

# Botswana Struggles to Diversify Exports beyond Diamonds

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**Abstract:-** Botswana has recorded significant economic growth rates averaging approximately 9% from 1966 to 1999, and a stabilized 5% average per annum from 2010 to 2020, due to the export of diamonds which are the top exported merchandise. Its diamond mining sector contributes over 90% of the total exports and is a major source of fiscal revenue. The country's reliance on diamond earnings has hindered growth in other sectors, leading to a small private sector with poor production ties and inter-sectoral diversity. To this effect, this paper endeavors to critically analyze the challenges and opportunities for Botswana to diversify its exports beyond diamonds, considering the country's unique economic and political context. From the analysis, it is observed that the country faces an array of challenges in diversifying its exports beyond diamonds partly because of a weak private sector, limited linkages between its diamond industry and the economy, limited political commitment to innovation and research, less transparency in the management of export revenues, vulnerability of the country to external economic and financial shocks, and the emergence of lab-grown diamonds. To achieve a more sustainable economic model, Botswana should transition to a more diversified economy. In order to promote economic resilience and reduce dependence on diamonds, Botswana could lay more emphasis on transparency, local processing, fair-trade practices and strategic partnerships. Therefore, this paper on economic diversification beyond diamonds attempts to offer valuable insights into the country's economic vulnerability and proposes strategies for the policy readjustment to diversify exports beyond diamonds. Moreover, it highlights the country's heavy reliance on diamond exports, which accounts for a significant portion of its GDP and government revenue; and emphasizes on the need to address the structural challenges to spur investment in non-diamond sectors. In fact, this study contributes to resource economics by exploring the dynamics of economies relying heavily on natural resources, adding empirical evidence to the "resource curse" discourse and suggesting mechanisms, strategies and policies to reverse the situation. Thus, it therefore serves as a case study for other resource-rich countries and provides a framework for future research on economic diversification strategies.

**Keywords:-** Botswana, Diamonds, Exports, Economic Diversification, GDP.

## 1. INTRODUCTION

Botswana, a landlocked country in Southern Africa, has experienced remarkable economic growth rates since its independence in 1966, earning the World Bank's classification as an upper-middle-income country, due to well-managed policies that upheld political stability, good macroeconomic and fiscal frameworks together with the surge in diamond exports (World Bank, 2023). It has recorded significant economic growth rates averaging approximately 9% from 1966 to 1999, and a stabilized 5% average per annum from 2010 to 2020, due to the export of diamonds which are the top exported merchandise (World Bank, 2023). The country's Gross Domestic Product (GDP) was officially estimated at 42 billion US Dollars in purchasing power parity by the end of 2023 as reported by World Economics Research (n.d). According to Statistics Botswana (2024), diamonds were the top exported merchandise accounting for 81.7% of the total exported merchandise in January 2023. Moreover, diamonds continue to lead Botswana's total exported merchandise with a contribution of 68.6% as of January 2024. This indicates a decline in the exportation of diamonds, which is significant to offset the overall increase in the exportation of various commodity groups. This heavy reliance on a single commodity leaves the country vulnerable to external economic shocks and global demand fluctuations (Makoni, 2015).

Botswana faces several key challenges in diversifying its exports beyond diamonds. The economy of Botswana has been vulnerable to fluctuations in global diamond prices, posing a significant risk to sustainable economic growth. As aforementioned, the country's diamond mining sector is a major source of fiscal revenue. However, it maintains weak linkages with other sectors of the country's economy, thus, the government of Botswana has recognized the necessity to diversify its export base to reduce dependence on diamonds and promote economic resilience (World Bank, 2023). Despite the efforts to promote the non-diamond sectors such as tourism, agriculture, and manufacturing, the country continues to face challenges in effectively diversifying its export

portfolio (Besada and O'Bright, 2019). Therefore, diversifying exports is crucial for Botswana to reduce its economic vulnerability, create more job opportunities for its growing workforce, and promote sustainable development. By identifying key challenges and potential strategies, this study intends to offer insights for policymakers and stakeholders seeking to enhance Botswana's economic sustainability and diversification efforts.

Botswana, the 6th largest diamond exporter globally, has seen a significant increase in diamond exports from 2000 to 2023 (The Observatory of Economic Complexity, n.d). The country's diamond exports reached \$7.4 billion in 2021, with the main destinations being the United Arab Emirates (\$2.31 billion), Belgium (\$1.55 billion), India (\$1.27 billion), Hong Kong (\$549 million), and Israel (\$498 million). The fastest-growing export markets were the United Arab Emirates (\$375 million), Hong Kong (\$189 million), and Cambodia (\$94.3 million) (The Observatory of Economic Complexity, n.d). According to Statista (2023), the country's diamond export data, updated monthly from January 2003 to May 2024, reached an all-time high of 9,646,000 BWP mn in August 2022. In 2023, the mining and quarrying industry, including diamond production, contributed around 41 billion Botswana pula (about three billion U.S. dollars) to Botswana's GDP. Diamond traders also contributed approximately 3.7 billion Botswana pula (271 million U.S. dollars) to the country's economy (Statista, 2024). Diamond exports have been a crucial contributor to Botswana's economic growth and development over the past two decades (see appendix). As such, diamond exports are the backbone of Botswana's economy, contributing significantly to its export revenue, GDP, government income, and employment. The country's prosperity and development are largely attributed to the diamond industry (Brown, 2024).

Botswana's dominance in diamond exports is due to its substantial diamond reserves, accounting for 20% of global production (Kgi-Admin, 2024). The country has established strategic partnerships with De Beers and Debswana, allowing efficient diamond extraction and sales, thereby increasing its share of revenue (Bastmeijer, 2023). Additionally, Prosper Africa (2023) provides that Botswana's improved regulatory environment attracts foreign investment and fosters a competitive market for diamonds. Initiatives like the African Growth and Opportunity Act (AGOA) provide duty-free access to the U.S. market, further boosting the diamond trade. As a result of having diamonds as the principal export, Bastmeijer (2023) argues that Botswana's economy is vulnerable to fluctuations in global diamond prices due to its dependence on diamonds, which could impact government revenue and stability.

Moreover, despite the wealth generated from diamonds, the country faces income inequality and underdevelopment issues. The government recognizes the need for economic diversification to reduce reliance on diamonds and has committed to investing in diversifying the economy, a proactive approach to mitigating risks associated with single-export dependency (Prosper Africa, 2023). Recent agreements with De Beers demonstrate this commitment, as the deal enhances the government's share in diamond production while promoting sustainable economic growth through initiatives like agriculture and ecotourism (Schiliro, 2022).

On the contrary, Mining Technology (2024) provides that Botswana experienced a 0.32% output increase for the period 2017-2022, but is expected to experience a 0.15% Compound Annual Growth Rate (CAGR) decrease in production between 2023 and 2027. Furthermore, it is very relevant to acknowledge that no matter the good appreciation of the industry above, Botswana's mining industry has several flaws that contribute to its economic inequality and tax evasion. As argued by (Sharife, 2017), the key issues include diamonds which are undervalued when exported, leading to significant tax losses. These diamonds are then re-exported to other countries, where their value increases up to 200%. Also, corporate secrecy laws tend to prevent detailed information on diamond exports and re-exports, thus making it difficult to track the value of the diamonds and tax revenues. In addition, one of the flaws of the diamond industry of Botswana is its heavy reliance on De Beers, which finances half of the government budget, hence limiting Botswana's leverage and ability to negotiate better terms (Sharife, 2017).

Despite being one of the world's largest diamond producers, Botswana is one of the most unequal countries with a significant wealth gap between the rich and the poor, and the limited local processing and trade through tax havens and freeports reduce Botswana's tax revenues. These flaws highlight the need for more transparency, local processing, and fair-trade practices to ensure that Botswana's diamond industry benefits the country and its people more equitably. This paper therefore aims to critically analyze the challenges and opportunities for Botswana to diversify its exports beyond diamonds, considering the country's unique economic and political context. As such, section 2 will examine the challenges of exports diversification; section 3 discusses some strategies for export diversification and highlights potential opportunities for future growth; and section 4 concludes and formulates some public policy recommendations.

## II. CHALLENGES OF EXPORTS DIVERSIFICATION

Over the past decade, it was observed that Botswana's exports have remained the same. This is accounted for by many and varied factors. The most crucial ones are explained in this Section.

### A. *Weak Linkages Between the Dominant Extractive Sector and the Rest of the Economy*

One of the biggest obstacles to Botswana's export diversification is the country's limited connections with the outside world, which stem from its dominant diamond industry. Even though it produces many diamonds, Botswana has had trouble using this industry to drive wider economic expansion. The nation's strong reliance on diamond earnings has impeded the growth of other sectors of the economy, resulting in a small and insufficient private sector with poor production ties and inter-sectoral diversity (Meijia, 2012). Furthermore, the nonexistence of strong connections between the diamond sector and other industries limits the spillover effects and synergies that could drive economic diversification, hence Botswana's narrow and shallow private sector with limited inter-sectoral diversity.

The United Nations (2023) policy review titled "Science, Technology, and Innovation Policy Review: Botswana" argues that this situation is exacerbated by the limited integration of the diamond sector with the broader economy, resulting in a high dependency on diamond revenues and a narrow economic base. As a result, efforts to diversify the economy face challenges in breaking away from the dominance of the diamond sector and creating a more balanced and resilient economic structure. Additionally, The Economist Group (2024) provides that the government has pursued market-oriented economic policies to support economic growth and diversify away from diamond mining. However, in recent years, the focus has been on improving the business environment, upgrading infrastructure, and efficient border management to access regional markets. Unfortunately, there seems to be a proliferation of fragmented and uncoordinated policies, raising the question of whether or not the strategies in place are with or without adequate implementation programs and mechanisms. In essence, the weak linkages between Botswana's diamond sector and the rest of the economy impede the country's ability to diversify its exports and reduce its dependency on diamond revenues. Addressing these linkages and fostering stronger connections between sectors are crucial steps towards achieving a more diversified and sustainable economic model in Botswana.

### B. *High Unemployment and Inequality*

According to Diketso (2024), high unemployment, particularly among the youth, and persistent inequality represent significant challenges for Botswana in diversifying its exports beyond the dominant diamond sector. Despite the

country's historic impressive economic growth and stability from diamond revenues, it continues to grapple with the pressing issues of unemployment and inequality, as Botswana's heavy reliance on diamond exports has contributed to a narrow economic base and limited job creation. Diketso (2024) further argues that while contributing substantially to GDP, government revenues, and export earnings, the mining sector has not been able to generate sufficient employment opportunities to address the high unemployment rates.

The unemployment rate in Botswana has been persistently high, reaching nearly 26% in 2020, with youth unemployment posing a critical challenge (Schiliro, 2022). The lack of diversification in exports has exacerbated the problem, as the traditional exports, such as diamonds and copper are not labor-intensive as emphasized by Siphambe (2007). Moreover, despite historically declining inequality, Botswana remains one of the world's most unequal countries, with a Gini index estimated at 53.3% (Schiliro, 2022). Consequently, the country's pockets of widespread poverty and low social inclusion underscore the need for a more diversified economy that creates opportunities for all segments of the population. To overcome these obstacles, Botswana must transition to a more diversified economy that supports the growth of the private sector, innovation, and an economy that improves digital capabilities. Export diversification can contribute to the reduction of inequality and the creation of more job possibilities in industries like manufacturing, tourism, and agriculture (Diketso, 2024). Driving this shift toward a more robust and inclusive economic model would require concerted efforts by the government and organizations such as the Bank of Botswana.

### C. *Passive Political Commitment to Supporting Innovation and Research & Development*

Passive political commitment, especially with regard to supporting innovation, research, and development is one of the major contributing factors to Botswana's challenges in economic diversification. According to Gwebu (2008), this passive approach from the political leadership has hindered the country's ability to foster a more diverse and innovative economy.

Overall, the lack of an active civil society and a passive political culture contribute to the limited engagement and progress in diversification efforts, resulting in an environment that constrains the development of a more dynamic and innovative private sector (Bertelsmann Stiftung, 2024). As a result, Botswana ought to show a greater dedication to innovation, research, and development in order to overcome this difficulty. It also has to build cooperative partnerships with foreign organizations that may offer knowledge and technical assistance in these fields (Gwebu, 2008). Moreover, to advance the diversification agenda and foster an atmosphere that encourages innovation and economic transformation,

political leadership that is more proactive and bipartisan is essential.

#### *D. Limited Competitiveness and Productivity*

Limited competitiveness and productivity constitute a major challenge faced by Botswana in diversifying its exports beyond the dominant diamond sector. This challenge is evident in several aspects, for instance, Botswana's manufacturing sector has suffered job losses and the construction sector has stagnated, limiting opportunities for skilled workers (International Finance Corporation, 2022). The country faces competitiveness gaps in skills, ICT adoption, product markets, business dynamism, and infrastructure. Despite high entrepreneurship potential, it struggles with limited access to risk capital, technology, innovation, internationalization, and start-up skills. The undiversified export base, with diamonds accounting for 90%, results in low productivity and limited job creation (International Finance Corporation, 2022).

The country's Small, Medium, and Micro Enterprises (SMMEs) face challenges like market access, low productivity, and competitiveness, hindering their expansion and negatively impacting export performance (Molefe, 2020). Addressing knowledge, internal resources, as well as procedural, and exogenous barriers could improve their productivity and competitiveness in domestic and international markets. Essentially, International Finance Corporation (2022) provides that the weak competitiveness and low productivity in Botswana pose a major challenge to diversifying its exports. Addressing these issues requires enhancing skills, adopting and adapting technology, improving infrastructure, fostering innovation, and creating a more conducive environment for businesses to thrive in the local and global markets.

#### *E. The Partial Dutch-Disease Effect*

Botswana's natural resource wealth proves to have failed in leading expected economic growth and development as well as export diversification due to a factor known as the "Dutch Disease". According to the African Development Bank (2007), this is a syndrome of increasing real exchange rates and wages driving out pre-existing export and import-competing industries. Due to its overreliance on diamond exports, Botswana is most affected by the partial Dutch Disease. A study by Barczikay et al. (2020), titled "*An Investigation of a Partial Dutch Disease in Botswana*" emphasizes some important factors that contribute to the partial Dutch Disease in Botswana. They are inclusive of the following:

##### ➤ *Resource Dependency:*

Due to its substantial natural richness, especially in diamonds, Botswana is heavily dependent on exporting its diamonds, which leaves it open to the negative economic effects of changes in the price of diamonds;

##### ➤ *Real Exchange Rate Appreciation:*

According to the study, the Botswana Pula (BWP) has appreciated significantly against the South African Rand (ZAR) and the Namibian Dollar (NAD) as a result of diamond exports, placing the country's manufacturers at a severe competitive disadvantage;

##### ➤ *Trading Relations:*

The country's trade relations within the Southern African Customs Union (SACU) are notably skewed, with significant imports from South Africa and Namibia, as well as minimal engagement with small economy SACU members. Moreover, Botswana relies on SACU revenue which constitutes about 15% of its total government revenue, which hampers its ability to diversify and invest adequately in other sectors like agriculture and manufacturing;

##### ➤ *Import Dependency:*

Due to Botswana's reliance on South African imports through the SACU, the nation is overly dependent on this arrangement, which is detrimental to the growth of its manufacturing sector and exports diversification;

##### ➤ *Government Policies:*

The report also addresses the measures taken by the Botswana government in terms of policy reforms to address issues with diversification that are related to competitiveness, demonstrating the government's awareness of the difficulties brought on by the partial Dutch disease.

#### *F. Lab-grown Diamonds*

The introduction of lab-grown diamonds poses a threat to Botswana's economic structure because it creates competition that undercuts the country's traditional diamond market. The global diamond market has been impacted by the rise of synthetic alternatives, which are often seen as less prestigious and valuable economically than natural diamonds (Memme, 2023). However, this perception is changing, especially among younger consumers who place a higher value on ethical sourcing and sustainability. Additionally, as the public becomes more aware of lab-grown diamonds, the market will likely come to accept them as more readily accessible than natural diamonds, which could worsen Botswana's already-existing export diversification problems (Besada & O'Bright, 2019).

Furthermore, the pricing dynamics in the diamond market are changing. Low global prices for polished diamonds have made it difficult for Botswana to promote its polished diamond exports, especially as lab-grown diamonds can be produced at lower costs (Besada & O'Bright, 2019). The price volatility associated with natural diamonds, exacerbated by global economic fluctuations, further complicates Botswana's reliance on this sector (Brou et al., 2020). Botswana's economy could become unstable due to the entry of high-quality synthetic diamonds, especially from Chinese



producers, as future gemstones values are unpredictable (Besada & O'Bright, 2019). Botswana's efforts to diversify its economy have not been very successful; the country's government has made efforts to explore other resources, like coal and other minerals, but the diamond industry still holds a dominant position (Tautsagae, 2024). Because the increase triggered by diamond earnings has not translated into wider economic stability, the reliance on diamonds has not only hindered diversification but also prevented sustained economic progress. The increasing prevalence of lab-grown diamonds could further entrench this mono-dependence, making it imperative for Botswana to accelerate its diversification strategies to mitigate the risks posed by synthetic alternatives. Infact, lab-grown diamonds challenge Botswana's export diversification by threatening the economic foundations built on natural diamond exports. As consumer perceptions shift and market dynamics evolve, Botswana must navigate these changes to foster a more resilient and diversified economy.

The above factors have accumulated over the past decades to aggravate Botswana's partial Dutch disease phenomenon, which adversely affects the country's manufacturing sector, economic diversification, and competitiveness.

### III. STRATEGIES FOR EXPORT DIVERSIFICATION

Since independence, Botswana has been able to share in its enormous diamond reserves on an equal footing with the mining giant De Beers, investing the profits in infrastructure, health care, and education. The nation has saved enough resources and built up substantial foreign exchange reserves to cover the world's low demand for diamonds. But prior to independence, there was no manufacturing industry, and none has subsequently developed.

According to Patel (2020), the value-added of manufacturing to GDP is 5.2%, and neither manufacturing nor agriculture has seen any notable advances in productivity. There are not many jobs in the mining industry, and its connections to the economy are minimal. With a GINI value of 0.53, Botswana is among the nations with the highest levels of inequality worldwide, thus it can be referred to as a progress without development. Without further ado, below is a discussion of some strategies that were implemented or adjusted by the government to promote Botswana's exports.

#### A. Launching a New Export Strategy

According to The Commonwealth (2019), Botswana launched its new five-year export strategy (2019-2024) with support from the Commonwealth, aimed at achieving dynamic and sustainable economic growth through increased exports, diversified products, and job creation. The strategy focuses on seven priority sectors: leather and leather products, garments

and textiles, arts and crafts, jewelry and semi-precious stones, meat and meat products, light manufacturing, and indigenous products. Moreover, it is expected to increase Botswana's exports, diversify its export products, create at least 3,000 new jobs, and contribute to the achievement of the UN Sustainable Development Goals (SDGs). Prior to the new strategy, exports from priority sectors grew from P31.8 Billion in 2010 to P80.5 Billion (roughly £5.6 billion) in 2016 (The Commonwealth, 2019). However, diamonds accounted for 88% of the 2016 export figures, highlighting the need for export diversification (The Commonwealth, 2019). The Commonwealth provided technical support in developing the strategy and aligning it with Botswana's long-term national development plan (NDP11) and Vision 2036 to achieve high-income status by 2036. Additionally, The Commonwealth also helped Botswana launch its National Export Strategy in May 2019 (The Commonwealth, 2019). The strategy's success will be measured by its ability to reduce Botswana's reliance on diamond exports and expand its export base in the coming years.

#### B. Joining Trade Agreements

The World Bank Group (2022) provides that Botswana's economy has long been heavily reliant on diamond exports, which accounted for over 85% of its total exports as of 2021. This dependence poses significant risks, particularly as the global diamond market faces challenges such as increased costs and competition from synthetic diamonds. Consequently, Botswana has recognized the urgent need to diversify its export base to ensure sustainable economic growth and reduce vulnerability to market fluctuations (World Bank Group, 2022). Therefore, Botswana's strategy for diversifying its exports involves leveraging its membership in various regional trade agreements, including Southern African Development Community (SADC), Southern African Customs Union (SACU), and the African Continental Free Trade Area (AfCFTA) (Botswana Investment & Trade Center, 2020). These agreements as stated by Botswana Investment & Trade Center (2020) are seen as vital for fostering regional integration and developing value chains in sectors such as tourism, energy, and livestock. By acting as a hub for these markets, Botswana aims to create jobs and stimulate income growth within communities. Botswana has made significant progress in diversifying its economy, but challenges persist due to the "Dutch Disease" phenomenon, where mineral exports adversely affect growth in non-mineral tradable sectors (Botswana Investment & Trade Center, 2020). Despite diversification into services, much growth has been in domestic non-tradable sectors. To address this challenge, Schiliro (2022) states that Botswana should focus on enhancing private sector development, promoting entrepreneurship and innovation in digital technologies and manufacturing, and developing non-diamond exports. However, these sectors have seen slow growth, requiring targeted support and investment. Additionally, the government is addressing infrastructure and skills gaps to boost

productivity and competitiveness in various sectors. These efforts aim to create a business-friendly environment and enhance workforce skills.

### *C. Developing the Exporter Development Program*

The Botswana Exporter Development Program (BEDP) has played a crucial role in enhancing the country's export capabilities and diversifying its economy beyond diamonds. Launched in June 2018, the BEDP aims to build the capacity of both potential and existing exporters, facilitating their entry into international markets and improving their competitiveness (Botswana Investment & Trade Center, 2020). According to the University of Botswana (n.d-b), the BEDP is a government initiative that aims to boost exports in Botswana, and it provides targeted interventions to enhance exporters' skills and knowledge, including training workshops. The BEDP also promotes market expansion by linking exporters to new clients and markets, reducing Botswana's reliance on diamond exports. The program targets various sectors, such as textiles, meat processing, and arts and culture, to diversify the export base and ensure economic resilience. Moreover, it fosters collaboration between businesses and institutions, creating a network that supports exporters, and aligns with Botswana's broader economic goals, such as the Vision 2036 initiative for a high-income, export-led economy (University of Botswana, n.d-b). By focusing on sustainable and inclusive growth, the BEDP contributes to the country's long-term economic strategy.

The Botswana Exporter Development Program faces several challenges in improving exports and diversifying the economy. These include domestic constraints, trade-specific issues, and broader economic factors as provided by Botswana Investment & Trade Center (2020). Domestic constraints include high production costs, regulatory barriers, and a limited skilled workforce. Trade-specific issues include non-tariff barriers, infrastructure limitations, and bilateral trade challenges. Non-tariff barriers such as customs clearance delays and container inspection issues, lead to increased costs and delays in exporting. Insufficient road and water infrastructure also pose challenges for efficient logistics and supply chain management, and border operations issues such as lack of 24-hour border posts and inefficient customs processes, complicate trade and deter potential exporters from engaging in international markets (World Bank Group, 2022). Broader economic factors include limited access to trade finance, slow decision-making processes, and economic dependence on diamonds. These factors hinder exporters' ability to invest in production capacity and market expansion. Also, diversification efforts face resistance due to entrenched interests in the diamond sector (Schiliro, 2022).

### *D. Special Economic Zones*

On another note, Botswana's post-pandemic economic recovery strategy includes the creation of Special Economic Zones (SEZs) to promote foreign direct investment. The Special Economic Zones Authority (SEZA) was established in 2015 to oversee the development of these zones, which are crucial due to the country's economic shrinkage during the pandemic (Trade Forward Southern Africa, 2022). The Economic Recovery and Transformation Plan, valued at BWP 14.5 billion (about \$1.1 billion), aims to enhance export-led growth, privatization, private sector role, efficiency, and research and innovation capabilities. As such, nine SEZs are under planning, with four being priority zones. Botswana's Vision 2036 identifies mining, education, agriculture, ICT, health, automotive, cargo, freight, logistics, manufacturing, infrastructure, and financial services as development drivers. According to Trade Forward Southern Africa (2022), the country's main SEZ, situated next to Sir Seretse Khama International Airport in the capital city Gaborone, aims to develop into an international diamond center and mixed-use zone.

The government of Botswana (n.d) argues that Botswana's development frameworks, driven by the 2030 Agenda for Sustainable Development, include Vision 2036, National Development Plan 11, and District and Urban Development Plans. These aim to diversify economic growth, human capital development, social development, sustainable resource use, and efficient monitoring and evaluation systems, with the theme "Inclusive Growth for Sustainable Employment Creation and Poverty Eradication." However, the question remains as to why the reality of Botswana's efforts fails at meeting its aspirations in terms of industrial development, given the long-term patterns indicating that mining income is declining.

### *E. Economic Collaborations*

The country's commitment to diversifying its economy is also reflected in its collaboration with the European Union (EU) to drive economic diversification. In October 2023, the first-ever EU-Botswana Business Forum (EBBF) took place in Gaborone, with the agenda centering around five key industries that Botswana is eager to develop further: mining beneficiation, healthcare, ICT, financial and business services, and manufacturing (NABC, 2023). The European Union's Cooperation with Botswana is aimed to foster private sector development, reduce dependence on minerals, promote trade and investments, support the digital transition and skills development, and encourage Corporate Social Responsibility (European Commission, n.d). In addition, The World Bank (2023) substantiates that Botswana's economic diversification is also supported by international organizations like the World Bank, which emphasizes the need to improve the efficiency of public spending, reorient expenditures toward investment and human capital, and expand the modest private sector to raise productivity, create jobs, and diversify the economy.

To diversify its exports beyond diamonds, Botswana has several potential opportunities as indicated below:

➤ *Mineral Beneficiation:*

Botswana aims to add more value to its abundant mineral resources beyond diamonds by implementing economic diversification strategies, supporting local projects, and providing tax incentives. This includes exploring opportunities in precious and base metals like copper, platinum group elements, gold, nickel, iron, and rare earths (EU-Botswana Business Forum, 2023);

➤ *Entrepreneurship Development:*

According to Van Der Weijden (2015), initiatives like the Tokafala program, a public-private partnership between the Government of Botswana and leading diamond companies are helping entrepreneurs develop vital business skills, and grow sustainable businesses. Supporting small businesses can drive economic diversification, enforce production, create more employment opportunities, and raise incomes.

➤ *Agriculture and Tourism:*

As argued by Graff (2024), Botswana is exploring agriculture, particularly crops like moringa, and expanding tourism with a sustainable focus such as ecotourism in areas like the Okavango Delta. Agriculture and tourism present avenues for diversification and economic growth beyond diamonds;

➤ *Investment in Downstream Activities:*

Investment in downstream activities offers significant opportunities for diversification in Botswana. By tapping into downstream sectors related to mining and other industries, Botswana can enhance its economic diversification efforts (Schiliro, 2022);

➤ *Exporting and Investing in Minerals:*

Botswana's mineral brilliance offers opportunities for exporting and investing in other minerals. The country's regulatory and policy environment improvements make it attractive for foreign investment, presenting avenues for diversification beyond diamond exports (Prosper Africa, 2023);

➤ *Sectoral Collaborations:*

Botswana could benchmark from and collaborate with Chile for the purposes of knowledge transfer. As such, collaborating with Chilean mining firms can facilitate technology transfer and skills development in areas like exploration, processing, and sustainable mining practices, aligning with global trends towards green technologies. Moreover, Chile's experience in various minerals such as copper and lithium could guide Botswana in exploring and developing its own non-diamond mineral resources, including uranium and coal. Moreover, learning from Chile's successful mining infrastructure could enhance Botswana's transport and

logistics systems, benefiting other sectors of its economy (Botswana Investment and Trade Center, 2020).

#### IV. CONCLUSION AND PUBLIC POLICY RECOMMENDATIONS

In conclusion, Botswana's challenge of diversifying its exports beyond diamonds remains a complex and multifaceted issue. The country's heavy reliance on diamond exports has left its economy vulnerable to fluctuations in diamond prices, as evidenced by the recent decline in revenue. While efforts have been made to promote other sectors of the economy, progress is slow due to various factors such as the weak linkages between the diamond sector and the rest of the economy, high unemployment and inequality, passive political commitment to research and development, and the Dutch disease.

Additionally, the government's policies and interventions have not always been successful in achieving the desired outcome. To move forward, policymakers in Botswana will need to focus on implementing more targeted strategies, fostering innovation and entrepreneurship, and strengthening partnerships with the private sector to effectively diversify the country's export base and promote sustainable economic growth. By addressing these challenges, Botswana can mitigate its overreliance on diamonds and build a more resilient and diversified economy for the future.

Based on these potential opportunities, some key recommendations for Botswana to diversify its exports beyond diamonds include but not limited to the following:

Implementation of Supply-Side Structural reforms as recommended by the International Monetary Fund (IMF) to support economic diversification and increase the relative size of the private sector. The IMF suggests that enhancing economic growth, reducing unemployment, and enhancing global resilience can be achieved through policy changes in parastatal reform, trade facilitation, climate-resilient infrastructure investment, and targeted assistance for export-oriented industries. It is also crucial for the government of Botswana to prioritize policy reforms in key areas such as trade facilitation and integration, parastatal reform, more efficient and climate-resilient infrastructure investment, and targeted support for high-productivity, export-oriented sectors as suggested by the IMF;

Furthermore, the government ought to invest in infrastructure development to improve transportation networks and access to ports. Additionally, vocational training programs should be reinforced to increase the pool of skilled workers available for non-diamond sectors such as agriculture and tourism. One important suggestion is the enhancement of access to financial resources for local business businesses to help stimulate entrepreneurship and innovation in new export

markets. As such, Botswana can pave the way for a more diversified economy that is less reliant on diamond exports. This complex approach will not only help mitigate the risks associated with a single commodity-dependent economy but also foster long-term economic growth and stability in the country;

Additionally, with lab-grown diamonds and other minerals like gold causing a shift in consumer preferences on the global market, the government of Botswana needs to be critical with marketing its natural diamonds by leveraging unique origin stories, strengthening partnerships with organizations like the Natural Diamond Council to increase global awareness and consumer confidence in Botswana diamonds, diversifying marketing channels through digital platforms and social media to reach more consumers, highlighting the emotional and cultural significance of natural diamonds as well as developing value-added products such as encouraging local cutting and polishing to create a jewelry industry that adds value to raw diamonds, fostering job creation and economic diversification;

Last but not least, to diversify exports beyond diamonds, the government can learn from Chile's successful strategies in export diversification. The paper suggests investing in human capital, such as education and vocational training, and supporting SMEs through financial support and market access initiatives, similar to Chile's approach, to aid Botswana's export diversification.

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## APPENDICES

**APPENDIX 1:** The Trend of Diamonds Exports from 2000 - 2023 in Botswana

