



REPUBLIC OF NAMIBIA

MINISTRY OF MINES AND ENERGY

MEDIA STATEMENT

ON

**DIAMOND SORTING, VALUING, SALES AND MARKETING AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF NAMIBIA AND DE BEERS AND THE ESTABLISHMENT OF
NAMIB DESERT DIAMONDS (PTY) LTD**

NOVEMBER 18, 2016

1. Introduction and background

- 1.1 The Ministry of Mines and Energy seeks to provide clarity on recent media reports, which if not addressed will create an impression less desired of non-transparency and secrecy in the dealings of Government. The media reports relate to the Diamond Sorting, Valuing, Sales and Marketing Agreement ("the Agreement") between the Government of the Republic of Namibia and De Beers and the subsequent establishment of the wholly State-Owned Company, Namib Desert Diamonds (Pty) or in short "NAMDIA".

- 1.2 The Government of the Republic of Namibia and De Beers have been longstanding partners in the diamond industry since 1994 and are 50/50 joint venture partners in NAMDEB, which does the mining on behalf of the venture, Debmarine Namibia, which is also a 50/50 joint venture entity mining and recovering diamonds from under the sea and the Namibia Diamond Trading Company “NDTC”, which sorts and values the NAMDEB production on behalf of the venture. The old Diamond Sorting, Valuing, and Marketing Agreement between the Partners ended in 2013. This then set in motion, the negotiations mandated by Cabinet (with a Government Negotiating Team [GNT] appointed by Cabinet to negotiate with De Beers) for a new Agreement between GRN and De Beers. The negotiations were concluded and on 16 May 2016, the new Agreement between the GRN and De Beers was signed in the historic, Constitution Room. The public signing ceremony was attended by Senior Officials in Government as well as representatives from De Beers and actors from the industry. An open invitation was sent to the media and the signing ceremony was widely covered in the press by local and international media outlets, which all hailed the conclusion of the Agreement as a significant achievement for the Namibian Government.
- 1.3 The Sales and Marketing Agreement in its current form is a manifestation of over three years of negotiations, compromise and renewed hope for the Namibian Diamond Industry. It was negotiated and settled between the parties as a win-win situation that encompasses the commercial ideals of both GRN and De Beers.

2. Key features of the Agreement

- 2.1 There are two key outcomes from the Agreement:

One: The local diamond supply by the NDTC to the Namibian Diamond Cutting and Polishing industry (Sightholders) has been drastically increased from US\$230 million to US\$430 million annually. In addition to the increased local supply, the Namibian Diamond Cutting and Polishing Industry is now being offered all the special stones (diamonds having carats above 10.8) from the NDTC. The changes stated above are anticipated to have a significant positive impact on the economics of the local diamond cutting and polishing factories, thereby ensuring a sustainable and viable cutting and polishing industry for the next ten years. Other benefits include, increased sightholders and opportunities for job creation and the increased beneficiation of diamonds in Namibia. To date two factories have reopened as a direct result of the new Agreement, namely, Julius Klein Diamonds and Laurelton Diamonds.

Two: As I emphatically indicated in my budget speech before the National Assembly on March 29, 2016, the Agreement has made provision for the creation of a window on the international diamond market which window will serve to inform Government as to how much the international market is willing to pay for Namibian diamonds, in the form of the Company called Namib Desert Diamonds (Pty) Ltd (NAMDIA). Per the Agreement, NAMDIA is to receive a Purchase Entitlement from NDTC of 15% of the total NAMDEB production. The 15% Purchase Entitlement was deliberately earmarked for sale outside the traditional sales system whereby Sight-holders (diamond cutting & polishing factories in

Namibia) buy diamonds from NDTC based on the De Beers price book.

2.2 The establishment of NAMDIA is the outcome of protracted negotiations coupled with a steadfast resolve to fulfil the GNT's mandate to establish a vehicle through which to discover prices of our rough diamonds in the international market. Contrary to the purported misconceptions that NAMDIA was established as a vehicle for BEE's to sell diamonds or that it was established to sell diamonds to connected people or benefit the elites, NAMDIA was established through a Cabinet resolution aimed at achieving a Government objective of price discovery.

2.3 It is important I clarify the two main objectives of the Agreement stated above. From the vantage point of the initial objectives I see that a lot of the media are confusing the 15% window purchase entitlement on the market with the now increased local supply levels. NDTC remains the agent for supplying local cutting and polishing factories (sigh-holders). In the previous dispensation, only 10% of the so called "cuttables" (defined as diamonds that can be economically cut and polished in Namibia) have been made available for local beneficiation during the infant stages of the sector when the skills were still scarce and proficiency in diamond cutting low. That amount is now increased by some **87%** from the baseline. Now **US\$430 million (or the equivalent of N\$6.2 Billion annually or N\$62 Billion over the term of the contract)** of diamonds out of Namdeb production are now available and are being offered for sale to local manufacturers.

2.4 The key focus of the NDTC is to develop a sustainable national downstream diamond industry in Namibia. Since 2007, the sorting, valuing, and sales of Namibia's rough diamonds – as well as the

development of opportunities for value-creating and marketing initiatives appropriate for NAMDEB Holdings diamond production – have been undertaken within NDTC.

2.5 The aim is to ensure the maximum, long-term value from Namibian diamonds through world-class sorting, valuing and sales practices in Namibia. This strategy supports the development of new employment opportunities, and a broadening of the skills' base of Namibian citizens further supporting the Harambee Prosperity Plan objectives. NDTC sorts and values in excess of **1 million carats annually** using state-of-the-art sorting equipment supported by a highly skilled and experienced workforce.

3. Establishment of Namib Desert Diamonds (Pty) Ltd (NAMDIA)

3.1 The objective of NAMDIA remains that of price discovery whilst earning Government valuable revenue through taxes and dividends. The decision taken by Government to assert its sovereign rights over its mineral resources in this manner, as opposed to nationalizing mines and resources, reaffirms Namibia's position as a country that seeks to maximize the revenue and benefit from its natural resources whilst maintaining Namibia's status as an attractive and investor friendly environment.

3.2 NAMDIA was incorporated on the 18th April 2016, in terms of the Companies Act 2004, as a wholly owned State company. After the signing of the Agreement, the Parties to the Agreement resolved that the Agreement would commence 90 days after the signature date, in order to allow all the Parties to put all necessary measures in place for the implementation of the Agreement. A Government Task Team (GTT) was

established headed by the Permanent Secretary of Ministry of Mines and Energy consisting of persons from the Ministry of Mines and Energy, Office of the Attorney-General and the Bank of Namibia was tasked with facilitating the preparedness of Government in implementing the commencement of the Agreement.

- 3.3 The GTT undertook a roadshow to Antwerp (Belgium) and Dubai (United Arab Emirates) from the 23-29 July 2016 to secure clients and financiers for NAMDIA. During the roadshow, the GTT met with 20 potential clients with clients flying in from Israel and India to meet with the GTT.
- 3.4 The mandate of the GTT ceased after the Board of Directors of NAMDIA was appointed by myself as line Minister on the 2nd of August 2016. The Board was appointed after having called for CVs, consulted the Ministry of State Owned Enterprises as per new practices now and having secured the endorsement by Cabinet. To this end, I wish to dispel any such accusations that the Board appointments were influenced by business people or such appointments are intended to benefit certain individuals you design. The Board of Directors was so appointed based on their skill, knowledge, expertise as well as taking into consideration the gender representations. These are *bona fide* Namibians who are as good as any other citizen deserving to be appointed on the Board of NAMIDA.
- 3.5 The Board of Directors of NAMDIA consists of Adv. Shakespeare Masiza (Chairperson), Ms Tania Hangula (Deputy Chairperson), Mr Chris Nghaamwa, Mrs Lorenta Harases, Mr Bonny Konjore, Mr Venondjo Maharero and Mrs Florentia Amuenje. Mr. Kennedy Hamutenya, Diamond Commissioner, has been seconded from the Ministry of Mines and Energy as an interim Chief Executive Officer of NAMDIA until a substantive CEO is appointed. He has vast diamond industry knowledge

having served over 15 years as Diamond Commissioner and having served as Chairperson of Deb Marine, Chairperson of NAMGEM and Director in NAMDEB. Given all of the above, I as the line Minister, have seconded him in the acting capacity to further the objective of the Company while a permanent CEO is being appointed. The position of the CEO was recently advertised in the local newspapers together with the other key executive positions. To this end, I am informed that the appointment of the substantive CEO is expected to be made before the end of 2016.

3.6 The Minister of Mines and Energy and GTT conducted a handover workshop with the Board of Directors during the 12-13 August 2016, and thereafter officially handed over the operations of NAMDIA to the Board of Directors. The mandate of the GTT ceased at the point of handover.

3.7 Through NAMDIA, Namibia has for the first time directly solely participated in the trade of its diamonds and has created a presence in the global mid-stream market. The information obtained by NAMDIA through sales of diamonds will provide Government with pricing and market intelligence which would then support more effective diamond sector policymaking. This information will provide the Government with a greater strategic ability to shape Namibia's destiny in a rapidly changing global diamond industry that is vulnerable to depressed commodity prices, liquidity challenges and the threat posed by the growing synthetic diamond manufacturing capacity.

3.8 I am profoundly excited and proud to announce that NAMDIA successfully completed its first three sales during the period September

to November 2016 and met its sales target as set out in the NAMDIA business plan. Given that NAMDIA is engaged in the gathering of pricing and market related information, which information is commercially and competitively proprietary, the final sales margins cannot be disclosed to the public as this poses a commercial risk of competitors discovering how much NAMDIA is selling for and clients finding out how much NAMDIA has made on each sale bearing in mind that each sale is a negotiated transaction between NAMDIA and the client.

3.9 Against the background of promoting transparency and good governance in the realm of Government business, NAMDIA will disclose to the relevant public bodies and authorities all relevant information as and when such may be required. As with any other State Owned Company, NAMDIA will release its financial statements at the end of its financial year and will declare dividends to Government in accordance with operations of the business.

3.10 NAMDIA has sold and will continue selling its diamond entitlement to reputable and well established international clients through an established Selection Criteria. The NAMDIA Selection Criteria is aligned with industry best practices and international compliance requirements, this includes, money laundering, terrorism financing and any other financial offences. The Selection Criteria covers both financial and ethical standards including compliance with the Kimberly Process.

3.11 NAMDIA has, therefore, a mandate to sell to whomever in the international market with the objective of getting maximum shareholder's value, subject to thorough due diligence. NAMDIA can however not reveal the details of its clients which by any practice in

similar industry is its trade secrets and it is its protected information. It is herein categorically dismissed and denounced that NAMDIA is undervaluing its diamonds or selling them below market. Be rest assured that NAMDIA is selling its diamonds at maximum value in order to achieve its objective of price discovery and to obtain maximum revenue for Government.

3.12 NAMDIA has entered a temporary arrangement with NDTC to trade from the NDTC premises, while its office accommodation, is under construction. NAMDIA is expected to make payments to NDTC within a set timeframe and under no circumstances will NAMDIA buy on credit or sell its diamonds on credit. So far the allegations that our diamonds are traded elsewhere other in Namibia are not only false but are fertile figment of those authors imagination designed to cause maximum damage. All of Namibia's diamond trading activities without doubt take place in Namibia, with clients coming to view and buying the diamonds in Namibia.

3.13 Dubai's diamond trade was virtually non-existent not so long ago and only worth less than US\$5 million in the 1990s. In just over a decade rough diamond trading in Dubai is now worth approximately US\$13 billion in 2015. Dubai's rise as a diamond trading center has been phenomenal in terms of both rough and polished trade. Today, it is one of the top three diamond trading centers in the world alongside Antwerp (Belgium) and Surat (India) and is a major regional consumption hub for diamonds and diamond jewellery. All the largest and most renowned wholesale diamond traders in the world have trading offices in Dubai from where they conduct rough diamond trading all over the world. Dubai's major trade partners are the African producing nations, the major processing

centres in India and China and consumption hubs in Europe and the United States. Dubai's excellent logistics infrastructure and support base has placed the emirate firmly at the centre of the diamond world.

3.14 Dubai is home to the Dubai Diamond Exchange (DDE), a platform that provides a wealth of opportunities for the global diamond industry. The DDE is a Dubai Government initiative and has in a very short period of time become the hub of the region's diamond trade.

3.15 As a trade regulator and marketing platform for diamond businesses, the DDE is the only bourse in the Middle East affiliated with the World Federation of Diamond Bourses (WFDB). The DDE brings together several large-scale initiatives that complement industry requirements, such as rough and polished diamond tenders and has in a very short period of time managed to rival the traditional diamond trading centers such as New York, Surat, Antwerp and Tel Aviv. The DDE ensures its members have the confidence that they are trading only with reputable companies who adhere to its compliance guidelines and are bound by a strict code of good business practices and ethics.

3.16 The UAE Ministry of Economy, was responsible for the creation of the UAE is Kimberley Process office in 2003. As a result, the UAE was the first Arab country to introduce this process, and the Dubai Multi-Commodities Centre (DMCC) is the only entry and exit point for rough diamonds in the country. The creation of the UAE KP Office was a major milestone in Dubai's diamond trade as it transformed Dubai into a regulated diamond trading center.

3.14 Furthermore, historically, rough trading was concentrated in Antwerp, Belgium because of the city's proximity to London where the De Beers

sights were located. But since De Beers moved to Botswana in 2013, Dubai has become a more convenient destination than Antwerp. Diamond financing has also contributed to Dubai's rise as a diamond centre, banks specifically in Antwerp have exited the industry and the rough trading will follow where the financing is, currently there are three banks in Dubai that finance diamond trading.

3.15 India is the final destination for roughest diamonds to be cut and polished. Statistically, 9 out of every 11 rough diamonds mined globally today end up in India to be cut and polished, given their low cost labour. Dubai is therefore, a perfect gateway to India. Additionally, there are no corporate tax, Kimberly Process Certification compliant (Dubai is the Chair for the KPC this year) and the best infrastructure for the diamond industry to work from. The industry will continue to relocate from Belgium to Dubai and as a result more and more rough will be sold through Dubai. In summary Dubai has become the most important centre for trading rough before the diamonds finally touch down in India to be cut and polished. Rough diamond trading is now a global village and therefore there is no logic in Namibia going against the current.

4. Diamond Valuation

4.1 In terms of the Sales and Marketing Agreement, the Minister appoints on behalf of GRN a Government Diamond Valuator (GDV) from time to time. The appointment of the Government Valuator is a logical or necessary consequence of the powers which have been expressly

conferred on the Minister under section 44 and 45 of the Diamond Act, 1999. The latter read together with the Sales and Marketing Agreement restricts and ring fences the current GDV from the activities of NAMDIA given the fact that the GDV is in contact with De Beers' commercial and competitive information. Duty is thus placed upon GRN (indeed the Minister) to ensure that restrictions within the Agreement are adhered to and not violated. In view of the above and following advice from the Office of the Attorney-General, C Sixty Investments has been appointed by the Minister to exercise his functions under Section 45 of the Diamond Act, 1999

4.2 C Sixty's core business is solely to service the Diamond Industry in Namibia. C Sixty offers consulting services in the appraisal, valuing & advisory service of Diamonds. C Sixty Investments has exclusive rights to all Sarine products and services in Namibia. Sarine Technologies is recognized as the market leader in terms of innovative technological solutions that enable diamantaires as well as manufacturers, to continually reach higher levels of quality and value through its innovative valuation technology. Sarine Technology provides rough diamond traders such as NAMDIA with the means to quickly and automatically inspect, evaluate and determine the value of a rough stone by comprehensively mapping its inclusions, regardless of their type, size and location.

5. Conclusion

5.1 At this juncture and lastly, please permit me to debunk all those myths and to inform you that NAMDIA is a sovereign strategic vehicle that will be used to sell and market a strategic resource for the country. NAMDIA

is not a vehicle for self-enrichment for middle men or existing buyers of our diamonds through the De Beers sightholders system.

I thank you.



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Hon Obeth Mbuyi Kandjoze, MP
Minister of Mines and Energy