

BOTSWANA

WORLD RANK:

35

REGIONAL RANK:

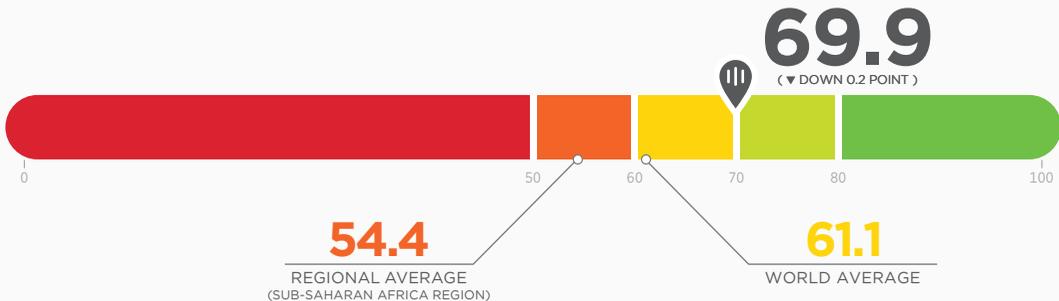
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ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Botswana's economic freedom score is 69.9, making its economy the 35th freest in the 2018 *Index*. Its overall score has decreased by 0.2 point, with lower scores for the **labor freedom**, **fiscal health**, and **tax burden** indicators outweighing improvements in **government spending** and **monetary freedom**. Botswana is ranked 2nd among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Through fiscal discipline and sound management, Botswana has transformed itself from one of the world's poorest countries to a middle-income country. Economic policy is guided by the government's efforts to diversify the economy away from dependence on the volatile mining sector and toward agriculture, services, and manufacturing. The regulatory environment encourages growth, and openness to foreign investment and trade promotes competitiveness and resilience.

ECONOMIC FREEDOM SCORE

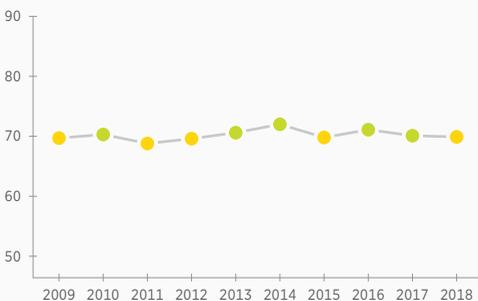


NOTABLE SUCCESSES:
Fiscal Health, Trade Freedom, and
Monetary Stability

CONCERNS:
Rule of Law and
Government Spending

**OVERALL SCORE CHANGE
SINCE 2014:**
-2.1

FREEDOM TREND



QUICK FACTS

POPULATION:

2.2 million

GDP (PPP):

\$36.7 billion
2.9% growth in 2016
5-year compound
annual growth 4.2%
\$17,042 per capita

UNEMPLOYMENT:

18.4%

INFLATION (CPI):

2.8%

FDI INFLOW:

\$10.5 million

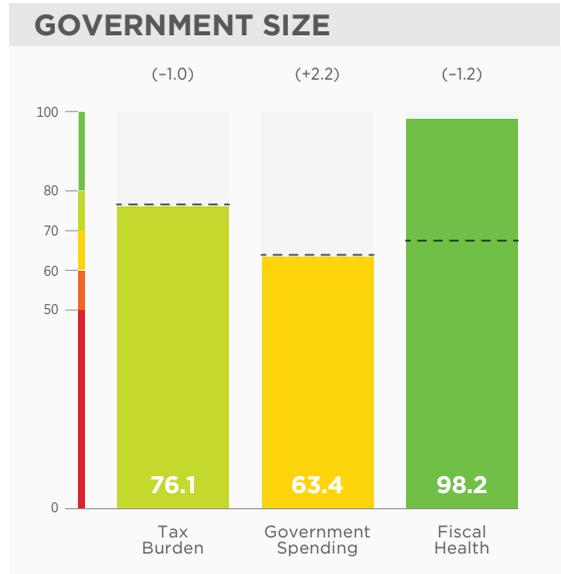
PUBLIC DEBT:

13.9% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017

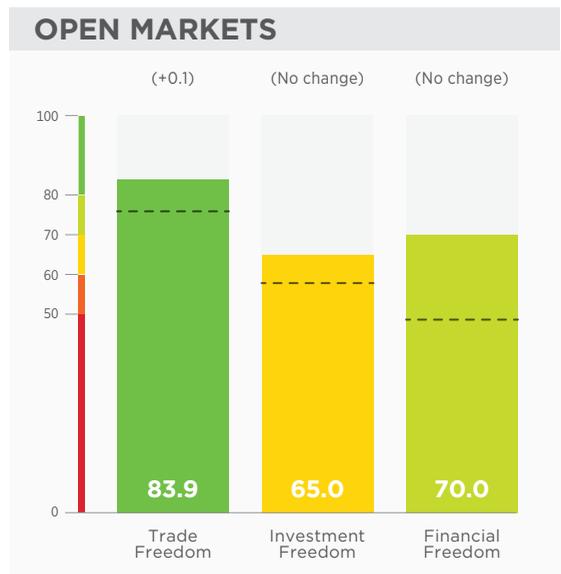
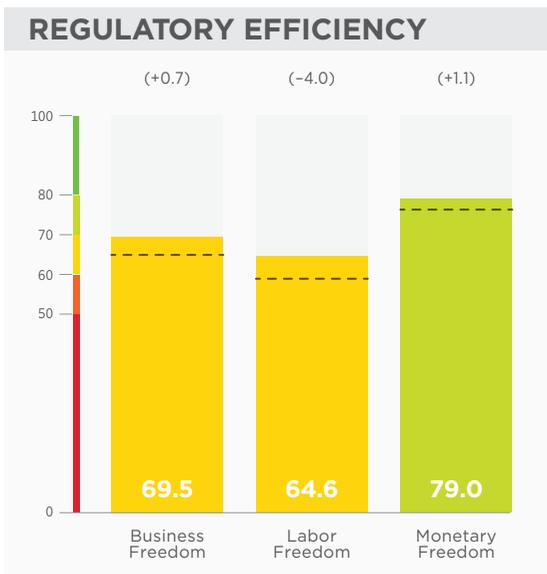
BACKGROUND: Sparsely populated Botswana's land area is larger than Spain and dominated by the vast Kalahari Desert. The Botswana Democratic Party (BDP) has governed this multiparty democracy since independence from the U.K. in 1966. The National Assembly elected President Ian Khama to his second and final five-year term after parliamentary elections in 2014 that saw the BDP win less than 50 percent of the vote for the first time as opposition groups gained significant support from young and urban middle-class voters. Botswana has abundant diamond and other natural resources, a market-oriented economy, and one of Africa's highest sovereign credit ratings. To diversify the economy through tourism, Botswana focuses on conservation and development of its extensive nature preserves.

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The government generally respects judicial independence, but severe staffing shortages and a case backlog prevent timely trials in the courts. Botswana remains the least corrupt country on the African continent, but there are almost no restrictions on the private business activities of public servants. Power has become increasingly centralized around the president, with many top jobs going to military officers and family members.

The top personal income tax rate is 25 percent, and the top corporate tax rate is 22 percent. Other taxes include property, inheritance, and value-added taxes. The overall tax burden equals 35.8 percent of total domestic income. Over the past three years, government spending has amounted to 34.9 percent of total output (GDP), and budget deficits have averaged 0.9 percent of GDP. Public debt is equivalent to 13.9 percent of GDP.



The regulatory environment protects entrepreneurial economic freedom relatively well. Bureaucratic procedures required for starting and maintaining a business tend to be open but slow. Botswana has minimal labor strife, but relatively low labor productivity is a constraint on business. Progress toward reducing subsidies and transfers to state-owned enterprises has been slow.

Trade is extremely important to Botswana's economy; the combined value of exports and imports equals 106 percent of GDP. The average applied tariff rate is 0.5 percent. Nontariff barriers impede trade. Government openness to foreign investment is above average. The small but vibrant financial sector encourages economic diversification. Private-sector access to credit is maintained effectively by the banking sector and well-functioning capital markets.