

BOTSWANA

WORLD RANK:

51

REGIONAL RANK:

3

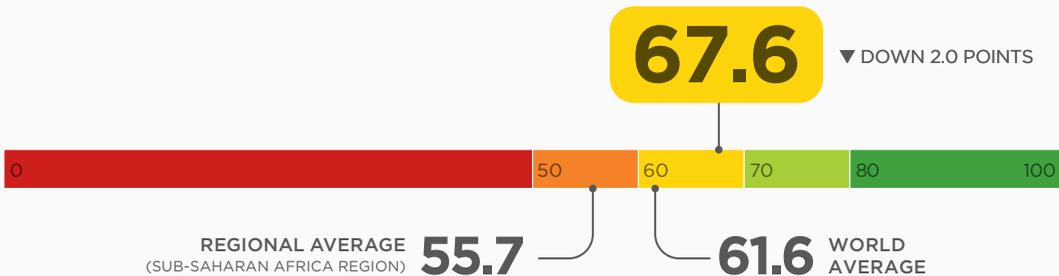
ECONOMIC FREEDOM STATUS:
MODERATELY FREE

Botswana's economic freedom score is 67.6, making its economy the 51st freest in the 2021 *Index*. Its overall score has decreased by 2.0 points, primarily because of a decline in **fiscal health**. Botswana is ranked 3rd among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional and world averages.

Botswana's recent slippage in economic freedom accelerated this year. To return to the ranks of the mostly free, the government will have to strengthen institutions to improve scores on the *Index* rule-of-law indicators: property rights, judicial effectiveness, and government integrity. It will also have to curb ongoing deficit spending that is starting to build debt.

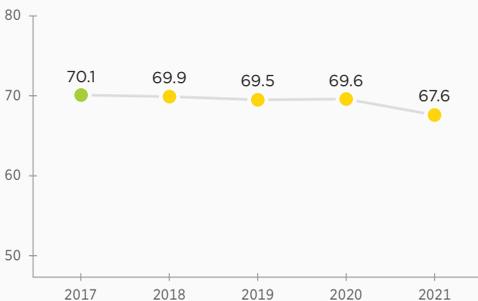
IMPACT OF COVID-19: As of December 1, 2020, 34 deaths had been attributed to the pandemic in Botswana, and the economy was forecast to contract by 9.6 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +10.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.3 million

GDP (PPP):
\$43.9 billion
3.0% growth in 2019
5-year compound annual growth 2.6%
\$18,503 per capita

UNEMPLOYMENT:
18.2%

INFLATION (CPI):
2.8%

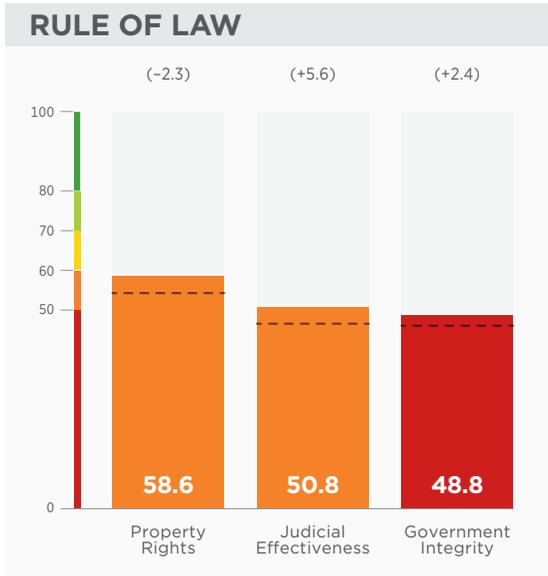
FDI INFLOW:
\$260.9 million

PUBLIC DEBT:
14.5% of GDP

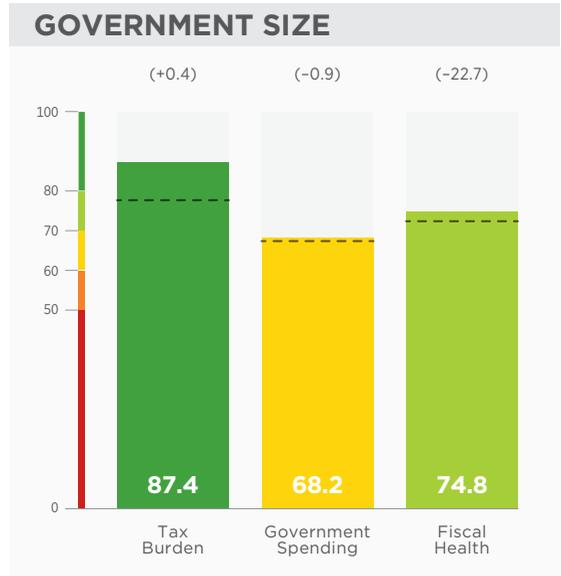
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Sparsely populated Botswana has a land area that 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 United Kingdom in 1966. Despite a challenge from a party led by former President Ian Khama and other opposition groups, the BDP expanded its share of the vote in the October 2019 elections, securing the continued tenure of President Mokgweetsi Masisi. Risks to political stability remain low. Botswana has abundant diamonds and other natural resources, a market-oriented economy, and one of Africa's highest sovereign credit ratings. Ecotourism in the country's extensive nature preserves is helping to diversify the economy.

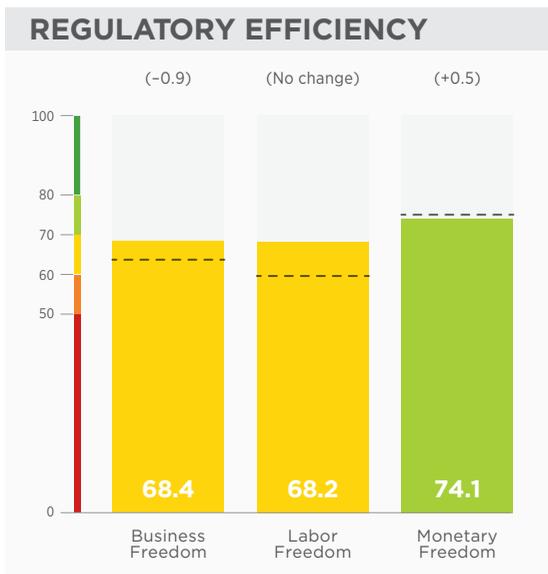
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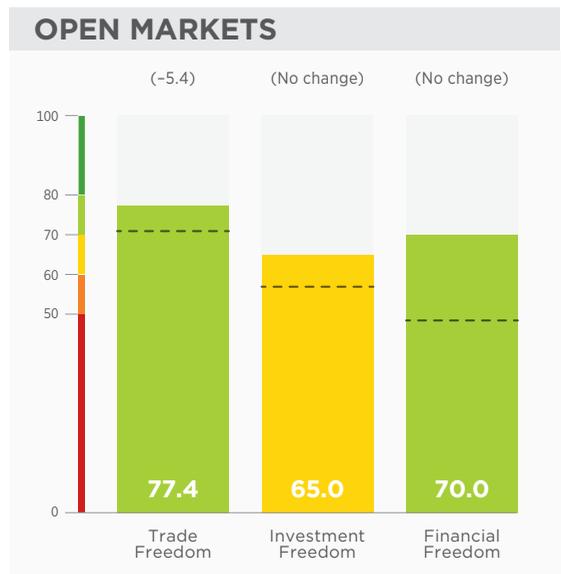
Botswana’s legal protections for property rights are generally sound and enforced in practice. Tribal land represents 70 percent of the country’s territory. Courts enforce commercial contracts. The judiciary is generally independent and free from interference. Botswana remains Africa’s least corrupt country, but officials tasked with enforcing anticorruption statutes lack adequate training and resources.



The top individual 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 12.2 percent of total domestic income. Government spending has amounted to 32.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.9 percent of GDP. Public debt is equivalent to 14.5 percent of GDP.



Business freedom has contracted, partly because dealing with construction permits requires more procedures than it previously did. Low labor productivity contributes to high unemployment. The economy is subject to global downturns in the market for diamonds. Tourism-related services employ many Botswana. In response to a severe drought in 2019, the government expanded its program of subsidies to the agricultural sector.



Botswana has five preferential trade agreements in force. The trade-weighted average tariff rate is 6.3 percent, and 44 nontariff measures are in effect. 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. In 2020, the central bank eased rules to meet capital requirements and introduced measures to increase liquidity.