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Thesis Title: The Impact of Diamond Production on the Living Standards in Botswana

It is generally argued that resource abundant countries are likely to have slow economic growth due to the resource curse caused by mismanagement of resources, poor governance, and effect of Dutch disease. While many resource rich countries in Africa suffered from the resource curse, Botswana has been celebrated for her good management of natural resources. Botswana experienced a rapid economic growth by utilizing abundant resources of diamond; however, the empirical evidence that examined its impact on household-level is missing.

Given these facts, this study examines the impact of diamond production on the living standards in Botswana. It discusses how the mineral rents from the diamond affected the living standard at micro-level. This study compares living standards of households in diamond districts with those in non-diamond mining districts.

The data used in this study is pooled cross section micro level data from Botswana Population and Housing Census 1981, 1991, 2001 and 2011. Micro data was aggregated to observe the trends of living standards at national level from 1981 to 2011. For the estimation of regression model at micro-level, the impact of hypothetical diamond production on living standards was empirically tested.

General trends show that the living standards have been improving significantly. At national level, access to electricity and water improved, child mortality rate declined, and the years of schooling increased. The regression results suggest that the production of diamond does not significantly affect the living standards of people only in diamond mining districts. However, the living standards improved at national level. Production of diamond has a positive impact on education of children, and this finding is commendable for Botswana. It is also implied that there is a redistribution of resources with good policies in Botswana, which is uncommon in resource abundant countries.

