International Journal of Academic Multidisciplinary Research (IJAMR)
ISSN: 2643-9670
Vol. 7 Issue 12, December - 2023, Pages: 247-254

Harnessing Diamond Wealth for Sustainable Development: A Comparative Analysis of Fiscal Policies in Cameroon and Botswana

SOB KAMWA Francois Melvin Kamtchoum

Pan-African University Institute of Governance, Humanities and Social Sciences ;
E-Mail: melvinsob55@gmail.com ; P.O. Box 18, Soa, Yaounde, Cameroon

Abstract: *This article examines the role of fiscal policies in harnessing diamond wealth for sustainable development in Cameroon and Botswana, two countries renowned for their significant diamond reserves. Both Countries employed various fiscal strategies but Botswana tends to capitalize better than Cameroon on its diamond resources. This work thus seeks to determine what Cameroon can learn from the fiscal policy of Botswana in the field of diamond mining, to achieve sustainable growth and development. This study makes use of a comparative research method to evaluate the fiscal policies of Cameroon and Botswana, focusing on tax rates, tax exemptions, industry structure, value addition and mining revenue management. Findings indicate that Botswana has lower tax rates than Cameroon, more attractive tax exemptions, an adapted industry structure notably through its partnership with De Beers, value chains and a good revenue management strategy. Whereas Cameroon has high tax rates, less competitive tax exemptions, no local value chains and inefficient mining revenue management due to internal problems. This article recommends the reduction of tax rates, the federation of artisanal miners into mining cooperatives and a higher devolution of mining revenues to local authorities.*

Keywords: Diamond Mining, Fiscal Policy, Taxation, Sustainable development, mining and local contents.

1. Introduction

Diamonds remain the one of most valuable of all gemstones, with a market value of more than $100 billion [1]. This precious stone represents a major source of revenue for countries that are endowed with it and a potential for economic development. Nevertheless, the mere existence of this resource in the subsoils of a country does not automatically translate into a significant source of government revenue and economic growth for the population. Therefore, beyond diamond endowment in a country, other factors determine the profitability of the diamond mining industry. These factors include political stability, good governance, skilled labor, infrastructural development and an attractive fiscal regime. The existence of these conditions permits optimal beneficiation from diamond mining for sustainable development. In Africa, a good number of resource-rich countries rather suffer from the resource curse and very few have been able to put in place the aforementioned conditions.

This contrast can be deciphered when observing two diamond mining countries Cameroon and Botswana, which tend to have consistent reserves of diamonds but the contradiction is that Botswana has made the most out of its diamond endowments whereas Cameroon is yet to benefit from its substantial reserves despite the ongoing exploitations. This raises the question: What can Cameroon learn from Botswana, a country that has successfully leveraged its diamond wealth to achieve socio-economic growth?

The purpose of this article will therefore be to compare the fiscal regime of diamond mining in Botswana and Cameroon, and the possible lessons Cameroon can learn from Botswana's success story. This article will oppose the different practices and taxes in diamond mining in Botswana and Cameroon, their rates and the existing tax incentives. Then, the article will summarize the main findings of this comparison and discuss any implications for the Cameroonian fiscal regime and its attractiveness to investments.

2. Overview of the diamond mining industry in Botswana

Botswana is often cited as the example *par excellence* of the mining success story in Africa. This success was not guaranteed, as at independence in 1966, Botswana was the sixth poorest country in the world [2]. Upon the discovery of diamonds in 1967 and to date, Botswana witnessed rapid economic growth, transformation from a low-income to a middle-income country and having balanced and recurrent budget surpluses [3]. As a result of the attractive policies in place, mining attracts the majority of foreign direct investment in Botswana. All minerals in Botswana are sovereignly owned by the state. Since the discovery of its diamonds, the Government of Botswana (GRB) has been engaged in a joint venture with the world's largest private diamond-producing corporation, De Beers. The De Beers Botswana Mining Co. was founded in 1969 to develop the country's diamond reserves. The Botswana government owned 15% of the corporation at the time. Once production began in 1975, this was raised to 50%, and the joint venture corporation was renamed Debswana [4].

It is worth mentioning that, the State of Botswana does not see itself as a mere regulator or partner in the mining industry but as an investor. This is the vision of the Botswana Minerals Policy 2022 wherein, the government is assigned the role of investor amongst other roles. The government of

International Journal of Academic Multidisciplinary Research (IJAMR)
ISSN: 2643-9670
Vol. 7 Issue 12, December - 2023, Pages: 247-254

Botswana itself invest in minerals opportunities and this has materialized through the non-gratuitous ownership of shares and the creation of companies.

In Botswana, the tax policy for mining companies is, in theory, negotiable. It is worth noting that, Botswana relied

- Royalty rate 10%;[1]
- The general corporate tax rate in Botswana has been 22%;[2]

In terms of tax breaks, Botswana provides a tariff refund on machinery imports, a 10-year tax leave that may be extended, no foreign exchange controls, and complete repatriation of profits and dividends [5]. Botswana exempts from all taxes mining operations recording a profitability ratio of less than 21.4%. Mining firms can deduct capital expenditures in the year they were incurred, with an unlimited carry forward of losses, when computing corporation tax. This strategy essentially creates a variable rate income tax, with the tax rate rising in lockstep with the mining company's profits. As a result, it is ideal for collecting mineral rents [4]. Overall, the tax burden in Botswana can be estimated at 47%.

Botswana's tax policy is rather straightforward and relatively transparent in its implementation. Botswana established progressive fiscal regimes in order to maximise state revenues while retaining appropriate returns for investors. Many low-income, resource-dependent countries have little capability and have issues in tax revenue administration. Foreign enterprises or investors may have stronger accounting and tax skills, allowing them to pay less tax.

This is not the case for the GRB, which has collaborated with De Beers Group in a public-private partnership. It has been able to create and amend its tax policy, as well as its minerals policy in general, in a balanced manner thanks to this. One of the reasons the GRB formed a joint venture with De Beers and later obtained two seats on the Board of Directors of De Beers S.A., was to gather expertise and understanding of the diamond-mining sector in a globally competitive, cutting-edge setting [4].

Botswana has built a number of institutions to manage mineral earnings. The high-level Minerals Policy Committee establishes the framework for mining taxation and revenue generation and leads talks with mining companies. This group has been especially relevant in the context of Debswana revenue allocation negotiations with De Beers. Botswana bargained wisely and exploited its position to secure concessions that resulted in a beneficial income-sharing formula such as the boost of the GRB's stake in Debswana from 15% to 50% in the 1970s. These skills were used in 2011 were used to secure concessions on the development of downstream diamond sector operations and the setting up of an independent marketing channel outside of the De Beers Diamond Trading Company (DTC) marketing framework [4].

considerably on diamond mining for its development and today, it is considered a strategic mineral for the country. Diamond mining is taxed through the following instruments: a royalty; corporate tax, withholding tax on dividends and a value-added tax. These taxes have the following rates:

- Withholding tax on dividends is 15% of the value of dividends;[3]
- The Value added tax is at 14%.[4]

Again, Botswana's geological information is of high quality. Potential investors place a high value on the accuracy of available geological information. A comprehensive database of every piece of data accessible is a significant public good [4].

In an effort to expand its value addition in the diamond sector and improve the quantity and skill level of industry players, the GRB established the Diamond Trading Company Botswana (DTCB), which has been a significant milestone in this regard. The DTCB is solely responsible for the sorting and valuation stages of the diamond value chain in Botswana. The DTCB is a joint venture of the GRB and De Beers. The DTCB assembles "packages" of diamonds for sale to Botswana Sight holders. DTCB is the world's largest diamond sorting and valuation operation, using cutting-edge technology. DTCB's 400 employees receive on-site training in diamond sorting and valuation [4].

Sustainable investment of diamond income is an important part of Botswana's diamond fiscal policy. In the mid-1990s, the GRB established the Pula ("Rain") Fund to invest such revenue over time. The Pula Fund has been called an intergenerational fund as well as a stabilisation device. The Pula Fund is invested in foreign currencies offshore, which prevents stressing the national currency. One of the pillars of Botswana's revenue management policy has been the investment of all mineral asset income in other assets, such as citizen health and education or infrastructure [4].

3. Overview of the diamond mining industry in Cameroon

Cameroon is a resource-rich country with estimated diamond reserves of 700 million carats, which are mainly concentrated in Béké, Mobilong, and Yokadouma. Although the resource exists, the diamond-mining sector has yet to emerge because exploitations are still artisanal (non-industrial). The mining industry's contribution to the well-being of populations within zones of mineral exploitation and the sector's share of the country's GDP remains largely below its potential. Two categories of taxes apply to the diamond-mining sector in Cameroon, namely: ordinary and specific taxes. Ordinary taxes are those taxes applicable to all taxpayers, whereas specific taxes are those taxes that apply

[1] Section 66 of the Mines and Minerals Act (Cap 66:01).
[2] Section 59 of CAP 52-01 of Income Tax Act.
[3] Section 58 of CAP 52-01 of Income Tax Act.
[4] Public Notice, Botswana Unified Revenue Services. At: https://www.burs.org.bw/images/img/PUBLIC%20NOTICE_REVERTING%20TO%2014%20PER%20CENT%20VAT%20RATE_.pdf, on 13/11/2023.

International Journal of Academic Multidisciplinary Research (IJAMR)
ISSN: 2643-9670
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only to entities or individuals operating in the hard minerals sector.

The specific taxes include:[5]

- Fixed duties (in CFAF);
  - Quarries licenses range from 1,500,000 to 3,000,000
  - Non-industrial mining permits range from 10,000 to 3,000,000
  - Industrial mining permits range from 1,000,000 to 30,000,000
- Area Royalty or State Land Concession Rights;
  - CFAF 10/m2/year for non-industrial mining license
  - CFAF 5000/km2/year for the first year of exploration permits
  - CFAF 25/km2/year for quarry mining licenses and permits
  - CFAF 100,000/km2/year industrial mining permit
- Ad Valorem Tax (Value-Based Royalty) 8%;

Ordinary taxes include:

- Business License (Patent) tax (in CFAF);
  - 0.159% on the turnover of large enterprises
  - 0.283% on the turnover of medium-sized enterprises
  - 0.494% on the turnover of small-sized enterprises
- Value Added Tax 19.25%;
- Corporate Income Tax 33%;
- Personal Income tax (in CFAF):
- From 0 to 2 000 000………………………...10%
- From 2, 000,001 to 3, 000,000 ....15%
- From 3, 000,001 to 5, 000,000............................ 25%
- More than 5, 000,000.................................... 35%.

The state of Cameroon provides tax incentives and inducements in the form of reductions or exemptions from taxes and import duties for specified periods to encourage investments in the country. These incentives are applicable during both the exploration and operation phases of mining projects. During the exploration phase, operators benefit from exemption from business licensing tax, free registration of incorporation, and exemption from VAT on local purchases and on importation of materials and equipment. During the operation phase, operators benefit from an extension of the loss carryforward period, a zero VAT rate for products intended for export, and an application of accelerated depreciation. Additionally, operators are exempted from taxes and customs duties on equipment, inputs, and capital goods needed for production.[6] Overall, the tax burden in Cameroon can be estimated at 62.25%.

It is important to say that the mining industry in Cameroon is still at an embryonic level of development. This leaves it exposed to several problems but gives room for adjustments and improvements. The diamond mining tax regime in Cameroon corresponds to that of all the precious stones as provided by the Mining Code 2016. Cameroon has one of the highest tax burdens on the African continent, which deters mineral activity and makes it less competitive for investments. Cameroon's mining industry is subject to a comprehensive tax regime that encompasses various taxes and levies. The combination of these taxes and levies can result in a significant burden on mining companies and can even exceed 60% of gross revenue made by mining companies. This heavy tax burden adds to structural problems such as the inefficiency in tax collection and tax monitoring processes.

It must be said that the Ministry of Finance is in charge of taxation, and the problem in collecting revenue arises from the fact the diamond mining sector is primarily informal. Only a small percentage of artisanal mining businesses have a permit [6]. One of the major challenges faced by the fiscal administration is the lack of control over the legal holders of mining titles due to subcontracting between the legal holders of the titles and the actual operators on the sites. In effect, many of the nationals involved in mining obtain mining titles from authorities and subsequently sell or lease these titles to foreigners who tend to carry out actual exploitation. Given that the law in Cameroon does not allow foreigners to hold a majority stake in a company, many foreigners, particularly of Chinese nationality, have taken the names of Cameroonian companies and have majority shareholders of Cameroonian nationality.

Again, in the field, many of those with artisanal mining permits are engaged in semi-mechanized mining, using excavators (mechanical shovels), shovel loaders and washing machines. This makes tax collection difficult because the tax rate varies according to the type of exploitation carried out, thus if a title has been issued for an artisanal mining operation, finding a semi-mechanized operation on the field creates a disparity and hinders the tax collection process. Equally, the fact that the name present on the mining title does not correspond to the individual carrying out the exploitation poses a problem of identification.

Moreover, the tax system in Cameroon is declaratory. The taxpayer declares what he has produced to the tax authorities. Except that in mining, the operator is the person on site who controls production. The tax authorities do not have the resources to have a representative at every mining site. As a result, the operator can declare whatever s/he likes, and the tax authorities have no way of ascertaining these declarations because most of the operators are not constituted in enterprises and therefore, there is no traceability of their

[5] Sections 170, 171, 172 and 174 of the 2016 Mining Code, sections C8, C13, 132, 148, 70, 111, 30 and 69 of the General Tax Code 2023.

[6] Sections 179, 180 & 183 and 181 & 182 of the 2016 Mining Code.

transactions. The state cannot forecast the quantity of ore that will be extracted from a site, as production is random. Operators dig in the morning and wash after down. Even the information given to National Mining Corporation (SONAMINES) is not verifiable, which means that it may take less than was produced by the operator.

In addition, the quantities produced on the farms are malleable, meaning that they can easily be transported without arousing suspicion. Many operators withhold the names of their customers, so the tax authorities have no way of knowing which quantity is sold, to whom and for how much. The tax administration is challenged by the permanent change of sites by mining operators on the field. These operators tend to move from one site to another in rapport to whether they find ores on the site or whether the minerals available on the site are exhausted. This is made possible by the collaboration of local title owners who sell or lease titles to these foreign operators and get into operation with them. This change of site is done without any notice to the fiscal or mine administration making tax recovery difficult.

Looking at the origins of diamonds, porous borders between Cameroon and the neighbouring Central African Republic (CAR) make traceability extremely difficult. In a study carried out in the Kadey division of the East region of Cameroon [7], community leaders in the Toktoyo affirmed that a good quantity of diamonds found in their locality originates from CAR. One of the major reasons for the porous borders is that colonial partitioning, created artificial borders within communities, as a result, we find the same communities on the two sides of the border. Again, many collectors own mining fields in both Cameroon and CAR, as such; there is a tendency for the products mined in CAR to be brought to Cameroon [7]. "Smugglers" export a bulk of the diamonds produced in Cameroon clandestinely. They neither pay taxes, have export authorization nor respect the export requirements of the KPCS. This represents potential circuits for the sale of conflict diamonds [7].

This high tax burden affects the profitability of mining endeavours thereby discouraging investment. Even when the companies or operators do not succeed in finding minerals on a site, they are still liable to the fiscal administration for taxes on that site, despite the huge investment made and the loss incurred due to the absence of minerals on the site. This unfair tax policy coupled with the high tax burden has the consequence of encouraging operators to remain in the informal sector, discouraging investment thereby making the state lose fiscal revenue.

There exists a blatant lack of coordination between the various administrations in charge of mineral exploitation in Cameroon. To start with, there usually is opacity in terms of information management at the level of the MINMIDT, which results in the tax administration not having access to important data on the taxes due by mineral operators. As stipulated in the General Tax Code, the Ministry of Mines is obliged to systematically inform the tax authorities on the quantities of minerals produced, titles and bonds issued, but this is not always the case, which makes tax collection difficult.[7] The consequence of this lack of coordination is the creation of administrative bottlenecks that make procedures time-consuming for operators. The slow pace of the administrative process, characterized by long delays in obtaining mining permits and clearing exploration equipment through customs (delays of up to 8 months for exploration equipment), can be attributed to a lack of effective consultation between the ministries involved in mining activities.

Looking at the management of diamond revenues, they are not as optimal as they could have been. A good number of institutions in charge of managing these revenues are not yet operational, as seen in the previous point, making investment difficult. This is the case with the Mining Site Development Fund, which is in charge of investing mineral revenue in geological infrastructure development. The text governing the organization and functioning of the fund has not yet been published and as such, no contributions have been made to the fund to date. The same applies to the Mining Site and Quarry Restoration, Rehabilitation and Closure Fund, which is not operational and has not received any contribution to date. Though these funds are not yet active, mining operators continue to pay their contributions to the tax administration. This questions the destination and utilization of these funds.

The impact of mining on employment, income levels, education, health and poverty reduction is low within mining communities. Mineral projects often fail to create significant employment opportunities for local communities in particular as the mining conventions or legal provisions do not indicate the percentage of locals who must be employed in the mines.

4. Conceptual framework

4.1. Fiscal policy

A fiscal policy is an explanation of how the government's money-raising and spending activities affect the economy; how governments raise and spend their fiscal resources; and why governments raise and spend money the way they do. Any institution or individual's money-raising and spending activities are known as fiscal activities, and the manner in which those activities are carried out is known as fiscal policy. The importance of fiscal policy expands when the economic role of a government increases and contracts when the economic role of a government declines [8].

This description of fiscal policy is extremely pertinent considering the fact that, in Cameroon and Botswana, mineral resources are owned by the state (on behalf of the population), and therefore, the state in this case has an

[7] This information was obtained from the Head of the Bertoua Medium Business Tax Centre (CIME), in Bertoua, Cameroon, during our fieldwork on 13/09/2023 at 1 PM.

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expanding or important economic function to play. Again, fiscal policy refers to all the decisions and main directions that determine the characteristics of a tax system and make it possible to finance public spending and support economic activity [9]. Thus, the fiscal policy of a state is the orientation adopted by that state in its capacity as an economic actor, considering its assets and liabilities.

According to David Ricardo [10], natural resources like minerals are subject to diminishing returns, meaning that as more resources are extracted, the cost of extraction increases. This rising cost generates economic rent, which is a surplus revenue earned by the resource's owner above and above the cost of production. Ricardo believed that taxes should be levied on economic rent to ensure that the community, not just the landowner, benefits from the resource. According to the World Bank, the world has no sustainable diamond mines, but there are sustainable diamond-mining states. While individual mines eventually run out of resources or cease to be economically viable, the country that possesses the minerals being mined has the possibility of investing the extraction rents in other assets that can generate income long after the mine has closed. This understanding implies a significant relationship between maintaining development and sustaining wealth, which is supported by a significant amount of research [11].

4.2. Sustainable Development

The United Nations General Assembly 1987 defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". According to Rachel Emas, the overall goal of sustainable development is the long-term stability of the economy and environment; this is only achievable through the integration and acknowledgement of economic, environmental, and social concerns throughout the decision-making process [12].

Jyotishmoy Bora holds that there are three aims of sustainable development namely: an economic goal, to attain balanced growth; an ecological goal to preserve the ecosystem; and a social goal to guarantee equal access to resources for all [13]. This work is primarily concerned with the aforementioned author's first two aims of sustainable development. This paper aims to analyse how the fiscal policy of diamond exploitation can be used as an instrument to achieve economic growth for the country through an increase in revenues generated from diamond mining and social development for the populations of Cameroon through employment, infrastructure, education and health care.

5. Methodology

This work adopts a qualitative research methodology, a doctrinal research method because it analysis the content of the law and a comparative research method because the two fiscal policies will be studied to bring out the differences existing between them. In conducting this research, data was obtained through unstructured interviews, primary and secondary sources of data. Primary sources of data comprise laws, conventions and case law, whereas secondary sources of data include textbooks, journal articles, conference papers, and reports.

Once found, this data will be analysed using the content analysis technique, which according to Bernard Berelson [14], "is a research technique for the objective, systematic and quantitative description of the manifest content of communication." In our case, content analysis will be qualitative, that is focused on interpreting and understanding the data collected. This study also makes use of the institutional strategic approach of content analysis, which focuses on studying the content produced by institutions, such as government agencies, media outlets, or corporate entities, to understand their messaging goals, patterns, and effects.

6. Findings

The results obtained can be grouped into three categories, namely: tax rates, industry structure, tax administration, value addition and mining revenue management.

6.1. Tax Rates

Botswana boasts one of the lightest tax burdens on the African continent. Diamond mining is subject to four primary taxes with relatively modest rates. The overall tax burden in Botswana is estimated at 47%. In stark contrast, Cameroon shoulders one of the heaviest tax burdens on the continent. Two categories of taxes, ordinary and specific, apply to the diamond-mining sector in Cameroon, encompassing seven levies altogether. Consequently, the overall tax burden in Cameroon is estimated at a staggering 62.25%.

While Botswana and Cameroon offer comparable tax incentives to mining investors, Botswana stands out for its unique tax exemption. For instance, mining operations with profitability ratios below 21.5% do not pay taxes. In contrast, even if companies or operators in Cameroon fail to discover minerals at a site, they remain liable for taxes on that site, despite the substantial investment made and the losses incurred due to the absence of minerals.

6.2. Industry Structure

Cameroon's mineral sector lags far behind that of Botswana, with the majority of mining operations still conducted at an artisanal or semi-mechanized level. Moreover, the informal sector dominates Cameroon's mining industry, while Botswana's formal sector is well established. This lack of formalization in Cameroon hinders government oversight, allowing for the illicit sale and export of diamonds through untraceable transactions resulting in significant revenue losses.

This situation also brings about the non-respect of local content obligations by mining operators, from which the local populations could have greatly benefited. In contrast, Debswana, a joint venture corporation between the government and De Beers, primarily controls Botswana's diamond mining industry with the government holding a 50% stake. This ownership structure enables the government to effectively monitor Debswana's operations and ensure compliance with tax obligations.

6.3. Tax Administration

International Journal of Academic Multidisciplinary Research (IJAMR)
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Cameroon like many low-income, resource-dependent countries has little capability and has issues in revenue administration governance. Foreign enterprises or investors generally have stronger negotiation and tax skills, allowing them to pay fewer taxes or even evade taxes. Whereas the GRB, thanks to its partnership with De Beers has been able to create and amend its tax policy, as well as its minerals policy in general, to optimize the capacities of its tax administration and revenue management.

It must also be said that the GRB has repeatedly been ranked amongst the top countries in terms of good governance and the rule of law. This reveals considerable investments consented to by the state in the capacity of its administration.

6.4. Value addition

To enhance Botswana's diamond sector, the GRB established the Diamond Trading Company Botswana (DTCB), fostering value addition and elevating industry standards. In contrast, Cameroon lacks a comprehensive transformation strategy, although initiatives like the Mbalam-Nabeba Iron Ore Project incorporate transformation plant construction.

6.5. Mining revenue management

Prudent investment of diamond revenues is a cornerstone of Botswana's fiscal policy. In the mid-1990s, the government established the Pula Fund to wisely manage these earnings over time. A core principle of Botswana's revenue management strategy has been to channel all mineral asset income into other valuable assets, such as citizen health, education, and infrastructure. Conversely, Cameroon's management of diamond revenues falls short of optimal levels. Several institutions tasked with managing these revenues remain inoperative, principally the National Mining Policy Implementation Fund.[8] This fund comprises three entities responsible for developing mining infrastructure, rehabilitating mining sites, and supporting capacity building within host communities.

7. Discussion

In view of the heavy tax burden existing in Cameroon, investment is rendered less profitable and therefore the country is less attractive for investments. This represents a loss of potential capital influx, which could have permitted the generation of employment and tax revenue for the state that could have been harnessed for development. This thus defeats the objectives of sustainable development the fiscal policy of Cameroon is set to achieve. In Botswana, the light tax burden is one of the elements that have motivated investments in the country. Today, the impact of this policy is evident in the high living standards and development existing in the country.

In terms of the structure of the diamond mining industry adopted by Botswana, the joint venture approach has been extremely beneficial to the GRB at three main levels. Firstly, the GRB benefited from the expertise and experience of De Beers in diamond mining. Secondly, owning 50% of the joint venture enables the GRB to monitor and enforce the obligations of the company from the inside. Lastly, this collaboration provides an avenue for technology/knowledge transfer and accelerating learning and capacity building for the GRB. For De Beers, the joint venture not only enhances profitability but also provides the security of shared risk and liability with the GRB, making the investment more attractive by mitigating risk.

Structuring the diamond mining industry in Cameroon following Botswana’s example can enhance the capacities of the tax administration in Cameroon and attract investments. To curb the informal sector, the state can impose the federation of operators into cooperatives in which it will be a member through local and deconcentrated authorities. This federation can be made based on divisions or subdivisions and the regional/local authorities on behalf of the cooperatives will tender for junior mining companies to collaborate with these cooperatives and exploit diamonds. In this way, there will exist traceability in transactions carried out easing tax collection, the possibility of improving working conditions and capacity building for the local operators. This will be an avenue for the main actors to discuss, learn and defend their interests. Civil Society Organisations (CSOs) have an important role to play here as regards monitoring and accountability of the commitments entered into by the different federations. This approach, quite similar to the joint venture applied in Botswana, is more adapted to the realities of Cameroon.

Within extractive industries, transformation is more lucrative than extraction. This has been clearly understood by Botswana that has established the Diamond Trading Company Botswana (DTCB), engaged in the cutting, polishing and further beneficiation of raw diamonds. Cameroon, in view of what obtains in Botswana, can leverage the proximity and comparative advantages it has with other diamond-rich countries like Central African Republic (CAR), to create local value chains. In effect, the porosity of borders between Cameroon and CAR creates conditions for the circulation of diamonds between the two countries. This can serve as the basis for the creation of a diamond cutting and polishing hub in Cameroon, which has the advantage of stability over CAR. This will permit diamonds mined in both countries and other countries of the region to be processed and sold locally, creating jobs and revenue for the countries of the region. Creating such structures and giving them attractive features can create serious alternative for the illicit trade and sale of diamonds.

The management of diamond revenues is at the heart of sustainable development in this sector. In this regard, the GRB established the Pula Fund and invested diamond revenues into valuable assets, such as citizen health, education, and infrastructure, thereby achieving sustainable development goals.

[8] Section 233 to 236 of the 2016 Mining Code.

In Cameroon, the state has decided to centralise revenues and then to invest them sustainably. This however has many shortcomings, as this investment is made dependent on the enactment of regulatory instruments and the creation of certain structures. Given the administrative bottlenecks existing in the country and creating disastrous delays, the populations will benefit from direct transfers or furnishing of accounts destined for local content investments in particular. Increasing the percentage of diamond revenues allocated to decentralized territorial authorities will have a direct incidence on sustainable investments for the populations.

8. Recommendations

To effectively harness the diamond wealth for sustainable development in Cameroon, this article recommends the following for the fiscal policy in place:

Cameroon should reduce its taxes to make the industry more attractive for investments. By cutting down taxes, investment is made cheaper and more profitable for investors. An increase in investment translates into an increase in employment, revenues and thus sustainable development.

From this study, we recommend the federation of artisanal miners in Cameroon into mining cooperatives. These cooperatives can be set at the level of regions or divisions with the administrative and municipal authorities represented in their boards. These cooperatives should be given special fiscal status to encourage adhesion and the state together with the miners should work on how to improve working conditions. In addition, the cooperatives can autonomously get into partnerships with junior mining companies to benefit from their expertise and network. Federating miners will ease tax collection and will give room for the improvement of the working conditions of miners.

This study equally recommends the creation of polishing and cutting hubs in Cameroon in partnership with neighbouring countries to further benefit from local diamond mining. Cameroon and some of its neighbouring countries are diamond-mining countries but tend to export the bulk of their productions without adding value to them. This results in revenue losses to other countries. Creating local transformation plants can increase diamond-mining proceeds and create more jobs for countries of the region as well as curbing illicit trade.

The study equally recommends increasing the percentage of diamond mining revenues due to decentralised territorial communities and limiting the principle of unified treasury. Increasing the percentage of diamond mining revenues due to decentralised territorial communities (CTDs) will have a direct impact on sustainable development investment within communities. On the other hand, limiting the principle of unified treasury by allowing the CTDs to collect the percentage due to them directly, without them having to wait for the revenues to be sent to the treasury in Yaoundé before being transferred to them. This will resolve the problem of administrative bottlenecks that delay funds transfer.

9. Conclusion

Cameroon and Botswana are two African countries with significant diamond endowments. However, Cameroon does not benefit from the exploitation of these diamonds at the same level as Botswana for its sustainable development. This research revealed that Cameroon has not significantly benefited from diamond mining so far, because the sector is still embryonic and is plagued by several fiscal challenges. These challenges include a heavy tax burden, a lack of capacities and resources of the fiscal administration, an informal sector that dominates the industry, the absence of value addition and the inefficient management of diamond mining revenues.

The situation prevailing in Cameroon contrasts with that of Botswana where diamond mining has been the source of lasting development for the country. This research reveals that Botswana has made the most out of its diamond-mining sector due to the light tax burden, attractive tax incentives, the partnerships created with giants in the sector to leverage their expertise and network, the value addition they have created and the efficient management of diamond revenues. All these constitute the ingredient of the success of Botswana in the diamond mining industry, which Cameroon can learn from to enhance its industry.

Following Botswana’s lessons, this study recommends the reduction of tax rates in the diamond-mining sector, the federation of artisanal and informal miners into mining cooperatives, the creation of a cutting and polishing hub in Central Africa for value addition and an increase in the percentage of diamond revenues transferred to decentralised territorial communities.

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