youtube/o3tRgVPbn0I?si=EPRmECqNZ7ZLZlqc*. The speech-writer appears to have overlooked a major factor relating to the sale of Debswana diamonds. That is, the production is not only sold by De Beers but by the State's own company Okavango Diamond Company (ODC). At 30% share of Debswana production and increasing to 50% by 2033, ODC's performance is an integral part of the stability of Botswana and global diamond industry. However, in bemoaning low sales by De Beers which accounts for the balance Debswana diamonds, the President omitted to apprise the public of performance on the part of the SOE. *But why is this significant and why is the omission noteworthy?* There are several reasons but perhaps the most important is ODC's description of itself in which the company acknowledges the significance of its share of Debswana production in volume and value of sales.

As of September 2025, the statement on the website reads, *'with access to 30% of Debswana's run-of-mine production, ODC is an important supplier to the market with sales in the region of **$500 million per annum**.'* https://www.odc.co.bw/about. ODC quite rightly reminds the reader that, like De Beers, the company is an important player in the rough diamond market and a valuable contributor to national coffers. But while the two companies are similar they also differ in a number of ways. Firstly, a look at other similarities.

Both companies are clients of Debswana, and their sales performance impacts the financial performance and revenue flows from Debswana to its shareholders. The Government of Botswana is a shareholder in both companies with 100% equity in ODC and 15% in De Beers Group. The manner in which the two sell Debswana diamonds is also similar because though ODC originally only sold through auctions and this method remains the company's mainstay, since 2024, the company has committed to three sales channels. Namely (1) international auctions open to all, (2) auctions that are only open to citizen buyers and (3) contracts the conditions of which are yet to be publicized and operationalized. *https://www.odc.co.bw/#customer*. For its part, De Beers's mainstay are two-year contracts with clients known as sightholders. But the company occasionally auctions a small portion for market intelligence. Under normal rough diamond market conditions, Debswana sells to the two clients every six weeks. However, as was the case during the 1983 and 2009, rough diamond market depression, the last 3 years have once again disrupted of the sales cycle, volume, and value. The overlap between the business of the two companies comes from the fact that, given that clients of De Beers dominate the cutting and polishing industry and are some of the few investors with the financial muscle to absorb ODC volumes, it is reasonable to assume that not only will these companies dominate ODC international auctions, but they will also likely dominate the sales contracts.

Sheila Khama has been a non-executive director of FTSE, NASDAQ, ASX, and Saudi Stock Exchange listed companies, a policy advisor, podcast host, and an associate fellow of Chatham House. She is former CEO of De Beers Botswana, a former NED on boards of Debswana and DTC Botswana and former Compliance Officer of Anglo American Corporation Botswana. **www.sheilakhama.com/Podcast**



The differences between the two companies are more extensive and material starting with any obligation to contribute towards Botswana's beneficiation goal. Contractually and policy wise, ODC is not obliged to sell to Botswana based cutting and polishing factories. This is inconsistent with Botswana's goal. Botswana Minerals Policy 2022 | BGI para 3.5. So departed was ODC's marketing strategy from Botswana's policy that on March 15, 2022, (the same year that the policy was approved), a Memorandum of Understanding (MoU) between ODC and the Dubai Multi Commodities Centre (DMCC) was signed to use the Emirati trading platform to auction Debswana diamonds. (DMCC Signs MoU with Botswana's Okavango Diamond Company to Support Development of the Industry). Regardless of where the sales take place however, there is no requirement for purchases made through international auctions or from those set aside for citizens only to be cut and polished in Botswana. ODC clients are at liberty to export goods to be cut and polished at destinations of their choice. For its part, since 2006, the terms of the sales agreement with Debswana De Beers is required to supply some of the company's clients with additional goods that must be cut and polished in Botswana. **From 2023, the annual value of such goods rose from US$950m to US$1b annually**. As stated earlier, De Beers also auctions insignificant quantities to assess the market.

One must ask, *why not require ODC to supply Botswana based cutting and polishing factories especially as supply to De Beers decreases?* Quite apart from the obvious increase in economic deliverables, such a decision matters because an important difference between ODC and De Beers is the source of diamonds for the two companies. ODC only buys and sells diamonds from Debswana while the De Beers sells diamonds that are a mix of stocks it buys from Debswana, Namdeb in Namibia and produces from its mines in Canada, and South Africa. What this means is that ODC's potentially unique value proposition is that the diamonds are exclusively from Botswana. But there is a catch, and it is the fact that marketing is costly.

Sheila Khama has been a non-executive director of FTSE, NASDAQ, ASX, and Saudi Stock Exchange listed companies, a policy advisor, podcast host, and an associate fellow of Chatham House. She is former CEO of De Beers Botswana, a former NED on boards of Debswana and DTC Botswana and former Compliance Officer of Anglo American Corporation Botswana. www.sheilakhama.com/Podcast

Reports show that in the late 1990s, De Beers' advertising campaign cost the company and its partners about US$250million annually. But for those who may question the value of advertising, apparently it is also essential to increase demand. For instance, in 2002 the United States Geological Survey (USGS) estimated that in US market the price of diamonds had grown by 26%, in comparison to emeralds at 11%, and compared to a 26% drop for sapphires. At the time, the market for diamonds had grown by 62% in comparison to other gems, which had only grown by as little as 25%. The USGS attributes this growth in demand and price to the '*A Diamond Is Forever*' marketing campaign by De Beers.

At this stage however, ODC does not have a global advertising campaign (budget) and enjoys a free ride from Debswana and De Beers advertising cost contributions. Another factor that separates the two is that ODC only operates in rough diamonds sales. But De Beers is a vertically integrated company with exploration, mining, sorting, valuing, distribution, and jewelry retail operations. Of importance is the fact that to sell Debswana goods, ODC depends on DTC Botswana to sort and value the goods. For its part, DTCB is heavily reliant on De Beers designed and manufactured equipment, Intellectual Property and other systems to sort and value Debswana production before the latter can sell.

But why do all these factors matter? The first and most important reason is quite simply that speaking about poor sales of Debswana diamonds through De Beers alone without reference to ODC's performance paints and incomplete picture. On the other hand, while legally and operationally the two companies are separate, based on sorting, valuing, and marketing activities of De Beers, there is a level of dependency by ODC on the other company. Hence, proper evaluation of the performance of one cannot be conducted in isolation of the other as the two companies compete on one level and collaborate on another. Importantly, reliance on De Beers for IP and technology creates some risk to companies in the value chain. For ODC this includes reliance upon De Beers Group and Debswana to advertise diamonds globally.

As with all businesses, investment in the companies has some risk associated with it. Specifically, purchases of Debswana goods requires financial resources. Because of Botswana's level of equity, the risk to the country based on ODC's financial exposure is greater and manifests in multiple ways. For instance, in case the company needs to raise finance and banks call for a guarantee, the Government steps in. Any risk of the company being unable to sell the goods or in case of lower than expected returns, the financial loss is born exclusively by Botswana Government. By contrast, as a shareholder in De Beers, the Government is not expected to fund purchases of Debswana diamonds. Importantly, once purchased from Debswana the diamonds sold to De Beers become that company's' problem and any losses in De Beers are born jointly by Botswana and Anglo American Corporation plc. This raises two important questions. Firstly, *should the Government hold its own company to a lower performance standard? Secondly whether duplication of effort and overlapping arrangements between ODC and De Beers increases the value of Debswana diamonds to Botswana or that the arrangements merely increase operating costs?*

In conclusion, it's worth noting that leveraging capabilities of other companies in which Botswana has an interest to strengthen ODC is strategically astute. However, this should be predicated upon the understanding that to reap rewards from the investments, each company must perform optimally with its own distinct value proposition and value-add. Further that tapping the resourcefulness of one company need not be done by weakening/undermining another. On the other hand, one would hope that care is taken to avoid a situation in which ODC's is shielded from open market and commercial realities. That is to say, as with De Beers, ODC must pass the test of being in the business of marketing rough diamonds. Therefore, not assessing ODC's contribution to sales of Debswana diamonds to ensure these standards are met defies logic.

Sheila Khama has been a non-executive director of FTSE, NASDAQ, ASX, and Saudi Stock Exchange listed companies, a policy advisor, podcast host, and an associate fellow of Chatham House. She is former CEO of De Beers Botswana, a former NED on boards of Debswana and DTC Botswana and former Compliance Officer of Anglo American Corporation Botswana. **www.sheilakhama.com/Podcast**

Sheila Khama has been a non-executive director of FTSE, NASDAQ, ASX, and Saudi Stock Exchange listed companies, a policy advisor, podcast host, and an associate fellow of Chatham House. She is former CEO of De Beers Botswana, a former NED on boards of Debswana and DTC Botswana, and former Compliance Officer of Anglo American Corporation Botswana.

www.sheilakhama.com/Podcast
www.sheilakhama.com/blogs@sheilakhama