

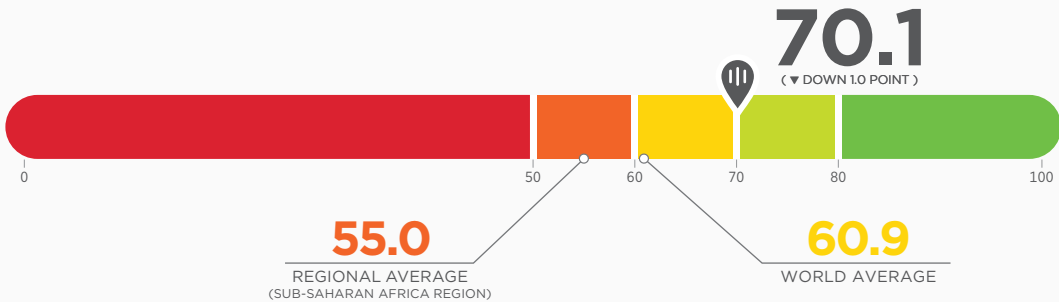
BOTSWANA

WORLD RANK: **34** | REGIONAL RANK: **2**
 ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Botswana's economy has rebounded from the 2008 global economic downturn. Good management of public finance has resulted in budget surpluses in recent years. The regulatory environment encourages growth, and openness to foreign investment and trade promotes competitiveness and resilience.

The financial sector is fairly well developed, with an independent central bank and little government intervention. The independent judiciary provides strong protection of property rights. In an effort to lessen dependence on diamond production, the government has instituted competitive corporate tax rates, streamlined the application process for business ventures, and committed to increased transparency.

ECONOMIC FREEDOM SCORE

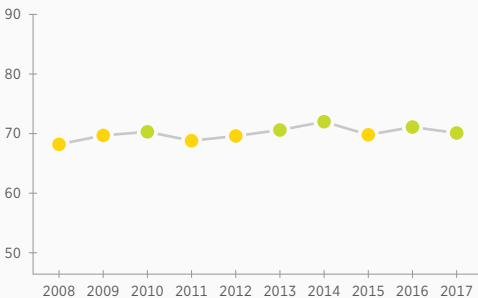


NOTABLE SUCCESSES:
 Fiscal Policy, Trade Freedom, and Monetary Stability

CONCERNS:
 Rule of Law and Government Spending

OVERALL SCORE CHANGE SINCE 2013:
 -0.5

FREEDOM TREND



QUICK FACTS

POPULATION:
 2.1 million

GDP (PPP):
 \$34.8 billion
 -0.3% growth in 2015
 5-year compound annual growth 4.6%
 \$16,368 per capita

UNEMPLOYMENT:
 18.6%

INFLATION (CPI):
 3.0%

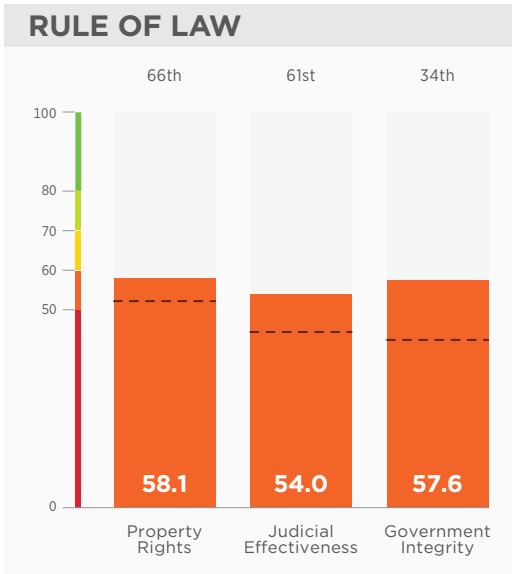
FDI INFLOW:
 \$393.6 million

PUBLIC DEBT:
 17.8% of GDP

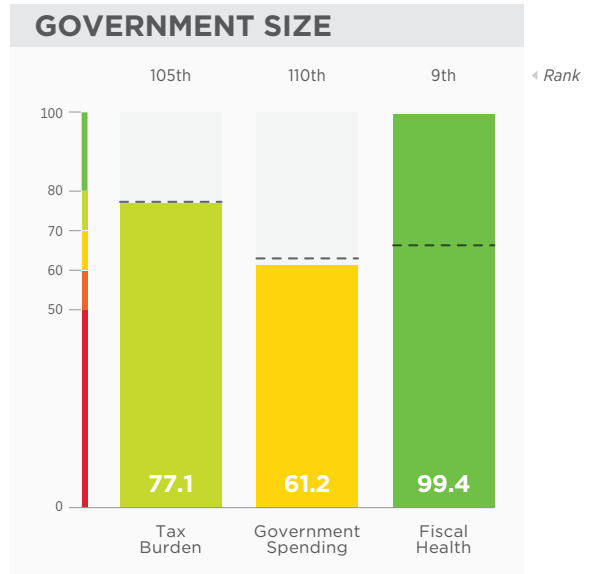
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The Botswana Democratic Party has governed this multi-party democracy since independence from Britain in 1966. The most recent elections, held in 2014, were the most competitive in the country's history. President Ian Khama won a second term in October 2014, though the BDP for the first time won less than 50 percent of the vote as opposition groups gained significant support from young and urban middle-class voters. Botswana and the U.S. cooperate closely on military issues and are in talks to have Botswana host a U.S. military airfield. Botswana has abundant natural resources, a market-oriented economy, and one of Africa's highest sovereign credit ratings. In an attempt to diversify the economy through tourism, Botswana focuses on conservation and developing its extensive nature preserves.

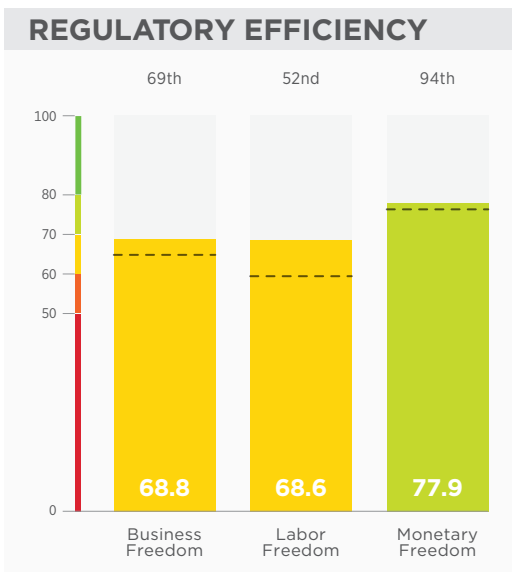
12 ECONOMIC FREEDOMS | BOTSWANA



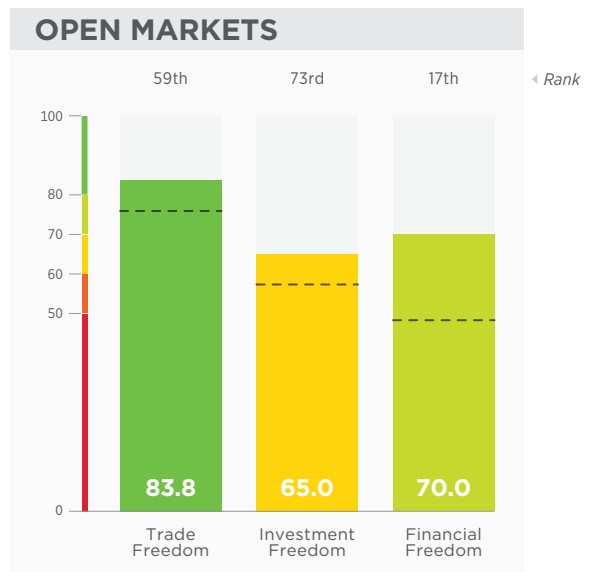
Protection of property rights in Botswana is among the best in the region. The government generally respects judicial independence, but because of severe staffing shortages and a case backlog, courts do not provide timely trials. Botswana also is still rated the least corrupt country on the African continent, although there are almost no restrictions on the private business activities of public servants.



The top personal income tax rate is 25 percent, and the top corporate tax rate is 22 percent. Other taxes include a property tax, an inheritance tax, and a value-added tax. The overall tax burden equals 34.4 percent of total domestic income. Government spending has amounted to 36 percent of total output (GDP) over the past three years, and budget surpluses have averaged 2.1 percent of GDP. Public debt is equivalent to 17.8 percent of GDP.



The regulatory environment protects the overall freedom to establish and run a business relatively well. A one-stop shop for entrepreneurs is in place, and the process for business closings has become easy and straightforward. Employment regulations are relatively flexible. One of the aims of the 2016-2017 draft budget is containment of subsidies and transfers to state-owned enterprises, but progress has been slow.



Trade is important to Botswana's economy; the value of exports and imports taken together equals 99 percent of GDP. The average applied tariff rate is 0.6 percent. State-owned enterprises distort the economy, and foreign investment in some sectors is restricted. Generally adhering to global standards in the transparency of banking supervision, the financial sector provides considerable access to credit and has expanded.