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PROSPERITY INDEX



The Legatum Prosperity Index[™]

A tool for transformation

2020

FOURTEENTH EDITION

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Foreword



The principles of prosperity at a moment of global crisis

We are launching this year's Legatum Prosperity Index™ at an extraordinary moment in time. Across the world, COVID-19 is dominating our political, economic, and social debate. None of us was expecting 2020 to look like this. It is a moment that, wherever we are in the world, will challenge our principles and our decision making, and reveal what we really believe. If this time is about anything, it is for each nation to decide its character and who it wants to be. The decisions we make now will create the foundation for our nations going forward, and determine the legacy we will leave for future generations. We need to decide carefully.

China was the first country to be impacted by COVID-19, and its response framed the context for the rest of the world. Its approach was one that moved to withhold information about the virus, restrict the freedoms of its people, and lock down its economic engine. Such actions are consistent with ranking 90th in the Index for Governance and 159th for Personal Freedom. Subsequently, many other countries responded by severely curtailing civil rights and economic freedoms. But these are not the actions that build prosperity, they are the ones that weaken it.

At a time of crisis, it is our core principles that we should be drawing on — the things we know to be true. It is here that the Index can be a guide, reminding us of what builds and protects prosperity in the most challenging of times. The Index has been purposefully designed to help leaders around the world focus on what needs to be protected and what is of value. During a time of crisis, the Index can equip leaders to ensure that their decisions enable their citizens to flourish.

We know that prosperity is built when

- Governments make decisions in such a way that engenders trust, and with integrity respecting the freedom of its citizens: prosperous nations are ones where governments govern with the agreement of the people, and where citizens take responsibility.
- Economic decisions are taken responsibly to sustain an enabling environment for productive employment, sustained economic growth and personal development.
- The principles of personal responsibility and freedom go hand in hand. Citizens are free and order their lives taking responsibility for their own families and communities
- People take care of their own physical health and mental well-being and healthcare is accessible to all. They do not make decisions that threaten the health of others.

True prosperity means everyone, regardless of the darkness of the days, has the opportunity and responsibility to fulfil their unique potential and play their part in strengthening their communities and nations. Prosperous nations are built on trust and respect.

The backdrop to 2020

Not only does the Legatum Prosperity Index act as a guide through difficult times, it also assesses the context in which decision makers are operating. We are hugely fortunate that the backdrop to the COVID-19 crisis is one where global prosperity was at its highest level ever. There is never a good time for a global health crisis, but if there has to be one, the progress that has been made over the last decade provides emerging nations with a better context in which to tackle it.

This year's Index reveals that, prior to the coronavirus pandemic, global prosperity stood at a record high, with 147 out of 167 countries seeing prosperity rise over the last decade. This increase is due to wide ranging improvements: better health, education, and living conditions, especially expansions in immunisation programmes and antenatal care, increases in pre-primary and tertiary education enrolment, and reductions in poverty, greater access to water and sanitation services, and increased digital connectedness.

In addition, economies around the world had become more open due to improvements to digital and transport infrastructure. Many of the financial protections that are necessary to provide investors with confidence — property rights, investor protections, contract enforcement — had also strengthened, leading to an increase in the extent to which finance was made available to business.

A warning

However, there is also a warning in the Index. The improvement seen in the last 12 months had not kept pace with the progress of the previous two years, as Asia-Pacific and Western Europe stagnated and North America deteriorated slightly. In addition, stagnating governance and personal freedom around the world is holding back further improvement in prosperity.

As each nation navigates its way through and out of the pandemic, good governance will be crucial in creating more prosperous societies. Now, more than ever, is the time for governments to show decisive and effective leadership. An autocratic approach will not overcome the challenges that lie ahead. Success is dependent upon the full involvement and engagement of a society where personal freedoms are protected.

Innovation and dynamism will be critical to forging strong economies following the disruption of the pandemic. Developed nations that expect so much of emerging nations must beware the trap of falling into the mindset of an overdeveloped society, vulnerable to entitlement and complacency, losing sight of their values and heritage. The West must avoid a managerial mindset that seeks to avoid change and risk, but in the process sacrifices innovation, purpose, and meaning: this would create a window through which the inheritance of hard-won prosperity from their forbears would evaporate.

For a time such as this, the Index functions as a transformational tool that provides leaders of nations with a holistic and comprehensive framework that can inform the strategic choices that need to be made, to further build inclusive societies and more open economies, and improve the lived experience of all citizens, to drive greater levels of prosperity around the world.

In the wake of COVID-19, we at the Institute are even more ambitious to support political leaders, policymakers, investors, business leaders, philanthropists, journalists, and researchers, to share insights and forge closer relationships to effect the renewal and implementation of policies that can realise and unlock real prosperity.

Please do contact us at info@li.com if you are interested in the findings of the Index and our work more broadly.



Baroness Philippa Stroud
CEO of the Legatum Institute

Using the Index — A tool for transformation

The Prosperity Index has been developed as a practical tool to help identify what specific action needs to be taken to contribute to strengthening the pathways from poverty to prosperity and to provide a roadmap as nations chart their way through and out of the pandemic. The Index consists of 12 pillars of prosperity, built upon 66 actionable policy areas (elements), and is underpinned by 294 indicators.

The Index has been designed to benefit a wide range of users, including political leaders, policymakers, investors, business leaders, philanthropists, journalists, and researchers.

- Political leaders can use it to help shape priorities for a policy agenda;
- Policymakers can use it to determine specific areas that require action to help increase prosperity;
- Investors can use it to inform capital allocation;
- Business leaders can use it to identify and communicate the changes they need to improve the business climate and the productive capacity of nations;
- Philanthropists can use it to identify the areas where they can have the greatest impact beyond the well-trodden paths;
- Journalists can use it to hold governments to account;
- Researchers can use it to complement other datasets to analyse the underlying patterns behind development, and inform the broader policy, business, and philanthropic community.

INTERPRETING THE INDEX

For 167 nations, the Index uses the same indicators, and combines them in the same way to create elements and pillars. By using the Index, it is possible to compare the relative performance of each country for overall prosperity and each of the 12 pillars of prosperity, such as health, education, and social capital, as well as the 66 elements within the pillars. The elements have been established to represent key policy areas, such as investor protections, primary education, government integrity, and air pollution, to help facilitate more targeted action.

Making these comparisons will enable the user to explore which aspects of prosperity are more or less well developed within a country, and how countries compare with others. The higher the ranking, the stronger the performance of that country for the pillar or element, when compared with a country lower down the rankings. Further to this, the Index also provides data over a 13-year period, making it possible to see whether prosperity has been strengthening or weakening over time, and what specifically is driving that change. This will enable areas of strength to be built on and areas of weakness to be addressed.

APPLYING THE INDEX

The data in the Index and analysis contained in the report can be used for a variety of purposes, for example:

- Benchmarking performance against peers;
- In-depth analysis of prosperity at the country level;
- Understanding whether prosperity is improving or weakening over time, and why;
- Identifying the binding constraints to increased prosperity;
- Informing priorities for setting country agendas.

Where a country is showing a strong or weak performance in a pillar, it is possible to drill down and identify what particular policy-related element is driving this trend. Within each element, the specific indicators represent proxies, and each one should be interpreted as indicative. This will help inform the required policy action to strengthen performance.

For example, it may be discovered that a country's poor prosperity rankings are driven by a weak performance in education. Upon further investigation, the Index reveals that, although current education policy in the country is weaker in primary education, it has been focused on improving secondary education when contrasted with regional comparator countries. In particular, further investigation of the Index reveals that low completion rates may be driving the weak performance in primary education. This information can help to target specific areas that need improvement and provide a starting point for what can be done to improve education, and thereby increase prosperity.

By using the historical data provided by the Index for the example above, it may become apparent that primary completion rates have declined rapidly over the past three years. Discussion with local education officials on the decline may reveal that this coincides with the introduction of a new exit exam that pushes students out of school who do not pass, thus pointing to the particular area where action is needed.

RESOURCES AVAILABLE

There are several tools available to aid analysis and interpretation of, and elicit insight from, the Prosperity Index. Alongside this report, which provides a high-level analysis of the findings from the Index, the following additional information can be found via our website www.prosperity.com:

Country profiles. This 15-page profile for each country provides more detailed pillar, element, and indicator information, including rankings and scores, and how these have changed over time. These profiles are available for download.



Credit: shutterstock.com

Indicator scores. An Excel spreadsheet, which can be downloaded, contains the scores for all of the 294 indicators for each year since 2007. Using these scores, the user can carry out more in-depth analysis. Further information on how the scores for each indicator are calculated can be found in the Methodology section (see page 76).

Team members at the Legatum Institute are available to engage and provide support to those interested in addressing the challenges and opportunities presented by these materials. Please contact us at info@li.com.

USING THE INDEX

Political leaders

This report provides leaders at a national and local level with an overview of their country's performance across the 12 pillars of prosperity and provides the foundation for setting an agenda to create pathways from poverty to prosperity. These can be developed and refined using the more in-depth accompanying resources.

Policymakers

The Index and its accompanying resources allow policymakers to benchmark nations' performances against peers across 12 pillars and 66 elements of prosperity to create a much more granular perspective of performance and the potential binding constraints to development.

Each of the 66 elements of prosperity have been designed to be recognisable, discrete areas of domestic policy, and measured using a combination of indicators from a variety of public data sources. The indicators should be interpreted as a set of proxies for the underlying policy concept and we would encourage policymakers to interpret a country's score and rank for an element as the trigger for more fundamental analysis of the strengths and weaknesses of its performance. Benchmarking against a basket of international metrics must be complemented by in-depth, context-sensitive analysis,

which itself can lead to more balanced agendas across a range of policy areas.

In addition to helping focus analysis, these materials, together with the database of performance, also allow policymakers to develop diagnostic tools and to identify potential options to consider, based on the performance of other countries, and the case studies provided.

Philanthropists

Beyond the familiar humanitarian and living conditions-focused efforts, there are many opportunities to invest in building stronger social, political, and economic outcomes. For example:

Governance. While there is already extensive NGO engagement in activities such as monitoring elections, many more upstream opportunities exist to support capability building within governments. This is not only developing the organisational capital, but also providing professional experience across all the technical aspects of the machinery of government, such as strategic planning and judicial functions. This need not be direct support, but could be an enabling or financing role.

Social Capital. Institutional and interpersonal trust are two critical factors that will help the countries of the world build true prosperity. However, these are less-understood areas, and there is a unique role for philanthropists to identify and champion what it takes to increase trust and build social capital.

Enterprise Conditions. Some NGOs have enhanced prosperity at a local level by working with local businesses to identify barriers to starting, operating, and growing businesses, and developing collaborative approaches to resolving them at a local and national level.

Infrastructure. Ensuring that large-scale programmes deliver on their potential for the broader population can be very challenging when inadequate attention is paid to last-mile challenges, whether it be access to roads, electricity connections, or mobile coverage. Measurements of levels of access help overcome this.

Investors and business leaders

The business community is well positioned to identify barriers to starting, operating, and growing business, and to demonstrate to government the economic potential from reforms such as lifting onerous regulation. Likewise, business leaders and investors can work with government to improve the investment environment, contributing to the strengthening of investor protections and corporate governance, as well as identifying the potential from improved contract enforcement in many jurisdictions.

Furthermore, business leaders and investors can contribute to infrastructure policy development by demonstrating the economic impact of investment in communications, transport, and energy projects, where they can be the binding constraint on development.

Academics and Researchers

For academics and researchers, our database of curated indicators is

a unique resource enabling cross-country comparison of trends and patterns across the past 13 years for much of the data. By providing a holistic dataset across many disciplines, it provides an opportunity to compare in a straightforward way the impact of disparate factors such as how political terror is related to education levels, or property rights with reserves of renewable water.

Journalists and civil society

The Prosperity Index is based on publicly available and verifiable data, which means it can be a powerful resource for those who want to hold up a mirror to those in power and society at large. Holding leaders to account is a crucial role for both journalists and civil society. The institutional, economic, and social performance of a nation is critical to its prosperity, and having non-government actors calling out weaknesses, as well as celebrating successes, can help spur on national leaders. To do so well requires easy access to reliable data that can be represented in a digestible way.



THE PATHWAYS TO TRANSFORMATION

The pathways from poverty to prosperity are not necessarily uniform. When confronted with many challenges, navigating them can often seem like an overwhelming task. From our research and engagement with national leaders, three important themes inform the appropriate response to addressing the challenges.

1. **Transformation is a process, not an event.** For countries in the middle ranks of the Index, it is not necessary, or useful, to aspire to be Denmark — at least in the medium term. Intermediate benchmarks are much more helpful and effective.
2. **Iterative changes are often more powerful than striving for an ideal on any one dimension.** Given the highly complex nature of development, many factors impinge on others. There is little value in having a highly efficient, or even 'ideal', system of contract enforcement if the forms of corporate governance, investor protections, or property rights are much less developed. In fact, a lopsided approach can be detrimental, as it can generate unintended consequences. Each change of the ecosystem needs to move from one (relatively) stable state to another. These are often described as 'second-best institutions', but they are often the next-best solution.
3. **It is important to identify the most binding constraint to development, and use it to inform sequencing and prioritisation.** To give a rather simplified example, a country may find itself with a weak environment for foreign investment and also weak property rights. In such a situation, loosening restrictions on foreign investment is unlikely to have much of an impact, as investors will be wary of securing a return if property rights are not adequately protected. In such a circumstance, improving property rights would likely be a more impactful first step.

Of course, the specifics of each country's circumstances will be critical to determining the prioritisation. The Index provides a set of hypotheses to test. The areas of highest priority will likely be those that are performing relatively poorly, but not necessarily the weakest-performing elements, as creating the conditions to warrant improving the weakest performing elements may require improving some of the elements that are less weak first. Each country has its own unique history and set of starting conditions. Nowhere is starting from a blank sheet.

That said, when looking at the progression of those countries that have had the most successful development trajectories, it is clear that establishing safety and security, adequate personal freedoms, and broadly principled systems of governance are generally pre-requisites to building a functioning economy. Within the economic sphere, a broadly stable macro-economic environment, together with enforceable property rights are usually sufficient to kick-start economic progress. Improving the regulatory environment (whether the ease of doing business, or flexibility of the labour market) can help, but the prevalence of informal economic systems around the world, as well as the varying development pathways that countries have taken, shows they are not necessarily the most binding constraint to development. By addressing underlying institutional failures, this will also ensure that resources made available to improve people's lived experience will result in strengthening the education and health systems and provide the living conditions that will enable the population to attain the necessary level of wellbeing.

A robust, and context-sensitive, diagnostic of the binding constraints to development is a pre-requisite to any prioritisation exercise. This will help identify whether, for example, low economic activity is a function of under-developed human capital or infrastructure on the one hand, or regulatory or investment environment weaknesses on the other.



Credit: istockphoto.com



Executive Summary

INTRODUCING THE 2020 PROSPERITY INDEX

The Legatum Institute's 2020 Prosperity Index measures prosperity in 167 countries across the globe, which together contain 99.4% of the world's population. Almost 300 country-level indicators, grouped into 66 policy-focused elements, are used to comprehensively and holistically measure the current state of prosperity, and how it has changed since 2010 around the world.

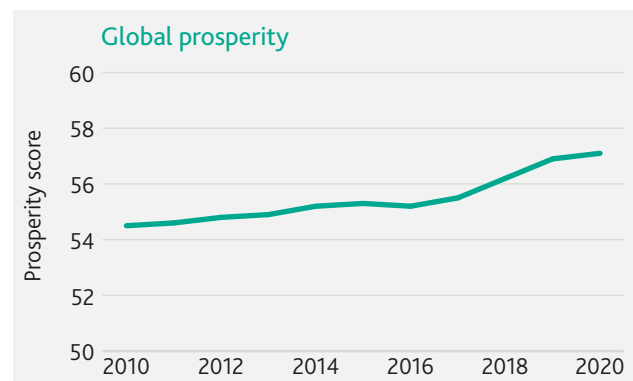
As well as tracking the performance of nations to date, the Prosperity Index also provides an invaluable framework for nations to assess their strengths and weaknesses as they chart their way through and out of the COVID-19 pandemic. This will help them determine the strategic choices that need to be made to further build inclusive societies, open economies, and empowered people to drive greater levels of prosperity for all their citizens.

THE KEY FINDINGS FROM THIS YEAR'S REPORT ARE:

1. **In the decade prior to COVID-19, global prosperity had risen continuously, driven by people's lived experience improving and by more open economies.**
2. **People's lived experience improved due to better education and living conditions across all regions. Health also improved in all regions except for North America.**
3. **Economies had become more open due to improvements to communication and transport infrastructure, strengthened property rights, greater protections for investors, and increased access to finance.**
4. **The improvement in social capital also contributed to the increase in global prosperity, but further progress has been held back by governance and personal freedom stagnating.**
5. **A lack of contestability within domestic markets and extensive restrictions on international investment is acting as a brake on economies becoming more open across parts of the world.**
6. **The improvement in global prosperity in the last 12 months has not kept pace with the progress of the previous two years, as Asia-Pacific and Western Europe stalled, and North America deteriorated slightly.**

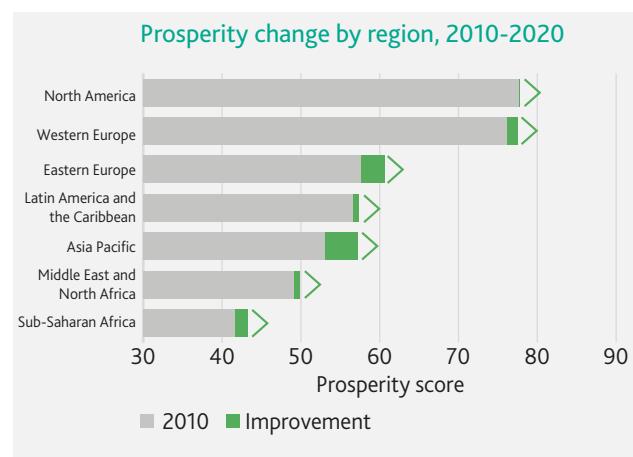
It is sobering to think that the first case of COVID-19 was already present in the global population at the time we launched the 2019 Prosperity Index last November. Twelve months on, as we publish

the 2020 Prosperity Index, the world is very different but the decade up until 2020 is one of growth.

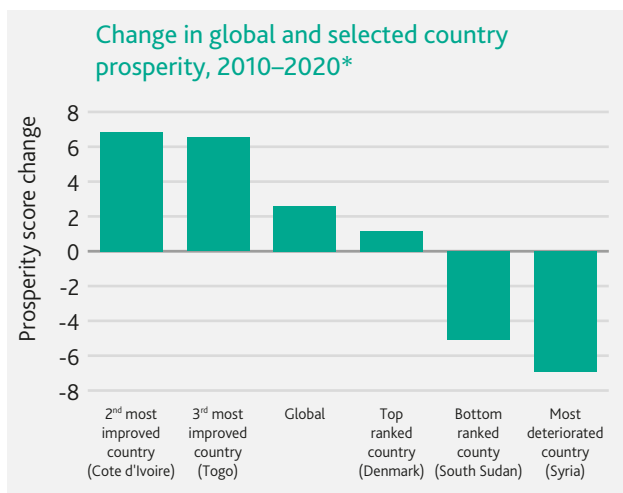


In the decade prior to COVID-19, global prosperity had risen continuously, driven by people's lived experience improving and by more open economies

The global challenges raised by COVID-19 are considerable, but we should be encouraged that, in the decade up until the pandemic struck, global prosperity continued to rise year-on-year, and stood at its highest ever level in 2020. All seven regions improved and, out of the 167 countries in the Index, 147 saw an improvement in their prosperity during this period, providing a solid foundation upon which to chart a way through and out of the current pandemic.



The improvement in prosperity has been driven by the lived experience of people improving, with all but seven countries seeing an improvement in the Empowered People domain, and more Open Economies across the globe, with 150 nations seeing an improvement in this domain.



Two of the most improved countries over the past decade are from the sub-Saharan Africa region (**Côte d'Ivoire** (124th) and **Togo** (140th)). The improvement in Côte d'Ivoire is broad and, following a peaceful election in 2015, has been achieved through the government adopting a National Development Plan that set out a range of social and economic reforms to be implemented during 2016–2020. As a result, governance has improved substantially in the country, with a 36-rank improvement for this pillar, and there has been a concomitant increase in confidence in government. The strengthening of the social contract seen in Côte d'Ivoire is further explored in the essay *Why a strong social contract is perhaps the best means of tackling systemic corruption* (page 40). The country is also beginning to see the fruit of these reforms in its economy, with a 28-rank rise in the Open Economies domain since 2010. As a result of the institutional, economic, and social improvements Côte d'Ivoire has made, it has moved up 21 places in the prosperity rankings since 2010.

Côte d'Ivoire is exemplary of the correlation that we see between improvements in government effectiveness and improvements in open economies, which we also see across sub-Saharan Africa, the Middle East and North Africa, and Eastern Europe.

The increase in global prosperity over the past decade is the result of many countries like Côte d'Ivoire making conscious choices that have led to their economies becoming more open and improving the lived experience of their citizens.

People's lived experience improved due to better education and living conditions across all regions. Health also improved in all regions except for North America

Near-universal progress in health over the past decade, with all but 12 countries, including the United States, seeing an improvement, has contributed to the rise in global prosperity. Expansions in immunisation programmes for diphtheria, measles, and hepatitis have resulted in a greater percentage of the global population being inoculated against these life-threatening diseases. This, together with antenatal care now covering over 90% of women across the globe, has led to the improvement seen in preventative interventions. In **India** (101st), for example, which saw a 41 rank rise in this health element, only 29% of the population were vaccinated against hepatitis in 2010, but this increased to 89% in 2020, and those inoculated against diphtheria also increased to 89%, up from 70% in 2010. Global health also improved as a result of the number of healthcare practitioners increasing, with more births being attended by a healthcare professional than a decade previously, and the treatment for tuberculosis being expanded. It is not surprising that as a result of preventative interventions and care systems improving, we also see global mortality rates decreasing across all the key stages of life, and life expectancy at age 60 increasing. However, these improvements are now under threat as the health of many nations around the globe has been under considerable strain due to the pandemic. A particular concern at the start of the year was how nations with less advanced healthcare systems would cope with the virus. However, we now know that the virus disproportionately affects the elderly and those with comorbidities. This demographic make-up is more commonly found in more developed countries — the median age in Italy is 47.3, whereas the median age across Africa is around 20, and the obesity rate in the United States stands at over 40%, compared to less than 10% in Africa — so it is generally



Credit: shutterstock.com

Nursery children from Côte d'Ivoire in national dress.

Côte d'Ivoire has moved up 21 places in the prosperity rankings since 2010, with impressive improvements in many pillars.

the health systems of more developed nations that have been in greater danger of being overwhelmed.

The increase in global prosperity is also the result of better education, which improved as a result of better access: enrolment rates increased at each stage of the education system, with children starting education earlier and finishing later. Tertiary education, in particular, saw a big improvement in enrolment rates. In 2010, 31% of the global adult population enrolled in a higher education course, but this had increased to 42% by 2020. The improvements in education have paid dividends, with the adult population becoming more skilled than a decade previously. Globally, over 85% of adults are now literate, four percentage points higher than in 2010.

Over the past decade, 150 countries have improved their education. We must now take care to ensure that these hard-fought-for gains are protected. The choices that are made by governments at this time will determine the future social wellbeing and economic prospects of a generation. One American study cites that today's students in the U.S. can expect at least 3% lower lifetime earnings, as a result of the lower skill levels they will achieve. In addition, school closures are estimated to result in a 1.5% loss in the nation's future GDP.¹ This is equivalent to a total economic loss of \$14.2 trillion in current dollars over the next 80 years. As many countries around the world head into yet further restrictions, prioritising keeping schools open safely is a must, to ensure today's pupils are not further disadvantaged by this pandemic.

Living conditions have improved in all regions across the globe, which also contributed to the rise in prosperity. In particular, reductions in poverty across all measures, greater access to water and sanitation services, together with increased digital connectedness, have all contributed to the global improvement. Since 2010, 152 countries have improved the living conditions of their citizens, with four of the top five most improved countries in the Asia-Pacific region. **Vietnam** (73rd) improved the most, with poverty rates significantly reducing. For example, the percentage of the population that live on less than \$3.20 a day has fallen from almost 50% a decade ago to less than 10% now, and the percentage that survive on less than \$5.50 has reduced from nearly 80% of the population to less than 25%. Despite this overall global improvement, 15 countries have seen a deterioration in living conditions, and it has been estimated that the pandemic could result in poverty rates increasing by as much as 10%, potentially setting back the hard-fought-for reductions by 20 years. If governments do not take the necessary steps to protect prosperity in their nation, then this is likely to be further exacerbated — decision makers need to remain mindful of what builds prosperity even in these difficult days.

Economies had become more open due to improvements to communication and transport infrastructure, strengthened property rights, greater protections for investors, and increased access to finance

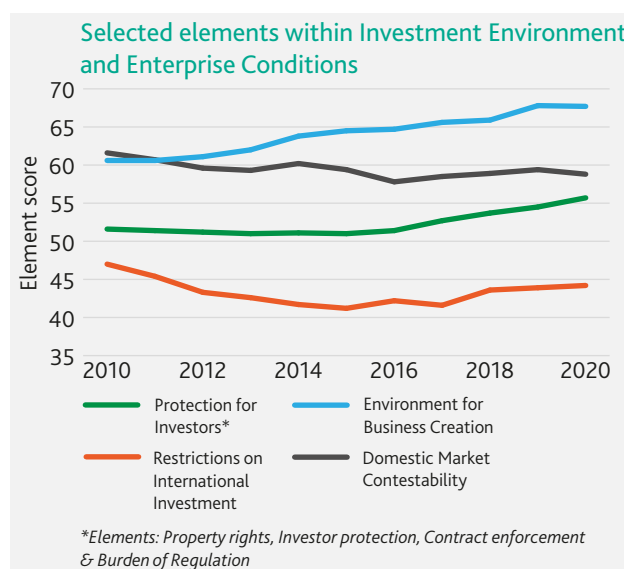
The expansion of communications infrastructure across the globe is the main reason for the improvement in the Open Economies domain over the past decade, with all countries apart from Sweden, having a stronger performance in the Communications element in 2020 than in 2010. Global network coverage for mobile phones expanded, with nearly 90% of the population having potential access to 2G, 3G, or 4G networks, and over 50% of the global

population using the internet, up from 23% a decade previously.

These strengthened communication networks have increased the potential for commerce, mobile banking, and social connectedness all around the world, in ways not imaginable a generation ago, and have also enabled many businesses to keep operating during government-imposed lockdowns. Improvements to transport infrastructure also contributed to economies becoming more open, with 124 countries improving since 2010, primarily due to greater connectivity through improvements to roads, airports, and shipping. These combined improvements have led 160 of 167 countries to have improved in the Market Access and Infrastructure pillar over the last decade.

There have also been improvements to the Investment Environment pillar. Many of the protections that are necessary to provide investors with the confidence to invest — property rights, investor protections, contract enforcement — have also improved in many nations. We also see that the financing ecosystem, the extent to which finance is made available to business, has also improved in recent years. Outside of North America and Western Europe (these being regions where property rights are already well established), improvements in property rights are strongly associated with improvements in prosperity, particularly in Eastern Europe and the Middle East and North Africa.

In addition, the Environment for Business Creation element, which measures how easy it is to start and grow a business with access to the right labour market and that ensures businesses are protected, has also improved, which is coupled with a reduction in the amount of time and effort businesses spend complying with regulations. For example, in **Morocco** (96th), the average number of tax payments a business submits per year has fallen from 28 to 6, which is concordant with over a 50% reduction in the hours a business spends filling in tax returns. The percentage of time businesses spend in complying with regulations has also reduced from 11% to 5%. Many governments around the world recognise the benefits of streamlining and simplifying regulatory and tax compliance and have taken the steps to make improvements. Compared with 2010, 134 countries have seen an improvement in the Burden of Regulation element. These improvements not only benefit businesses, but also the civil servants that administer compliance, so they are relatively well implemented without contention or challenge.



Farmers transporting their produce in Bac Giang Province, Vietnam.

Vietnam has reduced its poverty rate significantly, from almost 50% of people living on less than \$3.20 per day a decade ago to fewer than 10% now.



Credit: shutterstock.com



Kyrgyzstan's Prime Minister and acting President Sadyr Japarov attends a meeting of the Kyrgyz Supreme Council.

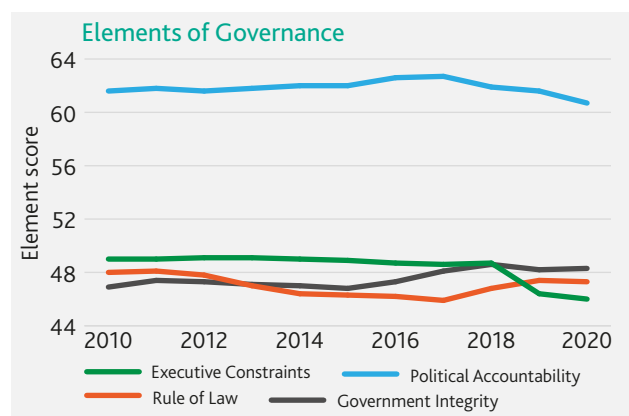
Kyrgyzstan's government integrity has improved the most in the world since 2010.

Credit: gettyimages.co.uk

The improvement in social capital also contributed to the increase in global prosperity, but further progress has been held back by governance and personal freedom stagnating

Stronger social networks, greater trust in others and in institutions, and increased participation and engagement in society have all contributed to the global improvement in the Social Capital pillar and to the rise in global prosperity over the past decade. This improvement, however, is predominately being driven by Asia-Pacific and Eastern Europe, with North America seeing a slight decline. As part of our work on the U.S., we explore the deterioration in social capital across the 50 states of the Union and Washington D.C. in our United States Prosperity Index.²

However, governance across the world has stagnated over the past decade and is holding back further increases in prosperity. There is, however, a mixed performance in the elements within this pillar. Government integrity has strengthened, with **Kyrgyzstan** (90th) and **Argentina** (63rd) improving the most, as has the rule of law in recent years, whereas political accountability and executive constraints — which measures the checks and balances on the elected government and their officials — have weakened, particularly in the latest years. **Turkey** (94th), **Poland** (36th), and **Hungary** (46th) have seen the greatest deterioration across these elements. In our previous reports we have demonstrated the importance of establishing good governance to drive a strong economy, and this is yet again confirmed by the 2020 Index. Of the 80 nations that saw an improvement in their governance in the 2020 Prosperity Index, 77 also saw an improvement in the openness of their economy.



Further improvement in global prosperity is also being held back by personal freedoms stagnating. We see that the freedom to speak and access information and the freedom to assemble and associate

have both weakened over the past decade, with 121 and 116 countries respectively seeing a deterioration in these areas. Regionally, there is a considerable difference in the performance of personal freedom, with Eastern Europe and the Middle East and North Africa seeing a big deterioration since 2010, with 14 (out of 23) and 11 (out of 19) countries deteriorating in those regions, but Western Europe improving with 16 (out of 20) countries having stronger personal freedoms than in 2010.

A lack of contestability within domestic markets and extensive restrictions on international investment is acting as a brake on economies becoming more open across parts of the world

While many nations have been willing to make changes that make starting and operating a business easier, there has been a worldwide deterioration in the openness and contestability of domestic markets. Addressing vested interests, enabling new participants to enter markets, and increasing competition would reverse this decline. For example, countries that have taken steps to remove these barriers and experienced the biggest improvement over the past decade in domestic market contestability are **Guinea** (139th) and **Côte d'Ivoire** (124th). Similarly, over the past decade there have been increased restrictions on international investment in more than 100 countries. Auspiciously, examples of restrictions being reduced can be found all around the world, including for example, **Cambodia** (118th), **Cabo Verde** (75th), and **Albania** (67th).

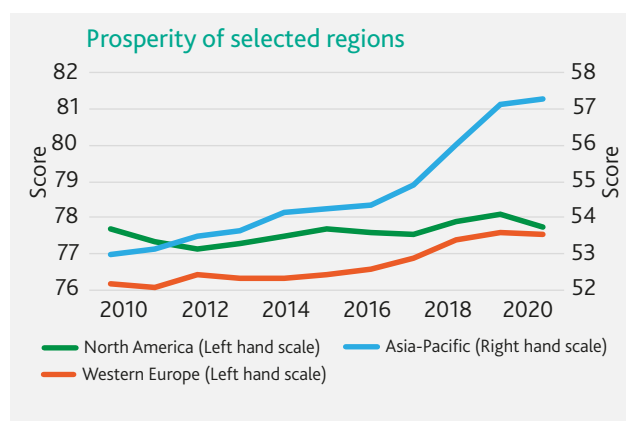
The improvement in global prosperity in the last 12 months has not kept pace with the progress of the previous two years, as Asia-Pacific and Western Europe stalled, and North America deteriorated slightly

Global prosperity increased year-on-year between 2010 and 2020, but the rate of progress slowed considerably over the past 12 months. While 86% of the global population lived in countries that experienced an increase in their prosperity between 2017 and 2018, and 81% lived in countries that saw increased prosperity between 2018 and 2019, only 61% of people lived in countries that saw an improvement between 2019 and 2020. This slowdown in the rate of prosperity improvement is a concern, especially given it captures the year leading up to when the pandemic struck.

The increase in global prosperity over the past decade has been driven predominantly by the improvement across Asia-Pacific, with 8 of the 15 most improved countries globally located in that region.

Over the past year, however, the region has seen a slowdown in its prosperity improvement, due to a deterioration in safety and security, personal freedom, economic quality, and education, together with a slower rate of improvement in enterprise conditions and market access and infrastructure.

In particular, a number of highly populous countries in the region have seen a deterioration in personal freedoms over the past year, including **India** (101st), **Philippines** (83rd), **Pakistan** (139th), and **Bangladesh** (123rd), mainly due to the freedom to associate, assemble and speak being eroded. **Hong Kong** (17th) has seen the biggest decline in personal freedom across the region and has seen the 5th biggest decline globally over the past year. This is a pressing concern given that countries in the Asia-Pacific region generally have weaker personal freedoms than would be expected for their overall level of prosperity, and the response to the virus risks holding back improvement in this area.



The slowdown in Asia-Pacific is concerning given the potential impact of the virus, but perhaps of greater concern is the deterioration in North American prosperity and stagnation in Western European prosperity over the latest year. In contrast to Asia-Pacific, these historically successful regions are starting to see a potential turning point in the quality of their investment environment and enterprise conditions. The economic structures in these nations have been under the spotlight, and need to be urgently reset to increase the levels of entrepreneurship, innovation, and dynamism that these regions and the whole world needs, to help restore

prosperity following the pandemic. There was also a deterioration in education across North America in the year prior to the pandemic, with secondary and tertiary education weakening. School and university closures as states went into lockdown will only further exacerbate this deterioration and all must be done to keep these educational institutions open safely.

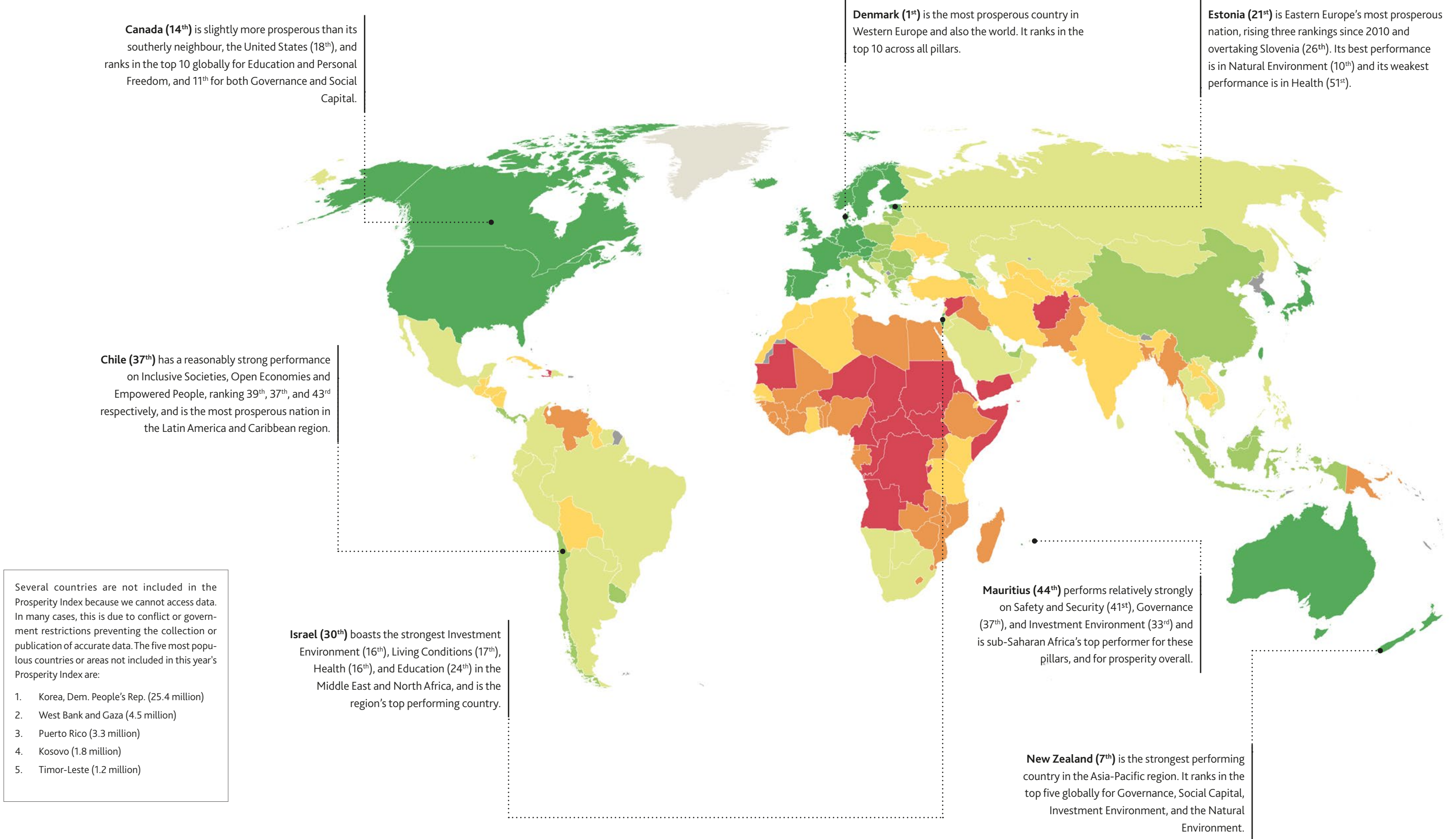
CONCLUSION

A decade of continuously improving prosperity provides a solid foundation upon which to build for the future. Although the world has changed dramatically in the year since the release of our last Index, how prosperity is generated and perpetuated within a nation is unchanged. While many nations continue to grapple with the social, economic, and health impacts of COVID-19, choices need to be made that are likely to have longer-term consequences.

As each nation navigates its way through and out of the pandemic, good governance will be crucial in creating more prosperous societies. Now, more than ever, is the time for governments to show decisive and effective leadership. An autocratic approach will not solve the challenges. Success is dependent upon the full involvement and engagement of society where personal freedoms are protected. Innovation and dynamism will be critical to forging strong economies following the disruption of the pandemic. Further strengthening investor protections, removing vested interests, and opening up to international financial markets will enable businesses to start, grow, and flourish, creating sustained economic growth. Education must also be prioritised, so that people can reach their full potential and meet the labour market demands of the future. Healthcare systems must protect immunisation programmes and support people as they take care of their own physical and mental health needs, and everybody should be mindful and respectful of the potential impact on others as they exercise their freedoms.

For a time such as this, the Prosperity Index functions as a transformational tool that provides leaders of nations with a holistic and comprehensive framework that can inform the strategic choices that need to be made, that will further build inclusive societies and more open economies, and improve the lived experience of all citizens, to drive greater levels of prosperity around the world.

Mapping prosperity in 2020



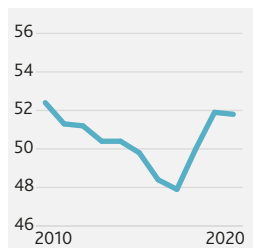
Global Prosperity Index, 2020 ranking:



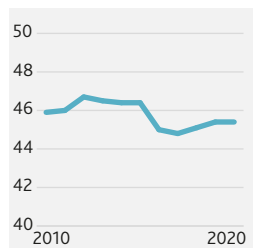
The pillars of prosperity at a glance



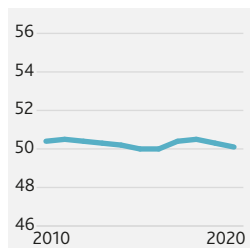
The **Safety and Security** pillar measures the degree to which war, conflict, terror, and crime have destabilised the security of individuals, both immediately and through longer lasting effects.



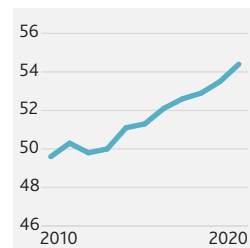
The **Personal Freedom** pillar measures progress towards basic legal rights, individual liberties, and social tolerance.



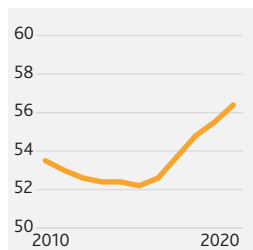
The **Governance** pillar measures the extent to which there are checks and restraints on power and whether governments operate effectively and without corruption.



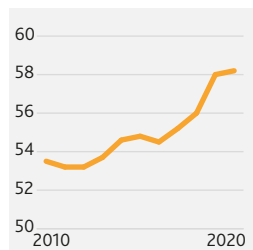
The **Social Capital** pillar measures the strength of personal and social relationships, institutional trust, social norms and civic participation in a country.



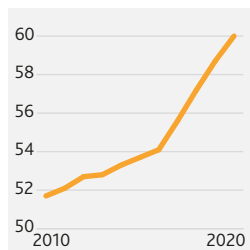
The **Investment Environment** pillar measures the extent to which investments are adequately protected and are readily accessible.



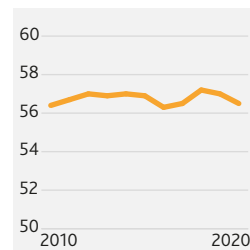
The **Enterprise Conditions** pillar measures the degree to which regulations enable businesses to start, compete, and expand.



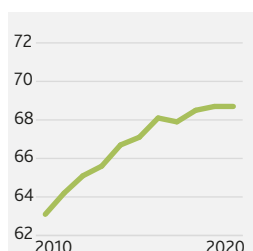
The **Market Access and Infrastructure** pillar measures the quality of the infrastructure that enables trade, and distortions in the market for goods and services.



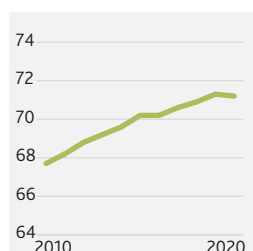
The **Economic Quality** pillar measures how well an economy is equipped to generate wealth sustainably and with the full engagement of the workforce.



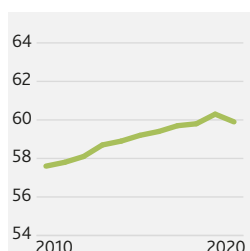
The **Living Conditions** pillar measures the degree to which a reasonable quality of life is experienced by all, including material resources, shelter, basic services, and connectivity.



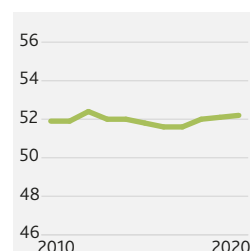
The **Health** pillar measures the extent to which people are healthy and have access to the necessary services to maintain good health, including health outcomes, health systems, illness and risk factors, and mortality rates.



The **Education** pillar measures enrolment, outcomes, and quality across four stages of education (pre-primary, primary, secondary, and tertiary education), as well as the skills in the adult population.















The **Natural Environment** pillar measures the aspects of the physical environment that have a direct effect on people in their daily lives and changes that might impact the prosperity of future generations.



The Legatum Prosperity Index™

Ranks 1–56

															
2010 rank	2019 rank	2020 rank	Country	Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
2	2	1	Denmark	10	2	3	1	6	6	8	8	1	6	3	8
3	1	2	Norway	2	1	2	2	2	11	25	9	8	7	8	9
4	3	3	Switzerland	1	12	7	9	15	3	11	1	5	4	12	6
1	4	4	Sweden	14	3	6	7	8	16	6	7	3	9	16	1
5	5	5	Finland	16	4	1	3	5	14	9	20	9	21	5	2
6	6	6	Netherlands	13	5	4	8	9	8	2	5	2	15	7	44
7	7	7	New Zealand	25	10	5	5	4	15	23	24	26	23	15	4
8	8	8	Germany	22	11	9	15	17	5	5	4	4	17	27	19
9	9	9	Luxembourg	3	6	8	28	24	7	10	3	7	8	36	11
10	12	10	Austria	4	14	15	10	11	19	16	18	11	26	22	5
12	14	11	Iceland	5	9	12	4	22	28	22	19	22	5	14	20
16	11	12	Ireland	12	8	14	16	25	13	28	6	13	22	13	15
15	10	13	United Kingdom	21	19	13	12	7	12	7	16	10	25	17	25
11	13	14	Canada	20	7	11	11	21	17	20	25	16	33	6	13
17	16	15	Singapore	9	92	25	18	1	2	1	2	6	1	1	90
14	17	16	Australia	18	16	10	19	12	23	30	32	19	19	11	21
13	15	17	Hong Kong*	6	46	19	72	3	1	3	12	18	13	4	33
18	18	18	United States	66	22	22	17	10	4	4	17	28	59	20	22
21	19	19	Japan	7	31	18	140	13	10	13	27	20	2	9	18
22	22	20	Taiwan, China	8	26	20	44	14	9	19	14	25	18	10	89
24	21	21	Estonia	30	25	16	41	20	18	26	15	29	51	19	10
20	20	22	France	39	23	21	40	19	22	14	28	15	20	29	17
19	23	23	Belgium	31	18	17	79	23	21	15	29	21	24	18	55
25	25	24	Spain	29	15	26	26	26	27	12	44	14	12	26	38
26	24	25	Malta	15	20	24	22	38	26	34	13	12	14	34	105
23	27	26	Slovenia	17	29	34	37	37	33	27	30	23	27	23	3
28	26	27	Portugal	26	13	27	53	30	30	18	47	27	29	40	40
27	29	28	South Korea	35	42	29	139	18	36	17	10	24	3	2	71
29	28	29	Czechia	11	30	28	127	28	46	29	11	32	30	31	29
32	31	30	Israel	116	51	23	30	16	25	36	22	17	16	24	118
30	30	31	Italy	23	24	39	64	40	31	24	51	30	10	35	46
35	32	32	Latvia	36	36	35	117	34	32	40	34	41	86	28	7
31	33	33	Cyprus	42	28	33	92	45	34	31	53	33	32	33	52
40	34	34	Lithuania	33	40	32	156	32	35	38	36	36	87	25	24
33	35	35	Slovakia	32	35	38	81	31	54	49	35	34	45	52	16
34	36	36	Poland	27	55	40	114	43	44	39	38	31	40	32	45
36	37	37	Chile	67	33	31	105	35	41	35	49	46	64	46	42
38	38	38	Costa Rica	50	21	36	51	56	48	51	64	55	34	48	23
39	39	39	Uruguay	45	17	30	55	44	66	64	65	45	31	53	41
45	42	40	Malaysia	74	111	46	25	27	29	41	26	66	39	43	47
41	41	41	Greece	24	44	42	87	88	42	33	87	38	37	39	32
46	40	42	United Arab Emirates	49	146	41	32	29	20	21	37	44	42	49	106
42	43	43	Croatia	28	54	47	142	51	84	32	48	39	56	47	31
43	45	44	Mauritius	41	37	37	38	33	43	52	60	56	66	67	113
44	44	45	Qatar	19	144	60	27	47	24	37	21	43	44	60	109
37	46	46	Hungary	38	81	77	54	46	83	43	31	37	48	41	35
47	47	47	Romania	37	47	55	134	42	68	45	42	61	69	64	39
49	49	48	Bulgaria	55	63	57	112	55	55	55	39	49	68	45	84
48	48	49	Panama	51	41	62	67	60	77	50	46	79	41	92	30
52	51	50	Montenegro	44	57	54	61	53	56	65	66	51	89	51	87
51	50	51	Seychelles	56	68	52	46	64	52	69	57	70	38	71	70
61	52	52	Serbia	34	73	80	85	70	91	63	63	48	75	44	98
64	53	53	Georgia	73	61	51	111	41	53	56	82	89	82	55	115
65	54	54	China	87	159	90	42	48	40	46	23	60	11	57	141
78	63	55	Armenia	63	74	67	74	49	51	79	88	73	62	58	91
50	58	56	Bahrain	105	156	105	21	36	37	42	59	40	52	61	133

*Hong Kong is a Special Administrative Region of China













The Legatum Prosperity Index™

Ranks 57–112

2010 rank	2019 rank	2020 rank	Country	 Safety and Security	 Personal Freedom	 Governance	 Social Capital	 Investment Environment	 Enterprise Conditions	 Market Access and Infrastructure	 Economic Quality	 Living Conditions	 Health	 Education	 Natural Environment
75	61	57	Indonesia	77	100	58	6	62	57	70	58	104	97	88	68
53	60	58	Kuwait	65	116	96	35	75	65	57	41	35	54	78	129
57	55	59	North Macedonia	60	79	65	121	58	72	68	79	50	61	86	66
55	59	60	Trinidad and Tobago	82	39	61	86	87	118	62	62	53	74	69	114
63	57	61	Peru	90	50	69	150	68	67	74	61	99	53	65	26
80	66	62	Kazakhstan	81	131	83	29	59	76	80	55	54	72	37	104
59	56	63	Argentina	78	27	56	122	82	126	89	137	64	46	50	50
54	65	64	Thailand	127	118	99	23	54	70	53	33	72	35	74	119
62	67	65	Jamaica	124	32	53	108	67	58	75	104	67	50	81	142
58	62	66	Oman	40	150	92	34	61	50	48	81	65	60	79	147
67	64	67	Albania	70	78	70	146	77	80	59	105	82	77	54	56
60	68	68	Mexico	146	64	86	101	63	64	47	40	85	55	72	72
79	70	69	Belarus	69	134	114	120	91	89	71	52	42	79	30	82
56	69	70	Brazil	115	48	68	119	73	121	91	89	62	63	91	12
83	72	71	Saudi Arabia	107	161	93	43	66	38	44	54	59	65	63	134
76	76	72	Dominican Republic	119	45	88	60	81	93	66	68	86	73	96	51
90	81	73	Vietnam	97	136	104	13	108	75	60	56	88	49	68	96
77	71	74	Colombia	153	69	71	102	71	90	67	72	83	36	76	28
71	74	75	Cabo Verde	43	34	45	56	113	94	117	115	102	85	98	57
84	75	76	Russia	140	143	101	99	78	87	61	43	58	101	21	77
74	73	77	Bosnia and Herzegovina	48	87	112	76	84	146	82	77	47	88	70	111
95	91	78	Azerbaijan	89	148	110	68	50	39	78	83	68	57	73	136
87	78	79	Paraguay	72	75	94	62	85	135	97	74	76	84	106	27
96	83	80	Moldova	75	95	81	125	80	102	72	101	80	98	59	140
66	79	81	Suriname	59	52	100	58	147	111	87	94	77	107	102	14
72	80	82	Botswana	76	58	43	103	72	79	101	50	111	122	100	132
85	82	83	Philippines	149	76	79	31	79	78	73	45	112	102	84	73
98	77	84	Sri Lanka	130	80	76	33	104	62	93	112	109	47	66	60
97	88	85	Mongolia	62	65	64	52	101	103	118	95	105	100	56	116
68	86	86	Jordan	88	121	72	106	52	49	76	128	63	80	97	151
70	84	87	South Africa	138	38	48	59	69	60	83	69	107	130	108	146
81	87	88	Namibia	58	49	44	84	83	71	96	110	117	125	118	69
101	85	89	Ecuador	79	70	108	138	96	130	86	126	93	67	75	43
102	89	90	Kyrgyzstan	71	103	98	66	94	116	112	92	90	76	80	65
93	90	91	Guyana	91	62	74	77	97	109	103	109	84	119	93	54
89	96	92	Ukraine	144	85	73	147	119	74	77	91	69	115	38	110
82	100	93	El Salvador	128	66	75	91	89	92	81	90	94	93	109	153
73	92	94	Turkey	147	154	118	141	57	59	54	70	52	70	89	97
86	93	95	Belize	80	56	95	135	128	123	94	119	87	91	99	49
100	94	96	Morocco	68	119	91	164	65	61	58	97	95	103	113	126
109	102	97	Uzbekistan	52	147	136	20	90	124	105	78	98	43	85	157
99	101	98	São Tomé and Príncipe	46	43	78	94	132	110	110	98	116	105	114	74
69	95	99	Tunisia	125	99	66	163	95	101	90	103	78	94	95	143
94	97	100	Ghana	96	53	59	73	118	69	113	132	115	121	105	100
110	98	101	India	139	106	49	78	74	47	85	73	122	113	115	162
92	99	102	Guatemala	121	89	117	83	92	99	84	75	114	99	121	92
91	105	103	Cuba	100	153	137	36	120	159	108	96	81	28	42	95
108	103	104	Rwanda	123	114	50	63	39	45	100	80	150	110	128	112
88	104	105	Lebanon	136	112	119	152	98	88	92	147	57	92	62	120
106	106	106	Bolivia	86	83	130	151	110	150	111	121	101	108	94	34
103	107	107	Honduras	129	102	133	71	93	113	95	93	110	90	120	80
107	108	108	Algeria	53	142	115	129	134	132	102	134	71	83	82	152
105	113	109	Turkmenistan	64	162	155	14	122	149	121	71	74	58	83	150
113	111	110	Senegal	109	59	63	48	107	85	116	123	121	123	147	83
104	109	111	Nicaragua	110	113	145	70	105	141	98	114	106	78	117	48
120	110	112	Tajikistan	83	151	139	24	117	105	128	133	100	71	90	131

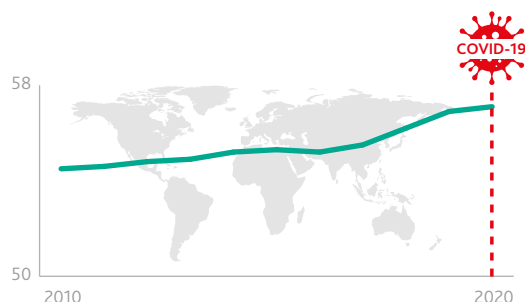
The Legatum Prosperity Index™

Ranks 113–167

															
2010 rank	2019 rank	2020 rank	Country	Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
121	112	113	Kenya	145	94	84	49	76	63	109	108	133	112	107	138
129	114	114	Nepal	85	71	89	97	123	122	134	85	128	116	116	145
116	115	115	Laos	54	155	134	90	136	112	104	86	120	117	103	53
114	117	116	The Gambia	92	97	82	39	100	86	135	154	123	143	134	63
122	121	117	Tanzania	104	109	97	104	116	114	125	113	134	124	129	78
119	120	118	Cambodia	102	126	154	75	124	145	99	67	129	95	125	85
118	122	119	Djibouti	84	141	127	110	99	96	107	76	125	118	140	159
126	119	120	Iran	131	165	138	80	130	152	106	117	75	81	77	155
112	124	121	Egypt	148	160	146	123	103	81	88	127	91	109	101	156
115	116	122	Gabon	117	110	124	137	152	143	130	130	108	134	104	59
111	118	123	Zambia	93	115	102	109	102	97	139	155	147	128	130	37
145	129	124	Côte d'Ivoire	126	93	103	131	114	107	119	100	132	154	145	79
132	123	125	Bangladesh	142	117	135	57	139	106	120	102	118	111	123	149
128	128	126	Benin	61	72	85	159	138	73	136	135	146	147	143	123
152	127	127	Myanmar	155	123	131	45	156	98	124	107	130	106	110	58
134	125	128	Comoros	57	90	149	115	150	127	137	146	127	129	142	94
124	126	129	Papua New Guinea	113	60	107	132	115	115	132	136	159	145	146	81
130	130	130	Lesotho	99	77	109	133	129	138	129	84	135	164	122	166
127	132	131	Equatorial Guinea	95	152	151	47	135	151	126	99	113	159	126	36
123	131	132	Malawi	108	88	87	157	111	108	145	149	154	127	148	86
136	134	133	Uganda	133	120	122	124	86	95	131	122	142	139	138	125
138	133	134	Eswatini	98	145	140	144	109	136	123	111	124	149	124	122
139	135	135	Burkina Faso	134	67	106	100	131	128	154	129	149	136	155	99
135	138	136	Madagascar	118	84	121	82	125	131	146	138	162	138	139	88
142	136	137	Iraq	163	129	143	107	144	120	114	120	92	120	119	165
146	139	138	Pakistan	152	124	120	96	112	100	115	140	119	126	137	167
153	143	139	Guinea	120	105	128	88	121	82	153	143	152	160	159	67
157	140	140	Togo	103	108	132	162	126	125	147	118	140	151	133	137
140	137	141	Liberia	101	98	111	65	137	119	161	151	145	158	160	64
137	142	142	Mozambique	122	91	126	95	141	144	149	162	153	144	156	61
158	141	143	Zimbabwe	106	140	147	130	143	153	142	145	138	137	112	139
141	146	144	Nigeria	151	104	129	93	106	117	140	156	137	163	135	130
143	144	145	Sierra Leone	112	82	116	69	153	139	160	159	156	162	151	93
117	145	146	Venezuela	150	127	167	143	163	167	133	163	97	96	87	62
148	147	147	Guinea-Bissau	47	101	144	116	159	147	156	150	158	155	162	76
133	150	148	Mali	157	86	113	128	145	134	150	124	136	150	161	108
125	148	149	Libya	162	135	160	98	166	165	127	106	96	104	111	160
151	149	150	Ethiopia	137	138	125	113	151	140	155	116	148	131	150	127
144	152	151	Cameroon	158	128	148	118	142	137	138	125	131	157	131	101
149	153	152	Congo	132	122	152	149	149	156	151	152	139	142	132	75
147	151	153	Niger	141	96	123	50	127	133	164	139	160	148	166	128
150	156	154	Mauritania	94	133	153	89	158	155	162	144	126	140	157	164
154	154	155	Haiti	111	107	157	155	161	166	152	141	151	146	136	154
155	155	156	Angola	114	130	141	145	167	157	148	158	144	152	158	121
159	158	157	Burundi	156	157	150	148	148	104	157	160	164	135	144	124
131	157	158	Syria	165	167	161	166	140	162	122	131	103	114	127	163
156	159	159	Sudan*	161	158	162	136	133	142	141	166	141	132	141	158
162	160	160	Eritrea	135	166	164	158	155	160	158	157	161	133	152	117
163	162	161	Democratic Republic of Congo	160	125	158	154	165	148	165	161	165	153	149	102
161	163	162	Afghanistan	166	137	142	167	154	129	159	142	155	156	153	161
166	161	163	Somalia	159	149	163	126	146	161	143	165	157	161	163	144
167	164	164	Chad	143	132	159	160	162	164	166	153	163	167	165	103
160	166	165	Yemen	164	164	166	153	164	158	163	167	143	141	154	148
165	165	166	Central African Republic	154	139	156	161	160	163	167	148	167	166	164	107
164	167	167	South Sudan*	167	163	165	165	157	154	144	164	166	165	167	135

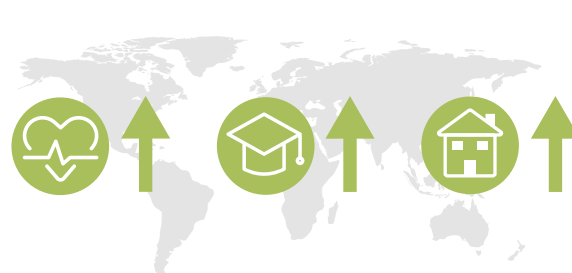
*From 2011 Sudan excludes South Sudan, which became a separate country in 2011.

Key findings



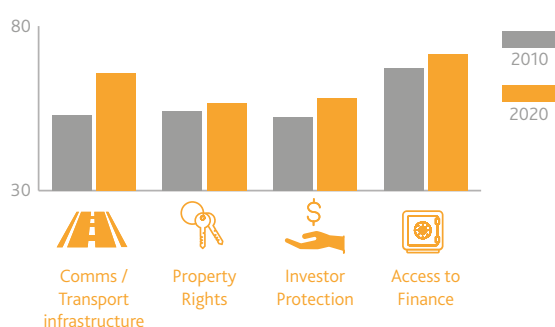
In the decade prior to COVID-19, global prosperity had risen continuously, driven by people's lived experience improving and by more open economies

All seven regions improved since 2010, comprising 147 of the 167 countries included in the Index, largely driven by improvements in the Open Economies and Empowered People domains.



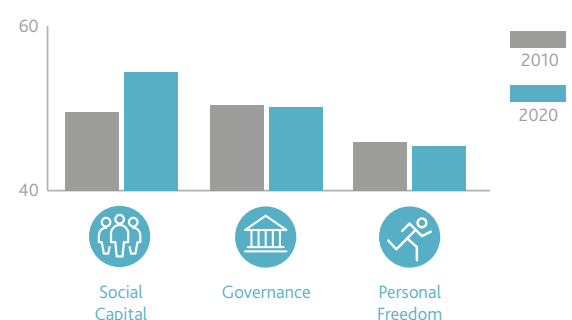
People's lived experience improved due to better education and living conditions across all regions. Health also improved in all regions except for North America.

There have been near universal improvements to health, education and living conditions, with 155, 150, and 152 countries respectively improving across these areas since 2010.



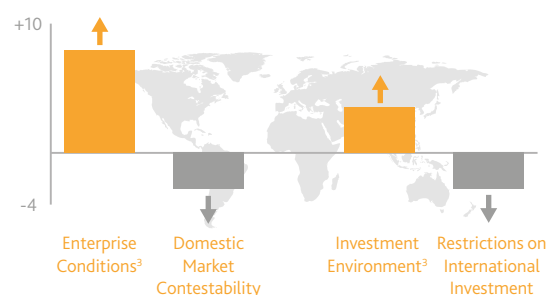
Economies had become more open, due to improvements to communication and transport infrastructure, strengthened property rights, greater protections for investors and increased access to finance

The improvements in communications have been particularly widespread, with every country except Sweden seeing an improvement.



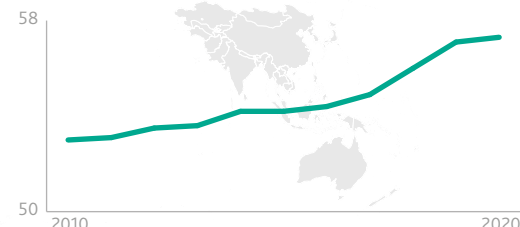
The improvement in social capital also contributed to the increase in global prosperity, but further improvement in prosperity has been held back by governance and personal freedom stagnating

Improvements in social capital were concentrated in Asia-Pacific and Eastern Europe. Eighty-seven countries have weaker governance now than in 2010 and 74 have weaker personal freedoms.



A lack of contestability within domestic markets and extensive restrictions on international investment is acting as a brake on economies becoming more open across parts of the world

Since 2010, 92 countries saw a deterioration in the Domestic Market Contestability element, and 113 saw a deterioration in the Restrictions on International Investment element



The improvement in global prosperity in the last 12 months has not kept pace with the progress of the previous two years, as Asia-Pacific and Western Europe stalled, and North America deteriorated slightly

Progress slowed in Asia-Pacific mainly due to a deterioration in safety and security, personal freedom, economic quality, and education.

Country highlights



Estonia (21st)

Estonia has seen considerable improvements across all four pillars of the Inclusive Societies domain. In particular, personal and family relationships have strengthened, with 92% of people saying they can get help from friends and family when in trouble, up from 85% a decade previously. Trust in institutions has also improved, with 75% of people now saying they have confidence in the police, and 40% saying they have confidence in government, up from 63% and 22% respectively in 2010. These improvements have led to a 35-rank rise in the Social Capital pillar to 41st.



Ecuador (89th)

Ecuador is the most improved country in Latin America and the Caribbean for Inclusive Societies, improving across all four pillars and moving up 26 places in the domain rankings. A near two-third reduction in the homicide rate, a five percentage point fall in people reporting property stolen, and a reduction in politically related terror and violence have led to a 35-rank rise in safety and security to 79th, though this has been partially offset by a rise in terrorism. The country has also experienced a 12-rank rise in governance, due to the rule of law and government accountability strengthening.



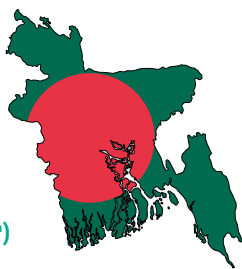
Azerbaijan (78th)

Improvements to the investment environment in Azerbaijan over the past decade have resulted in a rise of 27 places in the pillar rankings to 50th. Greater protections are now afforded to investors in the way of a stronger insolvency framework and better auditing and reporting standards. Property rights have also been strengthened. This builds on the country's 2016 roadmap for Small and Medium Enterprises (SMEs) which, among other things, aims to improve access to finance for SMEs. The country has seen a similar improvement in Enterprise Conditions, rising 29 ranks as a result.



Morocco (96th)

Morocco has seen a 13-rank rise in market access and infrastructure, due to significantly improving its infrastructure, particularly its competitive mobile phone market, which has driven up access to high-quality internet. It has also risen 19 places since 2010, to 65th, for its Investment Environment, as a result of significant reforms to strengthen intellectual property rights and investor protections. Most progress has been made in Enterprise Conditions, rising 34 places to rank 61st globally, due mainly to reducing the amount of time businesses spend complying with regulations.



Bangladesh (125th)

With the country rising in the rankings across all four pillars, the lived experience of Bangladeshis has seen improvements since 2010. The maternal mortality rate has fallen by 42%, as the proportion of births attended by skilled health staff has increased to 50%, up from 25% in 2010. Education has also improved, across all stages, with the enrolment rate in secondary education increasing by over one-third to 67%, and in tertiary education nearly doubling to over 20%. These improvements are commendable but more needs to be done to further improve the lived experience of Bangladeshis.



Nepal (114th)

Nepal has seen an improvement of 13 ranks in the Education pillar to 116th, as a result of reforming the education system, which is central to the Nepali government's development strategy. Enrolment rates for both primary and secondary education have increased by c. 15 percentage points, to stand at 96% and 62% respectively. There have also been significant health improvements, which have resulted in reductions in mortality rates at all key life stages, with maternal mortality rates nearly halving, resulting in an 8-rank improvement for the Health pillar.

Focus on regions

Although North America remains the most prosperous region, it is only slightly more prosperous than it was a decade ago, and Western Europe is now demonstrating a similar level of prosperity having very nearly closed the gap. Both regions, however, have seen a slight deterioration in their prosperity over the latest year.

Eastern Europe, Latin America and the Caribbean, and Asia-Pacific, cluster together to be the next most prosperous regions respectively. The rise in prosperity in the Asia-Pacific region has resulted in it now experiencing similar levels of prosperity to Latin America and the Caribbean.

The Middle East and North Africa (MENA) is the sixth most prosperous region, followed by sub-Saharan Africa. These two regions are both improving, and though sub-Saharan Africa

is gradually closing its prosperity deficit with MENA, neither region is exhibiting rates of improvement comparable to those of Asia-Pacific or Eastern Europe, resulting in both regions continuing to fall further below the global average.

Since 2010, every region has seen improvements in the Open Economies and Empowered People domains. However, only Asia-Pacific and Western Europe have improved in the Inclusive Societies domain, while the other regions have shown a deterioration.

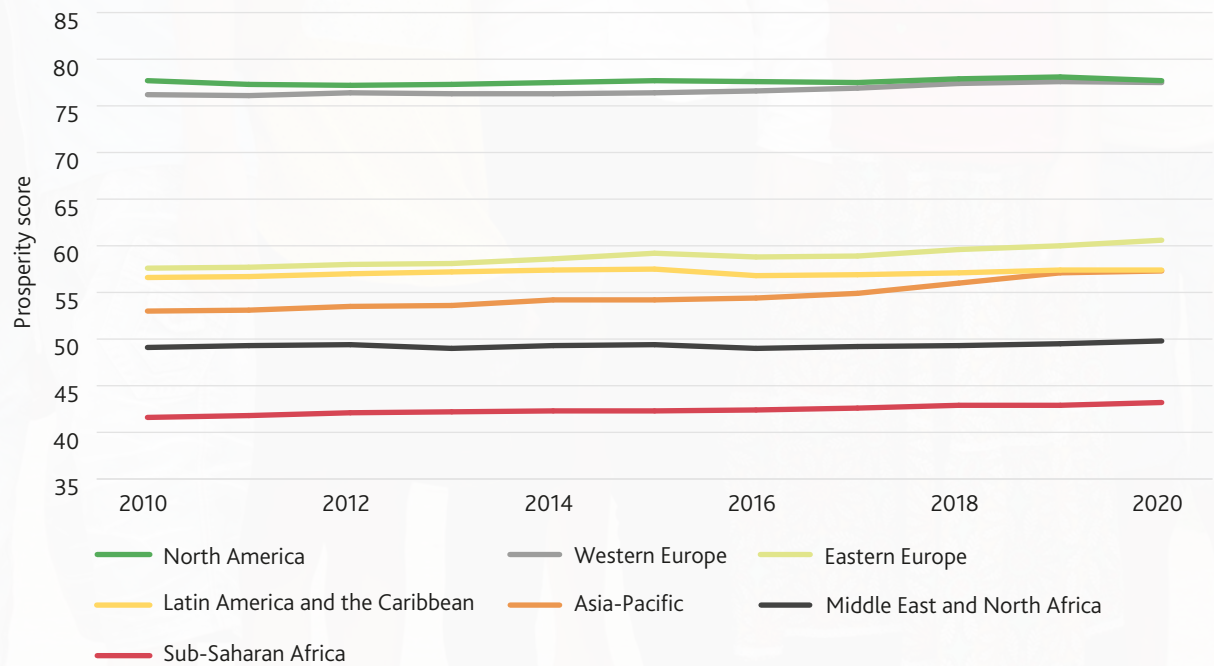
The following pages explore in more detail how and why prosperity has been changing in each of these regions over the last decade. Please note that in-text rankings in the following section refer to the pillar or element being discussed, rather than a country's overall prosperity ranking.



	Overall Prosperity	Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
North America	1	2	2	1	1	1	1	1	1	2	2	1	1
Western Europe	2	1	1	2	2	2	2	2	2	1	1	2	2
Eastern Europe	3	3	4	4	4	4	4	3	4	3	5	3	4
Latin America and the Caribbean	4	5	3	5	5	5	6	5	5	4	3	4	3
Asia-Pacific	5	4	6	3	3	3	3	4	3	6	4	5	6
Middle East and North Africa	6	7	7	7	7	6	5	6	6	5	6	6	7
Sub-Saharan Africa	7	6	5	6	6	7	7	7	7	7	7	7	5

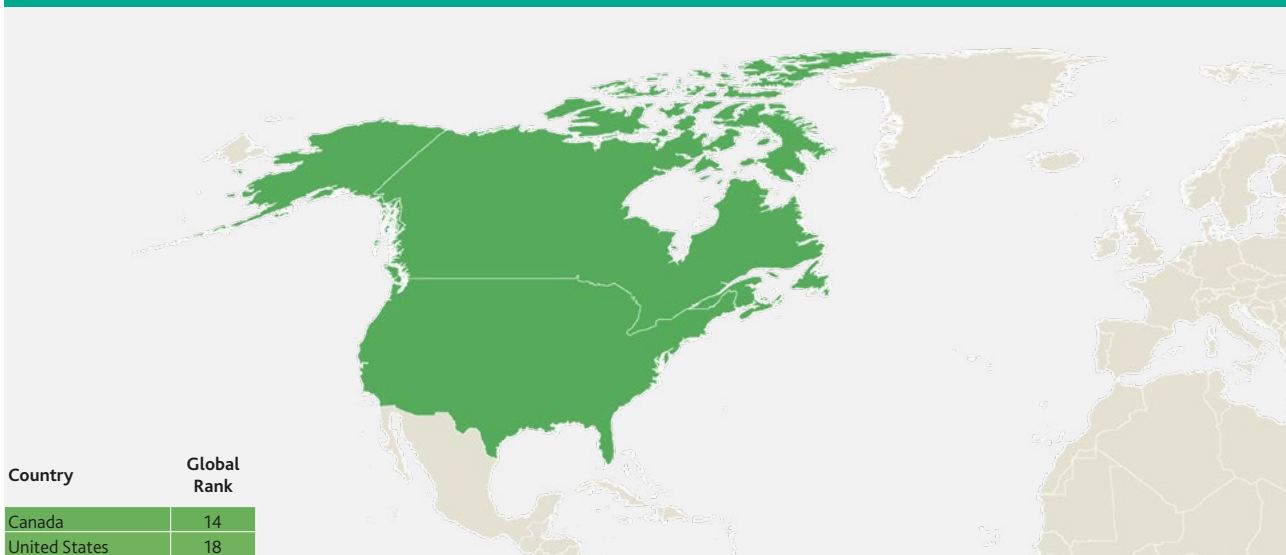


Prosperity by region



Credit: shutterstock.com

North America (1st)



NORTH AMERICA TRENDS

North America is the most prosperous region. Its prosperity has changed very little over the last decade, but it saw a slight deterioration over the past year. The changes in prosperity since 2010 are due to the following:

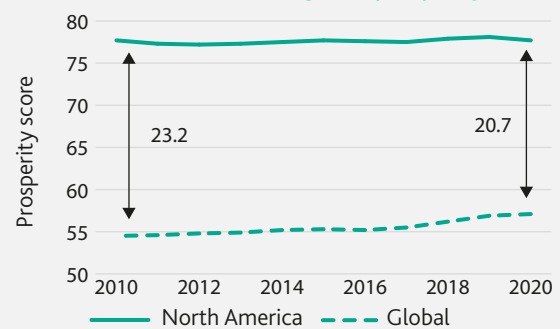
Improvements

- Market access and infrastructure has improved over the last decade in both **Canada** (20th) and the **United States** (4th), primarily due to improvements in communications infrastructure — international internet bandwidth, for example, has increased from 56 to 64 kilobits per capita.
- Economic quality has strengthened, particularly in the **United States** (17th), due to sizeable reductions in adult and youth unemployment and an improvement in macroeconomic stability as a result of GDP per capita growth being over 10 times higher than it was in 2010.
- Canada** (6th) and the **United States** (20th) have seen an improvement in education; in Canada, higher secondary enrolment rates (now 99.8%) and better access to quality education have driven the improvement, whereas in the United States, this is the result of increased tertiary enrolment and completion rates.

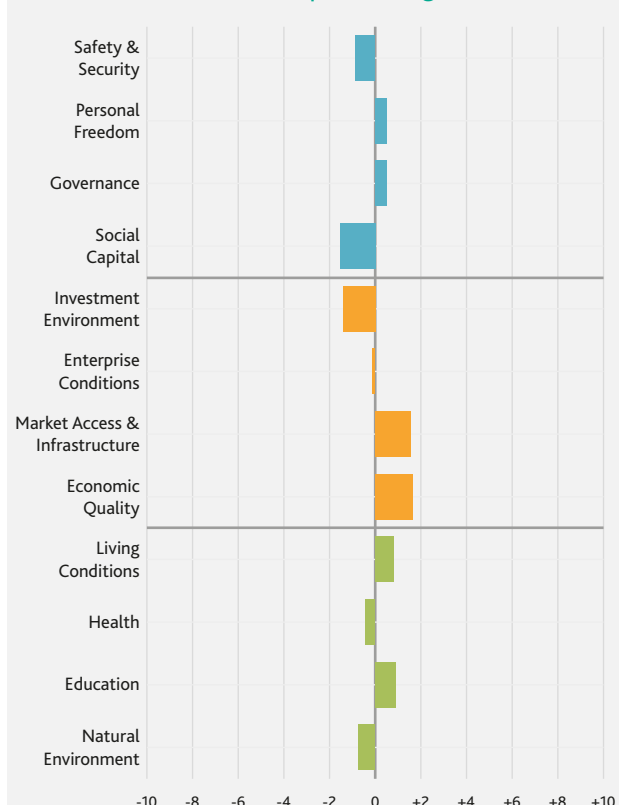
Deteriorations

- The deterioration in the Safety and Security pillar is the result of an increase in violent crime in the **United States** (66th), with the homicide rate increasing from 4.5 to 5.4 homicides per 100,000 people between 2014 and 2016.
- Enterprise conditions across North America have weakened slightly, most notably in **Canada** (17th) which has dropped 10 ranks in the pillar since 2010. Experts have found that corporate activity is increasingly dominated by fewer business groups, which has led a decline in domestic market contestability.
- There has been a deterioration in mental health and behavioural risk factors across North America. High and increasing rates of obesity and substance abuse disorders afflict both the U.S. and Canada, and suicide rates across the region have increased by 30% to 13 deaths per 100,000 population since 2010.

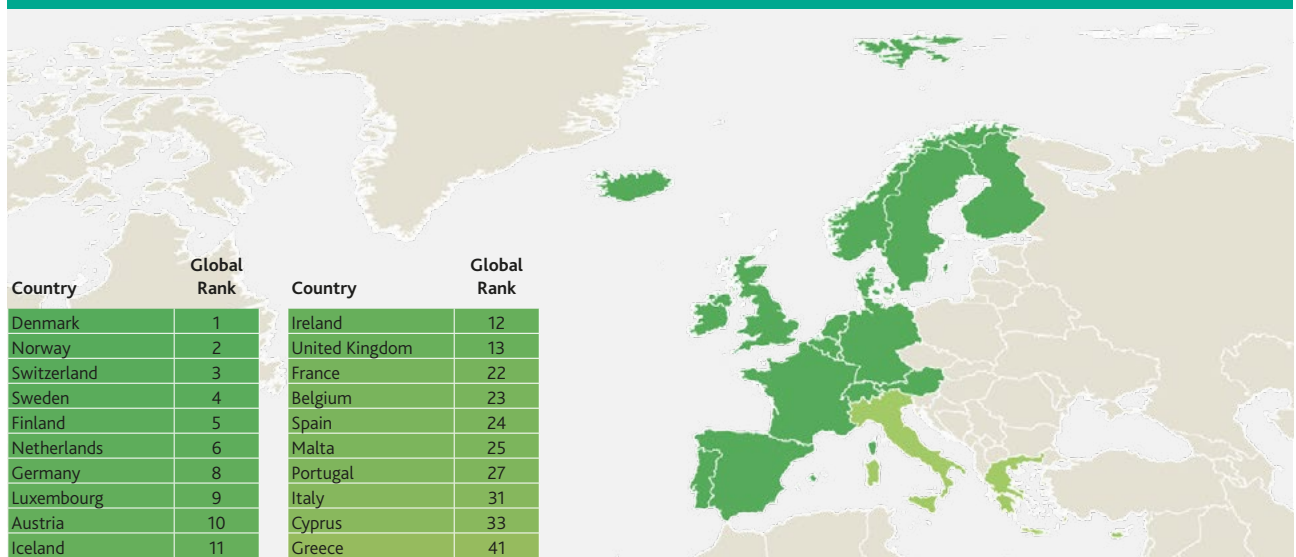
North America and global prosperity



North America pillar change, 2010-2020



Western Europe (2nd)



WESTERN EUROPE TRENDS

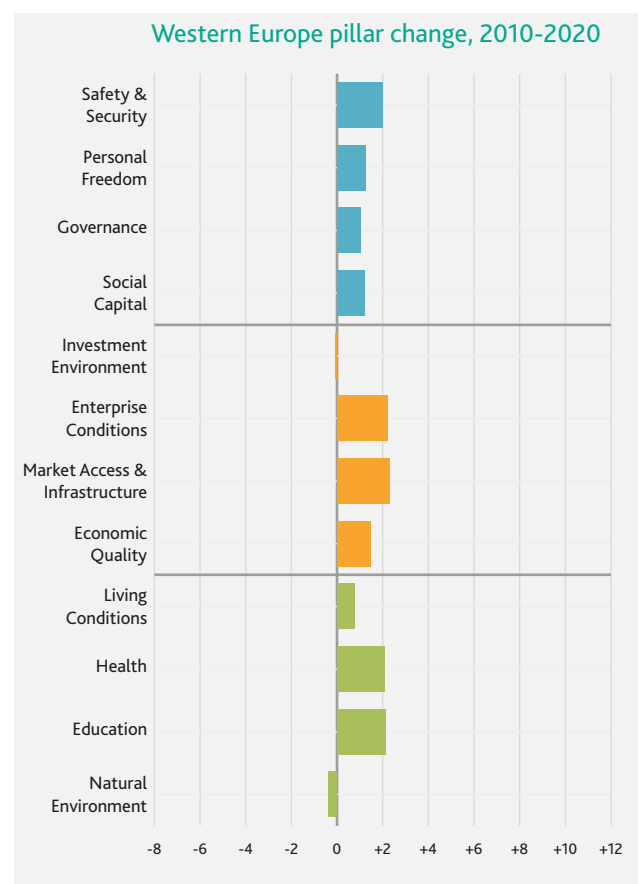
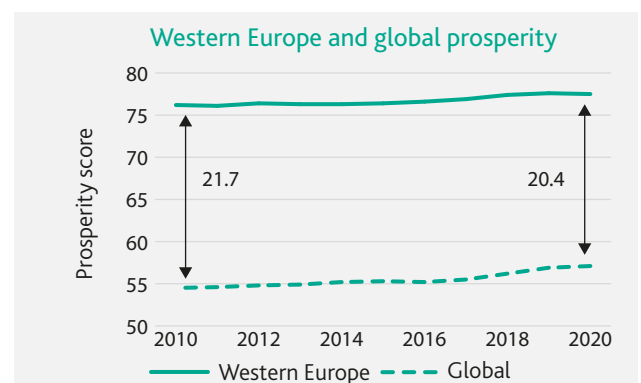
Despite a slight deterioration in the last year, Western Europe has experienced a slow and steady increase in prosperity over the past decade, for the following reasons:

Improvements

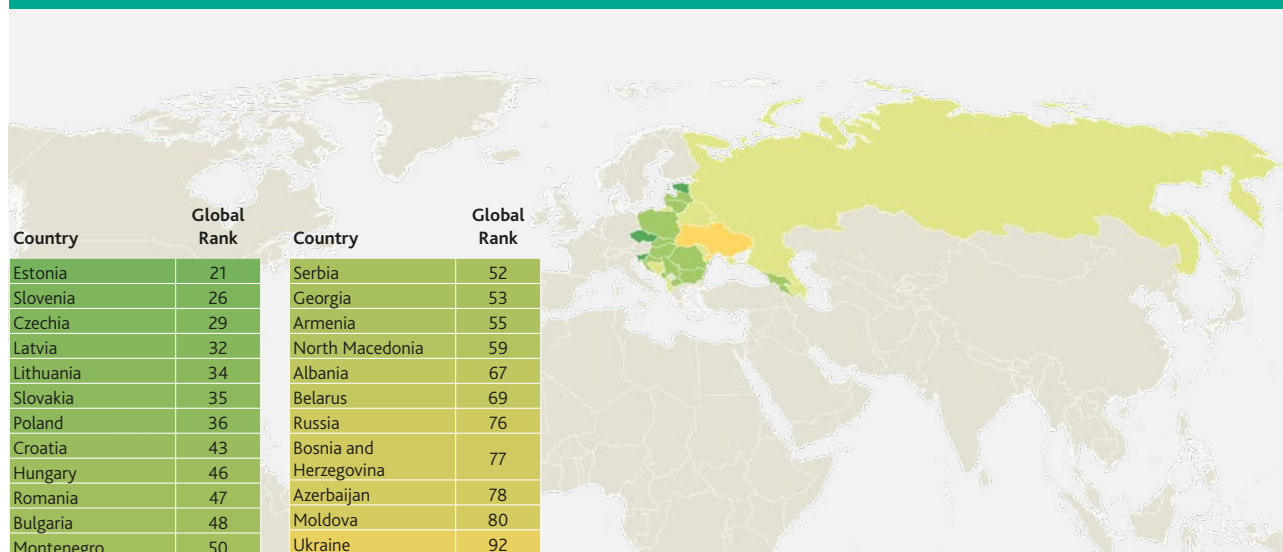
- Market access and infrastructure improved in all but two countries across the region, which is mainly due to the expansion of the communications infrastructure, with countries such as **Cyprus** (31st) and **Spain** (24th) improving by 9 and 6 ranks in the pillar respectively. In Cyprus, the proportion of people who regularly use the internet doubled over the past decade to 84%.
- Education and health have improved in all Western European countries over the past decade. Tertiary education has improved in every country except **Sweden** (20th), as have the skills of the adult population in every country but **Norway** (10th). The improvement in health is mainly the result of preventative interventions strengthening in 14 of the region's 20 countries as a result of immunisation rates increasing.
- Safety and security has also improved across the region, particularly with respect to politically related terror and violence — **Greece** (Joint 1st) and **Spain** (64th) improved by 92 and 44 ranks respectively for this element in the last decade. This overall improvement is despite the number of terrorism incidents more than doubling to 6 per 10,000,000 people across the region since 2010.

Deteriorations

- Western Europe has seen a weakening of its Natural Environment since 2010, with 9 of the 20 countries experiencing a deterioration. **Greece** (32nd) and **Ireland** (15th) declined the most, due in the case of Greece to fish stocks being increasingly overexploited, and in the case of Ireland to nitrogen being used less sustainably in farming.



Eastern Europe (3rd)



EASTERN EUROPE TRENDS

Eastern Europe is the second most improved region over the last decade. The region's change in prosperity is a result of the following:

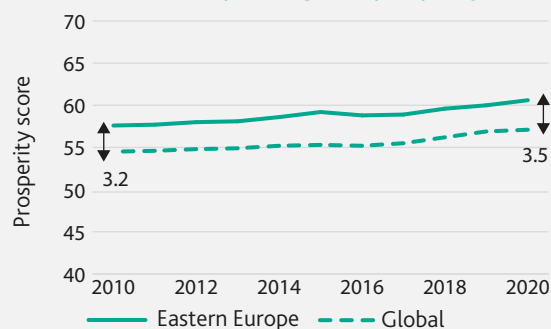
Improvements

- Every country has improved their market access and infrastructure, with large and universal improvements in their communications infrastructure: mobile networks now service over 90% of the region's population and the proportion of people across the region who use the internet frequently has increased from 32% to 76% since 2010. The greatest improvements were in **Azerbaijan** (74th) and **Albania** (62nd) which saw rises of 20 and 16 ranks respectively in this element.
- Enterprise conditions and the investment environment have improved in all but two and three countries across the region respectively. The improvement in the investment environment is due in large part to greater protections of property rights. This improvement has been particularly prevalent in **Moldova** (80th), **Bosnia and Herzegovina** (84th), and **Armenia** (49th).
- Social capital, which has historically been weak across the region, has improved in 20 of the 23 countries in Eastern Europe, chiefly in the Balkan states of **Serbia** (85th) and **Bosnia and Herzegovina** (76th). Increasing public trust in institutions, such as the judicial system and the police, and strengthening social networks has led to the improvement.

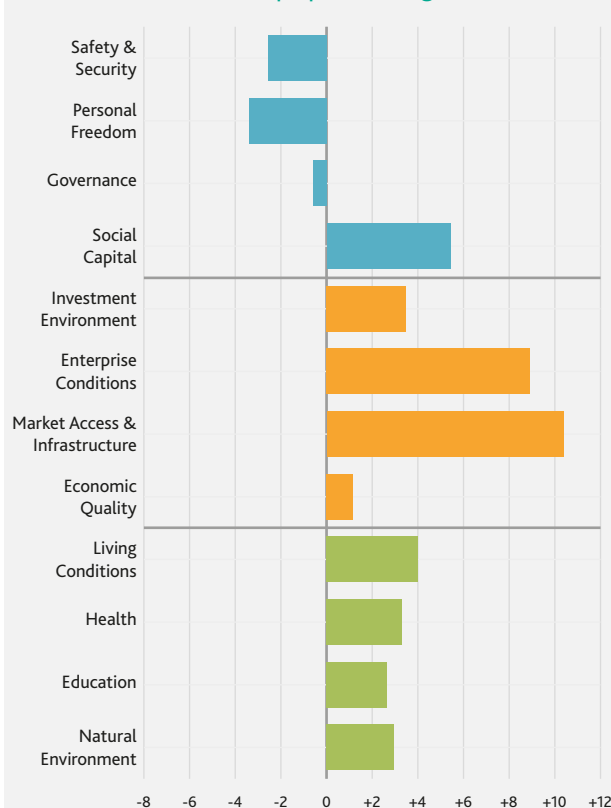
Deteriorations

- Eastern Europe has seen the biggest deterioration in personal freedom of any region, despite social tolerance improving. Freedoms of assembly and association have been particularly eroded in **Ukraine** (93rd), **Hungary** (101st), and **Poland** (65th), with a concomitant decline in the freedom of speech and access to information in the latter two countries.
- The deterioration in Eastern Europe's safety and security has been driven primarily by the war in Donbass, **Ukraine** (144th): it is estimated that more than 13,000 people have been killed since the conflict began, and more than 1.6 million Ukrainians have been internally displaced.^{1,2}

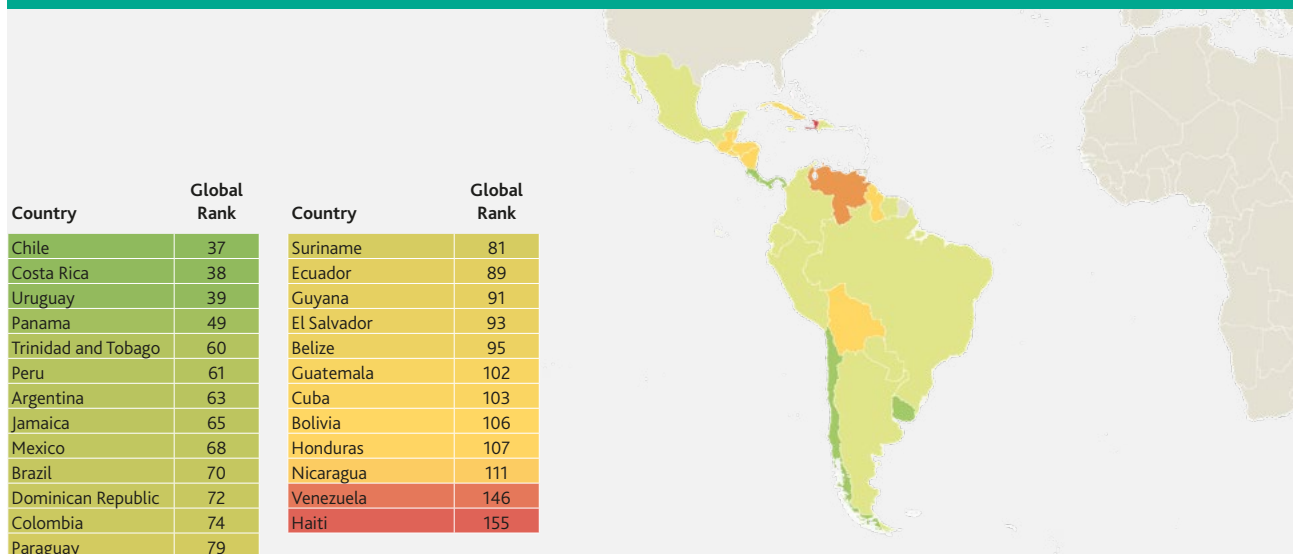
Eastern Europe and global prosperity



Eastern Europe pillar change, 2010-2020



Latin America and the Caribbean (4th)



LATIN AMERICA AND THE CARIBBEAN TRENDS

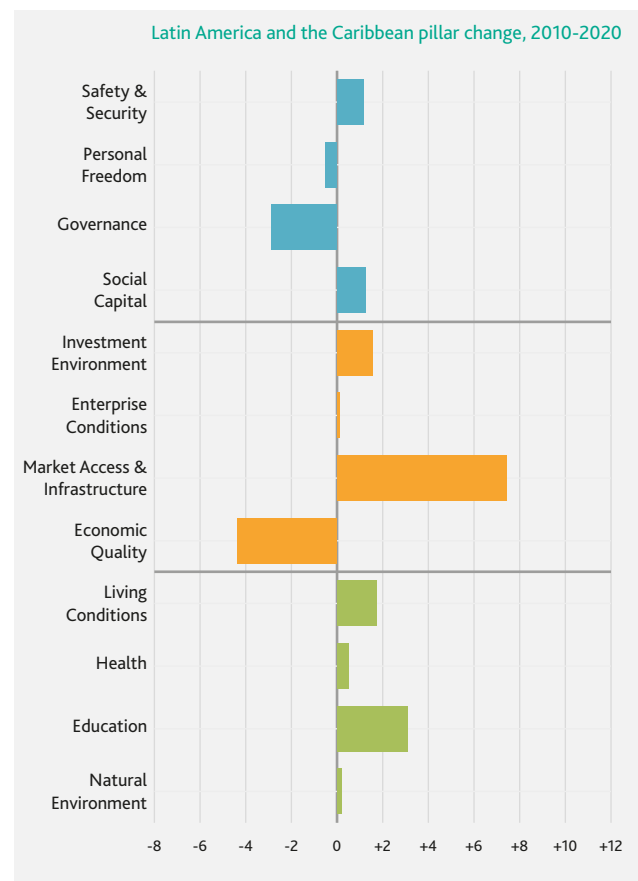
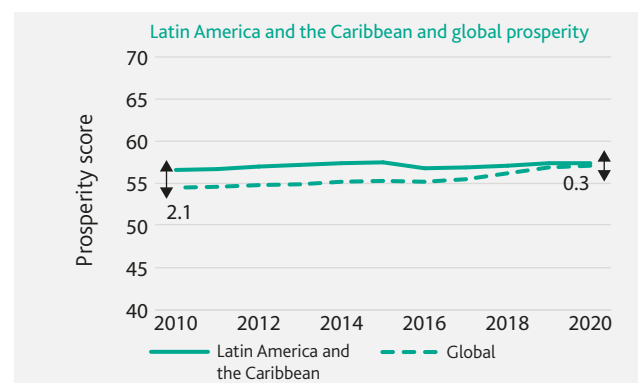
Prosperity in Latin America and the Caribbean is higher than it was in 2010, though the rate of improvement has fluctuated over the past decade. Reasons for the improvement are as follows:

Improvements

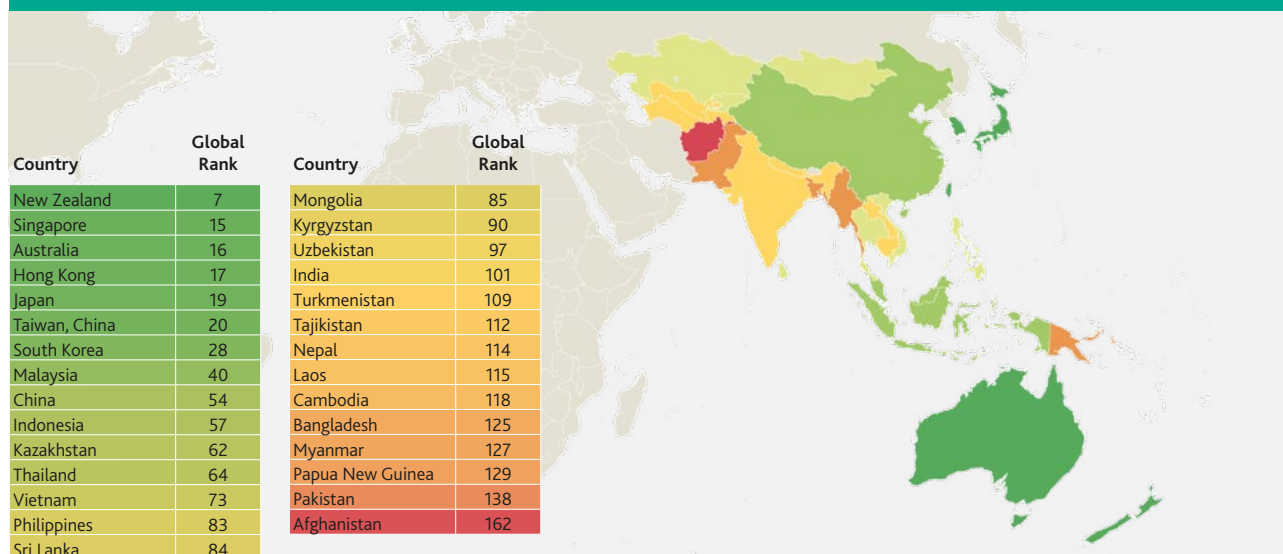
- Every country in the Latin America and the Caribbean region has seen an expansion in its communications infrastructure, which, as in Eastern Europe, has driven the improvement in market access and infrastructure. This has been exemplified by **Trinidad and Tobago** (37th), which saw a 36-rank improvement in the element, largely due to the rapid expansion of 4G capabilities.
- The investment environments of all but four countries in the region have improved. **Paraguay** (85th) has seen the biggest improvement since 2010, as property rights are deemed to be better-protected, and only 8% of firms now consider access to finance as a major obstacle (down from 20% in 2010).
- Across the region, 21 of 25 countries have seen an improvement in education over the past decade. Tertiary education has seen impressive and widespread improvement, with tertiary education enrolment rates in the region at over 50%, up from 40% in 2010, and **Chile** (18th) now has one of the best tertiary education systems in the world.

Deteriorations

- The economic destabilisation in **Venezuela** (163rd), **Brazil** (89th), and **Suriname** (94th) has led to an overall deterioration across the region in Economic Quality since 2010. Some countries in the region, however, have bucked this trend, such as **Jamaica** (104th) which now has a balanced general government budget on the back of a successful recovery from double-digit deficits in 2009.
- Governance has weakened in more than half of the region's countries. The ongoing political situation in **Venezuela** (167th) has resulted in deterioration in each element of the pillar, but particularly government integrity, while an erosion of the rule of law in **Mexico** (159th) and decreased political accountability in **Nicaragua** (114th) have driven the decline in those countries.



Asia-Pacific (5th)



ASIA-PACIFIC TRENDS

Asia-Pacific is the most-improved region over the last decade. Although it is still the fifth-ranked region, it has overtaken the global average and is almost as prosperous as Latin America and the Caribbean, for the reasons outlined below:

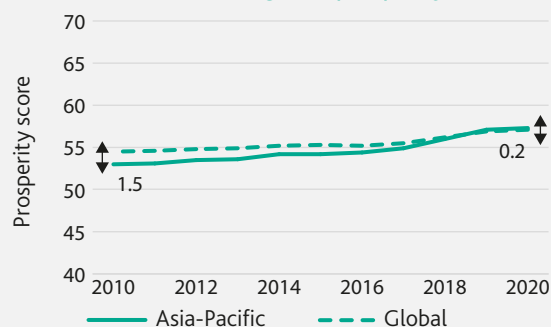
Improvements

- The expansion of telecommunications infrastructure across the region has driven the substantial improvement seen in market access and infrastructure. For example, in **India** (85th), over 400 million additional people now use the internet than in 2010, resulting in a 16-rank rise in the communications element. A corollary of this is that people have a greater degree of connectedness with each other, resulting in the country rising 51 places to 69th for the connectedness element. This is a trend mirrored in many other countries across the region.
- Regulatory reforms over the past decade have led to 21 of the 29 countries in the region seeing an improvement in their enterprise conditions, exemplified by **Tajikistan** (105th). The country has implemented tax reforms to consolidate payments and reduce costs, meaning the country has improved by 86 ranks in the Burden of Regulation element.
- The Asia-Pacific region is the most improved for living conditions, due to extreme poverty rates decreasing by a half, and the prevalence of undernourishment decreasing by a third. Among those countries that have seen significant improvement is **Indonesia** (104th), where the most abject poverty rates (defined as \$1.90 per day) have reduced from 22% to under 5% of the population, and access to basic services such as sanitation have increased.

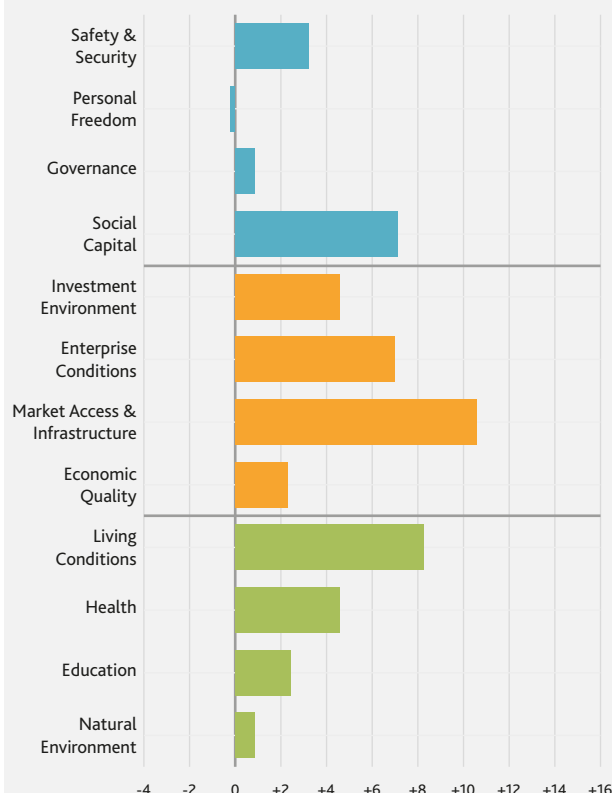
Deteriorations

- In the Asia-Pacific region, Personal Freedom is the only pillar to have deteriorated, albeit just slightly. Though only 10 of the 29 countries in the region have seen Personal Freedom decline, they include some of the largest countries, such as **India** (106th). Most of this deterioration is due to an erosion of the freedoms of assembly, association, and speech.

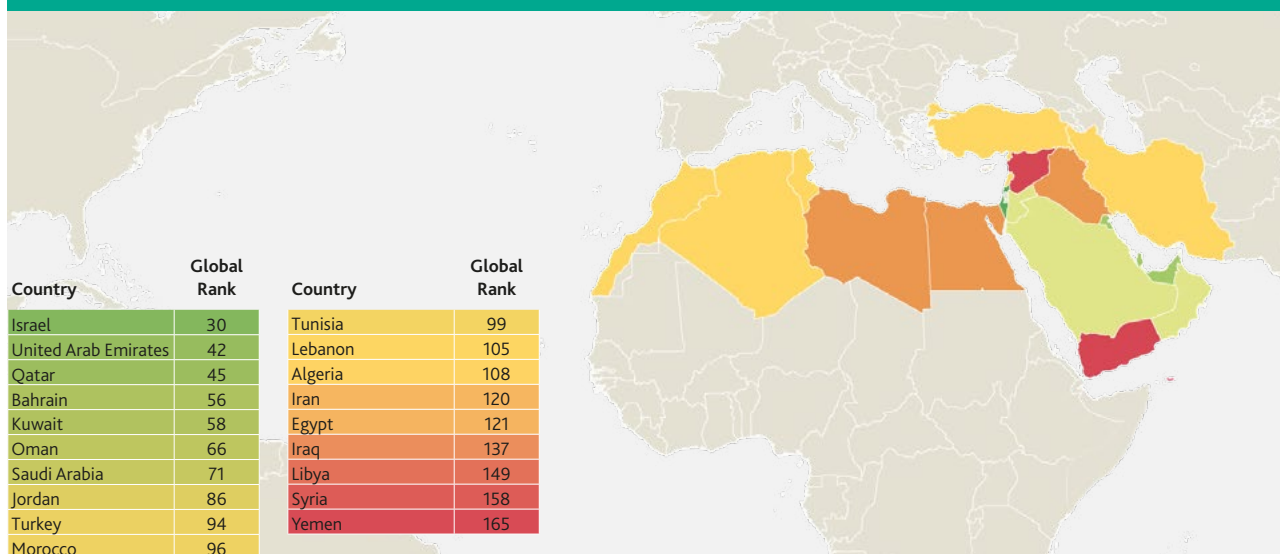
Asia-Pacific and global prosperity



Asia-Pacific pillar change, 2010-2020



Middle East and North Africa (6th)



MIDDLE EAST AND NORTH AFRICA TRENDS

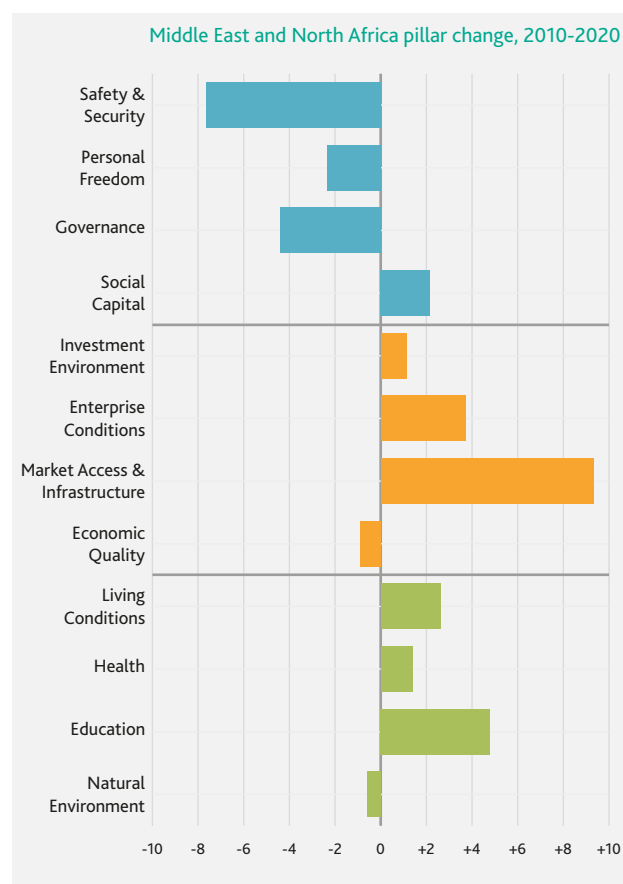
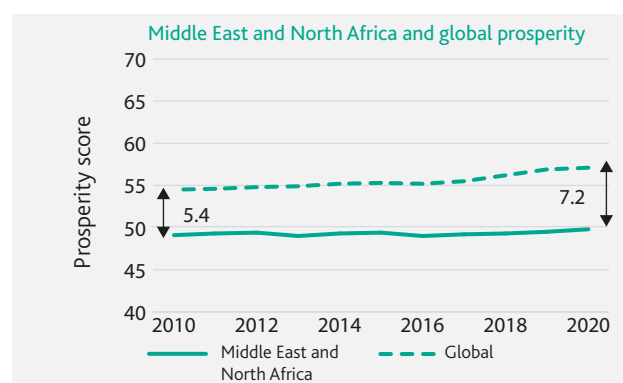
Sustained instability across the Middle East and North Africa (MENA) means progress on prosperity since 2010 has been slow, and it has underperformed compared to the global average. The reasons for the change in the region's prosperity, and what is holding back further improvement, are outlined below:

Improvements

- Similar to other regions, central to MENA's improvement has been a further expansion of telecommunications infrastructure — all of the 19 countries in the region have improved dramatically, with the average number of broadband subscriptions per capita almost quadrupling in the last decade. **Iran** (79th) is exemplary in this regard, with 70% of the population now using the Internet, up from 12% in 2010.
- Education has also seen consistent improvement across the Middle East and North Africa, with only **Jordan** (97th) and **Syria** (127th) deteriorating. For most countries, this has been due to an improvement in tertiary education, with enrolment rates across the region increasing from 32% to 44% since 2010. Other countries, such as **Morocco** (113th), have seen improvements in other areas. The secondary school completion rate has increased in the country from 43% to 62% in the same time frame.

Deteriorations

- Protracted conflicts across the region, such as those in **Syria** (165th) and **Yemen** (164th), as well as the Kurdish-Turkey conflict in the Syria-Turkey-Iraq nexus, continue to destabilise the region. In addition, the number of deaths due to terrorism across the region has more than doubled since 2010, and the number from two-sided conflicts has increased ten-fold to 90 deaths per million people.
- The quality of governance has deteriorated considerably across the region, with 13 countries having a weaker performance now than in 2010. This decline has been most evident in **Turkey** (118th). The country has dropped 57 ranks in the pillar since 2010, due primarily to falling political accountability, with the Center for Systemic Peace assessing that Turkey has become significantly less democratic and more autocratic.



Sub-Saharan Africa (7th)

Country	Global Rank	Country	Global Rank	Country	Global Rank
Mauritius	44	Côte d'Ivoire	124	Guinea-Bissau	147
Seychelles	51	Benin	126	Mali	148
Cabo Verde	75	Comoros	128	Ethiopia	150
Botswana	82	Lesotho	130	Cameroon	151
South Africa	87	Equatorial Guinea	131	Congo	152
Namibia	88	Malawi	132	Niger	153
São Tomé and Príncipe	98	Uganda	133	Mauritania	154
Ghana	100	Eswatini	134	Angola	156
Rwanda	104	Burkina Faso	135	Burundi	157
Senegal	110	Madagascar	136	Sudan	159
Kenya	113	Guinea	139	Eritrea	160
The Gambia	116	Togo	140	Dem. Rep. of Congo	161
Tanzania	117	Liberia	141	Somalia	163
Djibouti	119	Mozambique	142	Chad	164
Gabon	122	Zimbabwe	143	Central African Republic	166
Zambia	123	Nigeria	144	South Sudan	167
		Sierra Leone	145		

SUB-SAHARAN AFRICA TRENDS

Sub-Saharan Africa is the third most improved region for prosperity since 2010, but it remains the weakest performing of all seven regions. The changes in region's prosperity over the last decade are outlined below:

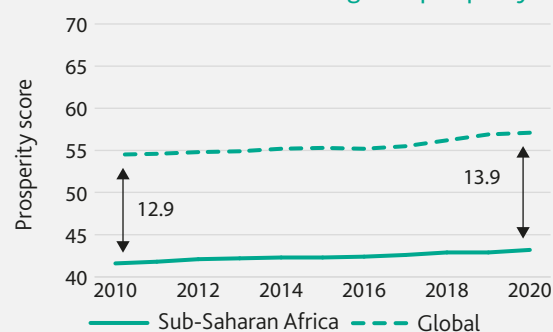
Improvements

- Improvements in health have been near-universal across the region, with only the **Seychelles** (38th) deteriorating. The improvement in preventative interventions and care systems has been substantial, and is typified by **Ethiopia** (131st), where the proportion of pregnant women who receive antenatal care has increased from 28% to 74% since 2010.
- All countries have expanded their telecommunications infrastructure, with all but four seeing a consequential improvement in the Market Access and Infrastructure pillar. **Rwanda** (100th) saw the greatest improvement in the pillar by streamlining customs clearance processes and improving access to electricity.
- All but fifteen countries across the region saw an improvement in their investment environment over the past decade, with **Guinea** (121st) improving the most. Guinea has strengthened property rights by increasing protections of intellectual property and reducing property transfer registration fees.

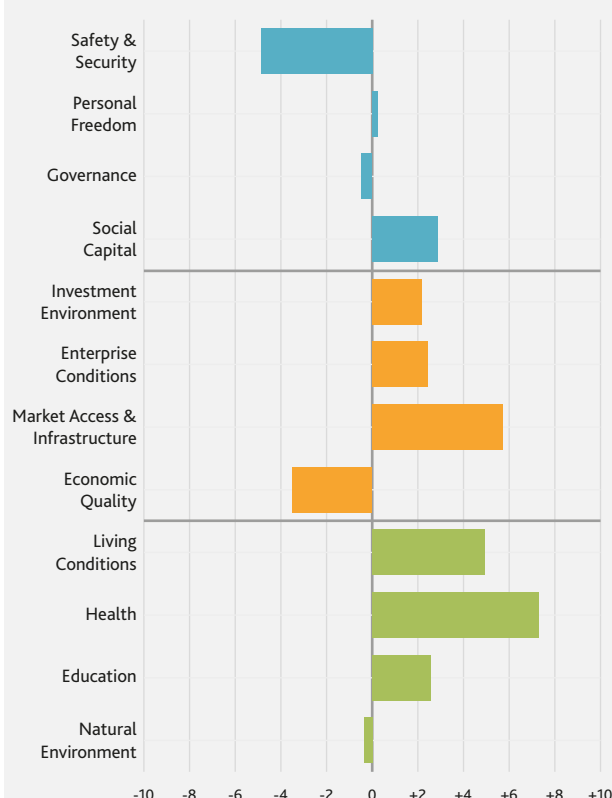
Deteriorations

- After the Middle East and North Africa, sub-Saharan Africa has seen the biggest regional decline in safety and security since 2010 as it continues to be afflicted by internecine conflicts. This decline can principally be attributed to increased terrorism: in **Mali** (157th), for example, there were 137 terror attacks causing 826 deaths in 2019, up from 6 attacks killing 30 in 2009.
- Economic quality has also deteriorated in sub-Saharan Africa, with increasing government debt and highly volatile inflation rates driving the decline. This poses a great risk to post-COVID-19 recovery, especially in countries like **Zambia** (155th) where GDP per capita growth had been decreasing over the decade leading up to the pandemic.

Sub-Saharan Africa and global prosperity



Sub-Saharan Africa pillar change, 2010-2020



*Children in an IT class in
Johannesburg, South Africa.*

**All countries in Sub-Saharan Africa have
expanded their telecommunications
infrastructure.**



Credit: shutterstock.com

African success stories that offer hope for the continent

Almost two decades ago, the then-UK Prime Minister Tony Blair infamously described Africa as a 'scar on the conscience of the world.' Such rhetoric reflected a persistent — and pernicious — characterisation of the continent as one ravaged by seemingly unbreakable cycles of poverty, conflict, and disease.

The region still faces many significant challenges, but certain countries in this vast continent are witnessing something of a quiet transformation. Though the continent has not made as much progress as the Asia-Pacific region, poverty has been reduced by almost a third since the 1960s. Today, prosperity in Africa is at its highest -ever level, with 43 countries out of the 49 in the region witnessing improvements in their prosperity ranking over the past decade, for a variety of different reasons.

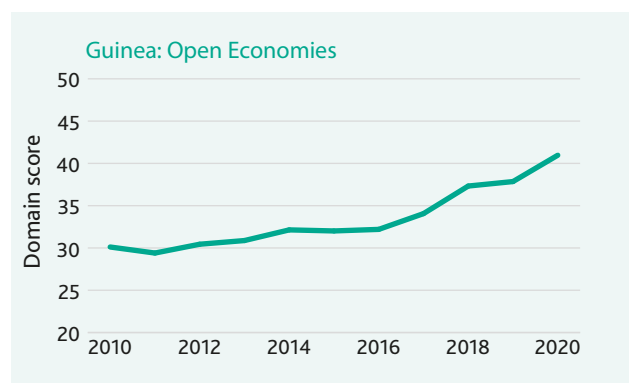
Such successes should serve as more than a source of encouragement. They potentially offer other African nations examples of best practice in overcoming what are often common challenges, from

improving levels of government accountability to improving the environment for business creation and investment. For example, if each country in the region were to replicate the African nation that had seen the most improvement in each pillar over the past decade, in around 20 years their prosperity would match that of Lithuania today.

The following section showcases improvements made by four African nations over the past decade, examples which offer an opportunity to illuminate the pathway to prosperity for their neighbours as well as for others at similar stages of their own national development.

Some suggestions that will lead to further improvements in prosperity in these four countries is also briefly discussed, although a full diagnosis of their strengths and weaknesses and for all 167 countries, across the 12 pillars and 66 elements, can be found in the country profiles available on the website, www.prosperity.com

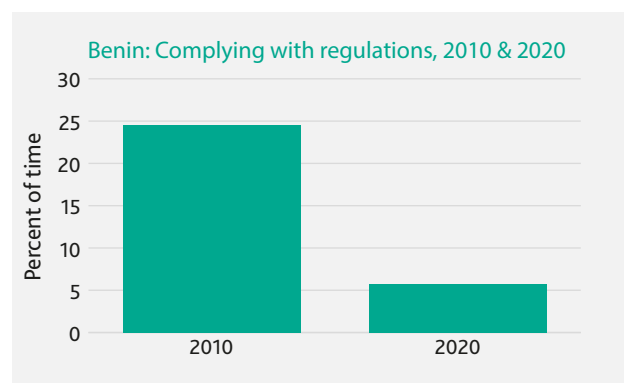
GUINEA (139th)



Collectively, the improvements made in Guinea since 2010 have resulted in a 14-rank rise in prosperity for the country. Guinea has made determined progress in opening its economy over the course of the past decade, increasing its domain ranking by some thirty-one places. This success has been driven by a string of major reforms aimed at improving the business environment, including increasing access to credit, streamlining the process of business creation, and strengthening property rights.

The country has also made an impressive improvement in the Governance pillar, due to government effectiveness strengthening and greater political accountability. The challenge for Guinea moving forwards is to build on these economic and institutional reforms and improve the lived experience of its citizens.

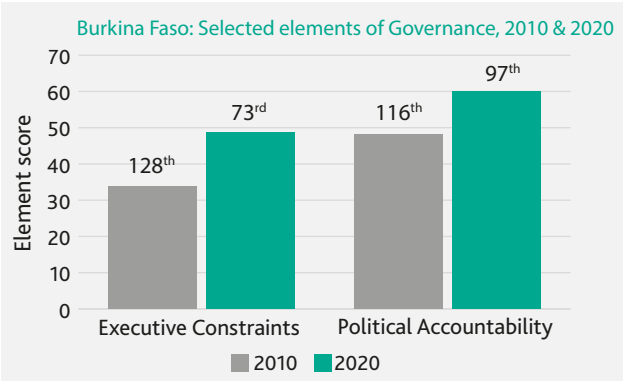
BENIN (126th)



Benin is another African nation to experience an impressive improvement in the Open Economies domain. In large part this has been due to it being easier to start a business than it was in 2010, a reduction in the amount of time businesses spend complying with regulations and labour markets becoming more flexible. Over the course of the past three decades, almost forty state-owned enterprises have been privatised, whilst the Industrial Free Zone (ZFI) regime has provided fledgling businesses with a series of exemptions to both import and export duties.

These economic reforms are to be lauded but Benin needs to strengthen its institutions and social contract if it wants to improve the lived experience of its near 12m population.

BURKINA FASO (135th)

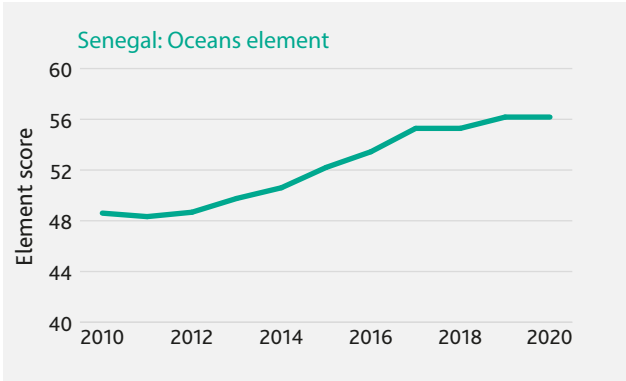


Governance has seen a considerable improvement in Burkina Faso, rising 12 ranks as a result, due in particular to political accountability and executive constraints improving. There has also a concomitant improvement in institutional trust, contributing to the 36-rank rise in Social Capital to 100th.

Burkina Faso has also improved its living conditions, having begun to address the challenge posed by its low water quality through concerted partnership with a series of multinational organisations and NGOs. The population's reported satisfaction with the country's water quality has improved by sixty places from 156th to 96th over the past decade, with cases of water-borne diseases such as guinea-worm declining sharply from close to 12,000 to just thirty in the past thirteen years.

Giving greater protections to investors and strengthening contract enforcement, together with removing vested interests, will help create a more open economy

SENEGAL (110th)



There have been many improvements in Senegal since 2010. For example, government effectiveness and government integrity have seen 30 and 29 rank rises respectively since 2010, and a stronger economy with lower inflation levels have resulted in an 18 rank rise in the Economic Quality pillar.

In addition, and pivotal for the country's 600,000 people who depend on fishing, communities in Senegal have also begun to address the longstanding challenge posed by overfishing, prompting a marked improvement in the country's Natural Environment ranking over the past decade, rising 15 places. Localised fisheries management schemes such as that in operation in Ngaparou have created a series of protected areas, where fish stocks are encouraged to regenerate. The success of such schemes has resulted in higher incomes for the region's fishermen and have since been replicated in nearby Liberia and Sierra Leone.

Although access to secondary education has improved since 2010, education remains particularly weak in the country, with enrolment and completion rates being some of the lowest in the world.

A woman prepares to cast her vote in Ouagadougou, Burkina Faso.

Since 2015, Burkina Faso has improved by 22 ranks in the Governance pillar.



Credit: gettyimages.co.uk



Pillar profiles

Prosperity is a multi-dimensional concept, which the Prosperity Index seeks to measure, explore, and understand as fully as possible. The framework of the Index captures prosperity through 12 equally-weighted pillars, each with constituent elements — the building blocks and policy areas crucial for achieving true prosperity for the residents of 167 nations around the world. The 12 pillars are grouped into three domains, which are the essential foundations of prosperity — Inclusive Societies, Open Economies, and Empowered People.

INCLUSIVE SOCIETIES

The Inclusive Societies domain captures the relationship structures that exist within a society, among individuals and between individuals and broader institutions, and the degree they either enable or obstruct societal cohesion and collective development. These social and legal institutions are essential in protecting the fundamental freedoms of individuals, and their ability to flourish.

This domain consists of the Safety and Security, Personal Freedom, Governance, and Social Capital pillars, and it comprises 95 indicators captured within 21 elements.

OPEN ECONOMIES

The Open Economies domain captures the extent to which an economy is open to competition, encourages innovation

and investment, promotes business and trade, and facilitates inclusive growth. For a society to be truly prosperous, it requires an economy that embodies these ideals.

This domain consists of the Investment Environment, Enterprise Conditions, Market Access and Infrastructure, and Economic Quality pillars, and it comprises 98 indicators captured within 22 elements.

EMPOWERED PEOPLE

The Empowered People domain captures the quality of people's lived experience and the associated aspects that enable individuals to reach their full potential through autonomy and self-determination.

This domain consists of the Living Conditions, Health, Education, and Natural Environment pillars, and it comprises 101 indicators across 23 elements.

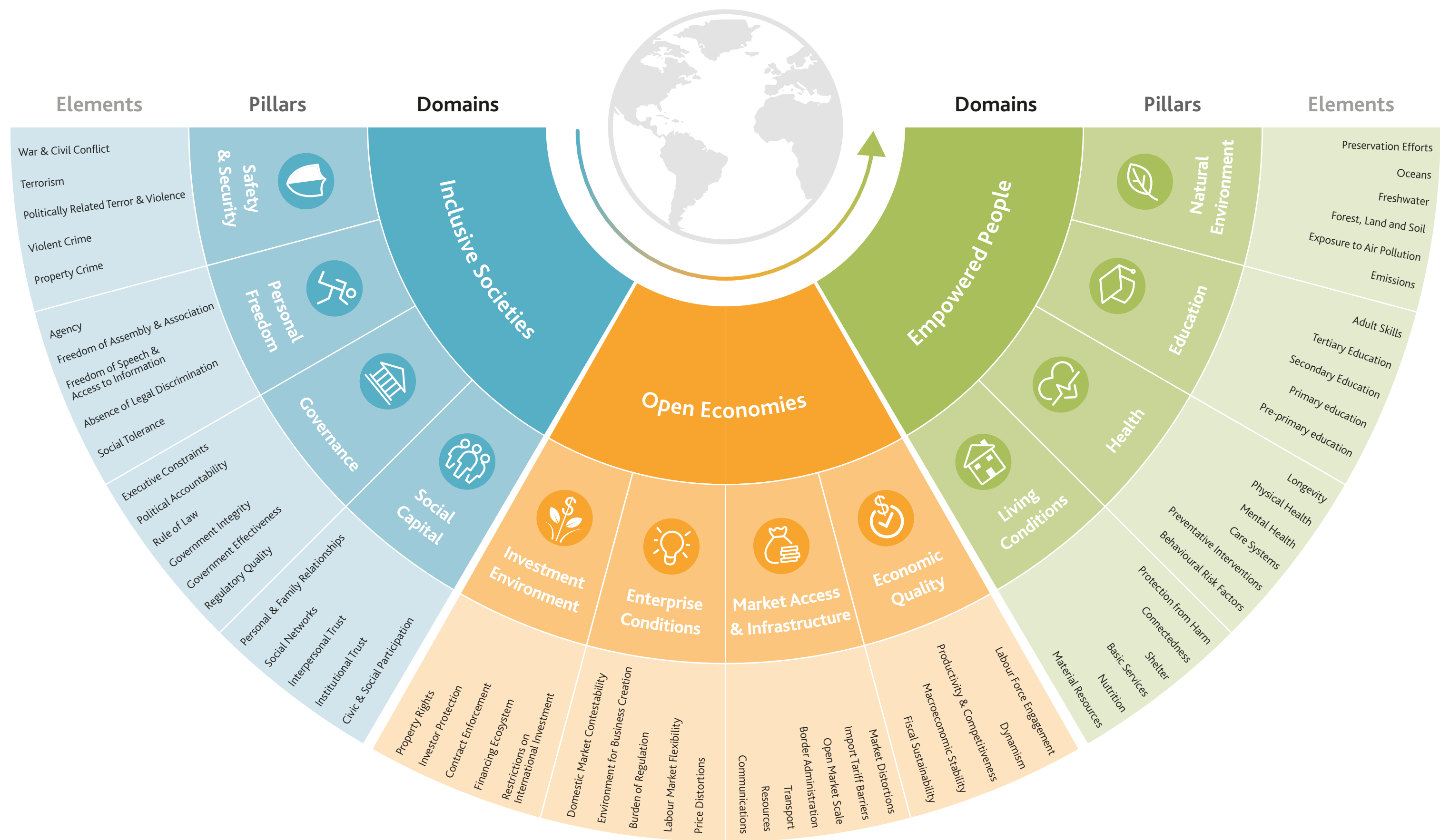
An infographic that sets out the construction of the 2020 Prosperity Index, and the linking of the 3 domains, 12 pillars and 66 elements is illustrated on the next page. The pages that follow examine each of these domains, pillars, elements, and the indicators underpinning this structure, in more detail.



Credit: shutterstock.com

The building blocks of prosperity

The domains, pillars, and elements of prosperity



Defining Inclusive Societies

Inclusive Societies are an essential requirement for prosperity, where social and legal institutions protect the fundamental freedoms of individuals, and their ability to flourish. This domain explores the relationship structures that exist within a society, and the degree to which they either enable or obstruct societal cohesion and collective development.

Areas within this domain range from the relationship of citizen and state, to the degree to which violence permeates societal norms, to the interaction of freedoms of different groups and individuals, to the way in which individuals interact with one another, their communities, institutions, and nations. These issues have been both a practical consideration for the majority of modern human experience, as well as a subject of academic study.^{1,2,3}

We examine the fundamental aspects of inclusive societies across four pillars, each with component elements.

Safety and Security measures the degree to which individuals and communities are free from war and civil conflict, terrorism, political terror and violence, violent crime, and property crime. The lives of individuals, their freedoms, and the security of their property are at risk in a society where these activities are present, both through their current prevalence, and long-lasting effects. In short, a nation, community, or society can prosper only in an environment of security and safety for its citizens.

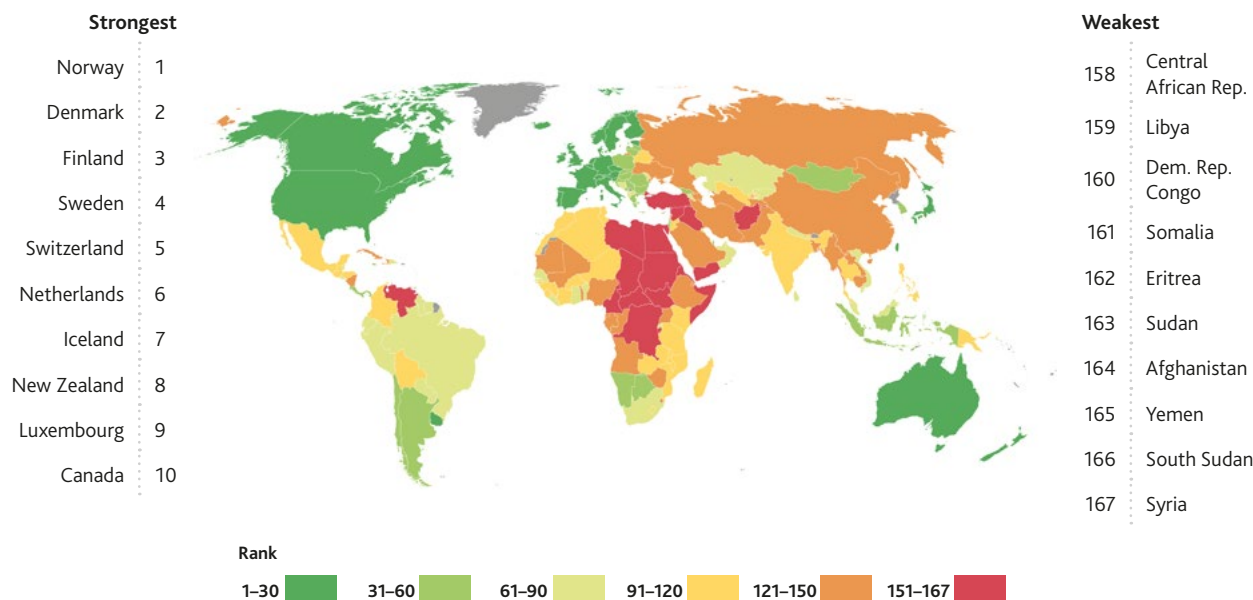
Personal Freedom measures basic legal rights (agency), individual liberties (freedom of assembly and association, freedom of speech

and access to information), the absence of legal discrimination and the degree of social tolerance experienced in a society. Societies that foster strong civil rights and freedoms have been shown to enjoy increased levels of satisfaction among their citizens.⁴ Furthermore, a country benefits from higher levels of national income when its citizens' personal liberties are protected and when it is welcoming of the social diversity that stimulates innovation.⁵

Governance measures the extent to which there are checks and restraints on power, and whether governments operate effectively and without corruption. The nature of a country's governance has a material impact on its prosperity. The rule of law, strong institutions, and regulatory quality contribute significantly to economic growth, as do competent governments that enact policy efficiently and design regulations that deliver policy objectives without being overly burdensome.

Social Capital measures the personal and family relationships, social networks, and the cohesion a society experiences when there is high institutional trust, and people respect and engage with one another (civic and social participation), both of which have a direct effect on the prosperity of a country. A person's wellbeing is best provided for in a society where people trust one another and have the support of their friends and family. Societies with lower levels of trust tend to experience lower levels of economic growth. Thus, the word "capital" in "social capital" highlights the contribution of social networks as an asset that produces economic returns and improves wellbeing.

Inclusive Societies 2020



A Danish mother and her daughter browsing the internet together.

Denmark ranks 1st in the world for the Personal and Family Relationships element, up from 7th in 2010.



Credit: shutterstock.com

Why a strong social contract is perhaps the best means of tackling systemic corruption

Forging a strong social contract is integral to successful national socio-economic development. The extent to which governments are able to provide both effective and legitimate leadership is a key determinant of prosperous nations. For more than a decade, the Legatum Prosperity Index has measured nations' progress in cultivating the many components that comprise a strong social contract, through the four pillars, twenty-one elements, and ninety-five indicators that make up its Inclusive Societies domain.

These measures capture the degree to which people are able to live in peace, free from the threat of violence, oppression, and crime. It also serves to highlight that in the world's most prosperous nations, everyone's inherent dignity is respected, and freedom of speech and assembly are protected. Finally, it illustrates the centrality of governments that act with integrity, are accountable to their citizens, and are subject to the rule of law.

However, in nations where governments are deemed either as ineffective or illegitimate, engaging in corruption is often the only route to accessing basic public services such as healthcare and education, or for securing opportunities for employment.⁶ As such, the presence of this systemic kind of corruption can serve as an indication of a state-societal relationship under strain, providing arguably *the* definitive symptom of a weak — or non-existent — social contract between the population and those who lead them.⁷

Corruption is a lamentable yet persistent challenge for all countries. The abuse of public office for private gain has a predictably corrosive impact on the prosperity of nations, undermining their institutional, economic, and societal cohesion to often devastating effect. Though its scale and impact are notoriously difficult to quantify, the UN Secretary General António Guterres estimated that corruption costs the international economy at least \$2.6 trillion a year, equivalent to some five per cent of global GDP.⁸

Corruption has a detrimental impact on almost every facet of state and economic integrity. It has a distortive impact upon markets and undermines competition; bribery has been found to cost businesses as much as ten per cent of their annual sales according to the World Bank, whilst close to a third of companies surveyed cited evidence of bribery as the principal reason for the awarding of a contract to a competitor.⁹

Approximately half of all corruption takes place in developing nations, where its impact is perhaps starkest. Illicit financial flows are estimated to cost lower-income countries around \$1.26 trillion per year, enough to lift approximately 1.4 billion people out of extreme poverty and keep them there for at least six years.¹⁰ Inevitably, this adversely impacts those that have the least. In

Bangladesh, some eighty-four per cent of households reported being victims of corruption, while more than ten per cent of the aid administered to Afghanistan since the start of the conflict in 2001 is estimated to have been misappropriated.¹¹

These statistics serve to highlight the true cost of corruption to national development: the opportunity cost. Each act of bribery, embezzlement, fraud, collusion, extortion, patronage, clientelism, and nepotism matters.¹² Children are left unvaccinated and uneducated, investment is deterred, and societal bonds are undermined.

Since its creation, the Legatum Prosperity Index has measured the scale and extent of corruption in nations around the world, using a diverse range of indicators, from recording levels of budget transparency and the misuse of public funds, to those where public office is used for private gain. An analysis of its findings over the past decade suggests that a number of nations which have made steady progress in making their societies more inclusive have also experienced corresponding declines in levels of corruption. Of the top ten most improved nations across the Inclusive Societies domain over the past ten years, eight have experienced declines in levels of corruption, averaging an improvement of more than twenty-nine ranks in Transparency International's *Corruptions Perceptions Index*.

A good example of this phenomenon is Côte d'Ivoire, which has improved its performance across each of the four pillars of our Inclusive Societies domain more than any other nation on the African continent over the past ten years. This has been mirrored by a sizeable decline in levels of corruption during the same period, with Côte d'Ivoire improving by an impressive 48 places in Transparency International's *Corruption Perceptions Index* between 2011 and 2019.¹³ This represents a remarkable turnaround since the country's disputed election in 2010 which led to widespread violence, culminating in the Second Ivorian War which resulted in some 3,000 deaths.

Following its peaceful election in 2015, the government embarked on an ambitious economic and institutional reform programme, which has led to a number of economic and social improvements. As a result, Côte d'Ivoire is the second most improved country globally on prosperity since 2010.

However, such progress is by no means secure, and 2020 represents a key inflection point for Côte d'Ivoire. The country's incumbent president, Alexander Ouattara, has reneged on his commitment not to stand for a third term in office at October's election, with his supporters citing the country's new constitution, adopted in 2016, as justification. Despite the impressive progress made under Ouattara since 2011, it remains to be seen whether Côte d'Ivoire

can firmly establish the convention to ensure the peaceful transfer of power, a central tenet of government legitimacy — and of a strong social contract.

Though many nations have experienced — and continue to experience — severe levels of corruption at various stages of their

development, the experience of Côte d'Ivoire should provide a note of cautious optimism for other nations: a decline in systemic corruption is the reward for those leaders who make a concerted effort to strengthen the social contract with their populations, creating an environment of stability, opportunity, and shared identity.¹⁴

THE KEY TENETS OF INCLUSIVE SOCIETIES

Establish Statehood

- Promote a national identity by identifying opportunities to unify the country, whether through shared language, culture, or icons.
- Maintain control over the key parts of your territory by seeking to immediately contain — rather than eradicate — insecurity.
- Maintain internal order without resorting to violence by investing in the cultivation of a politically independent, well-trained security sector.

Cultivate Legitimacy

- Establish formal and informal executive constraints by codifying a series of checks and balances in the constitution, and by encouraging informal constraints upon executive power.
- Champion the rule of law by prioritising the creation of an effective judiciary, by maintaining its independence from government, and by abiding by its rulings.
- Commit to the peaceful transfer of power by embracing constitutionally mandated term limits and by signalling an intention to leave office peacefully.

Govern Competently

- Adopt a pragmatic and inclusive approach to national development by making development the first priority, by avoiding factionalism, and by demonstrating a determination to govern for the good of all.
- Build a competent administration by prioritising the creation of an effective bureaucracy, making use of international expertise where necessary.

These insights have been gleaned from our research into the foundational drivers of development, which we plan on publishing in early 2021.

Ivorians queue to receive voting cards in Abidjan, 2020.

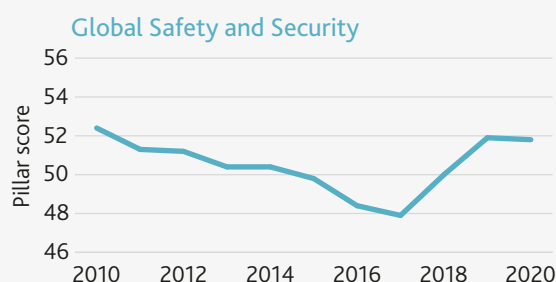
Côte D'Ivoire has improved by 33 ranks in the Inclusive Societies domain since 2010.



Credit: gettyimages.co.uk

Safety and Security

Safety and Security is an integral component of prosperity. Citizens' wellbeing is dependent on having personal safety, where their person and property are free from violence and theft. A secure and stable environment is necessary for attracting investment and sustaining economic growth. In short, a nation can prosper only in an environment of security and safety for its citizens.



ELEMENT (WEIGHT %)

INDICATORS

War and Civil Conflict (20%) concerns the impact of organised conflicts affecting a country, both internal and external, on people, in terms of deaths, injuries and human displacement.

- Two-sided conflict deaths (UCDP)
- Civil and ethnic war (CSP)
- Conflict-driven internal displacement (IDMC)
- Refugees (origin country) (UNHCR)

Terrorism (15%) measures the deliberate and targeted harm inflicted by non-state actors on a nation's population, taking into account the number of incidents, injuries and also deaths that result. The costs of attacks on business are also taken into consideration.

- Terrorism deaths (GTD)
- Terrorism injuries (GTD)
- Terrorism incidents (GTD)
- Property cost of terrorism (GTD)

Politically Related Terror and Violence (30%) measures the extent to which people live in fear of, or suffer from, terror and violence inflicted by the state or other political bodies.

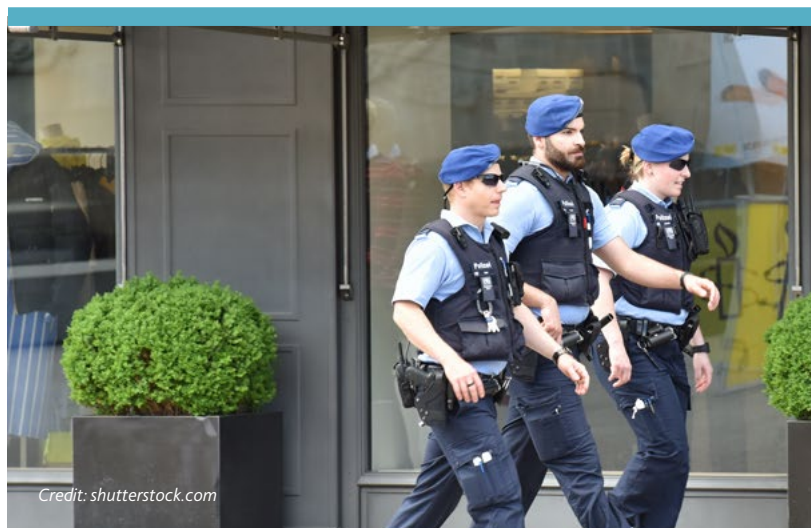
- Political terror (PTS)
- Extrajudicial killings (CIRIGHTS)
- Use of torture (CIRIGHTS)
- Disappearance cases (CIRIGHTS)
- Political imprisonment (CIRIGHTS)
- One-sided conflict deaths (UCDP)

Violent Crime (25%) assesses the level to which violent domestic crime affects the citizens of a country.

- Intentional homicides (WB-DI)
- Dispute settlement through violence (WJP)
- Safety walking alone at night (Gallup)
- Physical security of women (WomStat)

Property Crime (10%) captures the level to which property crime, such as burglary, destabilises the security of individuals and affect both individuals' wealth and wellbeing.

- Property stolen (Gallup)
- Business costs of crime and violence (WEF)
- Business costs of organised crime (WEF)

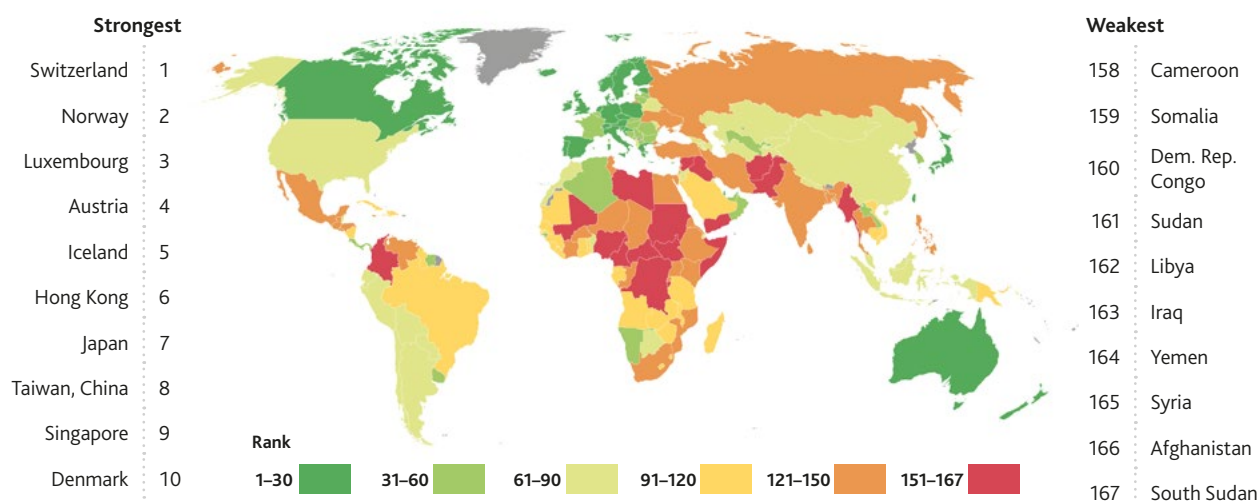


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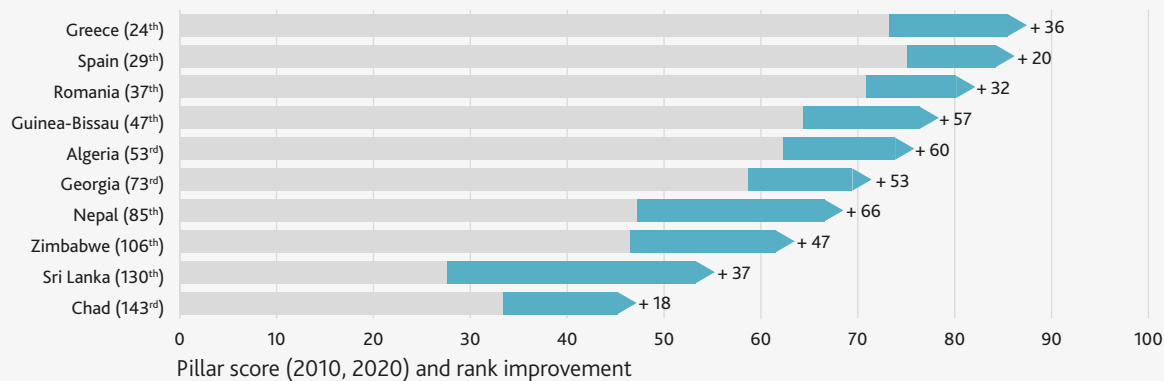
A group of police officers in Zurich, Switzerland.

Switzerland ranks 1st for Safety and Security and has the third lowest rates of both violent and property crime.

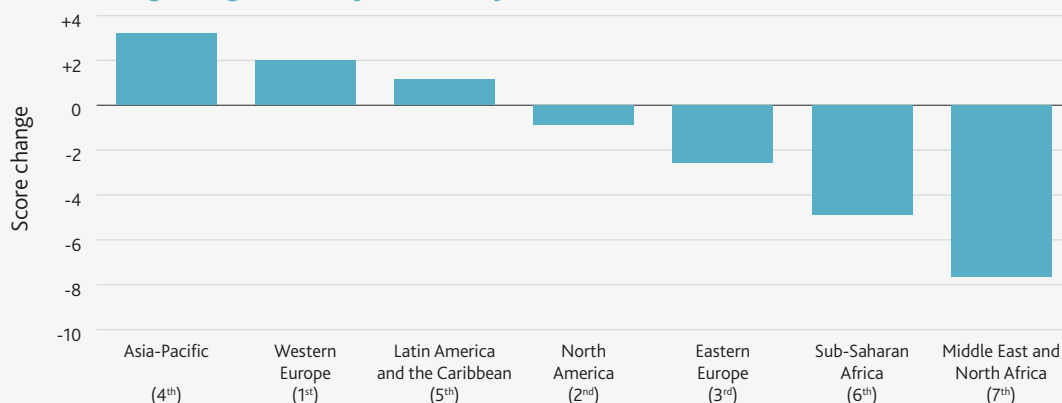
Safety and Security 2020



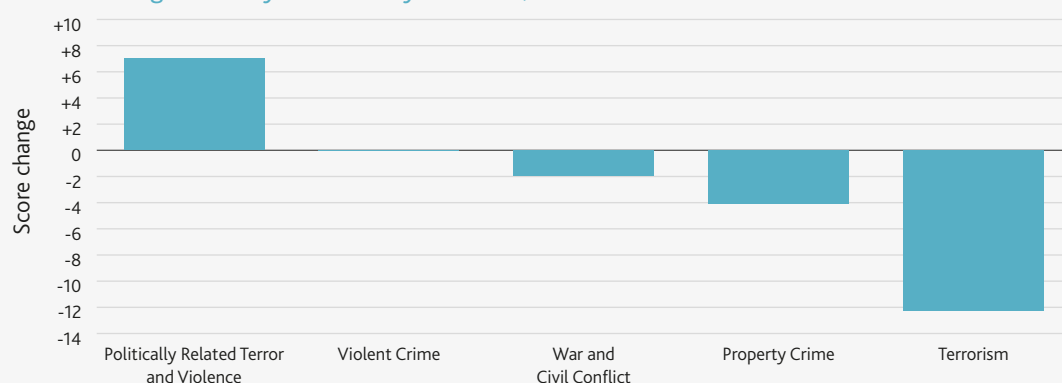
Safety and Security: Most improved countries, 2010–2020



Change in regional Safety and Security, 2010–2020



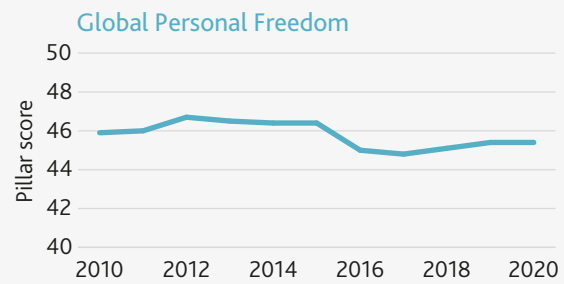
Change in Safety and Security elements, 2010–2020





Personal Freedom

Personal Freedom captures the extent to which the population of a country is free to determine the course of their lives without undue restrictions. This includes freedom from coercion and restrictions on movement, speech and assembly. Central to this is the level of agency an individual experiences, and their freedom from discrimination.



ELEMENT (WEIGHT %)

Agency (25%) captures the degree to which individuals are free from coercion or restriction and are free to move. At its heart, an individual experiences agency if they have the freedom to act independently and make their own free choices. Forced bondage and slavery, unlawful imprisonment, restrictions on movement, and numerous other factors can act as impediments on agency.

Freedom of Assembly and Association (20%) measures the degree to which people have the freedom to assemble with others in public spaces to express opinions freely, with autonomy from the State, and to form collective interest organisations.

Freedom of Speech and Access to Information (20%) captures the ability of people to express political opinion without reproach and the extent to which the media is censored and is independent from and not influenced by the ruling government.

Absence of Legal Discrimination (20%) assesses the level of discrimination in law or by government and whether the law protects individuals and groups from suffering discrimination. This dimension captures multiple factors, including gender, sexuality, religion, ethnicity and economic background.

Social Tolerance (15%) measures the degree to which societies are tolerant of differences within the population, and the level of tension arising over these differences. Societal discrimination and intolerance can engender serious issues within a society, and are a significant inhibitor of individual's *de facto* freedoms.

INDICATORS

- Personal autonomy and individual rights (FH)
- Due process and rights (WJP)
- Freedom of movement (CIRIGHTS)
- Women's agency (WomStat)
- Freedom from arbitrary interference with privacy (WJP)
- Freedom from forced labour (V-DEM)
- Government response to slavery (GSI)
- Satisfaction with freedom (Gallup)

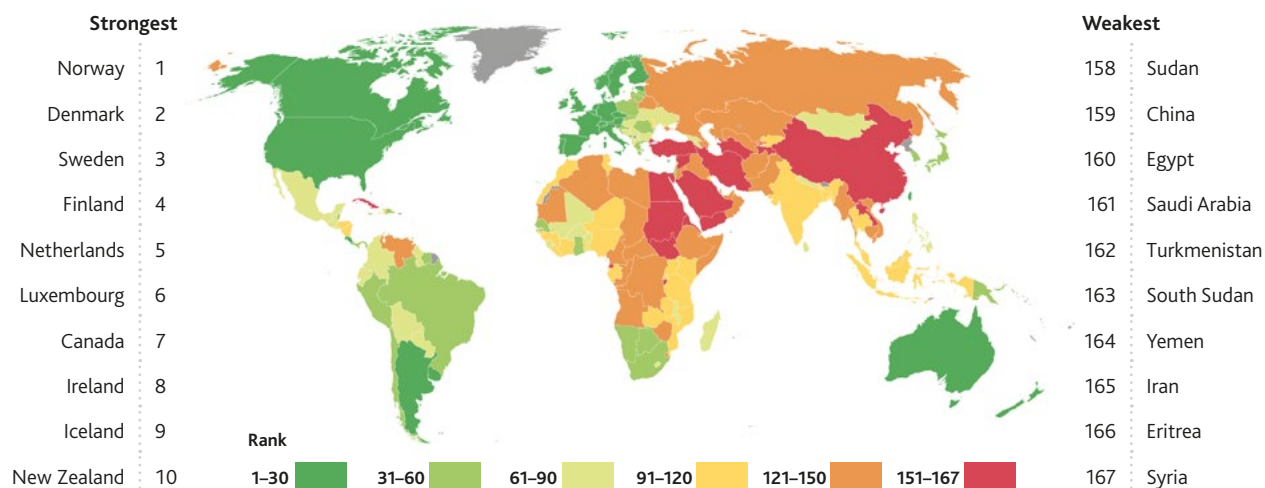
- Right to associate and organise (FH)
- Guarantee of assembly and association (WJP)
- Autonomy from the state (V-DEM)

- Press freedom from government censorship (FH)
- Press freedom from physical repression (RsF)
- Freedom of opinion and expression (WJP)
- Government media censorship (V-DEM)
- Alternative sources of information (V-DEM)
- Political diversity of media perspectives (V-DEM)

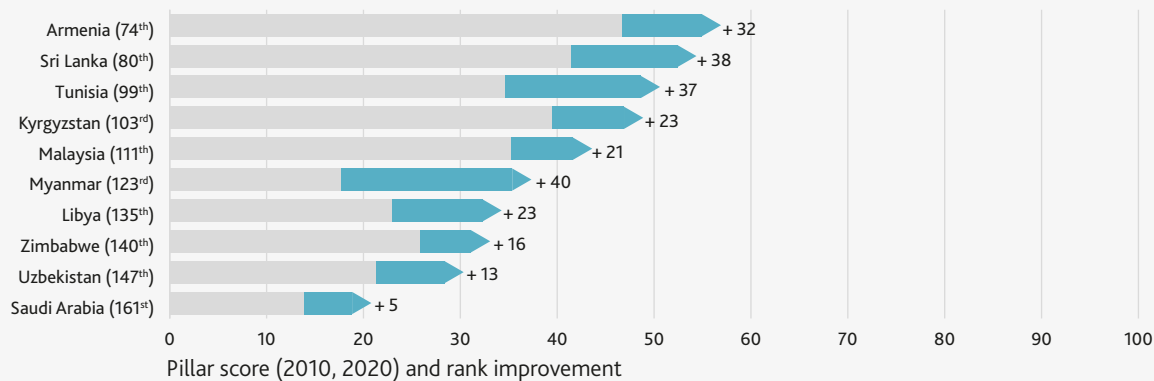
- Equal treatment and absence of discrimination (WJP)
- Non-discriminatory civil justice (WJP)
- Freedom from hiring and workplace discrimination (WJP)
- LGBT Rights (ILGA)
- Protection of women's workplace, education and family rights (WomStat)
- Freedom of belief and religion (WJP)
- Government religious intimidation and hostility (Pew)

- Perceived tolerance of ethnic minorities (Gallup)
- Perceived tolerance of LGBT individuals (Gallup)
- Perceived tolerance of immigrants (Gallup)

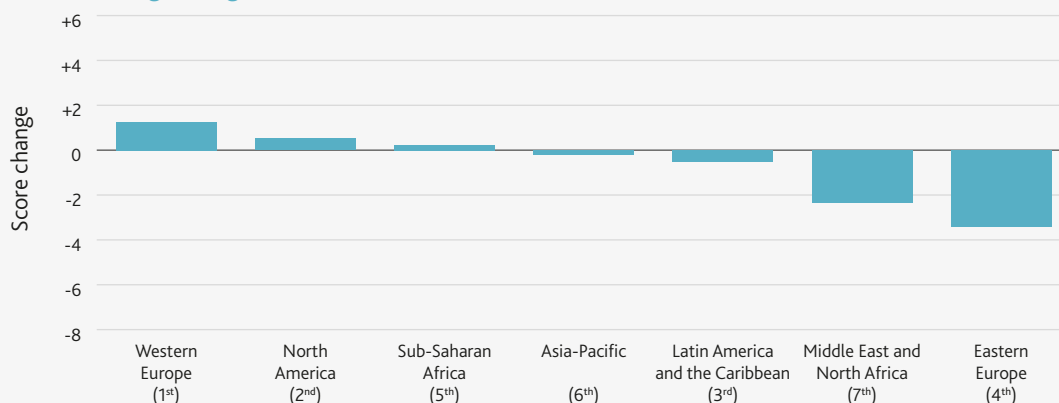
Personal Freedom 2020



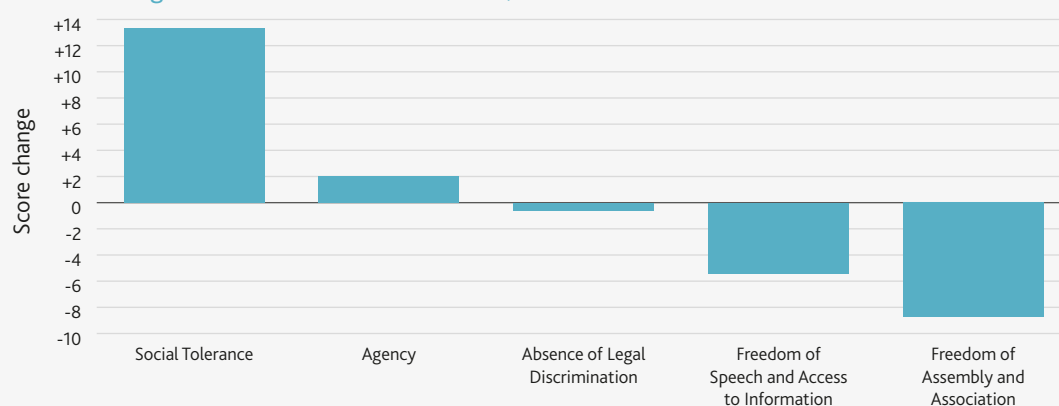
Personal Freedom: Most improved countries, 2010–2020



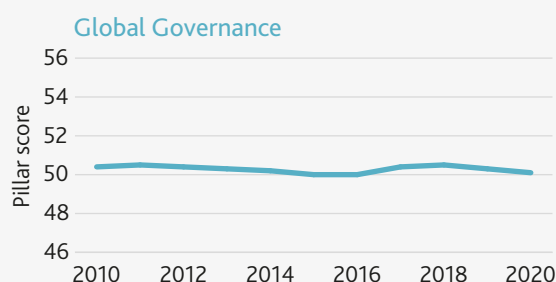
Change in regional Personal Freedom, 2010–2020



Change in Personal Freedom elements, 2010–2020



Governance measures the extent to which there are checks and restraints on political power and whether governments operate effectively and without corruption. The nature of a country's governance has a material impact on its prosperity. The rule of law, strong institutions and regulatory quality contribute significantly to economic growth, as do competent governments that enact policy efficiently and design regulations that deliver policy objectives without being overly burdensome.



ELEMENT (WEIGHT %)

INDICATORS

Executive Constraints (15%) assesses the level of checks and balances, and separation of powers – especially with respect to the executive.

- Executive powers are effectively limited by the judiciary and legislature (WJP)
- Government powers are subject to independent and non-governmental checks (WJP)
- Transition of power is subject to the law (WJP)
- Military involvement in rule of law and politics (FI)
- Government officials are sanctioned for misconduct (WJP)

Political Accountability (15%) is the degree to which the public can hold public institutions accountable, capturing the degree of political pluralism, and other mechanisms of accountability.

- Consensus on democracy and a market economy as a goal (BTI)
- Political participation and rights (FH)
- Democracy level (CSP)
- Complaint mechanisms (WJP)

Rule of Law (15%) is the fairness, independence and effectiveness of the judiciary (in applying both civil and criminal law), along with the accountability of the public to the law.

- Judicial independence (WEF)
- Civil justice (WJP)
- Integrity of the legal system (FI)
- Efficiency of dispute settlement (WEF)

Government Integrity (20%) assesses the integrity of a government, encompassing both the absence of corruption, and the degree to which government fosters citizen participation and engagement, through open information and transparent practices.

- Use of public office for private gain (WJP)
- Diversion of public funds (WEF)
- Right to information (WJP)
- Publicised laws and government data (WJP)
- Transparency of government policy (WEF)
- Budget transparency (IBP)

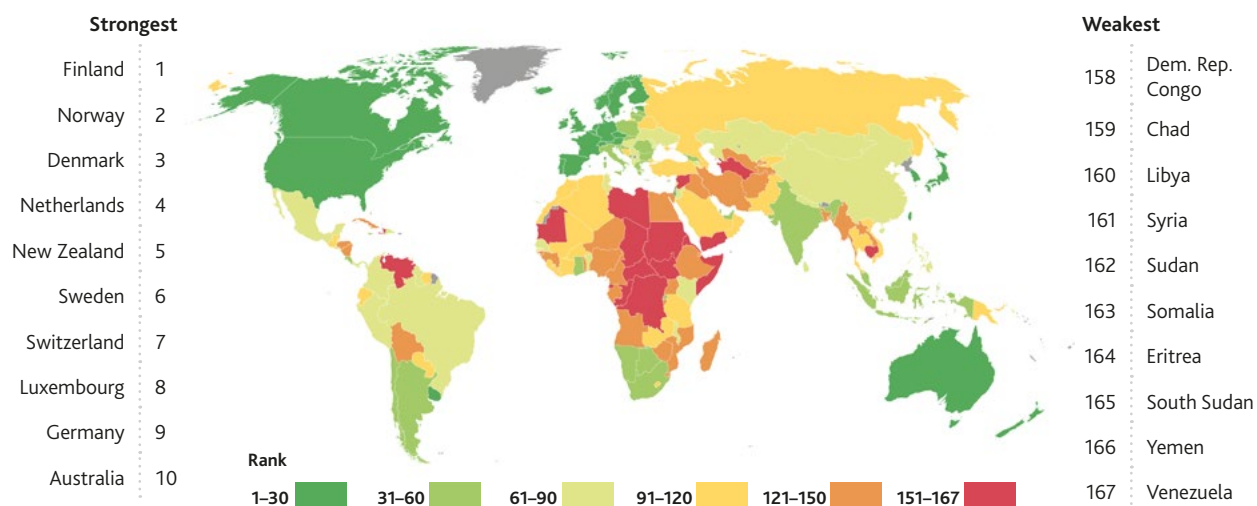
Government Effectiveness (20%) is a combination of the quality of public service provision, the quality of the bureaucracy and the competence of officials.

- Government quality and credibility (WGI)
- Prioritisation (BTI)
- Efficiency of government spending (WEF)
- Efficient use of assets (BTI)
- Implementation (BTI)
- Policy learning (BTI)
- Policy coordination (BTI)

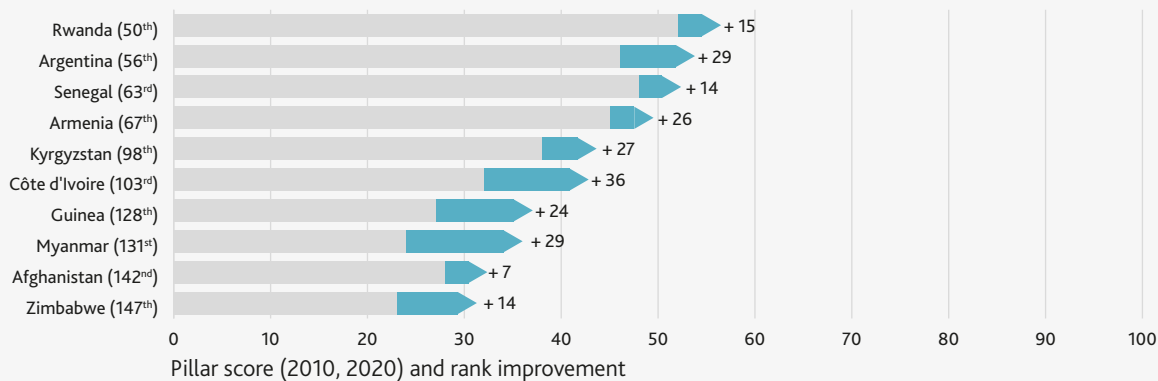
Regulatory Quality (15%) encompasses all aspects of the running of the regulatory state – whether it is burdensome and impedes private sector development, and whether it is smoothly and efficiently run.

- Regulatory quality (WGI)
- Enforcement of regulations (WJP)
- Efficiency of legal framework in challenging regulations (WEF)
- Delay in administrative proceedings (WJP)

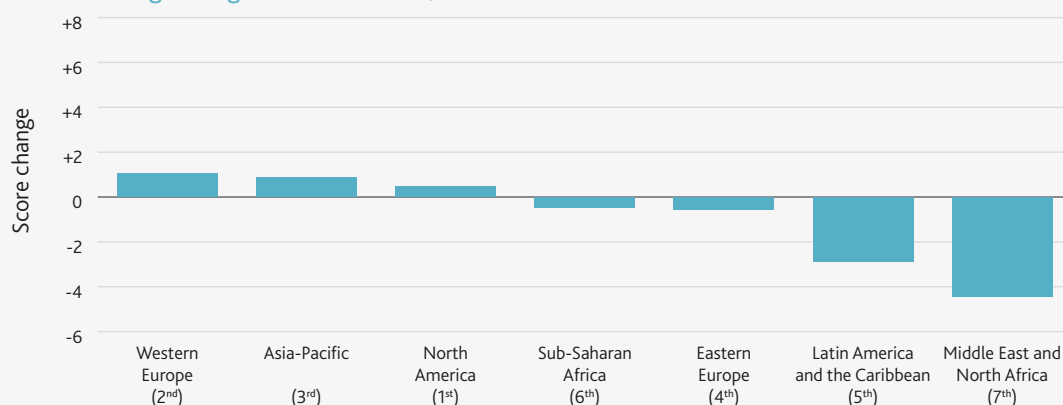
Governance 2020



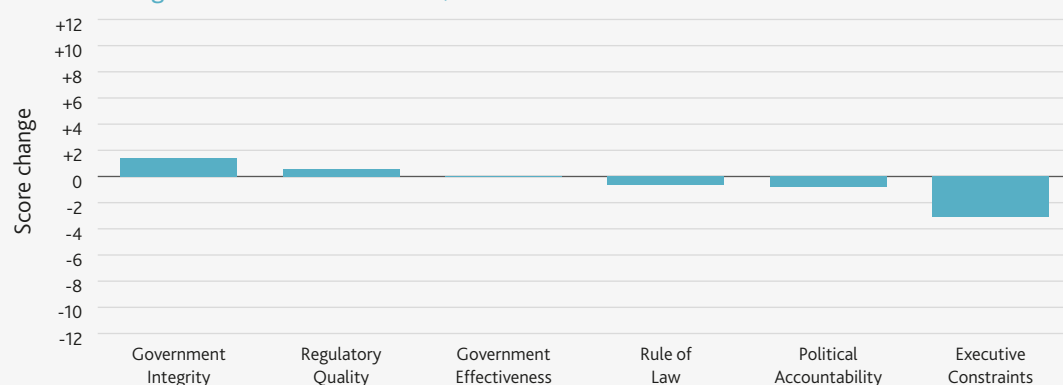
Governance: Most improved countries, 2010–2020



Change in regional Governance, 2010–2020

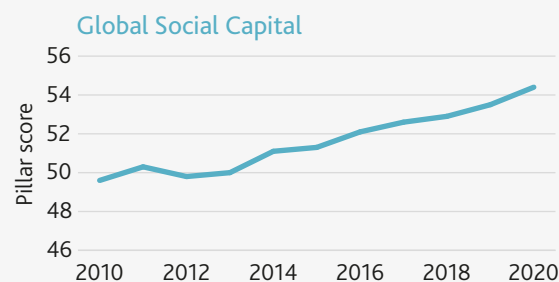


Change in Governance elements, 2010–2020



Social Capital

Social Capital measures how cohesive a society is in terms of people trusting, respecting and helping one another, and the institutional structures they interact with. A person's wellbeing is best provided for in a society where people trust one another and have the support of their friends and family. Societies with lower levels of trust tend to experience lower levels of economic growth and social wellbeing. Thus, the word "capital" in "social capital" highlights the contribution of social networks as an asset that produces economic returns and improves wellbeing.



ELEMENT (WEIGHT %)

INDICATORS

Personal and Family Relationships (20%) captures the strength of the closest-knit personal relationships and family ties. These relationships form the crux of support that individuals can turn to, emotionally, mentally, and financially on a daily basis.

- *Help from family and friends when in trouble (Gallup)*
- *Family give positive energy (Gallup)*

Social Networks (20%) measures the strength of, and opportunities provided by, ties that an individual has with people in their wider network. These ties are a vital part of social support, and these networks can bolster bridging capital when social and community networks span different groups in society. Local social networks depend on building and maintaining relationships with other individuals and families, including neighbours.

- *Respect (Gallup)*
- *Opportunity to make friends (Gallup)*
- *Helped another household (Gallup)*

Interpersonal Trust (20%) assesses the amount of trust within a society, encompassing the degree to which people trust strangers and those outside their known social sphere.

- *Generalised interpersonal trust (IVS&Bar)*
- *Helped a stranger (Gallup)*

Institutional Trust (20%) captures the degree to which individuals trust their institutions. Trust in institutions is an important foundation upon which the legitimacy and stability of political systems are built.

- *Confidence in local police (Gallup)*
- *Public trust in politicians (WEF)*
- *Confidence in financial institutions and banks (Gallup)*
- *Confidence in judicial systems and courts (Gallup)*
- *Confidence in national government (Gallup)*
- *Confidence in military (Gallup)*

Civic and Social Participation (20%) measures the amount to which people participate within a society, broadly split into the civic and social spheres.

- *Donated money to charity (Gallup)*
- *Voter turnout (IDEA)*
- *Volunteering (Gallup)*
- *Voiced opinion to a public official (Gallup)*

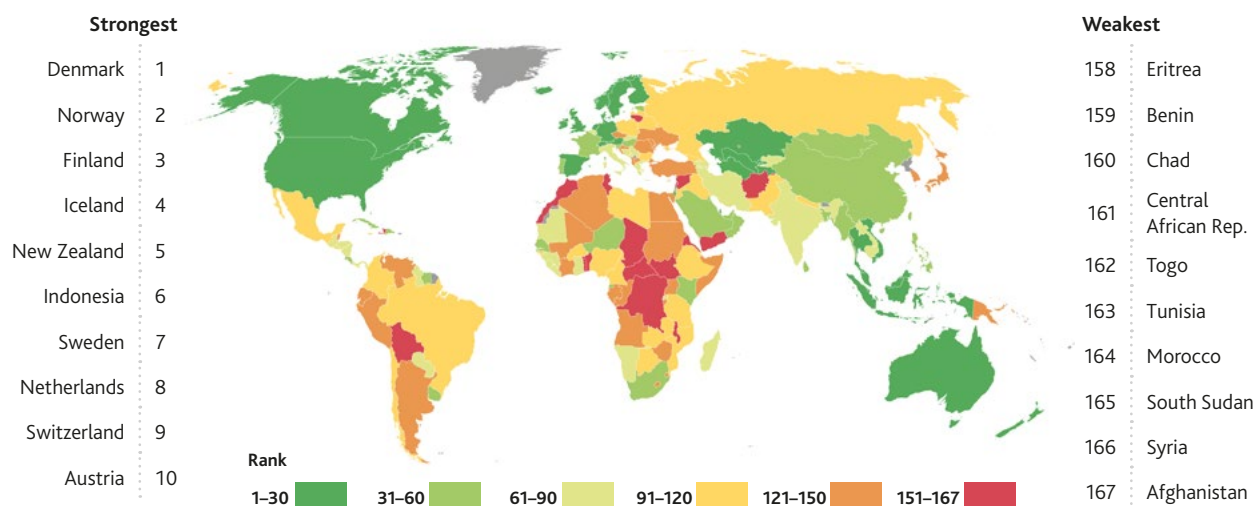


A family gather for a meal in Indonesia.

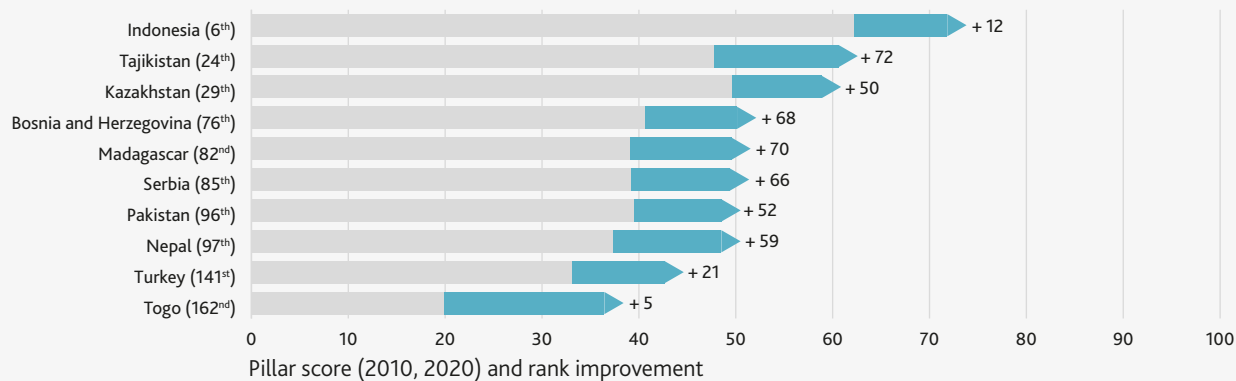
Indonesia has seen an improvement of 12 ranks for Social Capital since 2010, and now ranks 1st for Civic and Social Participation.

Credit: shutterstock.com

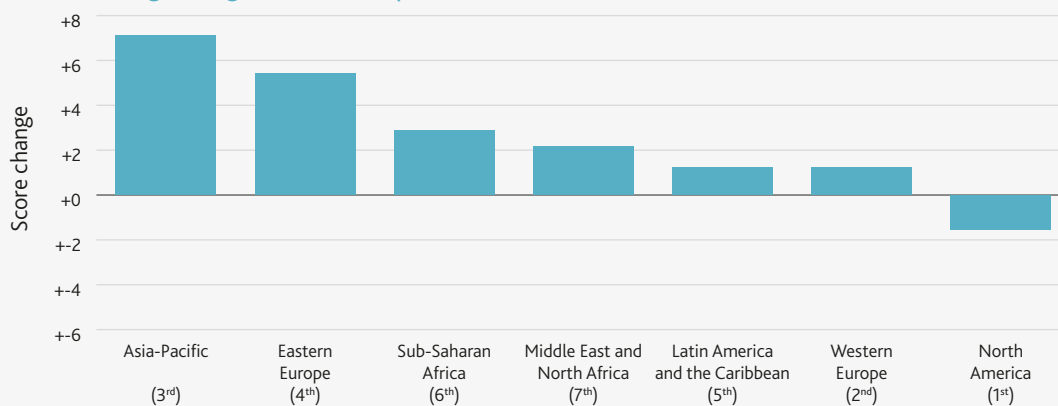
Social Capital 2020



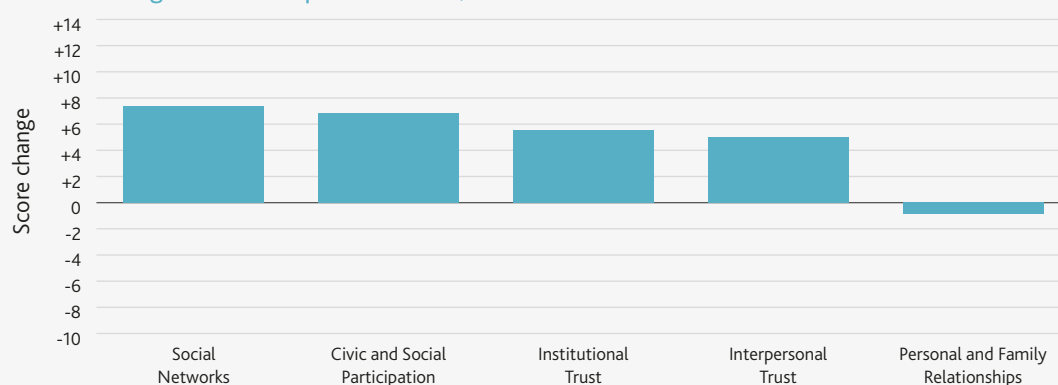
Social Capital: Most improved countries, 2010–2020



Change in regional Social Capital, 2010–2020



Change in Social Capital elements, 2010–2020



Defining Open Economies

Open Economies encourage innovation and investment, promote business and trade, and facilitate inclusive growth. This domain captures the extent to which the economies of each country embody these ideals.

Without an open, competitive economy it is very challenging to create lasting social and economic wellbeing where individuals, communities, and businesses are empowered to reach their full potential. Trade between countries, regions, and communities is fundamental to the advance of innovation, knowledge transfer, and productivity that creates economic growth and prosperity. Research shows that open economies are more productive, with a clear correlation between increased openness over time and productivity growth.¹⁵ In contrast, in an uncompetitive market, or one that is not designed to maximise welfare, growth stagnates and crony capitalism thrives, with knock-on impacts elsewhere in society.

One of the biggest opportunities for policymakers is to resist protectionism and cronyism, and to actively reinvigorate an agenda that embraces open and pro-competitive economies, both domestically and internationally, that attracts innovation, ideas, capital and talent. While most policymakers focus on the big fiscal and macro-economic policy tools at their disposal, the microeconomic factors are sometimes overlooked, and their potential to drive openness and growth is underestimated. With a focus on these microeconomic factors, we examine the fundamental aspects of open economies across four pillars, each with component elements.

Investment Environment measures the extent to which investments are protected adequately through the existence of property

rights, investor protections, and contract enforcement. Also measured is the extent to which domestic and international capital (both debt and equity) are available for investment. The more a legal system protects investments, for example through property rights, the more that investment can drive economic growth.

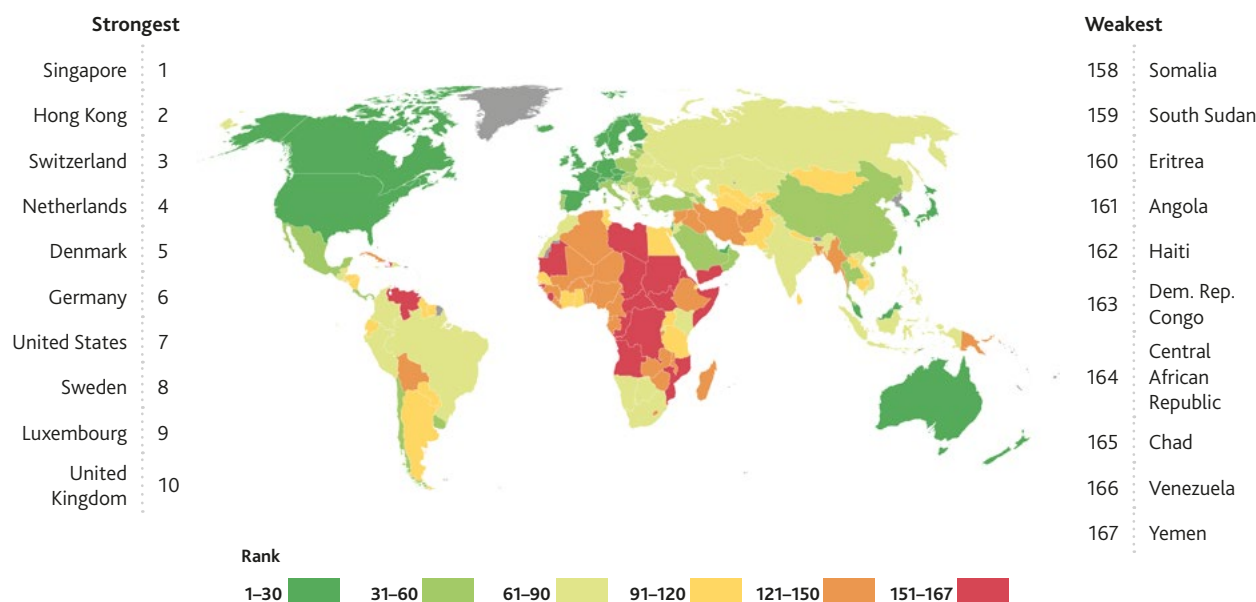
Enterprise Conditions measures how easy it is for businesses to start, compete and expand. Contestable markets with low barriers to entry are important for businesses to innovate and develop new ideas. This is essential for a dynamic and enterprising economy, where regulation enables business and responds to the changing needs of society.

Market Access and Infrastructure measures the quality of the infrastructure that enables trade (communications, transport, and resources), and the inhibitors on the flow of goods and services between businesses. Where markets have sufficient infrastructure and few barriers to trade, they can flourish. Such trade leads to more competitive and efficient markets, allowing new products and ideas to be tested, funded, and commercialised, ultimately benefitting consumers through a greater variety of goods at more competitive prices.

Economic Quality measures how robust an economy is (fiscal sustainability, macroeconomic stability) as well as how an economy is equipped to generate wealth (productivity and competitiveness, dynamism). A strong economy is dependent on high labour force engagement and the production and distribution of a diverse range of valuable goods and services.

Note: The World Bank Group are investigating data irregularities for selected countries in their Doing Business Reports (please see <https://www.worldbank.org/en/news/statement/2020/08/27/doing-business---data-irregularities-statement> for more details). We are monitoring progress and will incorporate any necessary changes once they have concluded their review and issued any revised data.

Open Economies 2020



Colleagues in Singapore.

Singapore has the most open economy in the world, ranking first for its Investment Environment and Market Access and Infrastructure, and second for its Enterprise Conditions and Economic Quality.



Credit: shutterstock.com

The rewards of building open, resilient, and competitive economies

Establishing the conditions required for sustained economic growth is a colossal undertaking for any nation. However, such growth has been proven to be the single most effective tool for alleviating poverty. Between 1970 and 2006, the number of people living on less than a dollar a day declined by an astonishing eighty per cent. This remarkable feat was driven in large part by the transformation of East Asia's economies, which all but eradicated poverty in the region in fewer than four decades.¹⁶

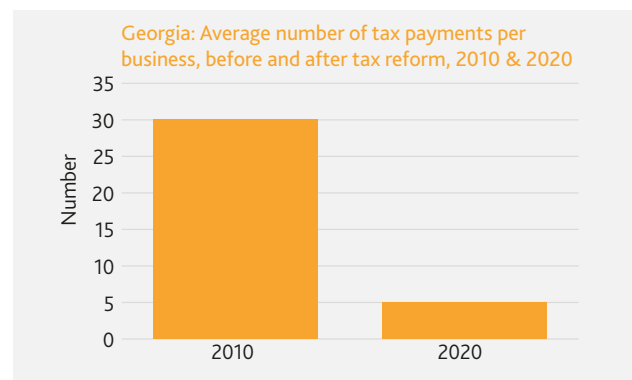
Understanding the dynamics of such success offers instructive lessons for contemporary developing nations and their own efforts to alleviate poverty. Our research over the past two years has highlighted a compelling trend: nations whose economies are open are, by definition, more competitive, more productive, and experience faster rates of GDP per capita growth.¹⁷ Furthermore, it highlights how these dynamics of open economies, formalised in one of the three domains of the Legatum Prosperity Index, follow a familiar if somewhat unfashionable pattern: those laid out in the Washington Consensus.

First coined by John Williamson in his 1990 book, *Latin American adjustment: How much has happened?*, the Consensus comprised ten policies which Williamson observed were used as conditionalities for countries accepting structural adjustment agreements from the International Monetary Fund (IMF) throughout the 1980s.¹⁸ To this day, it remains arguably amongst the most cogent attempts to codify a formula for sustained economic growth; recent research indicates that such policies do indeed raise standards of living, with nations persisting with the prescribed structural reforms found to increase GDP per capita by as much as sixteen per cent within a decade.¹⁹

This mirrors the findings of our *Global Index of Economic Openness* programme and other research, which suggest a clear formula for progress that can be divided into three economic imperatives. First, the need to develop macroeconomic resilience in order to enable governments to balance revenues and expenditure effectively, thus limiting deficits and minimising the accrual of destabilising debt. Second, the need to develop a domestic asset base, where the proceeds of economic activity can be deposited or invested, contingent on the government's ability to provide essential safeguards for domestic as well as for international investors.²⁰ Third, it requires nations to address the myriad issues that can make them uncompetitive and to configure their economies towards participation in the system of global trade. Specifically, this involves ensuring that the distortive impact of state involvement in the economy is minimised, and that businesses can access the talent they need to succeed.²¹

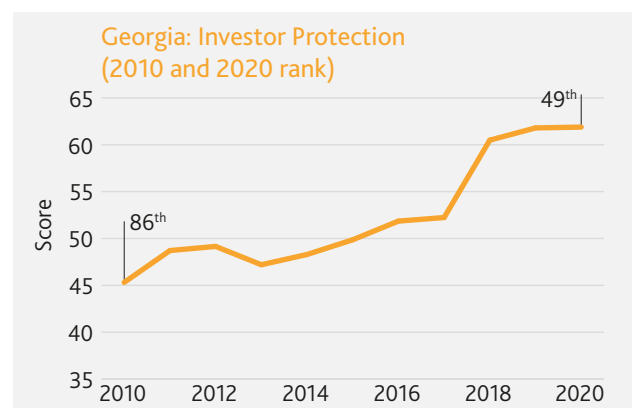
Perhaps the most compelling recent example of progress in addressing these structural challenges comes from Georgia. Over the past two decades, levels of extreme poverty in Georgia have declined

by nearly three-quarters, life expectancy has increased by around six per cent, and real per capita income has almost tripled.²² This transformation is the consequence of consistent and careful management of the country's economy, which has enabled it to reap the rewards of average annual GDP growth of almost five per cent since 2010, and seen it rank amongst the ten most improved nations across the Index's Open Economies domain over the past decade.²³



Georgia's success endorses many of the key principles of open economies. It has prioritised developing its macroeconomic resilience over the past decade, not least through the passing of the Economic Liberty Act (ELA), which formalised a comprehensive framework of fiscal rules designed to promote budgetary stability. The Act limits debt to sixty per cent of GDP and mandates that expenditures do not exceed thirty per cent of GDP whilst staying within three per cent of total revenues.

The introduction of a new tax code in 2011 also transformed the country's revenue collection. As well as simplifying the existing range of disparate taxes into just six, the government oversaw a series of major procedural reforms including the digitisation of the system and the strengthening of the dispute resolution process.²⁴ The reforms have reduced the onus upon individuals and businesses and consequently increased rates of compliance, with some ninety-nine per cent of returns now filed electronically.²⁵



Simultaneously, Georgia has made impressive progress in transforming itself into an attractive commercial partner. In addition to abolishing import tariffs on almost ninety per cent of products, remaining tariffs have been streamlined from sixteen rates to just three. Furthermore, a string of recent reforms have served to strengthen investor protections, notably increasing shareholder rights and their role in major corporate decisions, by clarifying ownership and control structures, and by overhauling insolvency resolution.

Georgia's progress is more than just encouraging. It should be viewed as something of a lodestar for addressing many of the

challenges associated with creating open, resilient, and competitive economies. Only thirty years ago, Georgia was one of several Eastern European economies emerging from the remnants of the Soviet Union. Today, Georgia ranks sixth in the world in the World Bank's latest *Doing Business* report, above both the United Kingdom and the United States.²⁶ Such success highlights how nations can successfully create the pathways from poverty to prosperity, by creating an economy that is well-managed and resilient to shocks, in which people feel they have a stake, and which is internationally competitive.

THE KEY TENETS OF OPEN ECONOMIES

Develop Macroeconomic Resilience

- Raise sufficient revenues by reducing reliance upon tariffs, by creating a simple and equitable system of taxation, and by broadening the tax base.
- Prioritise fiscal sustainability by limiting budget deficits to prevent the accrual of debts, by avoiding reliance upon costly commercial debt, and by maximising capital investments while minimising recurrent expenditures and overheads.
- Deliver monetary stability by establishing an effective and autonomous central bank, by keeping inflation low and stable, and by maintain a singular, stable exchange rate

Build A Domestic Asset Base

- Protect property rights by dealing effectively with tribal and customary rights, avoiding the expropriation of land, and by addressing the grievances caused by the expropriation of land.
- Cultivate a domestic finance sector by adopting a posture of non-interference, and by avoiding using commercial banks as an additional source of government lending.
- Encourage foreign investment, capabilities, and technologies by moving from positive to negative investment lists and by maintaining a posture of openness to external actors.

Promote Trade And Commerce

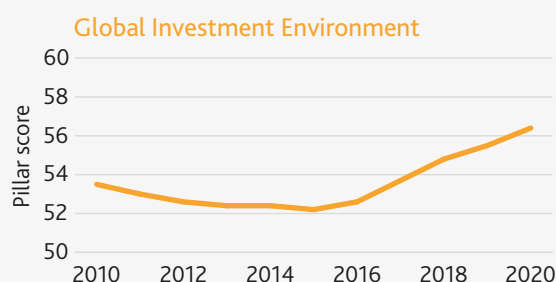
- Enable competition by minimising the detrimental impact of monopolies and SOEs, by limiting the use of price controls, and by maintaining a flexible labour market through minimising the formal and informal costs of employment and by limiting public sector employment.
- Make innovative use of export processing zones by using them to configure the economy towards exporting, and by experimenting with policy options designed to increase the international competitiveness of key exports.
- Prioritise international trade by reducing barriers to trade and ending import-substitution industrialisation, and by bolstering regional trading ties.

These insights have been gleaned from our research into the foundational drivers of development, which we plan on publishing in early 2021.



Investment Environment

Investment Environment measures the extent to which investments are protected adequately through the existence of property rights, investor protections and contract enforcement, and also the extent to which a variety of domestic and international capital is available for investment. The more a legal system protects investments, the more that investment can drive economic growth by ensuring that good commercial propositions are investable, and that adequate capital of the right type is available for such investable propositions.



ELEMENT (WEIGHT %)

INDICATORS

Property Rights (30%) measures how well property rights over land, assets, and intellectual property are protected.

- *Protection of property rights (WEF)*
- *Lawful process for expropriation (WJP)*
- *Intellectual property protection (WEF)*
- *Quality of land administration (WB-DB)*
- *Procedures to register property (WB-DB)*
- *Regulation of property possession and exchange (BTI)*

Investor Protection (20%) assesses the degree of investor protection, from expropriation risk to minority shareholder rights.

- *Strength of insolvency framework (WB-DB)*
- *Insolvency recovery rate (WB-DB)*
- *Auditing and reporting standards (WEF)*
- *Extent of shareholder governance (WB-DB)*
- *Conflict of interest regulation (WB-DB)*

Contract Enforcement (20%) assesses the efficacy and efficiency of a country's system to enforce the rights of a contract holder.

- *Quality of judicial administration (WB-DB)*
- *Time to resolve commercial cases (WB-DB)*
- *Legal costs (WB-DB)*
- *Alternative dispute resolution mechanisms (WJP)*

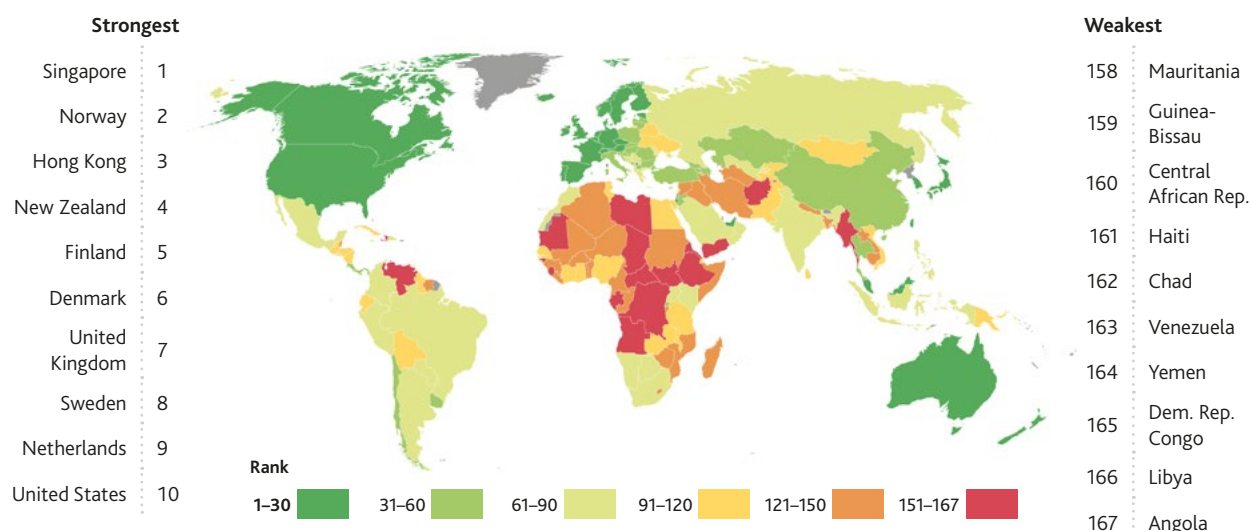
Financing Ecosystem (20%) measures the availability of money for investment, from sources including banking and bank debt to corporate debt and more sophisticated financial markets.

- *Access to finance (WB-ES)*
- *Financing of SMEs (WEF)*
- *Venture capital availability (WEF)*
- *Quality of banking system and capital markets (BTI)*
- *Commercial bank branches (IMF-FAS)*
- *Soundness of banks (WEF)*
- *Depth of credit information (WB-DB)*

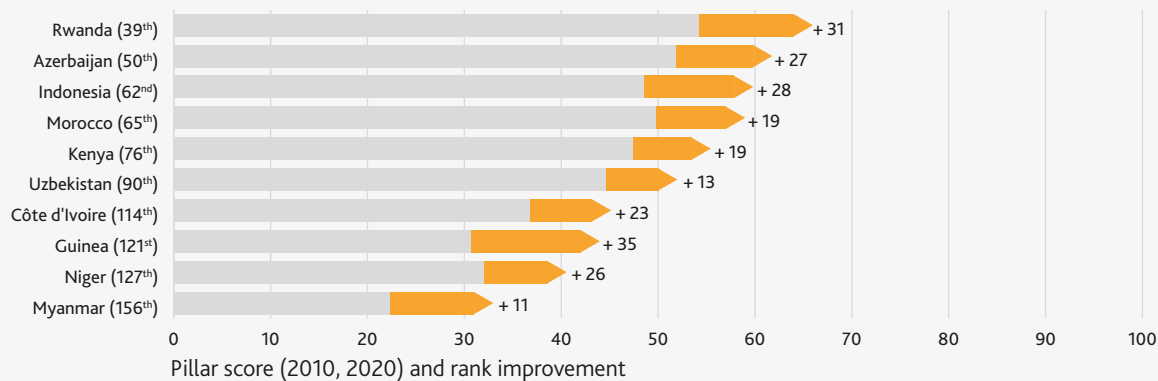
Restrictions on International Investment (10%) assesses the policies that enhance the volume and quality or type of international investment into a country.

- *Business impact of rules on FDI (WEF)*
- *Capital controls (FI)*
- *Freedom to own foreign currency bank accounts (FI)*
- *Restrictions on financial transactions (Chinn-Ito)*
- *Prevalence of foreign ownership of companies (WEF)*
- *Freedom of foreigners to visit (FI)*

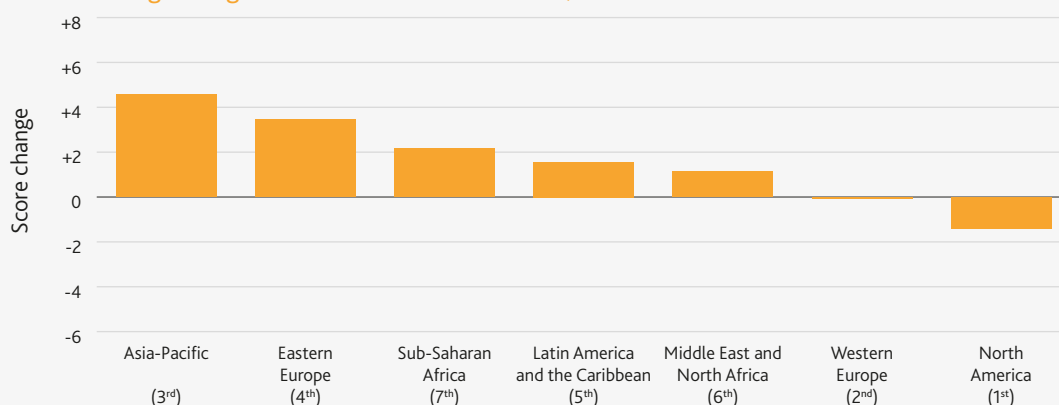
Investment Environment 2020



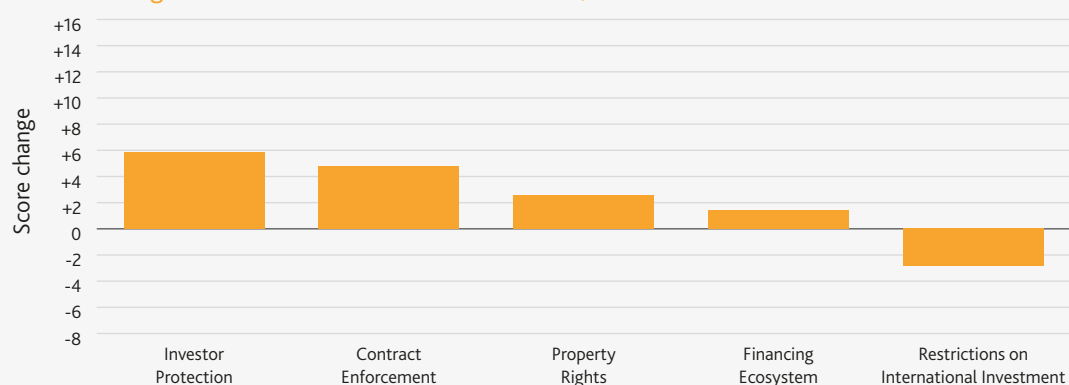
Investment Environment: Most improved countries, 2010–2020



Change in regional Investment Environment, 2010–2020

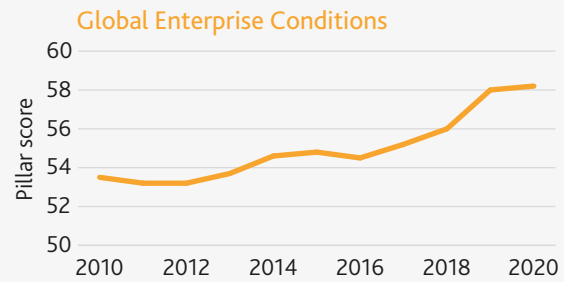


Change in Investment Environment elements, 2010–2020



💡 Enterprise Conditions

Enterprise Conditions measures how easy it is for businesses to start, compete and expand. Contestable markets with low barriers to entry are important for businesses to innovate and develop new ideas. This is essential for a dynamic and enterprising economy, where regulation enables business and responds to the changing needs of society.



ELEMENT (WEIGHT %)

INDICATORS

Domestic Market Contestability (30%) examines how open the market is to new participants, versus protection of the incumbents.

- Market-based competition (BTI)
- Anti-monopoly policy (BTI)
- Extent of market dominance (WEF)

Price Distortions (10%) captures whether competitive markets are disrupted by subsidies and taxes.

- Distortive effect of taxes and subsidies (WEF)
- Energy subsidies (IMF)

Environment for Business Creation (25%) measures the legislative and policy driven factors that encourage entrepreneurialism.

- Private companies are protected and permitted (BTI)
- Ease of starting a business (WB-DB)
- State of cluster development (WEF)
- Labour skill a business constraint (WB-ES)
- Availability of skilled workers (WEF)

Burden of Regulation (25%) captures how much effort and time are required to comply with regulations, including tax regulations.

- Burden of government regulation (WEF)
- Time spent complying with regulations (WB-ES)
- Number of tax payments (WB-DB)
- Time spent filing taxes (WB-DB)
- Burden of obtaining a building permit (WB-DB)
- Building quality control index (WB-DB)

Labour Market Flexibility (10%) measures how dynamic and flexible the workplace is for both employer and employee.

- Cooperation in labour-employer relations (WEF)
- Flexibility of hiring practices (WEF)
- Redundancy costs (WEF)
- Flexibility of employment contracts (WB-DB)
- Flexibility of wage determination (WEF)

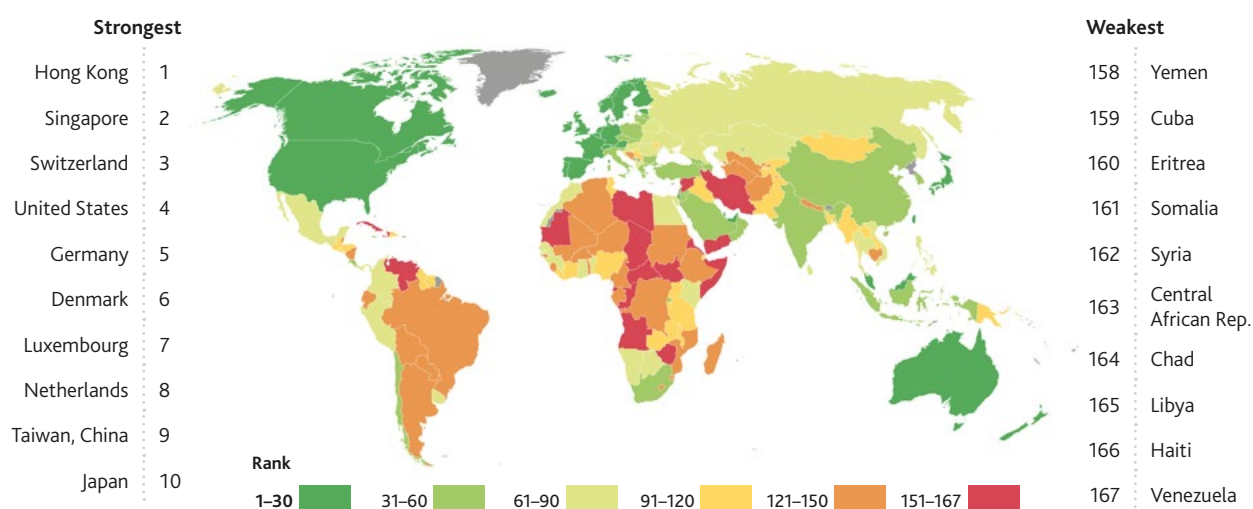


Armenian women drying apricots.

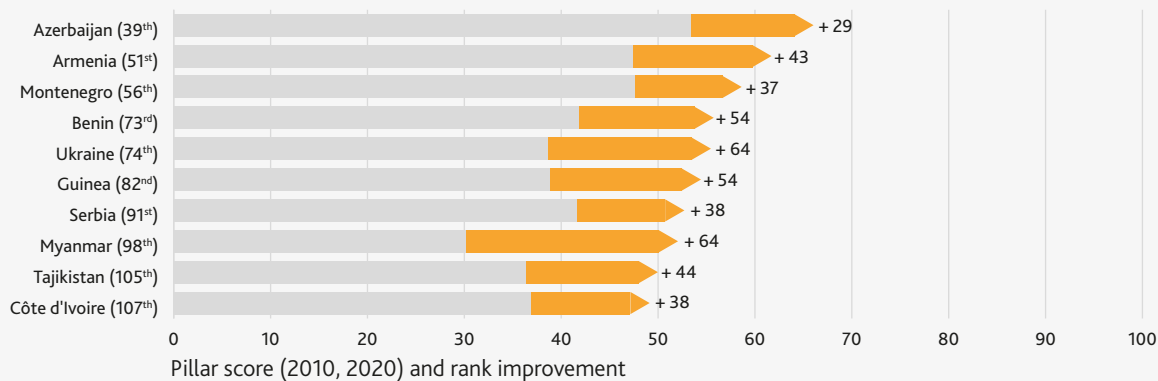
Enterprise conditions have improved substantially in Armenia, as well as in Eastern Europe more broadly.

Credit: shutterstock.com

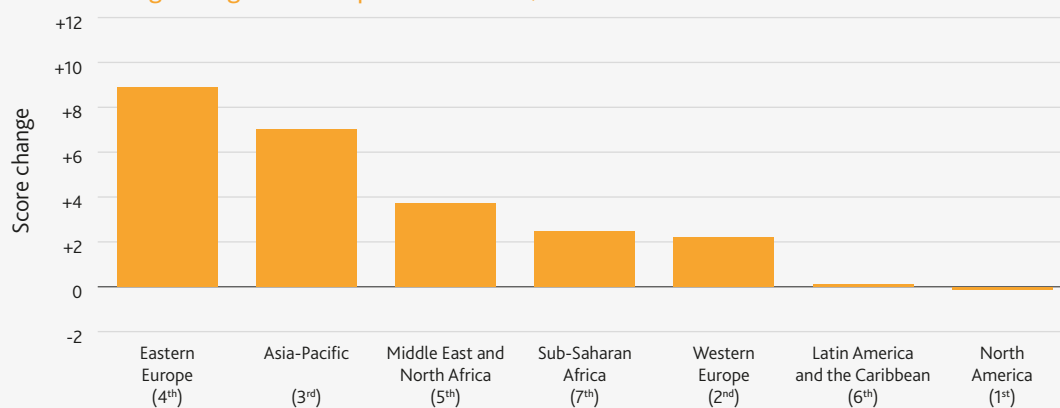
Enterprise Conditions 2020



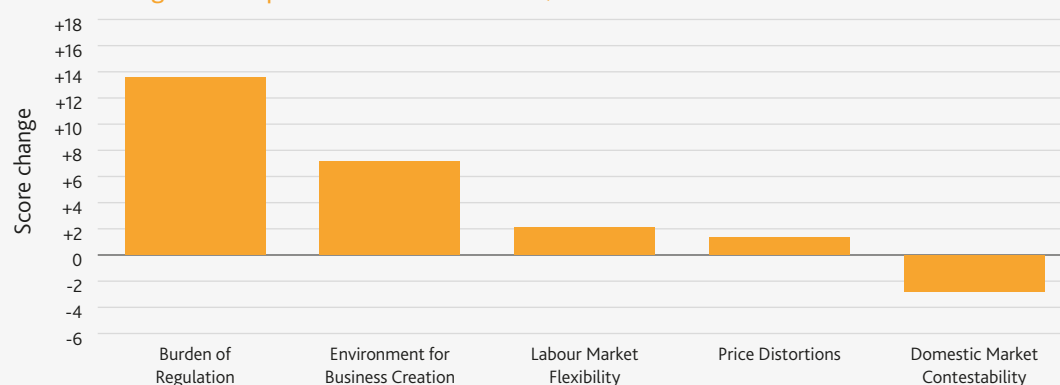
Enterprise Conditions: Most improved countries, 2010–2020



Change in regional Enterprise Conditions, 2010–2020



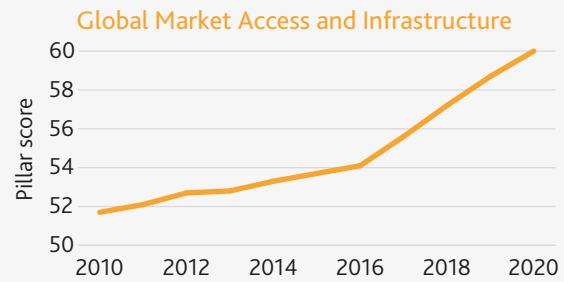
Change in Enterprise Conditions elements, 2010–2020





Market Access and Infrastructure

Market Access and Infrastructure measures the quality of the infrastructure (communications, transport, and resources) that enables trade, and the inhibitors on the flow of goods and services to and from a nation's trading partners. Where markets have sufficient infrastructure and few barriers to trade, they can flourish. Such trade leads to more competitive and efficient markets, allowing new products and ideas to be tested, funded, and commercialised, ultimately benefiting consumers through a greater variety of goods at more competitive prices.



ELEMENT (WEIGHT %)

INDICATORS

Communications (25%) assesses the means of communication and how widespread access to communication is.

- International internet bandwidth (ITU)
- 2G, 3G and 4G network coverage (GSMA)
- Fixed broadband subscriptions (ITU)
- Internet usage (ITU)

Resources (20%) assesses the quality, reliability and affordability of the energy network in a country, as well as the access to and use of water resources.

- Installed electric capacity (UNESD)
- Ease of establishing an electricity connection (WB-DB)
- Reliability of electricity supply (WB-DB)
- Gross fixed water assets (IBNET)
- Water production (IBNET)
- Reliability of water supply (WEF)

Transport (25%) assesses the ease and efficiency with how people and goods travel between and within countries. This is a measure of the quality, diversity and penetration of all forms of transport.

- Logistics performance (WB-LPI)
- Airport connectivity (WEF)
- Efficiency of seaport services (WEF)
- Liner shipping connectivity (UNCTAD)
- Quality of roads (WEF)
- Road density (AQUASTAT)
- Rail density (UIC)

Border Administration (5%) measures the time and administrative cost of a country's customs procedures.

- Efficiency of customs clearance process (WB-LPI)
- Time to comply with border regulations and procedures (WB-DB)
- Cost to comply with border regulations and procedures (WB-DB)

Open Market Scale (5%) measures the size of the market to which providers of goods and services have privileged access.

- Domestic and international market access for goods (WTO)
- Domestic and international market access for services (WTO)
- Trade-weighted average tariff faced in destination markets (WEF)
- Margin of preference in destination markets (WEF)

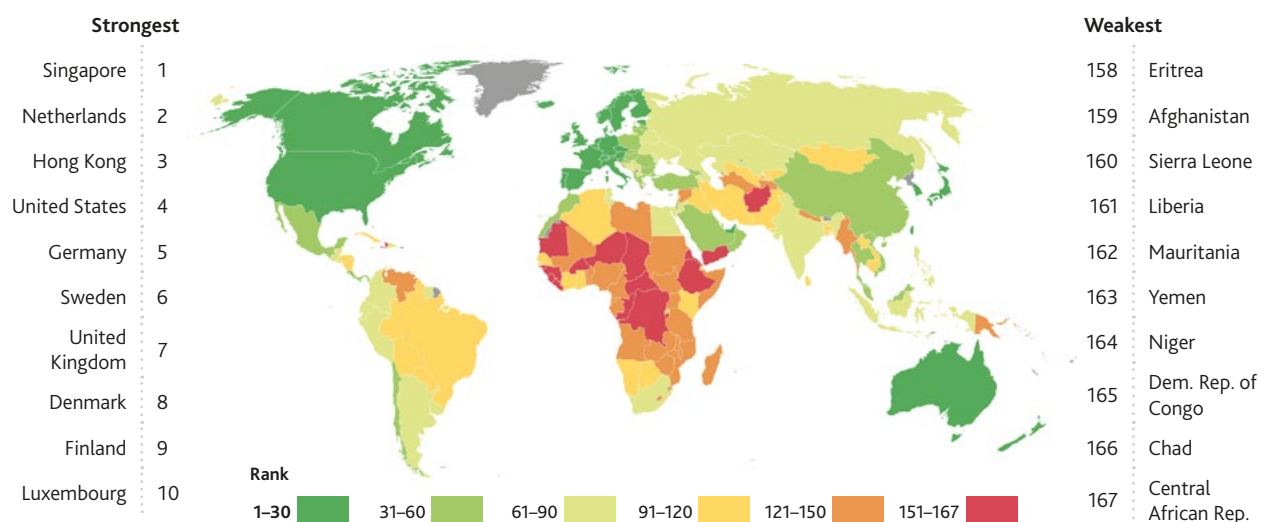
Import Tariff Barriers (5%) assesses the fees associated with trading products and services across borders, raising an income for government and making foreign goods more expensive.

- Share of imports free from tariff duties (WEF)
- Average applied tariff rate (WEF)
- Complexity of tariffs (WEF)

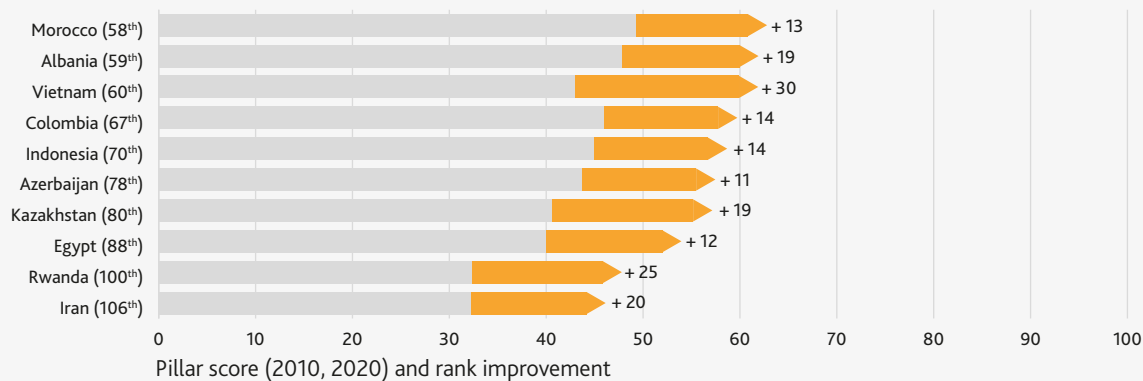
Market Distortions (15%) captures how competitive markets are disrupted by subsidies, taxes and non-tariff barriers to trade. Evaluates the extent of market liberalisation of foreign trade, non-tariff barriers, and the distortive effects of taxes and subsidies.

- Extent of liberalisation of foreign trade (BTI)
- Prevalence of non-tariff barriers (WEF)
- Non-tariff measures (UNCTAD)

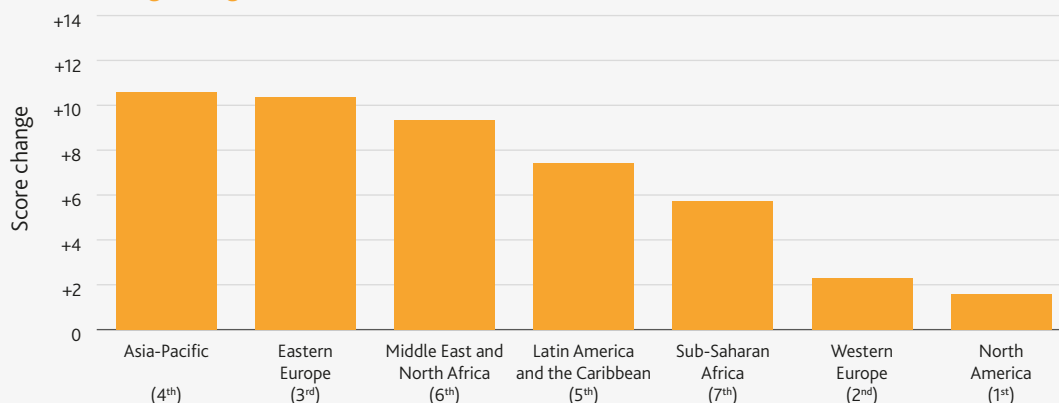
Market Access and Infrastructure 2020



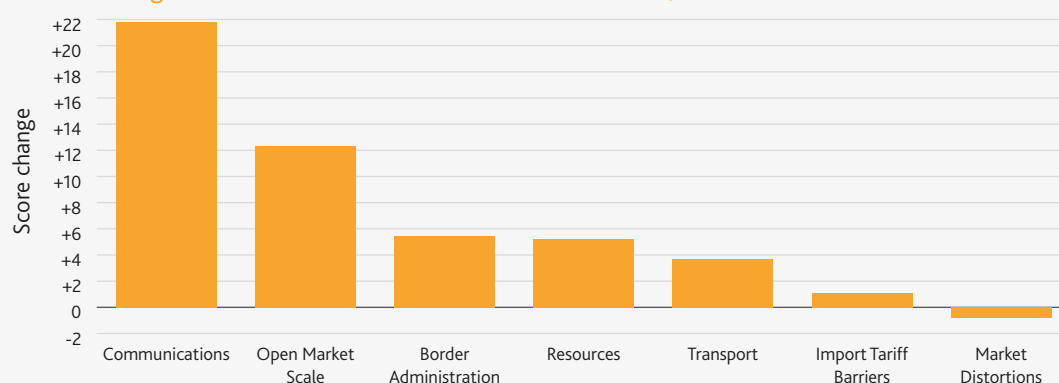
Market Access and Infrastructure: Most improved countries, 2010–2020



Change in regional Market Access and Infrastructure, 2010–2020

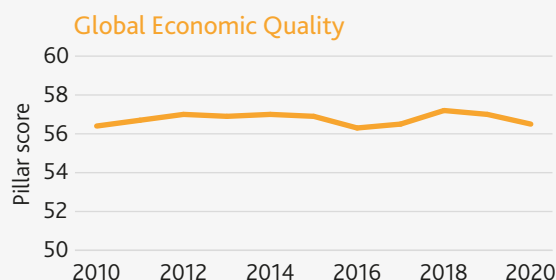


Change in Market Access and Infrastructure elements, 2010–2020



Economic Quality

Economic Quality measures how well a country's economy is equipped to generate wealth sustainably and with the full engagement of its workforce. A strong economy is dependent on the production of a diverse range of valuable goods and services and high labour force participation.



ELEMENT (WEIGHT %)

Fiscal Sustainability (25%) assesses the ability of a government to sustain its current spending, tax, and other policies in the medium-to-long-term.

Macroeconomic Stability (10%) measures two key elements of the economy — the GDP per capita growth rate, and the volatility of the inflation rate. Both are taken as a five-year trailing average.

Productivity and Competitiveness (30%) captures the efficiency with which inputs can be converted into outputs. Competition enhances productivity by forcing firms to innovate new ways to reduce cost and time constraints.

Dynamism (15%) measures the churn of businesses — the number of new start-ups entering and failed firms exiting an economy.

Labour Force Engagement (20%) covers the intersection of demography and the workforce, including the rates of unemployment and gender ratios.

INDICATORS

- Government budget balance (IMF-WEO)
- Government debt (IMF)
- Country credit rating (TE)
- Country risk premium (AD)
- Gross savings (WB-DI)

- GDP per capita growth (WB-DI)
- Inflation volatility (IMF)

- Labour productivity (ILO)
- Economic complexity (ECI)
- Export quality (IMF)
- High-tech manufactured exports (UN-Com)

- New business density (WB-ES)
- Patent applications (WIPO)
- Capacity to attract talented people (WEF)

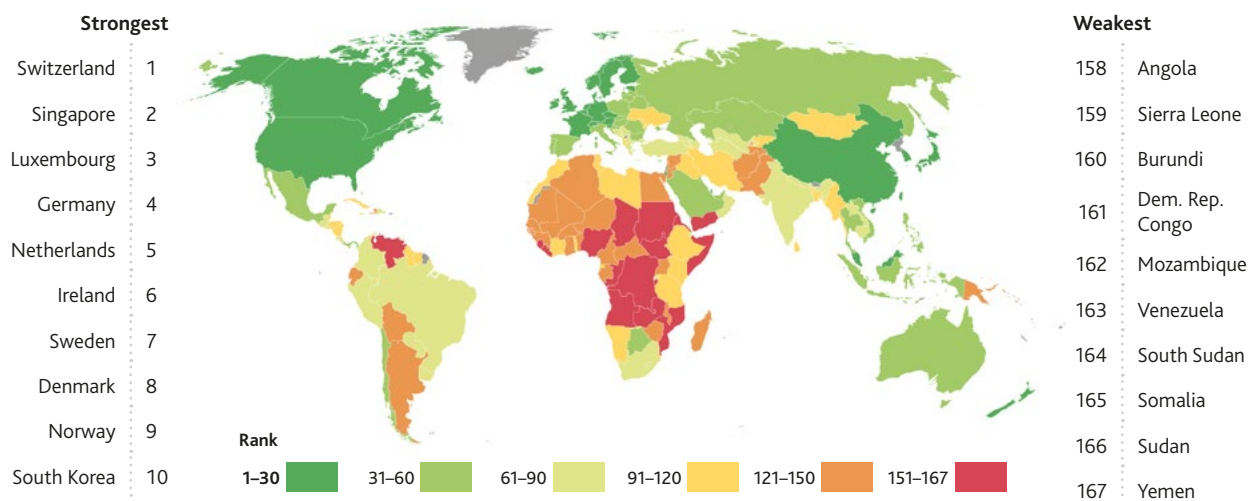
- Labour force participation (ILO)
- Female labour force participation (ILO)
- Waged and salaried workers (ILO)
- Unemployment (ILO)
- Youth unemployment (ILO)



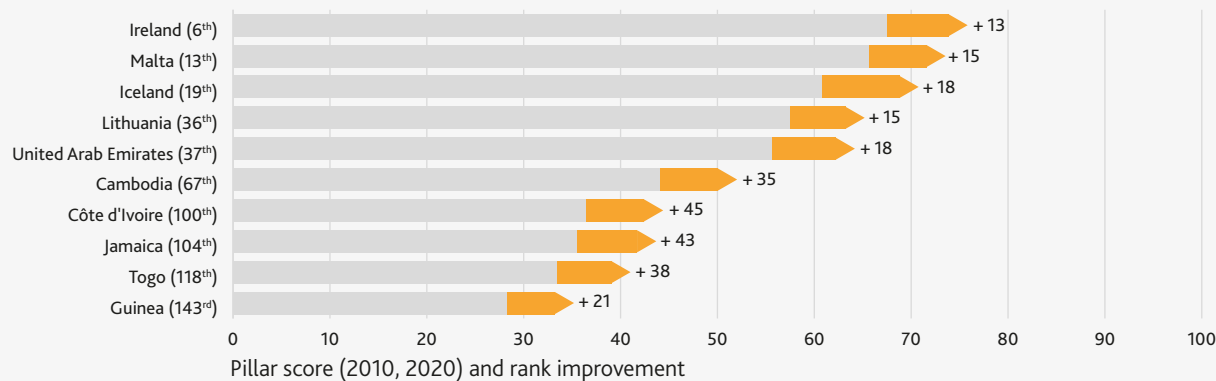
Office workers in the UAE.
The UAE has improved by 18 ranks for Economic Quality since 2010.

Credit: shutterstock.com

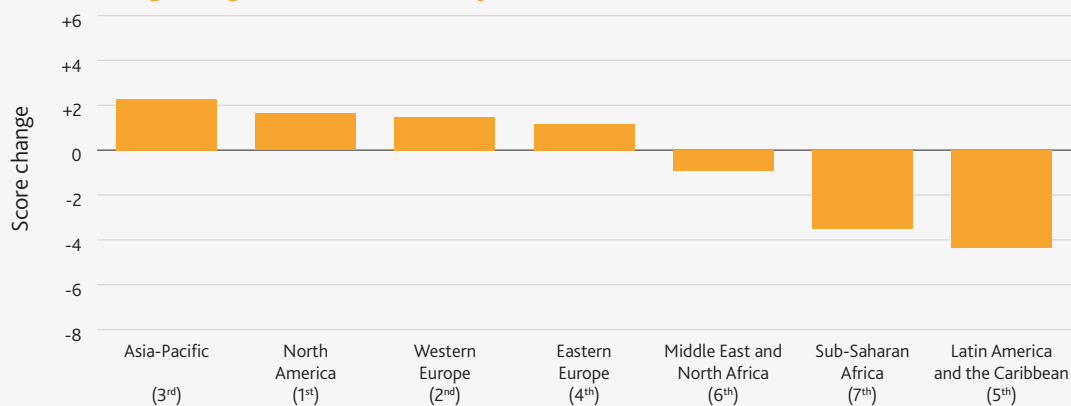
Economic Quality 2020



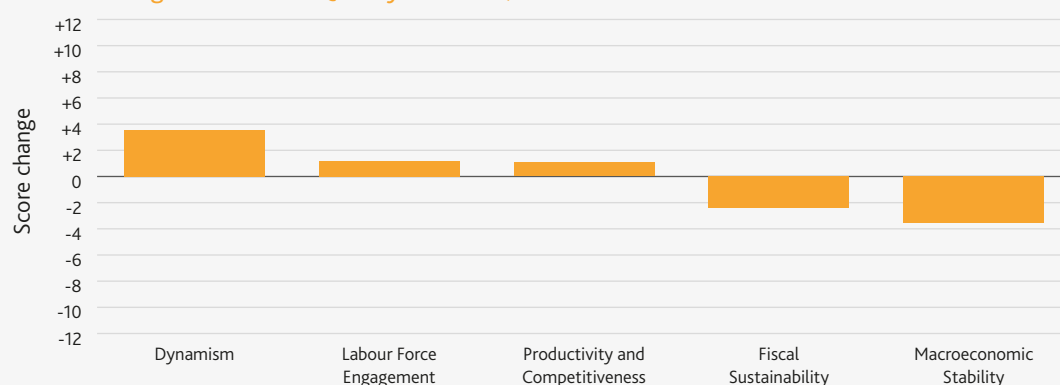
Economic Quality: Most improved countries, 2010–2020



Change in regional Economic Quality, 2010–2020



Change in Economic Quality elements, 2010–2020



Defining Empowered People

Empowered People captures the quality of people's lived experiences and the features present that enable individuals to reach their full potential through autonomy and self-determination.

This domain starts with the necessary resources required for a basic level of wellbeing, ranging from levels of material resources, to adequate nutrition, to basic health and education outcomes, access, and quality, and to a safe and clean environment. Many of these issues are inter-related, and we find the strongest relationship between education and living conditions. Each of the pillars in this domain differentiate countries' performance on these fundamental measures of social wellbeing to distinguish where greater numbers of people are disadvantaged and less likely to achieve wellbeing.

We examine the fundamental aspects of empowered people across four pillars, each with component elements.

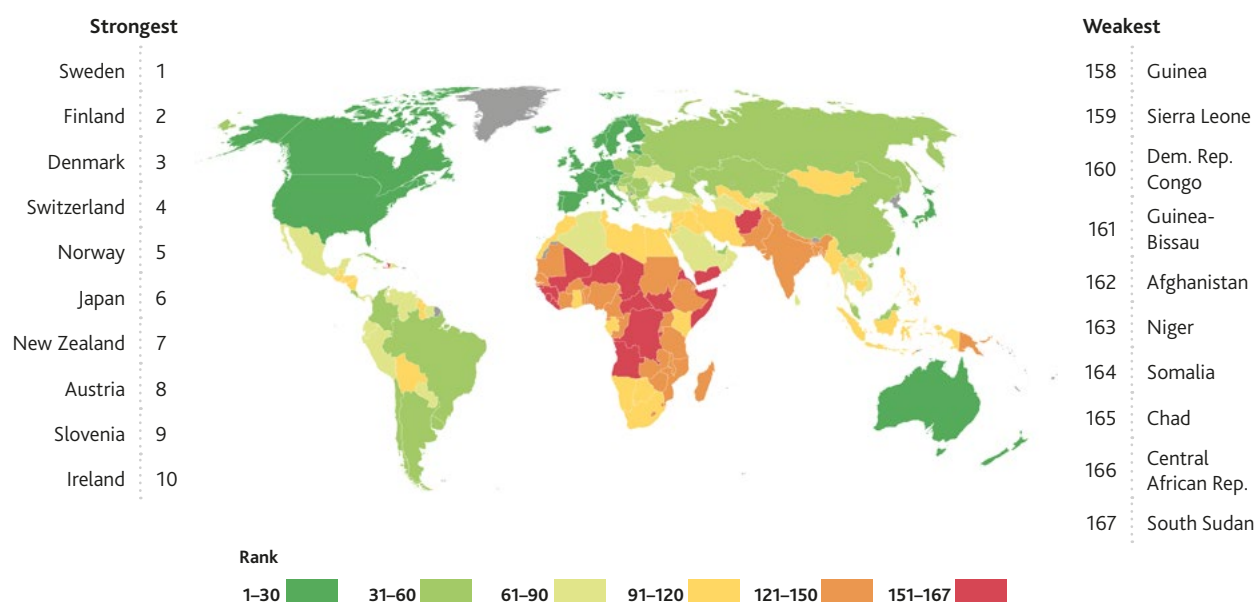
Living Conditions measures the set of conditions or circumstances that are necessary for all individuals to attain a basic level of wellbeing. This set of circumstances includes a level of material resources, adequate nutrition and access to basic services and shelter. It also measures the level of connectedness of the population, and the extent to which they are in a safe living and working environment (protection from harm). These enable the individual to be a productive member of society and to pursue prosperity, and build a flourishing life.

Health measures the basic services in a nation and health outcomes of a population – including the quality of both mental health and physical health, each of which affects longevity. It also assesses the set of behavioural risk factors that affect the quality of the population's health, and the quality of the healthcare provision through the lenses of care systems and preventative interventions. For a nation to truly prosper, its residents must have good health. Those who enjoy good physical and mental health report high levels of wellbeing, while poor health keeps people from fulfilling their potential.

Education measures the enrolment, outcomes and quality of four stages of education (pre-primary, primary, secondary, and tertiary education) as well as the adult skills in the population. Education allows people to lead more fulfilling lives, and a better educated population is more able to contribute to society. Over the long-term, education can help to drive economic development and growth while improving social and health outcomes, as well as leading to greater civic engagement.

Natural Environment measures the elements of the physical environment that have a direct impact on the ability of residents to flourish in their daily lives. We also measure the extent to which the ecosystems that provide resources for extraction (freshwater and forest, land and soil) are sustainably managed. A well-managed rural environment yields crops, material for construction, wildlife and food, and sources of energy. We also measure the extent of preservation efforts, as these are critical to longer-term sustainability.

Empowered People 2020





A couple hiking in the Swedish countryside.

Sweden has among the lowest mortality rates in the world, and ranks 1st for the Empowered People domain.

Credit: shutterstock.com

Instrumental pathways to prosperity — the integral role of health and education in empowering populations

The process of national development entails more than GDP growth. For nations to truly succeed, they must create the socio-economic conditions in which their populations are able to fulfil their potential and make their own, unique contribution.

However, across the world, such conditions have been the exception, rather than the rule. Though this year's Index shows that global prosperity was at its highest ever level prior to the pandemic, around half of the population in developing countries continue to live in extreme poverty. Equally, less than half the global population have access to essential health services, whilst literacy rates in some of the poorest developing nations remain stubbornly low, at below thirty per cent in Burkina Faso, Niger, and South Sudan.²⁷

Addressing such profound and entrenched challenges is a daunting prospect. It requires the leaders of developing nations to commit to improving the so-called lived experience of their citizens, despite often limited financial, infrastructural, and administrative capacity. Whilst there is evidently no panacea, this year's Legatum Prosperity Index highlights how nations have been able to catalyse the latent socio-economic potential of their populations by addressing two key pillars: healthcare and education.

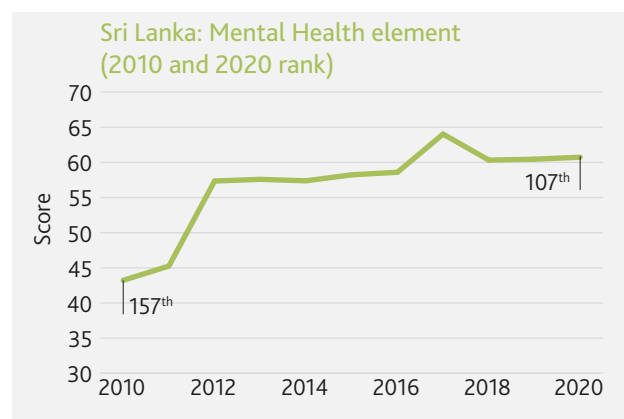
Healthy populations are key to functioning societies. Though life expectancy has increased in every nation and region of the world since 1960, there remains a significant disparity between developed nations and their developing counterparts. Men and women in the world's most developed nations can expect to reach the age of seventy-six and eighty-two respectively, compared to sixty-three and sixty-six in least developed nations.²⁸ Moreover, developing nations experience as much as ninety per cent of the global burden of disease, while accounting for only twelve per cent of global spending on health.²⁹

Similarly, education has long been considered an unrivalled catalyst for effective national socio-economic development. High levels of literacy and numeracy amongst the labour force are essential prerequisites for the long-term diversification and sophistication of national economies. However, equally important is the transformative effect of education on the lived experience of individuals. Those who are educated tend to earn considerably more over the course of their lives and enjoy notably higher living standards and longer life expectancy than those who are not.³⁰

Creating the conditions whereby individuals can thrive — becoming healthier and better educated — is the mark of a well-functioning society. Over the past decade, Sri Lanka has made significant process in addressing both constraints to its development. This progress has resulted from concerted efforts to build the institutional capacity and quality of the healthcare and education sectors, increasing access for its citizens to these key enablers of prosperity, especially in rural areas.

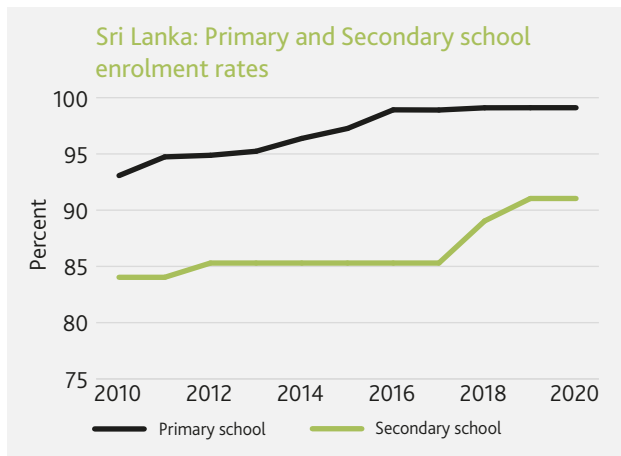
The results have been nothing short of remarkable. The country has continued its impressive progress in addressing chronic disease, immunising ninety-nine per cent of the population against diphtheria, measles, and hepatitis, whilst being declared malaria free by the World Health Organisation in 2016.³¹

In addition, Sri Lanka has worked hard to address the issue of maternal mortality. Today, more than ninety-eight per cent of deliveries occur in hospitals, with mothers attended by midwives, whilst eighty-five per cent of women now deliver in facilities served by specialist obstetricians. Perhaps most surprising, Sri Lanka has experienced something of a quiet revolution in mental healthcare, recording one of the top five improvements in the Asia-Pacific region over the past ten years.



These developments have been the product of a concerted effort to improve the institutional capacity and quality of Sri Lankan healthcare, as well as the public's access to it. Sri Lanka has worked in close partnership with the World Bank to implement its National Health Development Plan, which is focused upon increasing the number of emergency, trauma, and community-level healthcare services, as well as improved reporting on healthcare outcomes. This builds upon the World Bank's 2018 loan of some \$200m in support of the Primary Healthcare System Strengthening Project, which aims to build additional capacity, improve quality, and increase access to primary healthcare, particularly amongst high-risk population groups.³²

Simultaneously, Sri Lanka has overseen a remarkable improvement in levels of primary school enrolment, achieving the largest improvement of any nation. Today, some ninety-nine per cent of primary pupils are today eligible for schooling, contributing to the country's impressive literacy rate, which stands at over ninety per cent, well above the average for South Asia.³³ Successive governments have striven to increase access to education by co-locating primary and secondary school facilities, providing textbooks, uniforms, and subsidised transport to the poorest students.



Sri Lanka has partnered successfully with a host of multinational organisations to improve access to education, especially in the limited tertiary sector. The Government's 2003 Distance Education Modernization Project has helped Sri Lankans access high quality university education remotely, aided by a \$60 million grant from the

Asian Development Bank. Such progress has been strengthened by the 2017 partnership agreement struck with the World Bank, which resulted in \$100 million of investment to expand enrolment and research opportunities in crucial STEM subjects. Today, Sri Lanka's ambition is to join other Asian countries in becoming a regional destination for higher education, aiming to attract as many as 50,000 students by the end of 2020.³⁴

The progress made by Sri Lanka in extending access to healthcare and education has delivered significant results, despite limited government investment.³⁵ As such, it offers an instructive example of how development assistance can be effectively targeted, in close collaboration the government's own priorities. Successive administrations' innovative approach in partnering with multinational organisations has paid dividends. Sri Lanka's recent experience highlights how creating the conditions whereby individuals can thrive — becoming healthier and better educated — can help empower the population, enabling them to play their part in building national prosperity.

THE KEY TENETS OF EMPOWERED PEOPLE

Provide Effective Healthcare

- Build institutional capacity and quality by making judicious use of formal and informal external assistance.
- Improve access to healthcare by prioritising healthcare infrastructure, especially in rural areas.

Target Universal Education

- Create essential capacity and quality by prioritising both the building of schools and by incentivising teacher training.
- Maximise access to primary, secondary, and tertiary education by addressing the need for schooling in rural areas and by preventing exclusionary access.

These insights have been gleaned from our research into the foundational drivers of development, which we plan on publishing in early 2021.



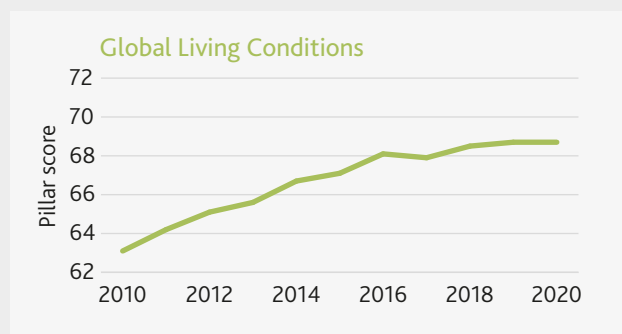
Students from a girl's high school in Ambalangoda, Sri Lanka.

The primary school enrolment rate in Sri Lanka has improved by 65 ranks since 2010.

Credit: shutterstock.com

Living Conditions

Living Conditions measures whether a reasonable quality of life is extended to the whole population, which is necessary for a nation to be prosperous. This includes several key areas — in addition to material resources, people must also have access to adequate shelter and a healthy diet, basic services such as electricity, clean water and sanitation, safety at work and in their lived environment, and the ability to connect and engage in core activities in society.



ELEMENT (WEIGHT %)

Material Resources (20%) measures the proportion of individuals with the minimum amount of resources that is necessary to survive and attain wellbeing. Reliability of income is captured here, as well as the resilience against economic shocks.

Nutrition (20%) measures the availability, adequacy and diversity of food intake required for individuals to participate in society, ensure cognitive development, and avoid potentially long-term health impacts.

Basic Services (10%) captures the access to, as well as the availability and quality of, the basic utility services necessary for human wellbeing.

Shelter (20%) reflects the quality of accommodation and the impact of the accommodation environment on the health of residents.

Connectedness (15%) captures the extent to which individuals are able to participate in the normal activities in which citizens of a society engage, digitally and physically.

Protection from Harm (15%) captures the safety of the environment that individuals live and work in; measuring injuries and accidental deaths from work-placed based activities and from natural disasters.

INDICATORS

- Poverty rate at national poverty lines (WB-DI)
- Poverty rate at \$1.90 a day (WB-DI)
- Poverty rate at \$3.20 a day (WB-DI)
- Poverty rate at \$5.50 a day (WB-DI)
- Households with a refrigerator (GDL)
- Ability to source emergency funds (WB-GFI)
- Ability to live on household income (Gallup)

- Availability of adequate food (Gallup)
- Prevalence of undernourishment (AQUASTAT)
- Prevalence of wasting in children under-5 (WB-DI)
- Prevalence of stunting in children under-5 (WB-DI)

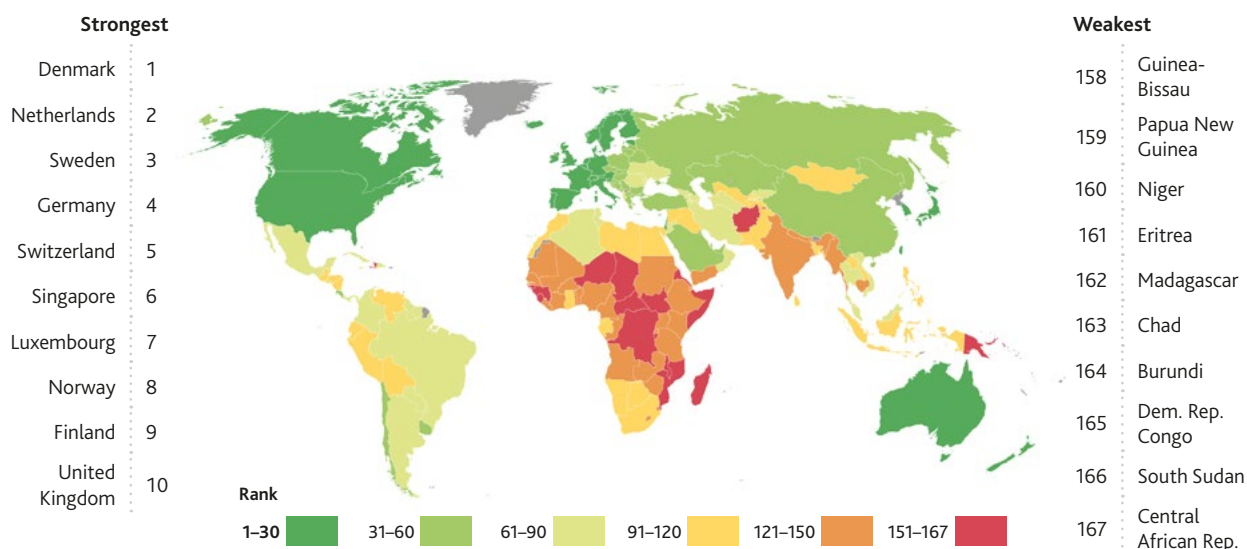
- Access to electricity (WB-DI)
- Access to basic water services (JMP)
- Access to piped water (JMP)
- Access to basic sanitation services (JMP)
- Unsafe water, sanitation or hygiene (IHME)

- Availability of adequate shelter (Gallup)
- Housing deprivation (OPHI)
- Access to clean fuels and technologies for cooking (WB-DI)
- Indoor air quality (IHME)

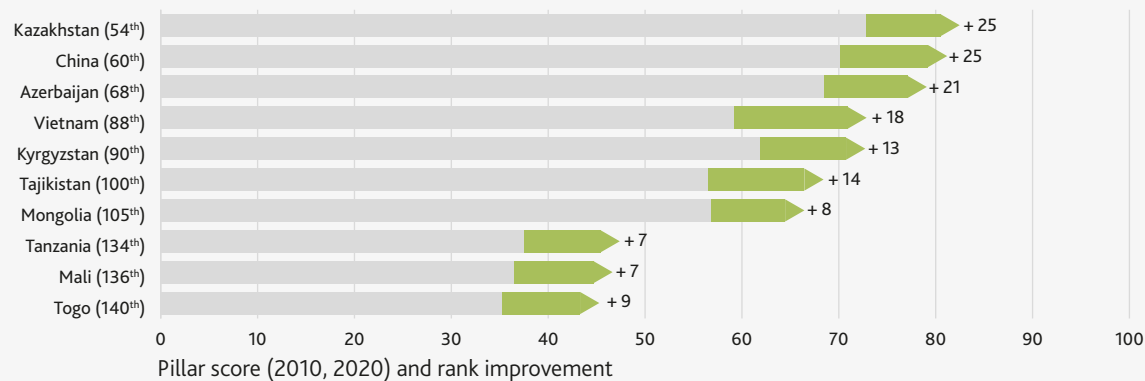
- Access to a bank account (WB-GFI)
- Use of digital payments (WB-GFI)
- Access to a cellphone (GDL)
- Rural access to roads (RAI)
- Satisfaction with public transportation (Gallup)
- Satisfaction with roads and highways (Gallup)

- Death and injury from road traffic accidents (GBD)
- Death and injury from forces of nature (IHME)
- Unintentional death and injury (GBD)
- Occupational mortality (ILO)

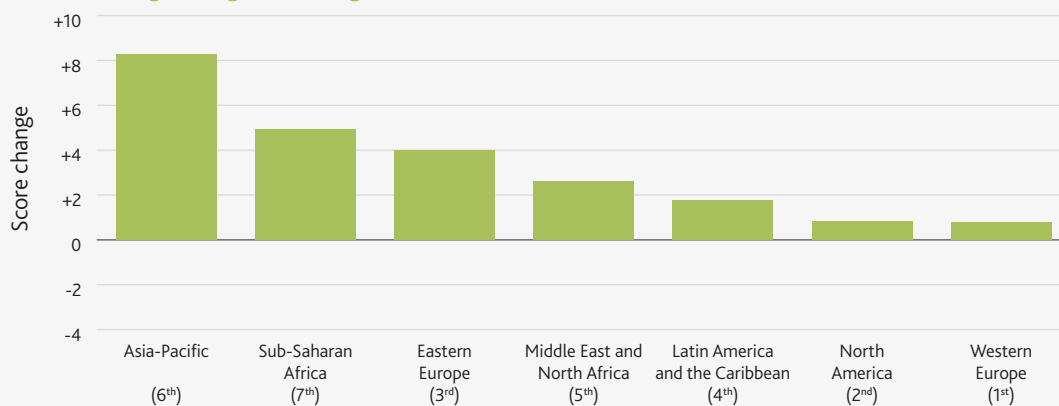
Living Conditions 2020



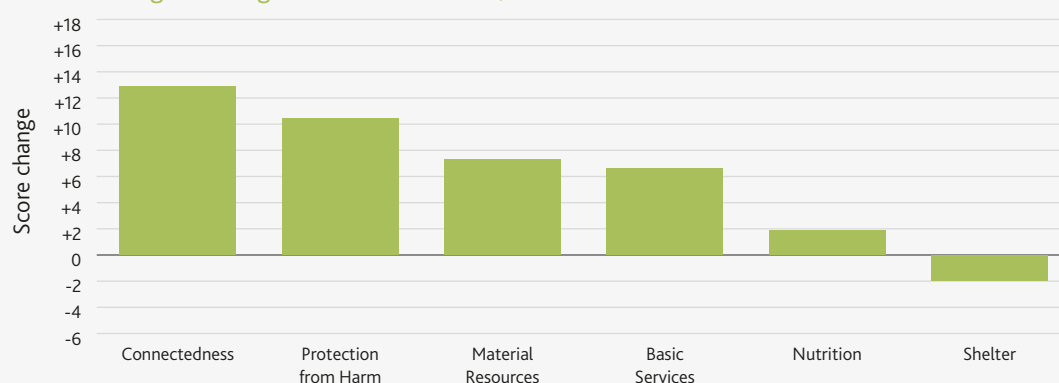
Living Conditions: Most improved countries, 2010–2020



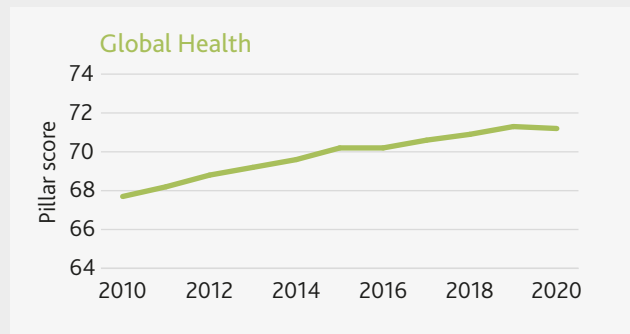
Change in regional Living Conditions, 2010–2020



Change in Living Conditions elements, 2010–2020



Health measures the extent to which people are healthy and have access to the necessary services to maintain good health. Those who enjoy good physical and mental health report high levels of wellbeing, whilst poor health provides a major obstacle to people fulfilling their potential. The coverage and accessibility of effective healthcare, combined with behaviours that sustain a healthy lifestyle, are critical to both individual and national prosperity.



ELEMENT (WEIGHT %)

INDICATORS

Behavioural Risk Factors (10%) assesses the set of lifestyle patterns moulded by a complex set of influences that increase the likelihood of developing disease, injury or illness, or of suffering from premature death.

- *Obesity (WHO-GDO)*
- *Smoking (WHO)*
- *Substance use disorders (GBD)*

Preventative Interventions (15%) measures the extent to which a health system prevents diseases, illnesses and other medical complications from occurring, to save many children and adults from an early death.

- *Diphtheria immunisation (WHO)*
- *Measles immunisation (WHO)*
- *Hepatitis immunisation (WHO)*
- *Contraceptive prevalence (UNICEF)*
- *Antenatal care coverage (UNICEF)*
- *Existence of national screening programs (WHO)*

Care Systems (15%) assesses the ability of a health system to treat and cure diseases and illnesses, once they are present in the population.

- *Healthcare coverage (ILO)*
- *Health facilities (WHO)*
- *Health practitioners and staff (WHO)*
- *Births attended by skilled health staff (UNICEF)*
- *Tuberculosis treatment coverage (WHO)*
- *Antiretroviral HIV therapy (UNAIDS)*
- *Satisfaction with healthcare (Gallup)*

Mental Health (10%) captures the level and burden of mental illness on the living population. Mental health can have a significant impact on an individual's wellbeing and ability to participate effectively in the labour market.

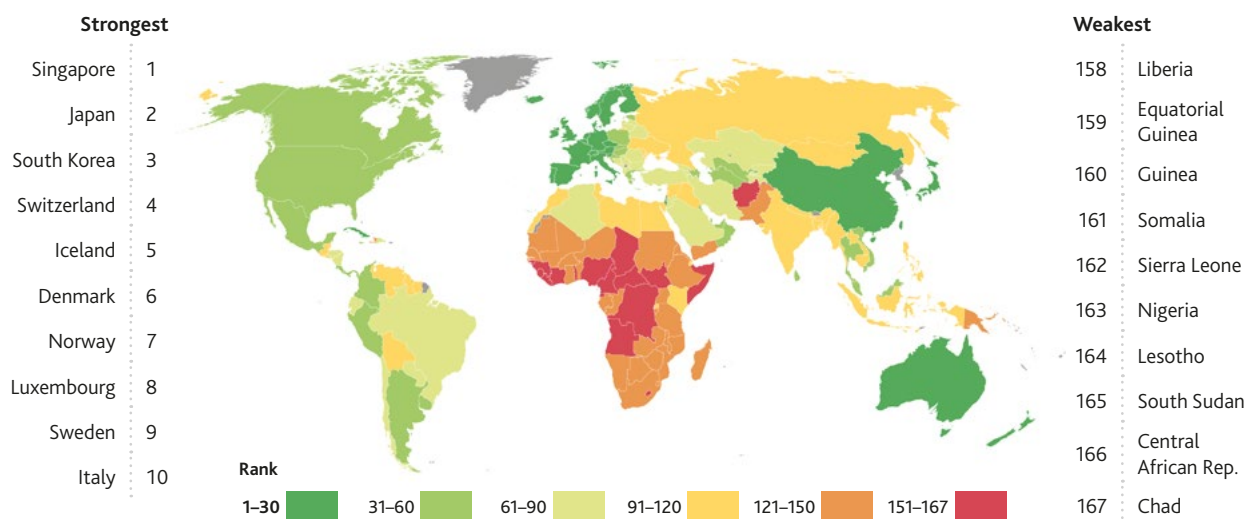
- *Emotional wellbeing (Gallup)*
- *Depressive disorders (GBD)*
- *Suicide (WHO)*

Physical Health (20%) captures the level and burden of physical illness on the living population. Physical health can have a significant impact on an individual's wellbeing and ability to participate effectively in the labour market.

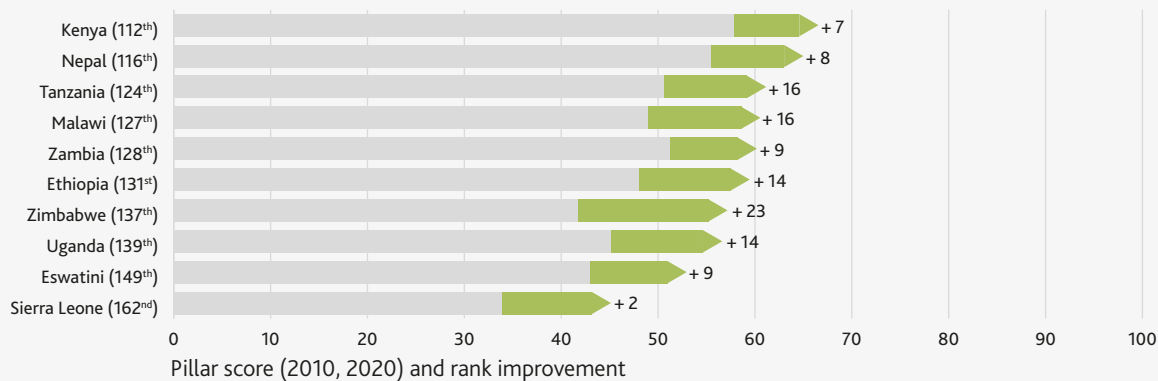
- *Physical pain (Gallup)*
- *Health problems (Gallup)*
- *Communicable diseases (GBD)*
- *Non-communicable diseases (GBD)*
- *Raised blood pressure (WHO)*

Longevity (30%) measures the mortality rate of a country's population through different stages of life.

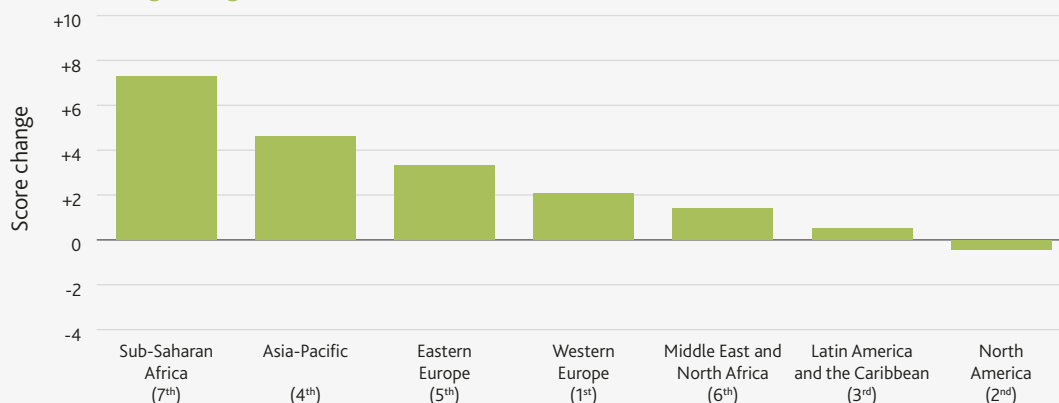
- *Maternal mortality (WB-DI)*
- *Under 5 mortality (WB-DI)*
- *5-14 mortality (UN IGME)*
- *15-60 mortality (WB-DI)*
- *Life expectancy at 60 (WHO)*



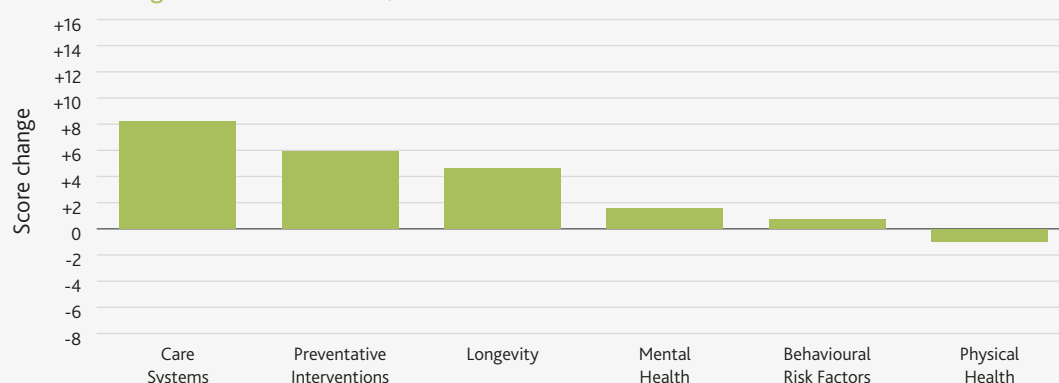
Health: Most improved countries, 2010–2020



Change in regional Health, 2010–2020

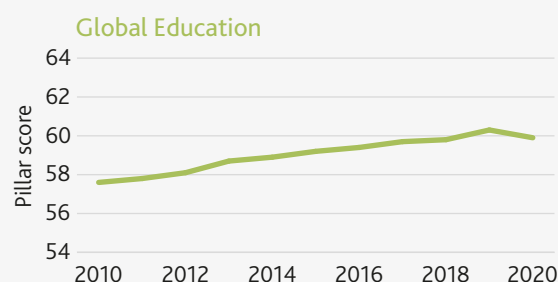


Change in Health elements, 2010–2020



Education

Education is a building block for prosperous societies; the accumulation of skills and capabilities contributes to economic growth. Education provides the opportunity for individuals to reach their potential, and a more fulfilled and prosperous life. A better-educated population also leads to greater civic engagement and improved social outcomes — such as better health and lower crime rates.



ELEMENT (WEIGHT %)

INDICATORS

Pre-primary Education (5%) supports the development of linguistic, cognitive, social and emotional skills.³⁶ Students who participate in pre-primary education are more likely to make it through secondary education and less likely to repeat grades.³⁷

- *Pre-primary enrolment (net) (UNESCO)*

Primary Education (20%) provides pupils the opportunity to develop their cognitive, social, emotional, cultural and physical skills, preparing them for their further school career. Most critically, this includes core literacy and numeracy skills.

- *Primary enrolment (UNESCO)*
- *Primary completion (UNESCO)*
- *Primary education quality (AltAng&Pat)*

Secondary Education (30%) More years of higher quality education has been shown to increase life outcomes in both economic and social terms. Beyond attending and completing school, obtaining good test scores are a strong indicator of cognitive ability and is a strong determinant of better economic performance of a country.³⁸

- *Secondary school enrolment (UNESCO)*
- *Lower-secondary completion (UNESCO)*
- *Access to quality education (V-DEM)*
- *Secondary education quality (AltAng&Pat)*

Tertiary Education (20%) Further education (including technical, vocational and university-level) is key to social and economic development through the creation of human capital and building of knowledge bases.

- *Tertiary enrolment (UNESCO)*
- *Tertiary completion (UNESCO)*
- *Average quality of higher education institutions (QS, TES)*
- *Skillset of university graduates (WEF)*
- *Quality of vocational training (WEF)*

Adult Skills (25%) Adults who are above a threshold level of education are far less likely to be disadvantaged in society and this will lead to better employment opportunities. Increased skills in the workplace are closely connected to productivity.

- *Adult literacy (UNESCO)*
- *Education level of adult population (BL)*
- *Women's average years in school (IHME)*
- *Education inequality (Cas&Dom)*
- *Digital skills among population (WEF)*

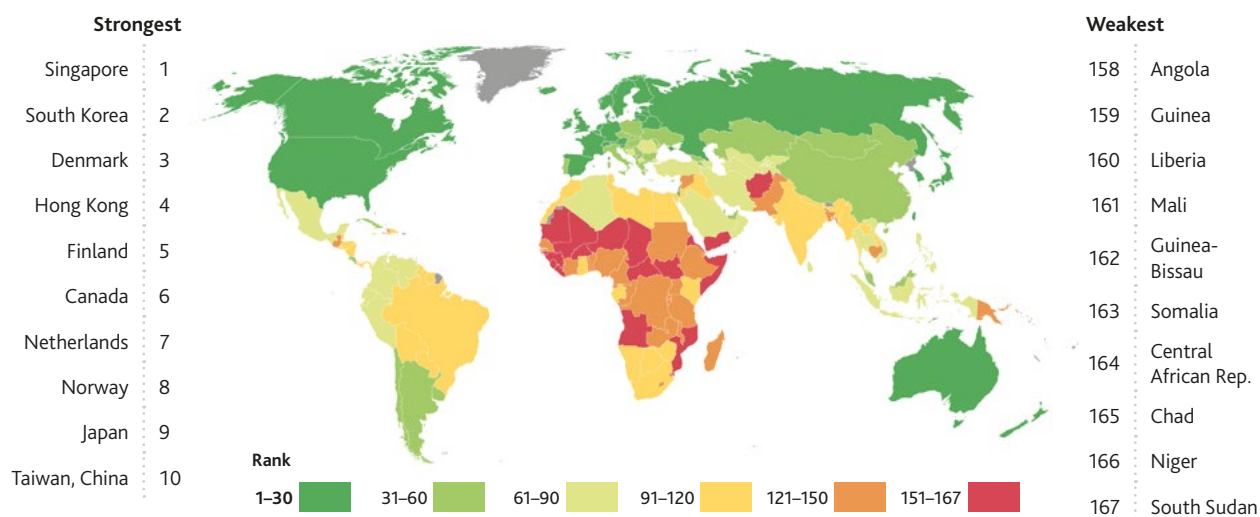


A high school graduation in Accra, Ghana.

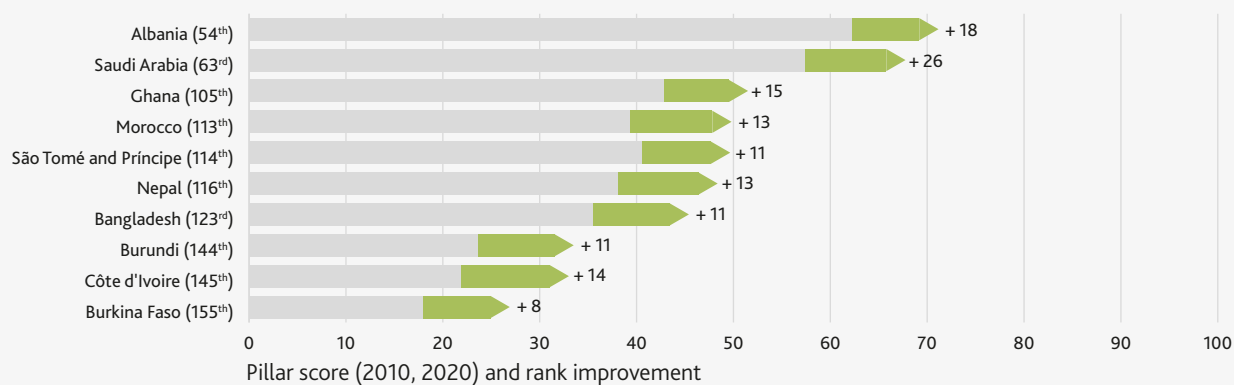
Secondary education has improved dramatically in Ghana, with a 14-rank improvement since 2010.

Credit: shutterstock.com

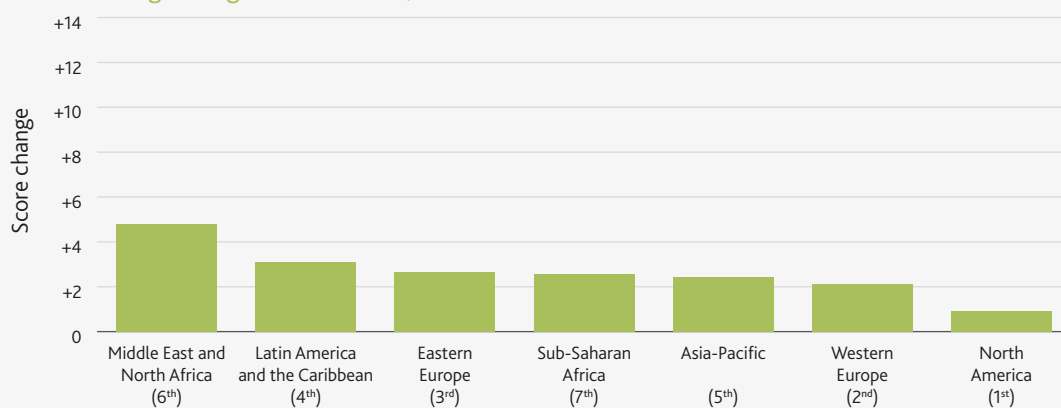
Education 2020



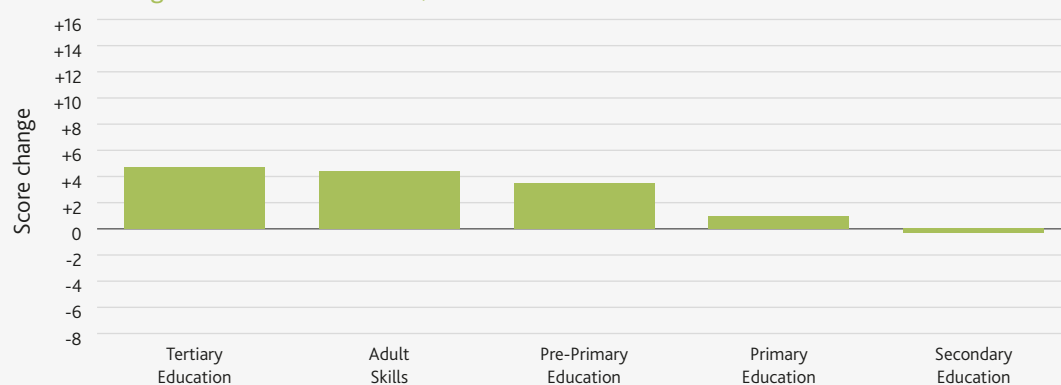
Education: Most improved countries, 2010–2020



Change in regional Education, 2010–2020

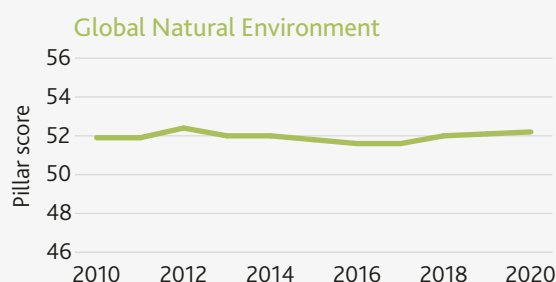


Change in Education elements, 2010–2020



Natural Environment

Natural Environment captures the parts of the physical environment that have a direct effect on people in their daily lives and changes that might impact the prosperity of future generations. A well-managed natural environment benefits a nation by yielding crops, material for construction, wildlife and food, and sources of energy, while clean air leads to a higher quality of living for all.



ELEMENT (WEIGHT %)

INDICATORS

Emissions (15%) measures the level of emissions of greenhouse gas and other pollutants within a country. This captures the long-term effect of pressures on the atmosphere that a given country will have on the lived experience of future generations.

- *CO₂ emissions (CDIAC)*
- *SO₂ emissions (EDGAR)*
- *NO_x emissions (EDGAR)*
- *Black carbon emissions (EDGAR)*
- *Methane emissions (EDGAR)*

Exposure to Air Pollution (15%) captures the level of emissions to which a country's population is physically exposed, and the effects this may have on their quality of life.

- *Exposure to fine particulate matter (EPI)*
- *Health impact of air pollution (IHME)*
- *Satisfaction with air quality (Gallup)*

Forest, Land and Soil (20%) assesses the quality of a country's land, forest and soil resources and the impact this may have on citizens' quality of life.

- *Forest area (FAO)*
- *Flood occurrence (WRI)*
- *Sustainable nitrogen management (Zh&Dav)*

Freshwater (20%) assesses the quality of a country's freshwater resources and the impact this may have on citizens' quality of life.

- *Renewable water resources (FAO)*
- *Wastewater treatment (EPI)*
- *Freshwater withdrawal (FAO)*
- *Satisfaction with water quality (Gallup)*

Oceans (15%) measures the quality of a country's marine resources and the impact this may have on citizens' quality of life.

- *Overexploitation of fish stocks (EPI)*
- *Stability of marine biodiversity (EPI)*
- *Clean ocean water (OHI)*

Preservation Efforts (15%) captures the extent of efforts to preserve and sustain the environment for future generations, and public satisfaction with those efforts.

- *Terrestrial protected areas (WDPA)*
- *Marine protected areas (WDPA)*
- *Long term management of forest areas (FAO)*
- *Protection for biodiverse areas (UN-WCMC)*
- *Pesticide regulation (EPI)*
- *Satisfaction with preservation efforts (Gallup)*

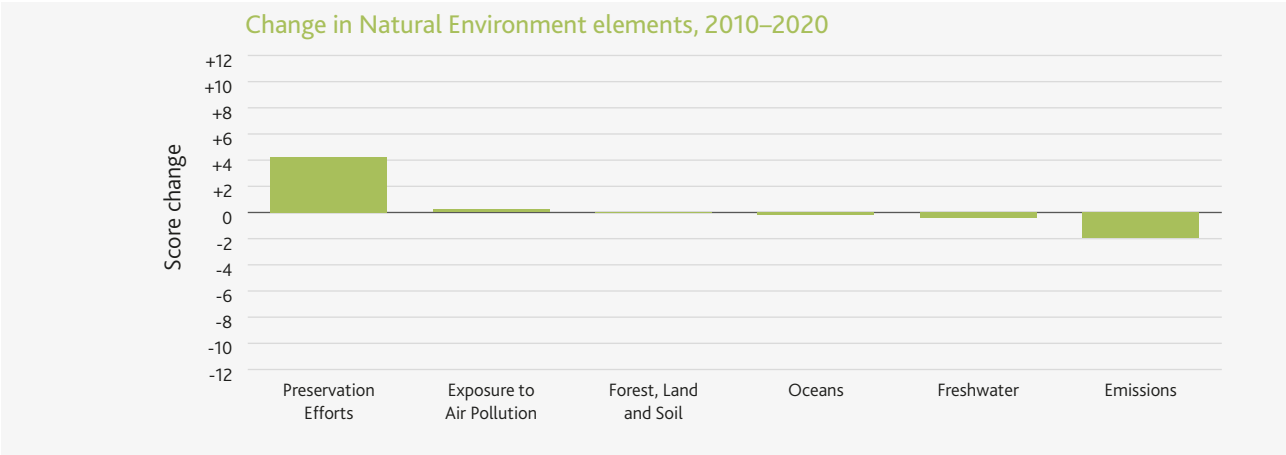
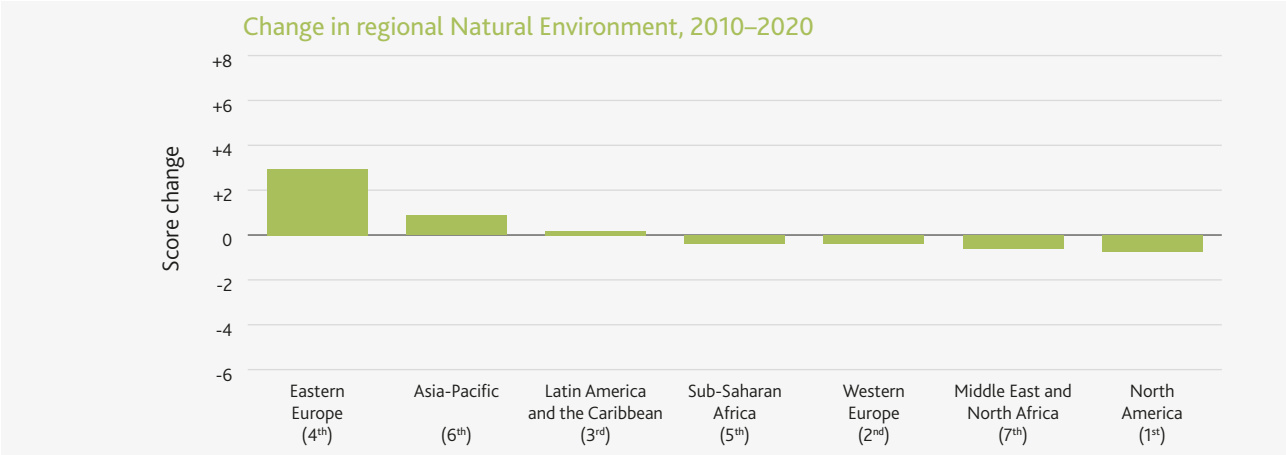
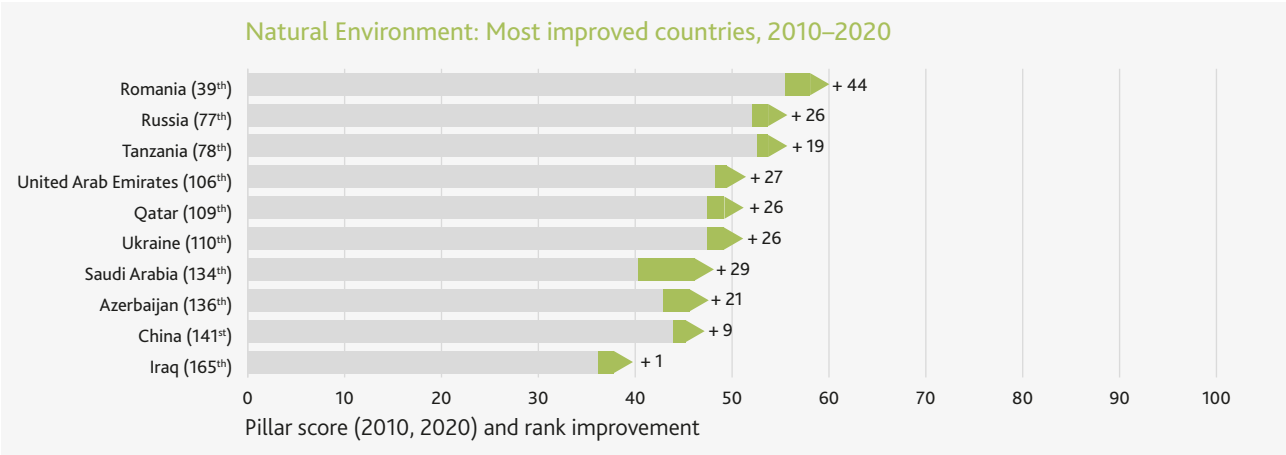
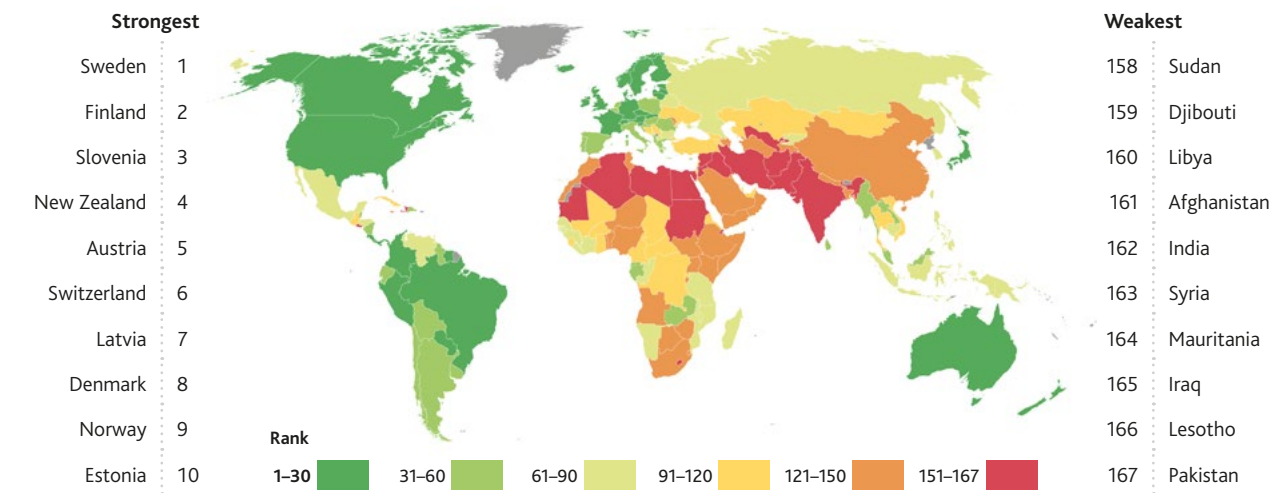


A family enjoying the countryside in Ukraine.

Ukraine has improved by 26 ranks in the Natural Environment pillar since 2010.

Credit: istockphoto.com

Natural Environment 2020



Methodology and Acknowledgements





Credit: shutterstock.com

Methodology

The Legatum Prosperity Index is a framework that assesses countries on the promotion of their residents' flourishing, reflecting both economic and social wellbeing. It captures the richness of a truly prosperous life, moving beyond traditional macro-economic measurements of a nation's prosperity, which rely solely on indicators of wealth such as average income per person (GDP per capita). It redefines the way success is measured, changing the conversation from what we are getting, to who we are becoming. This makes it an authoritative measure of human progress, offering a unique insight into how prosperity is forming and changing across nearly all countries of the world. For further information about our definition of holistic prosperity, please refer to the *What is prosperity?* document, available for download on our website.

To cover both economic and social wellbeing, the Prosperity Index faces the challenge of finding a meaningful measure of success at national level. We endeavour to create an Index that is

methodologically sound. This is something that the Legatum Institute has sought to achieve with academic and analytical rigour over the past decade.

In developing the current Index we worked with more than 100 academics and experts around the world with particular expertise on each of the pillars of prosperity to develop an appropriate taxonomy of discrete elements and supporting indicators which, when combined, accurately capture prosperity in the world.

This has resulted in 12 pillars of prosperity split into 66 discrete policy focussed elements, and grouped into three domains essential to prosperity — Inclusive Societies, Open Economies, and Empowered People. We used 294 different indicators from over 80 different data sources to construct the Index. For more information on the data sources and the methodology, please refer to the full methodology report published at www.prosperity.com.



Step by Step

1

Selecting the indicators

Having discussed and agreed the taxonomy with the experts for measuring prosperity across the world, organising the structure of the Prosperity Index into 12 pillars of prosperity underpinned by 66 policy-focused elements, we identified hundreds of data variables to underpin each element of prosperity.

We identified the most relevant indicators within each element, driven by a set of selection criteria as well as advice from external experts on data and research around each pillar.

We used an extensive variety of publicly available data sources that gave comprehensive international coverage. This list was refined based on input from the experts in each pillar area, who advised on the reliability of data sources, alternative measures, and the credibility of indicators' measurement.

Each of the 12 pillars captures a fundamental theme of prosperity, and each element captures a discrete policy area, which is measured by the indicators. Each pillar has between five and seven elements, and each element has between one and eight indicators.

2

Standardisation

The indicators in the Index are based on many different units of measurement, including numbers of events, years, percentages, and ordinal scales. The indicators need to be normalised for comparison between indicators and countries to be meaningful. We employ a distance to frontier approach for this task. The distance to frontier approach compares a country's performance in an indicator with the value of the logical best case, as well as that of the logical worst case. As a result, the distance to frontier score captures a country's relative position. This approach also enables us to compare Index scores over time.

Note on averages

When calculating scores for regions and the world as a whole, we take a population-weighted average score. This is because we want to capture the effect on individuals rather than countries. For example, if the score of two countries changes, then the more populous country has a greater effect on the global and regional scores than the less populous country.

3

Indicator and Element weights

Each indicator is assigned a weight, indicating the level of importance within the element it has in affecting prosperity. Four weights are typically used: 0.5, 1, 1.5, or 2. Each indicator is weighted as 1 by default, but based on its significance to prosperity, this may be adjusted downwards or upwards accordingly. For example, an indicator with a weight of 2 means that it is twice as important in affecting the element as another indicator in that element with a weight of 1. Weights were determined by two factors, ordered by priority: (1) the relevance and significance of the indicator to prosperity, as informed by the academic literature and our experts' opinions, and, to a lesser degree, (2) the statistical significance of the indicator to the economic and social wellbeing of a country, as measured by productive capacity and Cantril's Ladder, respectively.

Analogously, elements are assigned weights based on their relative importance within each pillar, led by the same two factors above. At the element level, percentages rather than factors are used as weights, giving a greater range of possible weights than at the indicator level.

4

Element and Pillar scores

Element scores are created using a weighted sum of indicator scores using the indicator weights assigned at the previous step. The same process is repeated to determine Pillar scores with Elements within the pillar, using the percentages discussed at the previous step. Countries were then ranked according to their scores in each pillar.

Domain scores are determined by assigning the same weight to each pillar and the overall Prosperity Index score is determined by assigning equal weight to each domain, as each pillar and domain is as important to prosperity as each other. The mean of the three domain scores yields an overall prosperity score for each country. The overall prosperity rankings are based on this score.

While the Index score provides an overall assessment of a country's prosperity, each pillar (and element) score serves as a reliable guide to how that country is performing with respect to a particular foundation of prosperity.

Table of sources

Report abbreviation	Source full name	Web address
AD	Aswath Damodaran	http://pages.stern.nyu.edu/~adamodar/New_Home_Page/data.html
AltAng&Pat	Altinok, N., N. Angrist and H.A. Patrinos. 2018. "Global data set on education quality (1965-2015)."	http://documents.worldbank.org/curated/en/706141516721172989/Global-data-set-on-education-quality-1965-2015
BL	Barro and Lee dataset	http://www.barrolee.com/
BTI	Bertelsmann Stiftung Transformation Index	https://www.bti-project.org/en/home/
Cas&Dom	Castello-Climent and Domenech (2012)	https://ideas.repec.org/p/iei/wpaper/1201.html
CDIAC	Carbon Dioxide Information Analysis Center	https://cdiac.ess-dive.lbl.gov/
Chinn-Ito	Chinn-Ito Index	http://web.pdx.edu/~ito/Chinn-Ito_website.htm
CIRIGHTS	CIRIGHTS Dataset	https://docs.google.com/document/d/1ZxuitRNKpTcEpmi_1p8u0IRnib7ggtK-F9TQcf_jbmo0/edit
CSP	Center for Systemic Peace	https://www.systemicpeace.org/
ECI	Economic Complexity Index	https://oec.world/en/rankings/country/eci/
EDGAR	Emissions Database for Global Atmospheric Research	https://www.eea.europa.eu/themes/air/links/data-sources/emission-database-for-global-atmospheric
EPI	Yale and Columbia Universities (Environmental Performance Index)	https://epi.envirocenter.yale.edu/
FAO	Food and Agriculture Organisation	http://www.fao.org/home/en/
FH	Freedom House	https://freedomhouse.org/
FI	Fraser Institute	https://www.fraserinstitute.org/
Gallup	Gallup	https://www.gallup.com/home.aspx
GBD	Global Burden of Disease study	http://www.healthdata.org/gbd
GDL	Global Data Lab	https://globaldatalab.org/
GSI	Global Slavery Index	https://www.globalslaveryindex.org/
GSMA	Groupe Spéciale Mobile Association	https://www.gsma.com/
GTD	Global Terrorism Database	https://www.start.umd.edu/gtd/
IBNET	International Benchmarking Network for Water and Sanitation Utilities	https://www.ib-net.org/
IBP	International Budget Partnership	https://www.internationalbudget.org/
IDEA	International Institute for Democracy and Electoral Assistance	https://www.idea.int/
IDMC	Internal Displacement Monitoring Center	http://www.internal-displacement.org/
IHME	Institute for Health Metrics and Evaluation	http://www.healthdata.org/
ILGA	International Lesbian, Gay, Bisexual, Trans and Intersex Association	https://ilga.org/
ILO	International Labour Organisation	https://www.ilo.org/global/lang--en/index.htm
IMF	International Monetary Fund	https://www.imf.org/external/index.htm
IMF-FAS	International Monetary Fund Financial Access Survey	https://data.imf.org
IMF-WEO	International Monetary Fund World Economic Outlook	https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx
ITU	International Telecommunications Union	https://www.itu.int/en/Pages/default.aspx
IVS&Bar	Integrated Values Survey, Afrobarometer, Arab Barometer, and Latino-barómetro	http://www.worldvaluessurvey.org/wvs.jsp ; https://europeanvaluesstudy.eu/ ; http://www.afrobarometer.org/ ; https://www.arabbarometer.org/ ; http://www.latinobarometro.org/lat.jsp

Report abbreviation	Source full name	Web address
JMP	WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation	https://www.unwater.org/publication_categories/whounicef-joint-monitoring-programme-for-water-supply-sanitation-hygiene-jmp/
OHI	Ocean Health Index	http://www.oceanhealthindex.org/
OPHI	Oxford Poverty and Human Development Initiative	https://ophi.org.uk/
Pew	Pew Research Center	https://www.pewresearch.org/
PTS	Amnesty International & US State Department Political Terror Scale	http://www.politicalterrorsscale.org/
QS	QS World University Rankings	https://www.topuniversities.com/qs-world-university-rankings
RAI	Rural Access Index	https://datacatalog.worldbank.org/dataset/rural-access-index-rai
RsF	Reporters Without Borders	https://rsf.org/en
TE	Trading Economics	https://tradingeconomics.com/
TES	TES University Rankings	https://www.timeshighereducation.com/content/world-university-rankings
UCDP	Uppsala Conflict Data Program	https://ucdp.uu.se/
UIC	International Union of Railways	https://uic.org/
UNAIDS	Joint United Nations Programme on HIV and AIDS	https://www.unaids.org/en
UNCOM	United Nations Comtrade Database	https://comtrade.un.org/
UNCTAD	United Nations Trade Data	https://unstats.un.org/unsd/trade/default.asp
UNESCO	UNESCO Institute for Statistics	http://uis.unesco.org/
UNESD	United Nations Energy Statistics Database	https://unstats.un.org/unsd/energy/edbase.htm
UNHCR	United Nations High Commissioner for Refugees	https://www.unhcr.org/en-us/
UNICEF	United Nations International Children's Emergency Fund	https://www.unicef.org/
UNIGME	United Nations Inter-agency Group for Child Mortality Estimation	https://childmortality.org/
UNWCMC	UN Environment World Conservation Monitoring Centre	https://www.unep-wcmc.org/
V-DEM	Varieties of Democracy	https://www.v-dem.net/en/
WB-DB*	World Bank Doing Business Index	https://www.doingbusiness.org/en/doingbusiness
WB-DI	World Bank World Development Indicators	https://datacatalog.worldbank.org/dataset/world-development-indicators
WB-ES	World Bank Enterprise Surveys	https://www.enterprisesurveys.org/
WB-GFI	World Bank Global Financial Inclusion	https://globalindex.worldbank.org/
WB-LPI	World Bank Logistics Performance Index	https://lpi.worldbank.org/
WDPA	World Database on Protected Areas	https://www.protectedplanet.net/
WEF	World Economic Forum Global Competitiveness Index	http://reports.weforum.org/global-competitiveness-report-2018/
WGI	Worldwide Governance Indicators	https://info.worldbank.org/governance/wgi/
WHO	World Health Organisation	https://www.who.int/
WHO-GDO	World Health Organisation (Global Dementia Observatory)	https://www.who.int/mental_health/neurology/dementia/Global_Observatory/en/
WIPO	World Intellectual Property Organisation	https://www.wipo.int/portal/en/index.html
WJP	World Justice Project (Rule of Law Index)	https://worldjusticeproject.org/our-work/wjp-rule-law-index
WomStat	The WomanStats Project	http://www.womanstats.org/
WRI	World Resources Institute	https://www.wri.org/
WTO	World Trade Organisation	https://www.wto.org/
Zhang&Davidson	Zhang, Xin, and Eric Davidson. "Sustainable Nitrogen Management Index (SNMI): Methodology." University of Maryland Center for Environmental Science (2016).	http://www.umces.edu/sites/default/files/profiles/files/Ranking%20Method_submit_to_SDSN_SNMI_20160705_0.pdf

Note: The World Bank Group are investigating data irregularities for selected countries in their Doing Business Reports (please see <https://www.worldbank.org/en/news/statement/2020/08/27/doing-business---data-irregularities-statement> for more details). We are monitoring progress and will incorporate any necessary changes once they have concluded their review and issued any revised data.

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Unless otherwise stated, all data is from the 2020 Legatum Prosperity Index[™].

All original data sources can be found in the Prosperity Index methodology report and online at www.prosperity.com

Endnotes

Executive Summary and Key findings

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