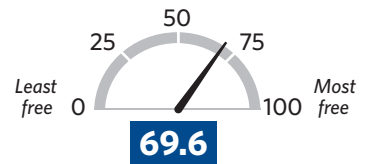


# BOTSWANA

## Economic Freedom Score



World Rank: **33** Regional Rank: **2**

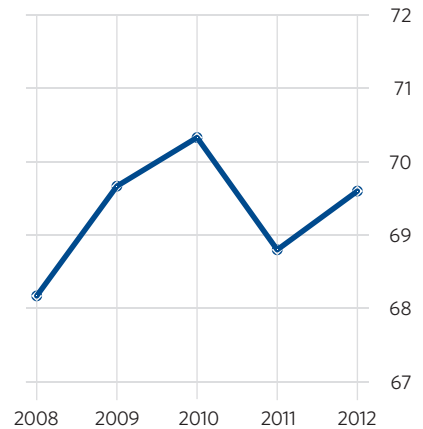
**B**otswana's economic freedom score is 69.6, making its economy the 33rd freest in the 2012 *Index*. Its overall score is 0.8 point better than last year, due primarily to improvements in freedom from corruption, monetary freedom, and trade freedom. Botswana is ranked 2nd out of 46 countries in the Sub-Saharan Africa region, and its overall score is well above the regional and world averages.

Botswana continues its transformation to a fast-growing and dynamic economy. Always one of the freest economies in Africa, it has recorded its third-highest score ever in the *Index* this year. In many of the four pillars of economic freedom, the country performs quite well. The foundations of economic freedom are among the strongest in the region and solid in comparison to other countries in the world. The independent judiciary provides strong protection of property rights.

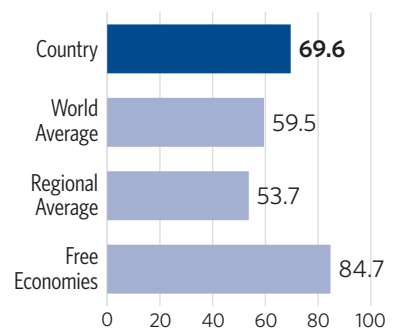
A sensible regulatory environment and policies that support global trade and investment strengthen overall competitiveness. The financial sector is fairly well developed, with an independent central bank and little government intervention. Large fiscal deficits in recent years point to the need to focus on improving the management of public finance.

**BACKGROUND:** The Botswana Democratic Party has governed this multi-party democracy since independence in 1966. Ian Khama assumed the presidency in 2008. With significant natural resources and a market-oriented economy that encourages private enterprise, Botswana has Africa's highest sovereign credit rating. Despite efforts to diversify the economy, minerals (principally diamonds) account for three-fourths of exports and over 40 percent of GDP. The global economic crisis reduced the demand for diamonds, but production was expected to increase by 20 percent in 2011. Botswana has worked with other countries in the Southern African Development Community to mitigate the impact of the political turmoil in neighboring Zimbabwe. Botswana has one of the highest HIV/AIDS infection rates but is also one of the most advanced in combating the disease.

## Freedom Trend



## Country Comparisons



## Quick Facts

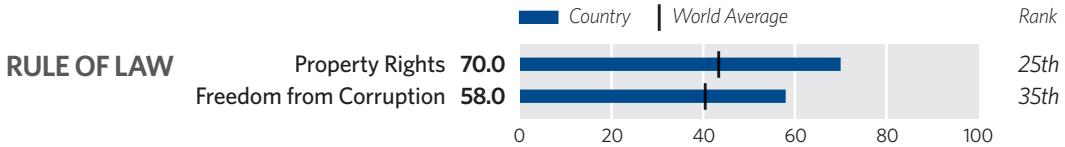
**Population:** 1.8 million  
**GDP (PPP):** \$28.5 billion  
 8.6% growth in 2010  
 5-year compound annual growth 3.5%  
 \$15,489 per capita  
**Unemployment:** 7.5%  
**Inflation (CPI):** 7.0%  
**FDI Inflow:** \$529.3 million  
**Public Debt:** 13.2% of GDP

### How Do We Measure Economic Freedom?

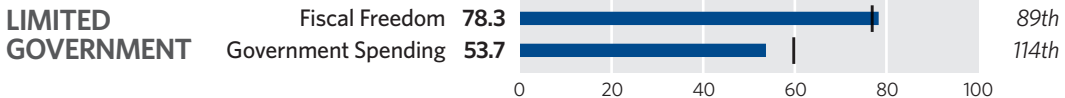
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

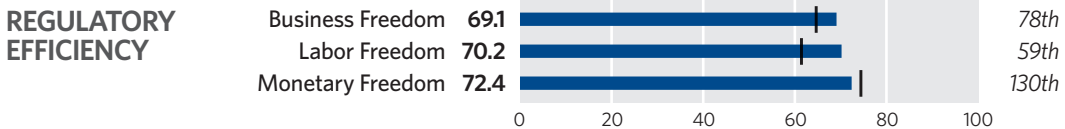
**THE TEN ECONOMIC FREEDOMS**



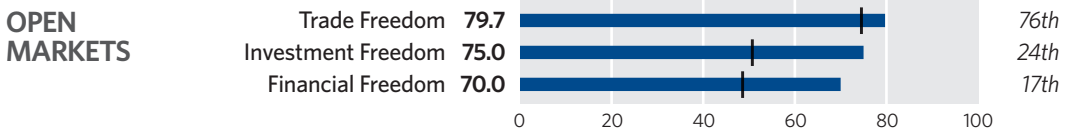
The legal system is sufficient to enforce secure commercial dealings, although a growing backlog of cases prevents timely trials. Protection of intellectual property rights has improved significantly. Botswana remains the least corrupt country on the African continent. The major corruption investigation body, the Directorate on Corruption and Economic Crimes (DCEC), is well regarded.



The top income and corporate tax rates are 25 percent. Other taxes include a property tax, an inheritance tax, and a value-added tax (VAT), with the total tax burden equivalent to 30.4 percent of total domestic income. Government spending is equivalent to 39.3 percent of total domestic output, with budget deficits above 5 percent of GDP in recent years. Public debt remains under 20 percent of GDP.



A more streamlined licensing process has eased business start-up procedures. However, the overall pace of reform has slowed. Botswana's employment regulations are moderately flexible, with the non-salary cost of hiring a worker relatively low. Most prices are set by the market, but the state maintains pricing policies and can influence prices through numerous state-owned enterprises and service providers.



The trade weighted tariff rate is 5.2 percent. Import licensing and other non-tariff barriers add to the cost of trade. Investment regulations are transparent though slow in execution. Foreign investment has played a significant role in the privatization of state-owned enterprises. Botswana's banking sector is one of Africa's most advanced. The government has abolished exchange controls, and the Botswana Stock Exchange is growing.

**Score Changes**

| RULE OF LAW             |      | LIMITED GOVERNMENT  |      | REGULATORY EFFICIENCY |      | OPEN MARKETS       |      |
|-------------------------|------|---------------------|------|-----------------------|------|--------------------|------|
| Property Rights         | 0    | Fiscal Freedom      | -0.1 | Business Freedom      | -1.4 | Trade Freedom      | +4.5 |
| Freedom from Corruption | +2.0 | Government Spending | +2.2 | Labor Freedom         | +0.2 | Investment Freedom | 0    |
|                         |      |                     |      | Monetary Freedom      | +1.5 | Financial Freedom  | 0    |