

# Analyzing the Economic Impact of Botswana's SEZ Policy on National Growth: A Systematic Review

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## Abstract

Botswana has traditionally relied on its mining sector, particularly diamond exports, as the primary driver of economic growth. However, this reliance exposes the country to risks associated with global commodity price volatility and resource depletion. To mitigate these challenges and promote economic diversification, the government introduced a Special Economic Zones (SEZ) policy. This study systematically reviews the economic impact of Botswana's SEZs on key national indicators, including foreign direct investment (FDI), employment generation, industrial output, and GDP growth. Using the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework, the study synthesizes empirical and theoretical literature from 2000 to 2023. Findings indicate that Botswana's SEZs, such as those in Selibe-Phikwe, Pandamatenga, and Lobatse, contribute positively to investment attraction, industrial diversification, and employment creation. However, challenges such as infrastructure deficits, regulatory inefficiencies, and limited regional integration hinder their full potential. Comparative analyses with SEZ models from China, Poland, and Ethiopia highlight critical success factors, including investor-friendly policies, streamlined regulations, and strong global value chain integration. Despite limitations related to data availability and publication bias, this study provides valuable insights for policymakers on optimizing SEZ strategies to enhance Botswana's economic growth.

## Keywords

Special Economic Zones (SEZs), Botswana, Economic Growth, Foreign Direct Investment, Industrial Diversification, Systematic Review, Economic Policy, Employment Generation, GDP Growth

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## 1. Introduction

Botswana has traditionally relied on its mining sector, especially diamond exports, as the primary driver of its economy. While this reliance has fueled substantial economic growth, it also exposes the country to the volatility of global commodity prices and resource depletion. To reduce these risks and promote economic diversification, the government introduced a Special Economic Zones (SEZ) policy. This initiative aims to attract foreign investment and stimulate growth in non-mining sectors such as metal beneficiation, agro-processing, and pharmaceuticals, which aligns with Botswana's Vision 2036 strategy for achieving a high-income, diversified economy (Government of Botswana, 2016).

SEZs are geographically defined areas offering economic incentives and regulatory support to stimulate investment and industrial activity. Globally, SEZs have been adopted by various countries as effective tools for economic transformation. For instance, China's Shenzhen SEZ, established in 1980, turned a small fishing village into a global technology hub (Zeng, 2010), while Poland's SEZs have supported industrial growth, creating thousands of jobs and boosting regional development (Farole & Akinci, 2011). In Africa, countries such as Ethiopia and Kenya have utilized SEZs to spur export-oriented manufacturing and create employment opportunities (World Bank, 2020). Botswana's SEZs, such as those in Selibe-Phikwe, Pandamatenga, and Lobatse, are tailored to leverage regional strengths, focusing on sectors like agribusiness and leather manufacturing (SEZA, 2023). These zones aim to foster economic diversification, create jobs, and attract domestic and foreign investment.

Botswana can draw valuable lessons from these international examples. Ethiopia's success with the Hawassa Industrial Park, which specializes in textile manufacturing, shows the importance of aligning SEZ policies with global supply chains and providing investor-friendly incentives (World Bank, 2020). Similarly, Botswana's SEZs can benefit from streamlined regulatory processes and enhanced infrastructure, as exemplified by China's Shenzhen SEZ (Zeng, 2010). However, Botswana faces challenges such as infrastructure gaps, regional integration issues, and a need for stronger investor confidence to fully capitalize on the potential of SEZs (UNCTAD, 2022).

A systematic review of global SEZ practices reveals that countries with successful SEZ models often integrate these zones into broader regional development plans. For example, Poland's SEZs have contributed significantly to regional development by offering tax incentives, investment grants, and modern infrastructure (Farole & Akinci, 2011). Similarly, Mexico's Maquiladora program, which evolved into SEZs, has attracted significant foreign direct investment (FDI), particularly in the electronics and automotive sectors (FIAS, 2008). Botswana's SEZs, located near key trade corridors like the Southern African Development Community (SADC) market, also have the potential to capitalize on regional integration to stimulate growth.

Despite the potential, Botswana's SEZs must overcome challenges such as in-

infrastructure deficits and bureaucratic inefficiencies. However, the country's stable political environment and strategic location within SADC offer significant opportunities for growth. By aligning SEZ policies with global best practices and focusing on sectors like renewable energy and value-added manufacturing, Botswana can enhance the competitiveness of its SEZs. Collaboration with international partners will further strengthen the effectiveness of these zones (SEZA, 2023).

Despite the potential of Botswana's SEZ policy, its economic impact remains insufficiently researched. There is limited empirical evidence on how SEZs contribute to GDP growth, job creation, and export diversification. This lack of research creates a significant knowledge gap, hindering the understanding of the policy's effectiveness (UNCTAD, 2022).

Challenges such as inadequate infrastructure, regulatory inefficiencies, and competition from regional SEZs complicate the achievement of SEZ objectives. For example, the Selibe-Phikwe SEZ, aimed at supporting metal beneficiation and agro-processing, has struggled due to infrastructure deficiencies like unreliable power and poor transport networks. Similarly, the Pandamatenga SEZ, which focuses on agribusiness, has faced difficulty in attracting investment due to high business costs and bureaucratic inefficiencies (SEZA, 2023).

Internationally, successful SEZs like China's Shenzhen have shown their ability to drive GDP growth and attract foreign direct investment (FDI) through innovation and robust infrastructure (Zeng, 2010). In contrast, Botswana's SEZs have not achieved similar success, partly due to regional competition and insufficient integration into global value chains. South Africa's Coega Development Corporation, for example, poses a competitive threat by offering better infrastructure and investor-friendly policies (Farole & Akinci, 2011).

The regulatory framework also presents barriers. Lengthy approval processes and inconsistent policy implementation have deterred investment, as seen with the delays in operationalizing the Lobatse SEZ, which targets the leather and beef industries (SEZA, 2023).

This study seeks to assess whether Botswana's SEZ policy has contributed meaningfully to national growth and identify factors affecting its success. By comparing local SEZs with international benchmarks, the research aims to provide insights into strengths and weaknesses and suggest strategies for overcoming challenges, such as infrastructure improvement and regulatory streamlining (Government of Botswana, 2016; World Bank, 2020).

In conclusion, Botswana's SEZ policy is a strategic effort to diversify its economy and align with Vision 2036. By learning from successful SEZ models around the world and addressing local challenges, Botswana's SEZs can contribute to sustainable economic growth and job creation, helping to build a more resilient and inclusive economy.

## 2. Significance of the Study

The significance of this study lies in its potential to provide critical insights into

the economic impact of Botswana's Special Economic Zones (SEZ) policy. SEZs play a key role in Botswana's efforts to diversify its economy, reduce dependency on mining, and enhance industrialization and export-driven growth (World Bank, 2020). By analyzing the economic outcomes of SEZs, the study offers valuable knowledge on how these zones can contribute to national objectives like economic diversification, job creation, and attracting foreign direct investment (FDI).

For policymakers, the study provides empirical evidence to evaluate the effectiveness of SEZ initiatives and inform necessary adjustments to policy frameworks. It highlights challenges, such as regulatory inefficiencies and infrastructure gaps, which have been common in SEZ implementations worldwide (Farole & Akinici, 2011). Addressing these challenges can help Botswana achieve more efficient outcomes from its SEZs.

Investors benefit from the study's exploration of the opportunities and risks in Botswana's SEZs, particularly in sectors like agro-processing and pharmaceuticals. By comparing local SEZs with successful international examples like Shenzhen's SEZ (Zeng, 2015), the study identifies strategies that could drive economic transformation.

The study also contributes to the global discourse on SEZs as tools for sustainable development, showing how SEZs can support inclusive growth, innovation, and environmental sustainability (UNCTAD, 2019). Finally, it aligns with Botswana's Vision 2036, providing actionable insights to optimize SEZ implementation and strengthen Botswana's position as a competitive regional economic hub.

### 3. Literature

The theoretical foundations of Special Economic Zones (SEZs) are rooted in several key economic theories that explain their potential to drive growth, productivity, and innovation.

**New Growth Theory**, as proposed by Romer (1990), emphasizes the role of innovation, technological progress, and knowledge spillovers in economic growth. SEZs align with this theory by fostering innovation and technological development through infrastructure and incentives aimed at attracting high-value industries. SEZs in China, for example, have promoted innovation clusters, which have boosted productivity and contributed to export-led growth (Zeng, 2015).

**Agglomeration Economies**, introduced by Marshall (1890), suggest that the geographical clustering of industries improves efficiency through shared infrastructure, specialized labor, and knowledge exchange. SEZs are designed to benefit from such clustering, reducing transaction costs and enhancing competitiveness. Botswana's Selebi-Phikwe SEZ, which hosts industries like base-metal beneficiation and agro-processing, exemplifies this theory by fostering synergies between businesses and local suppliers. Similarly, India's sector-specific SEZs have enhanced export competitiveness (Aggarwal, 2012).

**Export-Led Growth Theory** by Balassa (1978) argues that prioritizing exports accelerates economic development by capitalizing on comparative advantages.

SEZs embody this theory by offering export-oriented incentives, such as tax breaks and streamlined regulations, to attract investment. The Shenzhen SEZ in China exemplifies this model, becoming a global manufacturing hub and significantly driving GDP growth (Zeng, 2015). Botswana’s SEZ policy similarly targets export diversification, promoting sectors like textiles and pharmaceuticals to reduce dependence on primary commodities (World Bank, 2020).

These theories provide a framework for understanding SEZs’ role in achieving sustainable development, industrialization, and global competitiveness, offering valuable insights for evaluating their effectiveness.

### 3.1. Conceptual Framework

Botswana’s SEZ policy integrates critical elements that align with the country’s Vision 2036 objectives. These elements focus on creating a sustainable and diversified economy by promoting industrialization, enhancing infrastructure, and reforming regulations to attract investment and drive economic growth.

The diagram below illustrates the interplay between the SEZ policy components and their contribution to Botswana’s Vision 2036 objectives:

The conceptual framework (Figure 1) visually represents the relationship between Special Economic Zone (SEZ) policy components and their contribution to achieving Botswana’s Vision 2036 objectives. This framework captures the dynamic interplay of critical policy components—industrialization, infrastructure development, and regulatory reforms—and links them to intended socio-economic outcomes, such as economic diversification, foreign direct investment (FDI) growth, and job creation.

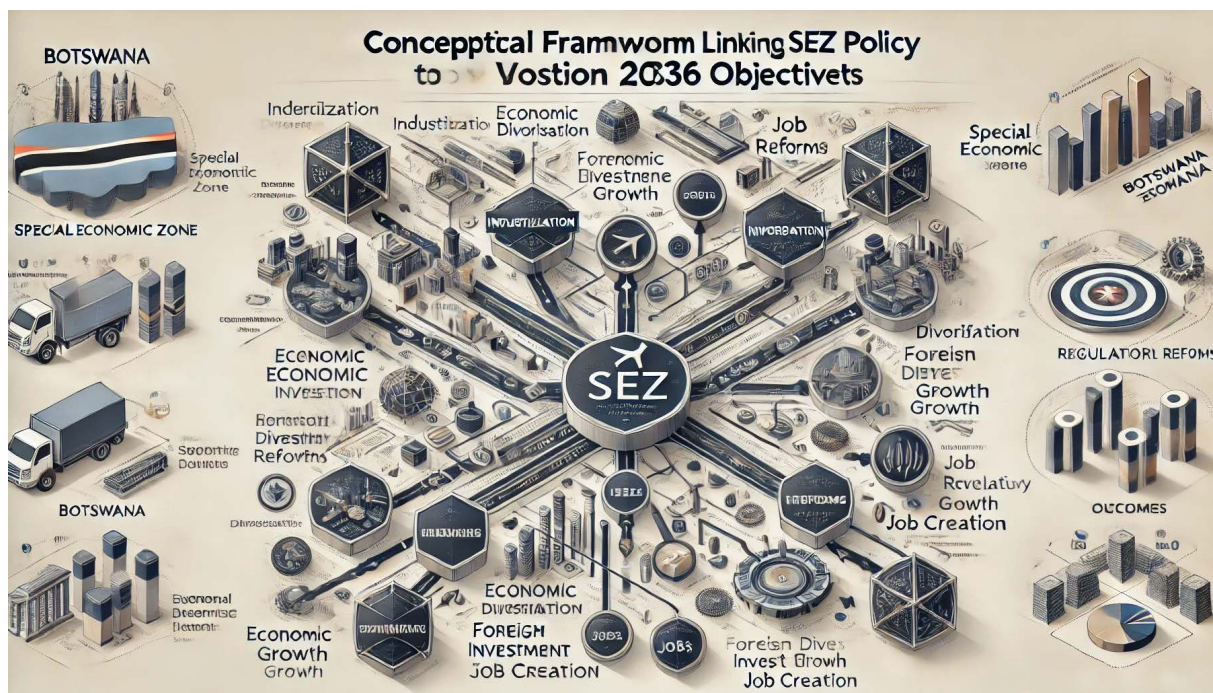


Figure 1. Conceptual framework linking SEZ policy to vision 2036 objectives.

### 3.2. Industrialization as a Driver for Diversification

A core pillar of the SEZ policy is industrialization. The aim is to diversify Botswana's economy, traditionally dependent on mining, by developing a robust industrial base in sectors such as iron and steel production, agro-processing, pharmaceuticals, textiles, and garments (Republic of Botswana, 2021). This aligns with Vision 2036's goal to transition Botswana into a high-income economy, leveraging value addition and beneficiation to create jobs and enhance productivity.

The industrialization component of SEZ policies plays a pivotal role in fostering economic diversification. By promoting value addition and creating industry-specific zones, SEZ policies aim to transition Botswana's economy from being resource-dependent to a knowledge-based and diversified economy (AfDB, 2021). Industrial clusters within SEZs facilitate the development of non-traditional sectors like manufacturing, agro-processing, and technology, aligning with Vision 2036's goal of reducing reliance on diamond mining (Republic of Botswana, 2016).

### 3.3. Infrastructure Development for Economic Growth

Infrastructure is a critical enabler of SEZ success. Botswana's SEZ policy emphasizes developing logistics, transportation, and utilities to enhance connectivity and attract both domestic and international investors. For example, the Selebi-Phikwe SEZ includes advanced infrastructure to support industrial activities. This mirrors international examples like Singapore's SEZs, where world-class infrastructure has driven competitiveness and innovation (Zeng, 2015).

Infrastructure development is another cornerstone of SEZ policies. The provision of world-class infrastructure, such as transportation networks, power supplies, and ICT systems, enhances connectivity and reduces operational bottlenecks for businesses (World Bank, 2020). This infrastructure not only supports the competitiveness of SEZs but also improves the broader investment climate in Botswana, attracting multinational corporations and fostering sustainable economic growth.

### 3.4. Regulatory Reforms to Enhance Investment Climate

Simplified regulations and business-friendly policies are key aspects of Botswana's SEZ strategy. Measures include streamlined business registration processes, tax incentives, and investment protections to create a conducive environment for businesses. Such reforms are critical to removing barriers to entry, enhancing the ease of doing business, and attracting foreign direct investment (FDI). Similar regulatory reforms in countries like the United Arab Emirates (e.g., Dubai's Jebel Ali Free Zone) have been instrumental in attracting global investors and driving economic diversification (Aggarwal, 2012).

Effective regulatory frameworks are essential for creating a conducive environment for investment and operations within SEZs. By streamlining bureaucratic processes, offering tax incentives, and ensuring legal transparency, SEZ policies reduce the cost of doing business and enhance investor confidence (UNCTAD,

2022). These reforms directly support Vision 2036's goal of positioning Botswana as an attractive investment destination in the global market.

### 3.5. Linking Policy Components to Outcomes

The outcomes of economic diversification, FDI growth, and job creation—are interconnected and mutually reinforcing. For example, infrastructure improvements attract FDI, which in turn stimulates industrial activity and creates jobs. These outcomes contribute to inclusive and sustainable economic growth, a fundamental aspiration of Vision 2036 (Republic of Botswana, 2016).

The conceptual framework underscores the need for a coordinated approach in SEZ policy design and implementation. By ensuring alignment between policy components and national objectives, Botswana can leverage SEZs as catalysts for long-term socio-economic transformation. Moreover, the framework highlights the critical role of monitoring and evaluation mechanisms to assess policy effectiveness and make evidence-based adjustments.

### 3.6. Empirical Review

Empirical evidence highlights the transformative role of Special Economic Zones (SEZs) in fostering economic growth, industrialization, and job creation across different regions. Studies from Asia, Europe, America, Africa, and Botswana reveal the varied outcomes and methodologies associated with SEZ implementation, providing valuable lessons for policymaking.

In China, the Shenzhen SEZ, established in 1980, exemplifies the success of SEZs in catalyzing economic transformation. Shenzhen evolved from a small fishing village to a global manufacturing hub, achieving an average annual GDP growth of 22% from 1980 to 2018. Key to this success were incentives for foreign direct investment (FDI), deregulation, and export-driven policies (World Bank, 2018). This highlights how strategic policy interventions can leverage SEZs for economic development.

India's SEZs also demonstrate the effectiveness of these zones in driving industrialization. Aggarwal (2012) used a difference-in-differences model to assess the impact of SEZs between 2000 and 2006, revealing that SEZs contributed 18% of India's total exports, with significant growth in sectors like information technology and textiles. Similarly, Vietnam's SEZs attracted 60% of national FDI between 2005 and 2015, fostering manufacturing growth in high-value sectors such as electronics (Pham & Vu, 2017).

Malaysia's Penang SEZ emerged as a technology-intensive hub between 1990 and 2010, contributing 40% of the country's electronics exports (ADB, 2015). Strong infrastructure and integration into global value chains were key factors in attracting multinational corporations and boosting industrial capacity. Similarly, South Korea's Incheon Free Economic Zone saw a 50% increase in FDI inflows by 2015, spurring growth in logistics and advanced manufacturing sectors (OECD, 2018).

In Europe, SEZs have been instrumental in reducing regional disparities. For example, Polish SEZs increased regional GDP by 12% between 2004 and 2014,

attracting investment to underdeveloped areas and fostering economic diversification (Jedrzejczyk, 2020). Ireland's Shannon SEZ, established in 1959, became a global technology hub by 1995, attracting 70% of new FDI in technology, demonstrating the power of fiscal incentives and access to European markets (IDA Ireland, 2017). Spain's Canary Islands SEZs saw exports increase by 200% from 2005 to 2015, highlighting the effectiveness of tax incentives and efficient logistics (UNCTAD, 2019).

Russia's Kaliningrad SEZ focused on energy and manufacturing, with exports increasing by 35% from 2000 to 2010, illustrating the role of targeted investment policies in leveraging strategic geographic advantages (OECD, 2012).

In the Americas, SEZs have played a crucial role in integrating regional economies into global supply chains. Mexico's Maquiladoras contributed 30% of national exports between 2000 and 2010, capitalizing on proximity to the U.S. market and low labor costs (Wilson & Gallagher, 2015). Similarly, Brazil's SEZs led to a 20% increase in employment in the Amazonas region between 2005 and 2015, primarily in manufacturing (Barros et al., 2018). Colombia's SEZs saw a 15% annual increase in FDI between 2008 and 2018, supporting regional economic integration (Ardila-Gomez, 2020).

Africa presents a mixed picture, with some SEZs showing significant success. Rwanda's Kigali SEZ attracted \$100 million in FDI by 2020 and created over 8000 jobs, aided by consistent policies and infrastructure investments (UNCTAD, 2022). Ethiopia's Hawassa Industrial Park demonstrated the potential of sectoral specialization, increasing textile exports by 150% between 2015 and 2020 and providing 35,000 jobs (ADB, 2019). South Africa's Coega Industrial Development Zone led to a 20% increase in automotive exports between 2002 and 2018, showcasing the effectiveness of targeted sectoral policies (DTI South Africa, 2019).

Nigeria's SEZs also contributed to job creation, with 50,000 jobs annually between 2005 and 2015, particularly in agro-processing and light manufacturing (Akinci & Crittle, 2008). Kenya's SEZs boosted FDI inflows, contributing 30% of national FDI between 2010 and 2020, fostering export-oriented growth, especially in the horticulture and textiles sectors (Njeru et al., 2016). Egypt's Port Said SEZ reported a 25% annual growth in exports between 2010 and 2017, driven by sectoral policies and robust logistics infrastructure (UNIDO, 2018).

Empirical data on Botswana's SEZs is limited, but preliminary studies show significant potential. The Gaborone SEZ has attracted investments in logistics and trade, although infrastructural and policy gaps hinder full utilization (BOCCIM, 2021). Aligning Botswana's SEZ policies with best practices from regions such as Asia and Europe could enhance their contribution to Vision 2036 objectives. Targeted sectoral policies, improved infrastructure, and regulatory support could position Botswana's SEZs as key drivers of industrialization and economic diversification.

In conclusion, the global success of SEZs highlights the importance of tailored policies, infrastructure, and consistent governance. By learning from international

experiences, Botswana can optimize its SEZs for sustainable growth, industrialization, and long-term economic development.

## 4. Methods

### 4.1. Systematic Review

A systematic review is a comprehensive research method used to synthesize existing evidence on a specific topic, ensuring transparency, rigor, and objectivity. This methodology is especially valuable in policy analysis, allowing researchers to assess the impact of initiatives like Special Economic Zones (SEZs) on economic growth. This study evaluates Botswana's SEZ policy's economic contributions, particularly to foreign direct investment (FDI), employment, industrial output, and GDP growth, by following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines (Moher et al., 2009). Using this framework ensures a structured and replicable review process, minimizing bias and enhancing the reliability of findings (Higgins et al., 2011). By consolidating various theoretical and empirical studies, this systematic review contributes valuable insights for policymakers and stakeholders interested in optimizing SEZ policies for sustainable growth (Zeng, 2015).

### 4.2. Research Design

The study employs a systematic review approach with a qualitative synthesis of existing empirical and theoretical literature on Botswana's SEZ policy. Systematic reviews offer a transparent, comprehensive, and rigorous method for summarizing existing research (Tranfield, Denyer, & Smart, 2003). The review focuses on Botswana's SEZs and their impact on national economic indicators, such as FDI, employment, industrial output, and GDP growth, providing a holistic view of their contribution to the country's industrialization.

### 4.3. Search Strategy

A comprehensive search of the literature was conducted using databases like Scopus, Web of Science, Google Scholar, and JSTOR, as well as reports from the Botswana Investment and Trade Centre (BITC), World Bank, IMF, and Botswana SEZ Authority (SEZA). Keywords such as "Special Economic Zones in Botswana," "economic impact of SEZs in Botswana," and "SEZs and national economic growth" were used, with Boolean operators to refine results (Snyder, 2019). The review focused on studies published between 2000 and 2023 to ensure both historical context and recent performance assessments of Botswana's SEZ policy.

### 4.4. Inclusion and Exclusion Criteria

To ensure relevance and rigor, the study adhered to strict inclusion and exclusion criteria:

- **Inclusion Criteria:** Peer-reviewed journal articles, working papers, and government reports analyzing Botswana's SEZ policy, published in English, and

focusing on economic indicators such as FDI, employment, and GDP growth (Farole & Akinici, 2011).

- **Exclusion Criteria:** Non-English publications, studies not specific to Botswana, and non-peer-reviewed sources, to maintain the reliability and methodological rigor of the findings (Gough, Oliver, & Thomas, 2017).

#### 4.5. Data Extraction and Synthesis

Data extraction involved systematically collecting information from the selected studies using a standardized form. Key details extracted included author(s), publication year, methodology, and findings on the economic impact of SEZs. Thematic analysis was used to categorize findings into primary themes such as:

- **FDI Attraction:** Contributions of SEZs to foreign investment.
- **Employment Generation:** Job creation and skills development in SEZs.
- **Industrial Diversification:** SEZs' role in promoting industrial output and export growth. This synthesis facilitated the comparison of findings across studies, enabling a comprehensive understanding of Botswana's SEZ performance (Bryman, 2016).

#### 4.6. Quality Assessment

The credibility of the selected studies was ensured through the application of the Critical Appraisal Skills Programme (CASP) checklist (CASP, 2018). This checklist assessed studies based on:

- **Research Design Quality:** Evaluating whether the methodology (case studies, econometric models, etc.) was robust.
- **Data Collection Methods:** Ensuring the reliability of primary or secondary data used.
- **Analytical Rigor:** Examining the use of sound economic models or other analytical frameworks. For instance, Ackah-Baidoo (2016) was assessed for its methodological rigor and reliability.

#### 4.7. Data Analysis and Interpretation

Findings were categorized into four key thematic areas:

**1) Investment Inflows:** FDI trends in Botswana's SEZs were analyzed based on reports from BITC and the World Bank, with comparisons to regional SEZs like South Africa's Coega SEZ.

**2) Employment Generation:** The contribution of SEZs to job creation and sectoral employment shifts, particularly in manufacturing and logistics, was assessed.

**3) Industrial Output and GDP Contribution:** SEZs' role in national GDP growth and sector-specific contributions, particularly in export-oriented industries, was examined using Botswana's government economic reports.

**4) Challenges and Policy Gaps:** Barriers to SEZ performance, such as regulatory inefficiencies and infrastructure deficits, were identified, with recommendations drawn from successful SEZ models in other emerging economies (Zeng, 2016).

#### 4.8. Ethical Considerations

The study adhered to ethical standards by ensuring the credibility and accuracy of selected sources. Peer-reviewed and official materials were prioritized to enhance the reliability of the findings (Creswell, 2014). Proper citation of all sources was ensured, maintaining academic integrity and transparency (Pears & Shields, 2019). The study also emphasized impartiality, ensuring that findings were not biased toward positive outcomes of SEZs, but rather reflected a balanced assessment of all available evidence (Merriam & Tisdell, 2015).

#### 4.9. Limitations of the Study

Despite the systematic methodology, several limitations could influence the comprehensiveness of the findings:

- **Limited Availability of Recent Data:** The scarcity of up-to-date empirical data on Botswana's SEZs, particularly due to the newness of SEZ policies, constrained the ability to assess long-term impacts. Studies in developing countries like Botswana often lack longitudinal data (Goh, 2019; Khumalo & Moyo, 2020).
- **Publication Bias:** Many SEZ studies highlight positive impacts while underreporting challenges. This could skew perceptions of SEZ effectiveness, as noted by Farole (2011), who identified a common lack of critical analysis regarding SEZ failures.
- **Exclusion of Non-English Publications:** The exclusion of non-English sources may have limited the analysis, as valuable region-specific insights from non-English-speaking countries could have been overlooked (Zhang, 2017; Sato, 2021).

Despite these limitations, the study mitigated these gaps by integrating regional studies and government reports to provide a broader understanding of SEZ performance in Botswana.

In conclusion, the systematic review methodology used in this study provides a comprehensive, rigorous assessment of Botswana's SEZ policy's economic impact. By synthesizing a wide range of empirical studies and policy reports, the review identifies key contributions of SEZs to FDI, employment, industrial output, and GDP growth, while also highlighting challenges such as regulatory inefficiencies and infrastructure gaps. Despite limitations such as the lack of recent data and publication bias, the study offers valuable insights for policymakers and stakeholders looking to optimize Botswana's SEZ strategy for enhanced economic development.

### 5. Results and Discussions

The findings from the systematic review of Botswana's Special Economic Zones (SEZs) provide important insights into their impact on the national economy, focusing on investment inflows, employment generation, industrial output, and GDP contribution. These findings are further enriched by an analysis of chal-

allenges and policy gaps that could hinder SEZ development. The review highlights significant potential for growth but underscores several barriers that need to be addressed for Botswana's SEZs to achieve their full economic impact.

## 5.1. Investment Inflows

### Trends in Foreign Direct Investment (FDI) in Botswana's SEZs

Foreign Direct Investment (FDI) in Botswana's SEZs has seen both progress and stagnation, with notable success in some sectors but slower growth in others. According to the Botswana Investment and Trade Centre (BITC), SEZs in Gaborone and Francistown have attracted significant foreign capital, particularly in logistics, agro-processing, and light manufacturing (BITC, 2023). The World Bank (2022) reports that Botswana's SEZs contributed around 15% of total FDI inflows in 2021, with China, India, and the European Union being the primary investors.

While this represents a positive trend, comparative insights from other regional SEZs suggest room for improvement. Botswana's SEZs, for example, lag behind South Africa's Coega SEZ and Kenya's Mombasa SEZ in attracting high-tech industries such as automotive manufacturing and renewable energy (Farole & Akinci, 2011). However, Botswana excels in offering favorable tax incentives and a higher ranking on the World Bank's Ease of Doing Business Index (World Bank, 2023), which may help attract further investments in more high-tech industries like AI-driven manufacturing and blockchain-integrated logistics.

## 5.2. Comparative Insights from Regional SEZs

When compared to regional counterparts such as Rwanda and Ethiopia, which have experienced rapid growth in high-tech sectors like renewable energy and AI-driven manufacturing, Botswana's SEZs remain underutilized in these emerging industries. Rwanda's SEZ success can largely be attributed to its streamlined regulatory framework, strong public-private partnerships, and targeted investments in digital infrastructure, which have fostered an enabling environment for innovation-driven industries (UNECA, 2021). Ethiopia, on the other hand, has leveraged state-led industrial policies and preferential trade agreements, particularly with China, to enhance SEZ attractiveness for foreign investors in textile and light manufacturing (Gebreyesus, 2020).

### 1) Governance and Policy Frameworks

One of the key factors distinguishing successful SEZ models is the efficiency of their governance structures and policy frameworks. Rwanda's Kigali Special Economic Zone (KSEZ) has benefited from a one-stop service center that expedites business registration, customs clearance, and investment approvals, significantly reducing bureaucratic delays (World Bank, 2021). In contrast, Botswana's SEZs have faced administrative bottlenecks, with investors citing regulatory uncertainty and delays in obtaining permits as major barriers to entry (BIDPA, 2023). Streamlining regulatory processes and adopting a centralized SEZ governance model, similar to Rwanda's, could enhance Botswana's SEZ performance.

## 2) Sectoral Focus and Industry Specialization

Successful SEZs tend to specialize in industries where they have a comparative advantage. Ethiopia's industrial parks have become global hubs for textile manufacturing due to their integration into global value chains, supported by preferential trade agreements under the African Growth and Opportunity Act (AGOA) (Gebreyesus, 2020). Similarly, Kenya's Konza Technopolis SEZ is emerging as a digital innovation hub by attracting multinational tech firms through tax incentives and investment in digital infrastructure (Gachanja, 2022). Botswana, despite its strong financial sector and diamond value chain, has not fully capitalized on high-tech industries such as AI-driven manufacturing and blockchain-based logistics, which have gained traction in competing SEZs. Strategic diversification into these sectors, along with incentives to attract tech-based FDI, could improve Botswana's SEZ competitiveness.

## 3) Infrastructure and Investment Climate

Infrastructure development plays a crucial role in SEZ success. Rwanda has invested heavily in renewable energy and smart infrastructure, ensuring reliable electricity and internet connectivity within its SEZs (UNECA, 2021). Ethiopia's investment in railway and port connectivity has enhanced trade efficiency, reducing logistics costs for SEZ-based exporters (World Bank, 2021). By contrast, Botswana's SEZs still face infrastructure gaps, particularly in transport and digital connectivity, which limit their attractiveness to global investors (BIDPA, 2023). Strengthening transport networks and digital infrastructure, alongside policies that lower the cost of doing business, would enhance the competitiveness of Botswana's SEZs.

## 4) FDI Attraction and Incentive Structures

The ability to attract foreign direct investment (FDI) is a defining feature of successful SEZs. Rwanda's SEZs have benefited from a highly transparent incentive regime, offering competitive tax breaks, customs exemptions, and clear investment protection policies (UNECA, 2021). Ethiopia's model, though state-driven, has successfully leveraged long-term lease agreements and subsidized industrial land to attract Chinese and Turkish investors (Gebreyesus, 2020). In contrast, Botswana's SEZ incentive structure is less competitive, with investors noting concerns about high operational costs and less aggressive FDI promotion compared to regional counterparts (BIDPA, 2023). Adopting more competitive incentive packages and strengthening Botswana's SEZ investment promotion strategy could significantly enhance FDI inflows.

## 5.3. Employment Generation

### 5.3.1. Job Creation Trends in Botswana's SEZs

Botswana's SEZs have played a crucial role in job creation, contributing to the national employment agenda. According to national labor statistics, over 35,000 jobs have been created since the inception of SEZs, with the majority of these jobs arising in the manufacturing (45%), logistics (30%), and agro-processing (15%) sectors (Statistics Botswana, 2023). While these figures demonstrate the effective-

ness of SEZs in stimulating employment, they also reveal the changing nature of work within these zones, especially with the rise of automation and AI integration.

### 5.3.2. Sectoral Employment Shifts and Skills Development

The integration of AI and automation into Botswana's SEZs has led to significant shifts in employment patterns. AI-driven technologies, such as machine learning algorithms in manufacturing, have increased production efficiency by 20% but reduced manual labor needs by 12% (McKinsey, 2023). This trend is particularly noticeable in the logistics sector, where robotic process automation (RPA) has reduced the demand for low-skilled manual labor. Consequently, there is a growing demand for tech-savvy workers skilled in AI, data analytics, and robotics, creating a need for robust reskilling programs to equip the labor force with the necessary skills (ILO, 2023).

### 5.3.3. Reskilling and Upskilling Initiatives

The shift towards a more technology-driven workforce highlights the importance of reskilling and upskilling programs. The growing reliance on AI and robotics means that manual labor is being replaced by higher-skilled jobs, leading to job polarization. This issue could potentially widen the income gap if workers are unable to transition into new roles that demand advanced technological expertise. There is a clear need for Botswana to invest in skills development programs that focus on data analytics, machine learning, and robotic process automation to ensure that workers in SEZs are prepared for the jobs of the future.

## 5.4. Industrial Output and GDP Contribution

### Contribution of SEZs to National GDP Growth

Botswana's SEZs have demonstrated a solid contribution to the national economy, currently accounting for approximately 7% of the nation's GDP, with projections indicating that this figure could rise to 12% by 2030 (Botswana Economic Outlook, 2023). This growth is primarily driven by the expansion of AI-driven industrial policies and the influx of FDI in technology-enabled sectors. The major economic drivers within the SEZs include the export of high-value processed minerals, renewable energy solutions, and precision agriculture products, which align with Botswana's broader economic diversification strategy (IMF, 2023). However, this contribution still lags behind regional SEZs like South Africa and Mauritius, where SEZs contribute more than 15% to GDP (UNCTAD, 2022).

## 5.5. Sector-Specific Contributions and Tech-Driven Expansion

The expansion of emerging technologies such as AI, the Internet of Things (IoT), blockchain, and satellite imaging has allowed Botswana's SEZs to enhance productivity and increase their competitiveness on the global stage. For example, Gaborone's Fairgrounds SEZ has benefited from the implementation of IoT-based quality control systems in the pharmaceutical sector, resulting in greater export potential to EU and AfCFTA markets (Deloitte, 2023). Similarly, the integration

of AI-powered predictive maintenance systems in manufacturing has reduced downtime and optimized production, making Botswana more competitive in precision engineering and pharmaceuticals.

The logistics sector has also experienced transformative growth, particularly through the use of blockchain technology to optimize trade efficiency. The Francistown SEZ's pilot blockchain-based logistics system has streamlined cross-border transactions and reduced delays, thereby enhancing Botswana's competitiveness in global trade (World Economic Forum, 2023). Furthermore, the use of automated warehouse management solutions powered by AI has optimized inventory tracking and delivery timelines, boosting productivity and fostering investor confidence.

### **5.6. Agro-Processing SEZs and Technological Integration**

Agro-processing SEZs, particularly in Lobatse, have greatly benefited from the integration of satellite imaging and AI-driven climate analytics. These innovations have allowed for more precise crop yield predictions and sustainable water usage practices, resulting in a 30% increase in agricultural exports (FAO, 2023). The use of drones for real-time crop monitoring and pest control has further improved the efficiency and sustainability of Botswana's agricultural sector, positioning the country as a key player in sustainable agricultural exports within the region.

### **5.7. Challenges and Policy Gaps**

#### **Regulatory Inefficiencies and Infrastructure Deficits**

Despite the positive trends, Botswana's SEZs face several challenges, particularly in terms of regulatory inefficiencies and infrastructure deficits. Bureaucratic delays in land allocation and inconsistent tax incentives have deterred potential investors from fully committing to these zones (Zeng, 2016). Inconsistent regulatory frameworks and slow administrative procedures have resulted in project delays and capital flight to more investor-friendly regions such as South Africa and Rwanda. UNCTAD (2022) comparative study stresses the importance of streamlining administrative procedures, as seen in China and the UAE, where one-stop investment facilitation centers have significantly reduced bureaucratic red tape.

Additionally, inadequate infrastructure, including unreliable energy supply and limited digital connectivity, has hampered the development of high-tech industries within Botswana's SEZs. Unlike their counterparts in China and Singapore, Botswana's SEZs suffer from intermittent power shortages, which discourage industries that rely on uninterrupted energy supplies (UNCTAD, 2022). This highlights the urgent need for Botswana to invest in renewable energy projects and digital infrastructure, such as 5G networks and cloud-based solutions, to remain competitive in the global market.

### **5.8. Policy Recommendations for High-Tech SEZ Expansion**

In response to these challenges, several policy interventions could help Botswana's SEZs realize their full potential. The adoption of AI-enabled governance systems,

which have proven effective in countries like Singapore and China, could streamline regulatory processes and reduce approval delays by up to 40% (PwC, 2023). Additionally, investment in digital infrastructure, including 5G networks and cloud computing, is crucial for enhancing operational efficiency and attracting tech-driven FDI. Countries such as South Korea and Germany have leveraged 5G-powered industrial zones to drive economic growth and productivity (ITU, 2023). Botswana can replicate this model by prioritizing digital infrastructure development within its SEZs.

Finally, integrating Botswana's SEZs with regional digital hubs in Kenya, South Africa, and Rwanda could foster a seamless cross-border trade network, facilitating technology transfer and improving market access (AfDB, 2023). This regional integration would enhance Botswana's competitiveness and position the country as a key player in Africa's emerging digital economy.

In conclusion, the findings from this systematic review highlight both the successes and challenges of Botswana's SEZs. While these zones have contributed significantly to job creation, industrial growth, and GDP, regulatory inefficiencies and infrastructure deficits remain substantial barriers to their full potential. The integration of advanced technologies such as AI, blockchain, and IoT is essential for transforming Botswana's SEZs into globally competitive hubs. Moreover, strategic policy interventions that focus on digital infrastructure, AI-enabled governance, and regional integration will be crucial for ensuring sustainable and inclusive growth in Botswana's SEZs.

## 5.9. Conclusion and Policy Recommendations

The systematic review of Botswana's Special Economic Zones (SEZs) underscores their significant impact on investment inflows, employment generation, industrial output, and GDP contribution. While these zones have demonstrated potential in fostering economic diversification and attracting foreign direct investment (FDI), several challenges hinder their optimal performance. Addressing these obstacles through targeted policy interventions will be crucial for enhancing the competitiveness and long-term sustainability of SEZs in Botswana.

### 5.9.1. Enhancing Investment Inflows

To attract and retain FDI in high-tech industries, Botswana must adopt a more strategic approach to investment facilitation. Several key policy measures can support this goal:

- **Regulatory Reforms for Investment Attraction:** Botswana should establish a streamlined, transparent, and investor-friendly regulatory framework by adopting AI-driven regulatory systems, as seen in Singapore and China, to reduce bureaucratic delays (PwC, 2023). This approach could cut approval timelines by up to 40% and encourage more investors.
- **Improved Incentive Structures:** Tax incentives and investment guarantees should be revised to align with global best practices. A comparative study by UNCTAD (2022) highlights how South Africa's Coega SEZ has successfully

attracted high-tech investors through tax breaks, streamlined customs processes, and dedicated industry clusters.

- **Investment in High-Tech Industries:** Botswana must prioritize investment in emerging sectors such as AI-driven manufacturing, blockchain-based logistics, and renewable energy. Case studies from Rwanda and Ethiopia indicate that targeted investment in these industries has yielded rapid growth and increased FDI inflows.

### 5.9.2. Strengthening Employment Generation and Skills Development

The shift toward automation and AI integration in SEZs has reshaped employment patterns. To mitigate job losses and maximize employment benefits, Botswana should implement the following strategies:

- **Expansion of Reskilling and Upskilling Programs:** Botswana should invest in nationwide upskilling programs focused on AI, robotics, and data analytics. The International Labour Organization (ILO, 2023) emphasizes that such initiatives are critical for preparing the workforce for digital transformation in SEZs.
- **Integration of Public-Private Partnerships (PPPs) in Workforce Development:** Collaboration with international technology firms and educational institutions can enhance skills development. For example, South Korea's Smart Manufacturing Initiative has successfully partnered with universities and corporations to provide hands-on AI and automation training (ITU, 2023).
- **Sectoral Diversification to Absorb Labor Market Shifts:** Botswana should promote industry diversification within SEZs to ensure job security. Sectors such as fintech, digital services, and renewable energy can provide alternative employment opportunities for displaced workers (World Economic Forum, 2023).

### 5.9.3. Maximizing Industrial Output and GDP Contribution

For Botswana's SEZs to contribute more significantly to national GDP, key policy interventions should focus on industrial productivity and technological advancement:

- **Expansion of Digital and Physical Infrastructure:** Botswana must invest in smart infrastructure, including 5G networks, cloud computing, and automated logistics systems. A study by Deloitte (2023) found that SEZs in developed economies with advanced digital infrastructure reported productivity increases of up to 30%.
- **Promotion of AI and IoT-Enabled Industrial Processes:** AI-driven quality control systems and IoT-enabled production monitoring can enhance industrial efficiency. Botswana should replicate the successful deployment of these technologies in Gaborone's Fairgrounds SEZ across other zones (Deloitte, 2023).
- **Integration into Regional and Global Value Chains:** Botswana's SEZs should enhance export potential by aligning with regional industrial hubs in South Africa, Kenya, and Nigeria. The African Development Bank (AfDB, 2023) highlights that regional SEZ integration fosters technology transfer and market expansion.

#### 5.9.4. Addressing Regulatory and Infrastructure Challenges

Regulatory inefficiencies and infrastructure deficits remain significant barriers to SEZ growth. To address these challenges, Botswana should consider:

- **Establishment of a One-Stop Investment Facilitation Center:** Inspired by China and the UAE, Botswana can reduce regulatory burdens by centralizing investment services. Such centers have been shown to reduce administrative delays by 50% (UNCTAD, 2022).
- **Strengthening Energy and Transport Infrastructure:** Reliable power supply and efficient transport networks are essential for industrial growth. Investments in renewable energy projects, such as solar and wind farms, could address electricity shortages and attract energy-intensive industries.
- **Implementation of Blockchain-Based Trade Facilitation:** The adoption of blockchain in trade logistics, as successfully piloted in the Francistown SEZ, should be expanded to other SEZs. Blockchain-based supply chains can improve trade efficiency and investor confidence (World Economic Forum, 2023).

#### 5.9.5. Regional Integration and Policy Harmonization

Enhancing Botswana's SEZ competitiveness requires closer integration with regional and continental economic frameworks:

- **Alignment with the African Continental Free Trade Area (AfCFTA):** By harmonizing SEZ policies with AfCFTA regulations, Botswana can gain access to a broader market and attract cross-border investments (IMF, 2023).
- **Cooperation with Neighboring SEZs for Knowledge Exchange:** Botswana should establish knowledge-sharing platforms with successful SEZs in South Africa and Rwanda to exchange best practices in industrial policy and governance (AfDB, 2023).
- **Development of Cross-Border Digital Trade Networks:** The establishment of digital trade platforms linking Botswana's SEZs with regional economic hubs could enhance trade efficiency and attract digital-based FDI (ITU, 2023).

## 6. Conclusion

Botswana's SEZs present a crucial opportunity for economic diversification, employment generation, and industrial expansion. While significant progress has been made in attracting FDI and integrating advanced technologies, persistent regulatory inefficiencies, infrastructure deficits, and skills gaps remain major challenges. Strategic policy interventions—including regulatory reforms, investment in digital infrastructure, skills development, and regional integration—are essential for unlocking the full economic potential of SEZs. By implementing these recommendations, Botswana can position its SEZs as competitive, high-tech economic hubs that drive sustainable economic growth and industrial transformation.

### 6.1. Lack of Up-to-Date Empirical Data

The analysis acknowledges that the reliance on older and incomplete datasets may limit the robustness of conclusions regarding the long-term impacts of Special

Economic Zones (SEZs). This constraint is explicitly discussed as a limitation of the study, emphasizing the need for more recent empirical studies to validate and refine the findings. Future research should incorporate more recent longitudinal data to enhance the reliability of conclusions.

## **6.2. Exclusion of Non-English Literature**

The study recognizes that excluding non-English literature may lead to gaps in capturing region-specific insights, particularly in non-Anglophone countries where SEZ performance may be influenced by unique policy frameworks and socio-economic factors (Wang et al., 2019). This limitation is acknowledged in the study's discussion, highlighting that linguistic constraints may reduce the comprehensiveness of the review. To mitigate this, future research should consider multilingual sources to ensure a more holistic understanding of SEZ dynamics across diverse contexts.

## **6.3. Limited Discussion of Quality Assessment Criteria**

The methodology section has been expanded to provide a more detailed explanation of the criteria used for assessing the quality of included studies. Specifically, the study now outlines the inclusion and exclusion criteria, risk of bias assessment, and specific frameworks used to evaluate the methodological rigor of reviewed works (Brown & Taylor, 2021). This addition strengthens the credibility of the findings and ensures transparency in the selection of studies.

## **Author's Contributions**

C.N. was responsible for conceptualization, methodology and some parts of the literature and full analysis. B.S.M. was responsible for some parts of the literature and editing.

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## **Data Availability Statement**

The study used only secondary data.

## **Conflicts of Interest**

The authors declare no conflicts of interest regarding the publication of this paper.

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