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PROSPERITY INDEX



The Legatum Prosperity Index[™]

2018

TWELFTH EDITION

Embargoed

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Foreword



Our ambition for the Prosperity Index is that it becomes a tool for leaders around the world to help set their agendas for growth and development. The measurement of national prosperity is an important task for governments and for those who hold them to account. Prosperity entails much more than wealth, it reaches beyond the financial into the political, the judicial, and the wellbeing and character of a nation – it is about creating an environment where a person is able to reach their full potential. A nation is prosperous when it has an open economy, inclusive society, strong institutions and empowered people who are healthy, educated and safe. This leads to higher levels of wellbeing.

This is the 12th consecutive year of the Legatum Prosperity Index and the very good news is that we see prosperity continuing to rise in the world, both over the last year and consistently over the last 11 years. More countries are becoming more prosperous and more people are living more prosperous lives. This is to be celebrated. The Index also shows that rising wellbeing is linked to rising levels of prosperity. This might sound obvious, but there is a less clear relationship between wealth levels and wellbeing, where rising wealth does not necessarily translate into greater happiness.

The news is not all good, however. The gap between the highest and lowest prosperity scores is the largest since we began measuring it in 2007, having grown steadily since 2013, when the highest and lowest scores were the closest together.

The further concerning news is that Safety and Security, one of the nine pillars we use to measure and track prosperity, has continued to deteriorate across the globe. Our analysis over 12 years shows that Safety and Security, in all its guises, is the foundation of any successful nation-building and enables the other pillars of prosperity to follow, from Personal Freedom, Health and Education through to a thriving business environment and sound governance. Without Safety and Security, it is challenging to build anything, and the pathway to prosperity is obscured.

Low levels of Safety and Security exacerbate the shortcomings of those countries whose prosperity has declined over the last decade. This pillar measures the safety of individuals, rather than states, and more people today are experiencing greater insecurity. What is behind this is a clear trend of rising insecurity caused by very real problems: a rise in wars, conflicts, hunger and a lack of shelter. The number of deaths caused directly by war has increased by 58% in the last 10 years to 44,600 in 2018;¹ and deaths from terrorism has quadrupled to 27,800 in the same period.² Despite the welcome reduction in absolute global poverty rates, more people report lacking the most basic human needs of food and shelter. We estimate, using survey data, that 2.4 billion people reported their struggle to buy food at some point over the last year (up from 1.6 billion in 2008) and 2 billion people struggled to pay for shelter over the last year (up from 1.4 billion).³

Our work analysing countries that have delivered long-term gains in prosperity, shows that where leaders create a safe and secure environment they provide a basis for a sustained improvement in prosperity. Our analysis also shows that Safety and Security improves a country's resilience to withstand external threats and recover quickly. Countries that have either risen or fallen in prosperity have faced economic shocks, security threats and environmental crises but it is the falling countries that lack the capacity to withstand them. In particular, we have seen that many countries in the Middle East and North Africa lack the institutional resilience to deal with deteriorating Safety and Security.

Of the 20 nations whose prosperity has fallen the most over the last decade, 12 are in Africa and the Middle East, forming an arc that stretches from Afghanistan in the North to Malawi in the South and bounded East

to West by Algeria and Yemen. This arc tells a consistent story of a set of countries that are war-torn and highly insecure places to live. Unsurprisingly, they are also the source of a significant proportion of the world's migration.

In today's globalised and interconnected world, insecurity in one country has a wider impact beyond its borders in the form of migration. Global migration, when driven by insecurity, is the biggest single humanitarian crisis of our time. When there is a breakdown in Safety and Security, people move. Neighbouring countries feel the immediate effects through migration and displacement – the desperate plight of Syrian refugees is also neighbouring Lebanon and Jordan's problem. Although most migration is regional, rich countries further afield also become destinations for economic migrants, asylum seekers and so called illegal migrants who undertake long and sometimes dangerous journeys to escape insecurity at home, in search of a better life.

If we are to fix the global migration crisis we must first address insecurity, and help those countries where prosperity is falling. Migration cannot be solved by tightening the border controls of the world's richest countries - that ignores the root causes of migration and offers no alleviation of the human cost and suffering. The solution is to find pathways from poverty to prosperity in every country, and the first step is improving Safety and Security.

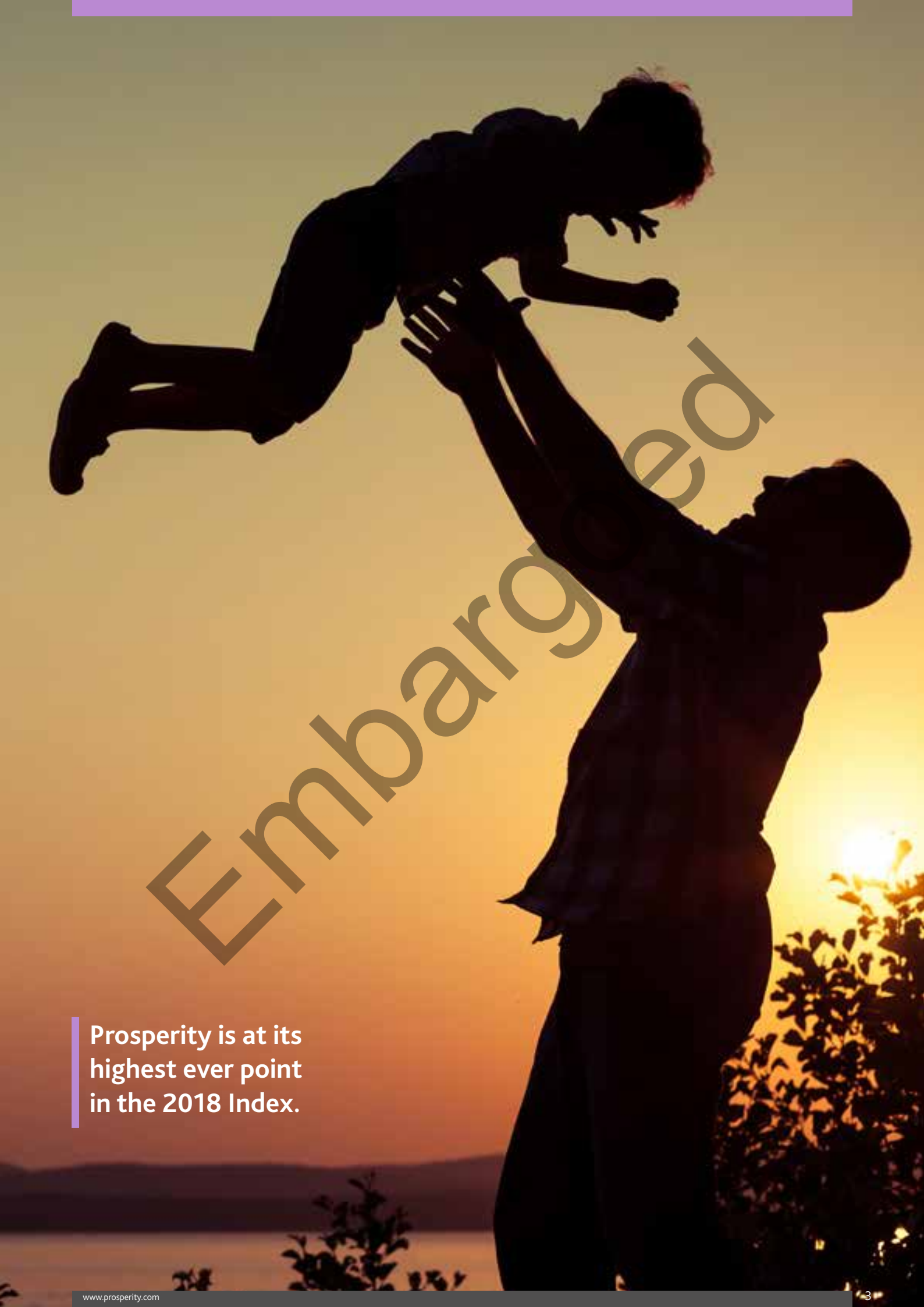
The Prosperity Index covers 149 countries. The top 40 most prosperous nations are those that have demonstrated over time how to build prosperity. Those in the bottom 20 face significant challenges across all pillars, especially in improving Safety and Security. The middle 90 countries of the Index, those that rank 40 to 130 and which contain 78% of the world's population, is where the massive opportunity for developing prosperity exists. Without neglecting those at the bottom, and drawing on the lessons of the top 40, we are focused on improving prosperity in this grouping of countries.

We are increasingly ambitious about engaging directly with more of the leaders, policy makers, advisers and investors in these 90 countries, to share our insights and forge closer relationships that can effect fundamental change and implementation. Please do contact us if you are interested in the findings of our Index and our work more broadly.



Baroness Philippa Stroud
CEO of the Legatum Institute

* The Legatum Institute will publish new research on Global Migration flows in January 2019



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Prosperity is at its
highest ever point
in the 2018 Index.



Executive Summary

Since 2007, the Legatum Prosperity Index has evaluated long-term changes in global prosperity, pinpointing drivers of progress and highlighting those nations that have made the greatest strides forward. This year the Index highlights are that:

- Prosperity has grown globally and is at its highest ever point in the history of the Index.
- The gap between the highest and lowest score is the largest it has ever been.
- Safety and Security continues to decline, with much of this decline concentrated in the Middle East and North Africa (MENA) and Sub-Saharan Africa.
- Safety and Security is fundamental to prosperity. Among the countries that rose the most, Safety and Security was their strongest pillar. In countries that fell, Safety and Security was the worst performing pillar.
- Prosperity is directly linked to wellbeing, as reported by the citizens of countries that have risen in prosperity over the last 10 years. Countries whose scores have fallen have seen a decline in their wellbeing.

Prosperity is growing, but Safety and Security continues to fall

Prosperity has grown over the last year to its highest ever point. In the last five years, 113 countries have improved their prosperity. In many respects the world is getting better. It is now easier to start a business in many countries. There is more equal representation of women in national parliaments. Absolute poverty rates have fallen. However, the gap between highest and lowest scores is the largest it has ever been. Further, Safety and Security continues its long decline. Unsurprisingly, much of the decline in Safety and Security is concentrated in Sub-Saharan Africa and MENA. This is borne out by a fall in a number of indicators, including:

- The number of people globally who have reported they have struggled to buy food at some point over the last year has risen from 25% in 2008 to 33.3% this year.
- The number of people globally who have reported they have struggled to pay for shelter at some point over the last year has risen from 20.9% in 2008 to 27.3% this year.
- In 2008 there were 1.09 deaths caused by terrorism per 1,000,000 people. In 2018, the figure is 3.82.
- In 2008 there were 2.80 battlefield deaths per 1,000,000 people. In 2018 the figure is 6.13.

Regional challenges

We have also undertaken research across seven global regions. One of the interesting parts of this research is to note that, within regions, there is significant variation between countries, even at a sub-national level. In North America, there are large differences in living standards and basic living conditions between Canada and different regions of the US. Canada and the northeast of the US are in general, safer and more prosperous than other parts of the US. In Western Europe, there is a significant divergence between northern and southern Europe. This is particularly stark in political participation, where southern European countries have been steadily declining for the last decade.

As noted in our recent Central and Eastern Europe Report, there are distinct zones of prosperity across Eastern Europe. There are the entrepreneurial Baltic states, the industrial hinterlands, the food hub of the southeast, and the former Commonwealth of Independent States. Prosperity differs significantly across the region, as do the challenges and opportunities faced by each zone. In MENA, we see a significant divergence in prosperity between the wealthier Gulf states and poorer, and much more unstable, North African countries.

In Latin America and the Caribbean and Asia-Pacific, we look at the pillars that drive economic wellbeing: Economic Quality, Business Environment and Governance. These two regions provide an interesting contrast. Latin America and the Caribbean has weak Economic Quality and Business Environment. Beyond measures of political participation, Governance is also weak. Governments in the region are low performers, rule of law is poor and corruption is common. In contrast, Asia-Pacific has strong, and improving, Economic Quality and Business Environment. This is best exemplified by the two giants of the region, India and China. However, India and China differ in terms of Governance. China scores low on Governance because of its lack of political participation, while India, as the world's largest democracy, scores high on this measure. Both countries still face challenges, as does the wider region. The next steps for both of these regions begin with better institutions. Reducing corruption and improving the effectiveness of government is fundamental. In Asia-Pacific, there is the additional challenge in many countries of increasing political participation.

In Sub-Saharan Africa, one of the greatest challenges lies in improving the Education pillar, where the region lags significantly behind the rest of the world. Although there have been improvements in recent years (for example, school enrolment rates have improved), there are further challenges not only in increasing enrolment at higher levels, but increasing the quality of education.



The Prosperity Index demonstrates that prosperity is directly linked to wellbeing.



Risers and fallers

This year, in order to better understand the drivers of prosperity, we have focused on the 20 largest risers and the 20 largest fallers over the last decade. While 10 years ago, by pure coincidence, these two groupings would have both ranked 97th, there has since been significant divergence. The risers, when considered as a country, would rank 81st in 2018, up 16 places, while the fallers would rank 119th in 2018, down 22 places. Three themes emerged from this analysis.

First, wellbeing is more closely linked to prosperity than it is to GDP. We found that a rise or fall in prosperity is correlated with a rise or fall in wellbeing. The top 20 prosperity risers saw a rise in the wellbeing reported by their citizens, while the fallers saw wellbeing worsen. On the other hand, a rise in GDP per capita is not particularly correlated with a rise in wellbeing, although countries with falling GDP do experience a drop in wellbeing.

Second, while our risers often experienced a slow and steady improvement in prosperity, the fallers often fell sharply and suddenly. That is, there was a shock that they were incapable of withstanding.

Third, Safety and Security is the binding constraint on prosperity. We found that the risers all had a far better Safety and Security score than the fallers at the end of the period. Indeed, the strongest pillar for the risers was Safety and Security.

Features of the risers

We also looked at the make-up of the risers. This grouping reveals some surprising countries: Georgia and Zimbabwe are two countries in this group. This does not mean that they are prosperous, but simply that they have improved significantly

over the last decade, often from a low base.

The risers all rose for a variety of reasons. But one of the features of the group, in aggregate, was comparatively strong Safety and Security. The other reasons for growth are in three broad categories. First, ending conflict has enabled these countries to enjoy widespread improvements with almost all pillar scores improving over the last decade. A good example is Sri Lanka, which ended its civil war in 2009 and has prospered as a result. Second, these countries improved their Business Environment and Economic Quality pillars. Countries such as Bangladesh and Kazakhstan have seen their economic wellbeing improve significantly. In Bangladesh for example, absolute poverty has reduced from 44.2% in 1991 to 14.8% most recently. Thirdly, strengthening Governance, the fall of autocratic regimes and recovery from political instability have led to generally safer and more prosperous environments for whole populations.

We examined two risers more closely. Zimbabwe faces many challenges, yet it is one of our risers, showing that even a struggling country far down the Index can make gains. These improvements mainly come as citizens have gained more political rights, and institutions have improved. Georgia was the second largest riser. Following the Rose Revolution in 2004, it has steadily improved Governance and Personal Freedom. Further, despite Russian aggression, it has maintained a relatively safe and secure country.

Features of the fallers

In contrast to the risers, the fallers began with a low score in Safety and Security and declined even further. All of these countries faced some sort of shock. Greece and Italy faced economic shocks, but had cultural and institutional resilience to



prevent them from being as affected as the other fallers. All the other fallers lacked the capacity to survive the shock, whether it be an economic disaster or conflict. Many of these shocks came in the form of conflict and violence. Several countries in MENA have been affected directly by conflict or pay the price for conflict in their region. Jordan and Lebanon, for example, have both been affected by refugees from the Syrian conflict. A further cause of falling prosperity was an increase in government oppression. Countries such as Turkey and Egypt have seen increases in government repression since coups a few years ago.

We also took a closer look at two fallers: Tunisia and Thailand. In Tunisia, a decline in Safety and Security at the time of the Arab Spring was followed by significant declines in other pillars. The lack of basic human security meant other pillars could not improve. In Thailand the main reason for decline is political instability. Coups have prevented prosperity from growing in the country. Since the 2014 coup, levels of satisfaction with the standard of living have dropped alongside availability of food and shelter.

Country profiles

We have profiled three risers in depth: Estonia, Paraguay, and Sri Lanka.

Since re-declaring independence in 1991, Estonia's GDP per capita has increased from less than \$2,000 to more than \$18,000, among the highest growth rates in the world. Estonia has risen to 26th in the world, up from 29th in 2007, to rank second behind Slovenia in Eastern Europe. This has been driven by strong Governance and improving Economic Quality and Business Environment. This has been accompanied by strong improvements in Health and Education, with Estonia now

ranking 11th in Education globally.

Paraguay has, over the last decade, jumped above seven of its Latin American neighbours and is now ranked 61st in the Index. The Latin American country has been successful in reducing poverty and improving Economic Quality, rising from 102nd in 2008 to 73rd in 2018 in this pillar. However, it faces institutional challenges: it scores low on measures of corruption and judicial independence. There are also limits on press freedom. These limit and slow down the growth of prosperity in the country, and strengthening these institutions needs to be the strong focus of Paraguay's leaders.

Sri Lanka has seen a rise primarily because of the end of its 30-year civil war in 2009. It has managed to retain reasonably good Education and Health systems during this time. There have been some business reforms and the economy is growing. However it also faces significant challenges to improve Governance and Personal Freedom. Sri Lanka needs to continue to build strong institutions that are democratic, as well as building a strong Business Environment.


The future of prosperity


Prosperity is at its highest point since 2007, which is good news for many. Yet too few of the world's inhabitants are enjoying its fruits. Much needs to change to enable all nations to fulfil their potential in the nine pillars of prosperity. Given the different political, cultural and geographic contexts in which nations find themselves, the solutions to realising such potential could scarcely be more wide-ranging. Our hope is that our Index can help all leaders and policy makers to identify the pathways to prosperity for all.

The Legatum Prosperity Index™


			Pillars								
2017 Rank*	2018 Rank	Country	Economic Quality	Business Environment	Governance	Personal Freedom	Social Capital	Safety and Security	Education	Health	Natural Environment
1	1	Norway	7	11	3	9	3	1	4	8	8
2	2	New Zealand	14	2	2	2	1	24	18	17	4
3	3	Finland	12	6	1	11	14	11	1	25	3
4	4	Switzerland	4	10	4	21	13	13	2	4	10
7	5	Denmark	8	8	9	16	5	9	10	18	11
5	6	Sweden	5	13	6	10	22	12	16	7	12
10	7	United Kingdom	16	4	11	18	8	14	12	26	2
8	8	Canada	21	3	8	1	11	17	15	21	19
6	9	Netherlands	6	14	5	7	9	7	5	11	49
12	10	Ireland	10	16	14	5	7	5	6	27	14
13	11	Iceland	1	15	13	3	4	10	31	14	27
14	12	Luxembourg	3	37	7	4	18	15	37	2	5
9	13	Australia	28	9	12	14	2	22	8	12	17
11	14	Germany	11	12	10	19	16	16	20	24	13
15	15	Austria	17	21	15	25	17	8	19	6	9
16	16	Belgium	24	18	16	12	24	30	13	13	22
18	17	United States	13	1	19	23	6	43	9	35	23
21	18	Slovenia	31	41	32	20	20	18	7	34	1
22	19	Malta	15	54	24	13	10	6	40	20	42
19	20	France	30	17	21	28	34	31	29	15	7
17	21	Singapore	2	5	18	98	15	3	3	1	90
24	22	Hong Kong	20	7	30	31	51	4	23	9	86
23	23	Japan	19	19	17	46	99	2	21	3	39
25	24	Portugal	35	34	25	6	39	20	42	37	35
20	25	Spain	49	31	31	17	26	19	36	22	20
27	26	Estonia	33	25	20	34	69	38	11	44	6
26	27	Czech Republic	25	26	33	30	71	21	14	28	24
31	28	Cyprus	26	33	34	24	28	25	46	30	60
34	29	Mauritius	36	28	26	26	21	46	67	45	46
28	30	Uruguay	52	42	23	8	47	52	63	42	58
29	31	Costa Rica	53	40	27	15	46	72	47	29	32
35	32	Slovakia	37	62	45	41	59	26	26	36	34
32	33	Poland	38	47	38	54	76	23	24	41	47
30	34	Italy	48	68	44	32	41	27	35	39	64
36	35	South Korea	29	32	39	75	78	32	17	19	73
41	36	Lithuania	56	58	35	37	98	39	30	72	18
38	37	Israel	32	22	22	100	40	53	27	16	94
33	38	Chile	41	44	28	39	61	54	61	51	26
39	39	United Arab Emirates	18	20	51	119	25	28	53	10	50
37	40	Latvia	54	55	46	45	113	41	28	77	16
43	41	Croatia	64	104	55	36	109	33	34	60	15
45	42	Hungary	44	46	57	57	77	34	32	43	65
40	43	Panama	45	24	59	33	54	71	68	70	38
42	44	Malaysia	22	23	47	124	27	55	41	38	44
46	45	Romania	60	39	60	59	83	37	39	81	51
47	46	Qatar	23	35	61	104	30	42	75	5	67
51	47	Bulgaria	76	86	62	64	85	40	38	76	31
44	48	Trinidad and Tobago	71	63	48	52	32	84	69	63	45
59	49	Indonesia	50	49	42	115	12	49	71	94	70
50	50	Suriname	78	139	53	29	67	60	72	59	53
62	51	Bahrain	9	45	88	118	19	62	57	23	113
49	52	Greece	102	80	54	70	131	48	59	46	29
48	53	Argentina	110	85	64	22	75	66	74	57	79
55	54	Jamaica	72	30	50	53	64	109	84	53	66
56	55	Macedonia	101	38	72	68	121	44	49	78	62
58	56	Serbia	95	81	68	66	91	35	33	86	107
66	57	Colombia	74	29	87	38	70	131	78	64	33
65	58	Montenegro	61	64	58	65	82	36	54	99	118
61	59	Mexico	66	27	82	48	122	127	58	52	48
60	60	Peru	65	57	67	67	80	95	81	88	43
69	61	Paraguay	73	92	108	49	50	64	89	47	61
64	62	Philippines	57	82	52	63	33	140	60	98	30
57	63	Dominican Republic	79	91	85	40	52	116	90	82	21
75	64	Albania	109	59	74	47	126	70	64	48	103
54	65	Brazil	77	114	75	42	81	86	91	73	36
80	66	Kuwait	43	97	99	105	29	47	93	31	63
53	67	Sri Lanka	59	95	71	107	35	83	79	49	54
52	68	South Africa	125	53	41	27	31	123	88	118	98
73	69	Oman	62	52	98	108	68	29	76	33	129
70	70	Namibia	118	76	29	35	57	119	109	108	80
71	71	Ecuador	93	116	86	62	72	92	73	61	37
79	72	Belize	70	126	79	60	88	87	82	84	25
72	73	Kazakhstan	46	61	115	128	93	56	25	68	83
67	74	Thailand	34	56	100	125	53	81	70	32	97
68	75	Mongolia	81	78	69	84	37	101	62	102	74


The 9 Pillars of Prosperity


 The **Economic Quality** pillar ranks countries on the standard of living afforded by an economy, economic inclusiveness, anti-monopoly policy, labour force participation, trade competitiveness and openness to trade.


 The **Business Environment** pillar measures a country's entrepreneurial environment, its business infrastructure, access to credit, investor protections and labour market flexibility.

 The **Governance** pillar measures a country's performance in four areas: the rule of law, integrity of government, government performance and political participation.

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

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

 The **Safety & Security** pillar ranks countries based on national security, personal safety and the security of living conditions in that country.

 The **Education** pillar ranks countries on access to education, quality of education and human capital.

 The **Health** pillar measures a country's performance in three areas: health outcomes (in physical and mental health), health systems, and illness and risk factors.

 The **Natural Environment** pillar measures a country's performance in three areas: the quality of the natural environment, environmental pressures and preservation efforts.

Rankings 2018

			Pillars								
2017 Rank*	2018 Rank	Country	Economic Quality	Business Environment	Governance	Personal Freedom	Social Capital	Safety and Security	Education	Health	Natural Environment
74	76	Guyana	86	98	63	73	44	76	95	89	68
83	77	Nicaragua	89	101	114	43	65	88	101	55	52
82	78	Kyrgyzstan	68	73	112	97	62	79	55	65	77
81	79	Honduras	99	70	113	58	56	130	85	67	40
84	80	Georgia	92	67	56	74	124	68	65	93	122
77	81	Vietnam	47	74	90	117	89	58	51	79	91
90	82	China	27	43	118	133	132	50	44	54	119
63	83	Botswana	108	71	37	61	84	112	98	87	111
86	84	Ghana	67	93	43	72	42	96	110	114	89
85	85	Guatemala	88	65	91	80	58	103	106	96	28
78	86	Saudi Arabia	51	72	96	135	49	80	80	40	76
76	87	Bolivia	87	133	102	50	90	94	50	105	59
96	88	Armenia	82	89	95	89	133	78	48	92	72
95	89	Belarus	40	90	131	136	125	51	45	75	56
89	90	Nepal	39	87	80	44	63	74	125	113	128
92	91	Jordan	112	110	76	122	79	65	86	66	69
91	92	El Salvador	84	75	83	71	115	122	92	58	112
88	93	Turkey	55	96	93	113	100	110	83	50	75
100	94	India	58	51	40	99	102	104	104	109	130
87	95	Rwanda	75	36	36	85	110	126	121	95	131
101	96	Russia	63	60	124	143	114	105	22	90	78
99	97	Kenya	111	48	70	94	23	132	100	117	109
98	98	Moldova	90	83	110	93	118	67	56	104	133
106	99	Azerbaijan	83	69	119	112	137	59	52	69	139
93	100	Cambodia	42	94	130	77	128	85	96	107	115
102	101	Tajikistan	100	103	111	131	73	63	66	74	132
94	102	Tunisia	119	99	73	120	135	77	103	85	81
97	103	Morocco	96	84	120	130	134	45	117	91	55
104	104	Tanzania	107	77	66	102	111	93	113	121	87
103	105	Zambia	135	50	81	92	45	117	112	125	93
107	106	Senegal	124	112	49	56	86	102	133	110	106
105	107	Lebanon	103	107	135	114	101	90	94	71	71
117	108	Iran	94	115	126	142	55	98	77	62	99
111	109	Bangladesh	85	123	89	101	97	61	111	100	135
109	110	Malawi	134	79	78	81	116	111	120	119	85
112	111	Ukraine	97	106	129	90	119	128	43	137	105
110	112	Djibouti	80	138	122	91	129	75	114	111	82
108	113	Laos	69	118	109	121	142	82	108	97	116
114	114	Lesotho	140	113	65	69	87	120	116	116	136
113	115	Burkina Faso	105	122	105	83	95	73	140	120	110
116	116	Algeria	115	135	128	145	120	57	102	80	102
131	117	Liberia	129	102	94	87	36	125	136	136	88
118	118	Zimbabwe	114	132	132	103	94	113	99	106	126
119	119	Benin	120	120	77	51	146	99	137	145	100
122	120	Mozambique	148	128	97	55	96	100	138	134	92
127	121	Comoros	123	134	125	109	92	69	131	115	108
120	122	Egypt	121	109	117	149	141	97	105	101	84
126	123	Togo	98	127	127	78	147	108	128	131	95
125	124	Sierra Leone	127	130	84	86	38	106	142	142	125
124	125	Madagascar	146	121	116	76	106	91	126	146	114
132	126	Venezuela	132	149	149	79	112	142	97	83	41
115	127	Uganda	91	100	104	110	60	134	122	140	143
121	128	Ivory Coast	128	108	103	88	138	118	139	132	96
128	129	Nigeria	139	66	107	111	48	145	123	143	104
130	130	Swaziland	138	105	141	140	74	89	107	103	141
129	131	Cameroon	116	88	133	134	105	138	115	130	101
123	132	Gabon	142	124	136	95	130	121	118	124	124
136	133	Libya	126	145	147	132	43	141	87	56	138
138	134	Guinea	133	119	123	116	108	107	144	147	57
133	135	Mali	122	111	121	82	104	137	146	129	120
137	136	Pakistan	104	117	92	127	107	136	124	122	148
134	137	Ethiopia	106	129	106	126	117	124	134	138	140
135	138	Congo	147	136	146	96	143	129	119	133	121
139	139	Niger	113	125	101	123	123	133	149	141	127
140	140	Burundi	137	140	134	106	148	139	130	112	134
141	141	Angola	141	146	142	129	139	114	129	139	146
144	142	Mauritania	145	141	137	144	136	115	141	123	145
142	143	Iraq	117	147	138	141	66	149	132	128	142
143	144	Dem Rep of Congo	136	131	144	139	127	146	127	144	149
147	145	Sudan	144	144	140	147	103	143	143	126	144
145	146	Chad	131	143	145	138	140	135	147	148	117
149	147	Yemen	149	148	148	146	145	144	135	127	137
148	148	Central African Republic	143	142	139	137	144	147	148	149	123
146	149	Afghanistan	130	137	143	148	149	148	145	135	147

The term 'country' is used to refer to the 149 societies included in the Index. These include 148 nations and one Special Administrative Region of China, Hong Kong.

*as reported in the 2017 Prosperity Index

Mapping Prosperity in 2018

Estonia (26th) is the second highest ranked country in Eastern Europe, and has made steady improvements in most pillars. For more information, see our feature on p. 46.

Norway (1st) is top of this year's Index, and is the highest ranked country for Safety and Security.

Paraguay (61st) continues to climb the rankings this year. It scores highest in Health and Personal Freedom, and is one of a number of countries that show a long term trend toward greater prosperity (see p. 49)

RANK

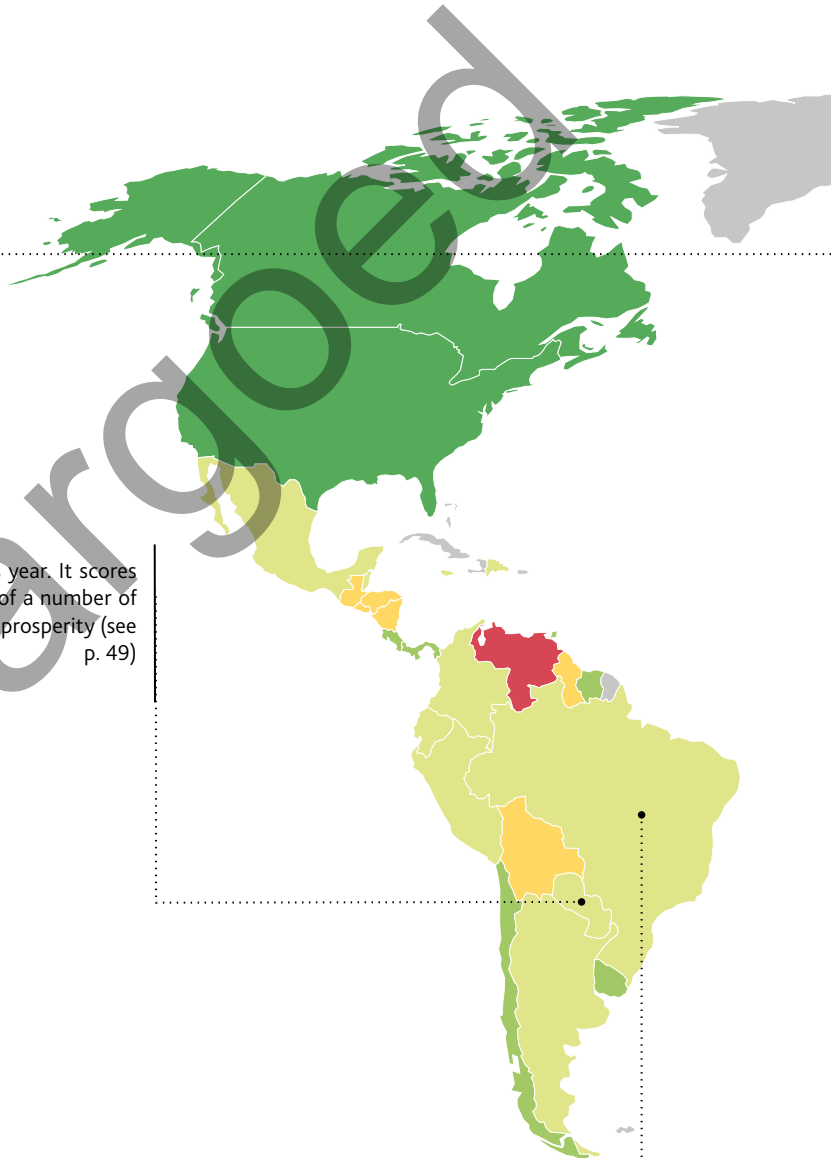
- 1ST - 25TH
- 26TH - 50TH
- 51ST - 75TH
- 76TH - 100TH
- 101ST - 125TH
- 126TH - 149TH

Several countries are not included in the Prosperity Index because we cannot access data. In many cases this is due to conflict or government restrictions preventing the collection or publication of accurate data. The ten most populous countries not included in this year's Prosperity Index are:

- Myanmar
- Uzbekistan
- Syria
- North Korea
- Somalia
- South Sudan
- Cuba
- Haiti
- Papua New Guinea
- Turkmenistan

Brazil (65th) has fallen more than any other country in Latin America and the Caribbean this year, largely as a result of a declining Social Capital score

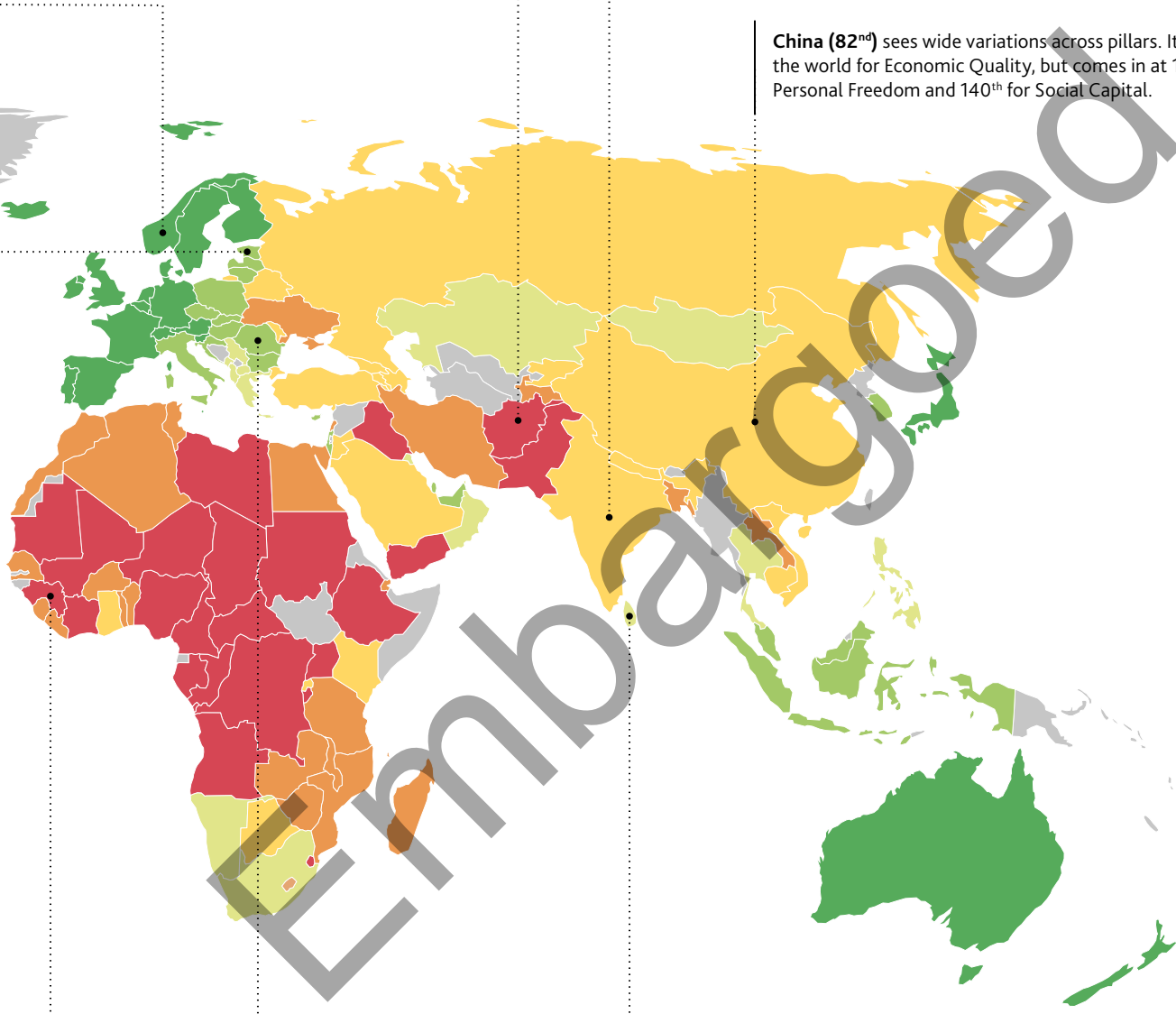
Guinea (134th) has seen the largest gain since 2017, due to rises in most pillars, particularly Natural Environment and Governance.



Afghanistan (149th) has seen largest 1-year fall and comes last in this year's Index, with the largest fall in Social Capital.

India (94th) is the largest riser in Asia-Pacific over both the last year and last five years, up 19 places from its lowest point in 2013, when it was 113th.

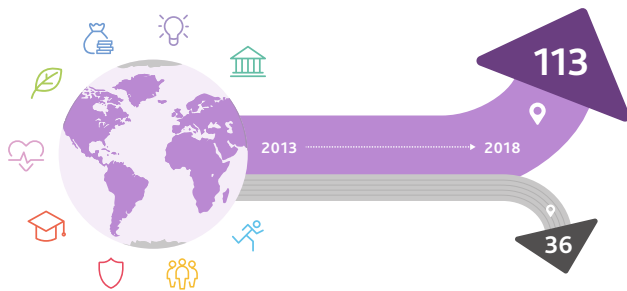
China (82nd) sees wide variations across pillars. It is 27th in the world for Economic Quality, but comes in at 136th for Personal Freedom and 140th for Social Capital.



Sri Lanka's (67th) Safety and Security has improved considerably, largely as a result of civil war ending – it is now ranked 83rd for Safety and Security (see p. 51).

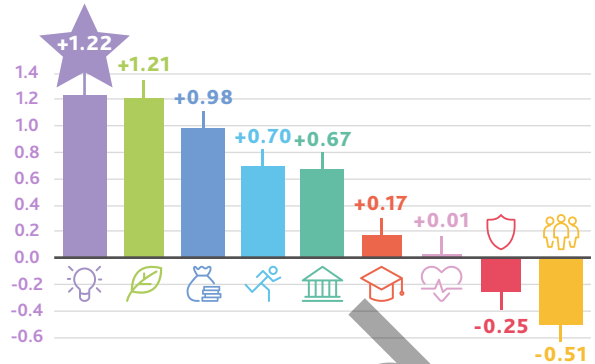
Romania (45th) has seen the largest 5-year rise, driven by improvements across all pillars, particularly Business Environment, Natural Environment, and Safety and Security.

Key Findings



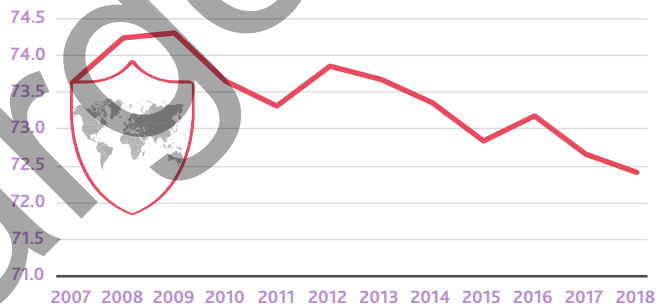
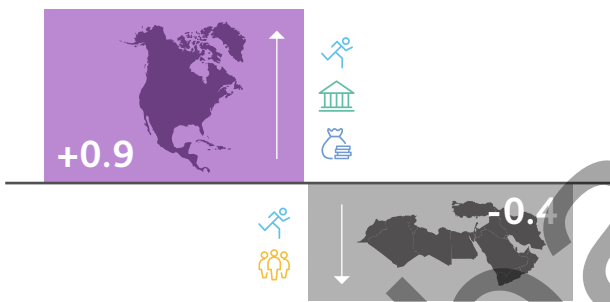
Global prosperity improves

Global prosperity continues to rise and is at its highest ever point; the median score has moved up the equivalent of 15 places since 2007. Since 2013, 113 countries have improved their Prosperity Score, and since last year 95 countries improved their score. However, this improvement is not shared equally. The gap between the largest and smallest scores has been growing steadily since 2013, and this year the gap is the largest it has ever been.



Business Environment has seen the largest gain

Business Environment has seen the largest one year gain at a global level, having risen in every region. The greatest 10 year gains have been in Asia, Sub-Saharan Africa and Eastern Europe, and one of the main drivers is an improvement in the entrepreneurial environment in these regions. Sub-Saharan Africa in particular has seen the largest improvement in the ease of starting a business.

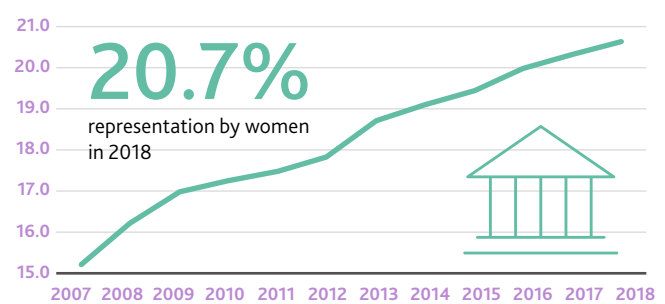
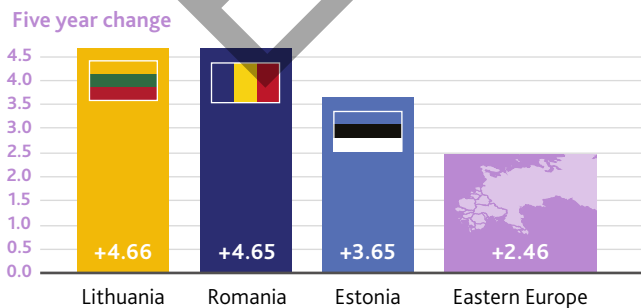


North America takes top place, while MENA sees the largest fall

North America was the strongest region this year, and improved primarily due to improved Personal Freedom, Governance and Economic Quality. MENA experienced the largest fall, due largely to worsening Personal Freedom and Social Capital. In particular, MENA has seen worsening basic legal rights this year, due to a fall in the civil liberties indicator.

Safety and Security continues to fall

Safety and Security continues to fall globally, and in five out of seven regions. This is driven primarily by falls in the security of people's living conditions, with the largest falls in Latin America and the Caribbean due to fewer people reporting that they could afford sufficient food and shelter. There has also been a small increase in the number of terrorist deaths this year, which continues a long term trend for this indicator. It is the only pillar that has a lower score in 2018 than in 2007.



Eastern Europe rises

Eastern Europe is one of the strongest risers this year. This is due to improvements in Business Environment, Natural Environment and Personal Freedom, with Lithuania, Romania and Estonia seeing the largest rises in the last 5 years. It is the fourth placed region overall, with its best ranking in Education, where it is the third best region in the world.

Improvements for women in parliaments around the world

The number of women in national legislatures around the world has been increasing steadily over the last decade, increasing from 15% representation in 2007 to 20.7% in 2018. Rwanda has the largest proportion of women in parliament, with women holding 49 out of 80 seats. MENA is the lowest ranked region, with just 16% of its seats held by women.

Selected Country Highlights



Ethiopia (137th)

Ethiopia, the largest country in East Africa, has seen very little improvement over the last 10 years. It ranks poorly across all pillars, and has fallen particularly in Safety and Security, and Personal Freedom. However, it has improved its overall prosperity score (albeit marginally) since 2007, which is driven primarily by improvements in Education, Health, and Governance. In Health for example, it has almost doubled vaccination rates for both measles and diphtheria since 2007.



Mexico (59th)

Mexico, the largest country in Central America, has increased its score since 2007, particularly as a result of improved Education, Personal Freedom, Natural Environment and Business Environment. However, it still faces significant challenges, most notably in Safety and Security, where it ranks 127th, caused in part by one of the highest homicide rates in the world.



Egypt (122nd)

Egypt is the most populous country in the MENA region. It has seen a decline in its prosperity score since 2007, and has also fallen in rankings. An improving Business Environment is outweighed by large falls in Personal Freedom and Safety and Security. Within Personal Freedom, there was a large fall in civil liberties, following the passing of a restrictive law on NGOs and a restriction of labour unions.



Ukraine (111th)

While its prosperity score is largely the same as 2007, Ukraine has fallen down the rankings as lower-ranked countries have overtaken it. While it performs well in Education, it scores poorly across all other pillars, particularly Governance, Safety and Security and Health. Although national security has historically been affected by conflict with Russia, this year Safety and Security improved and there are other signs of improvement, including reforms to improve the education and health systems.



Indonesia (49th)

Indonesia has seen the second largest rise out of any Asian country over the last 10 years. It has risen from 80th to 49th. The largest improvements come in the Social Capital, Governance and Business Environment pillars. For example, under the Governance pillar, it has strengthened its rule of law score, which is a World Bank expert judgement. However, it still faces significant challenges with improving government integrity and reducing corruption.



Portugal (24th)

Portugal is the largest Western European riser this year. It has risen as a result of improving Economic Quality, Business Environment, Governance and Personal Freedom. Economic Quality has seen the largest improvement, due to an increase in its economic growth rate. In Personal Freedom, there was an increase in the number of people saying they were satisfied with levels of freedom, and the number of people saying there was more tolerance for migrants.

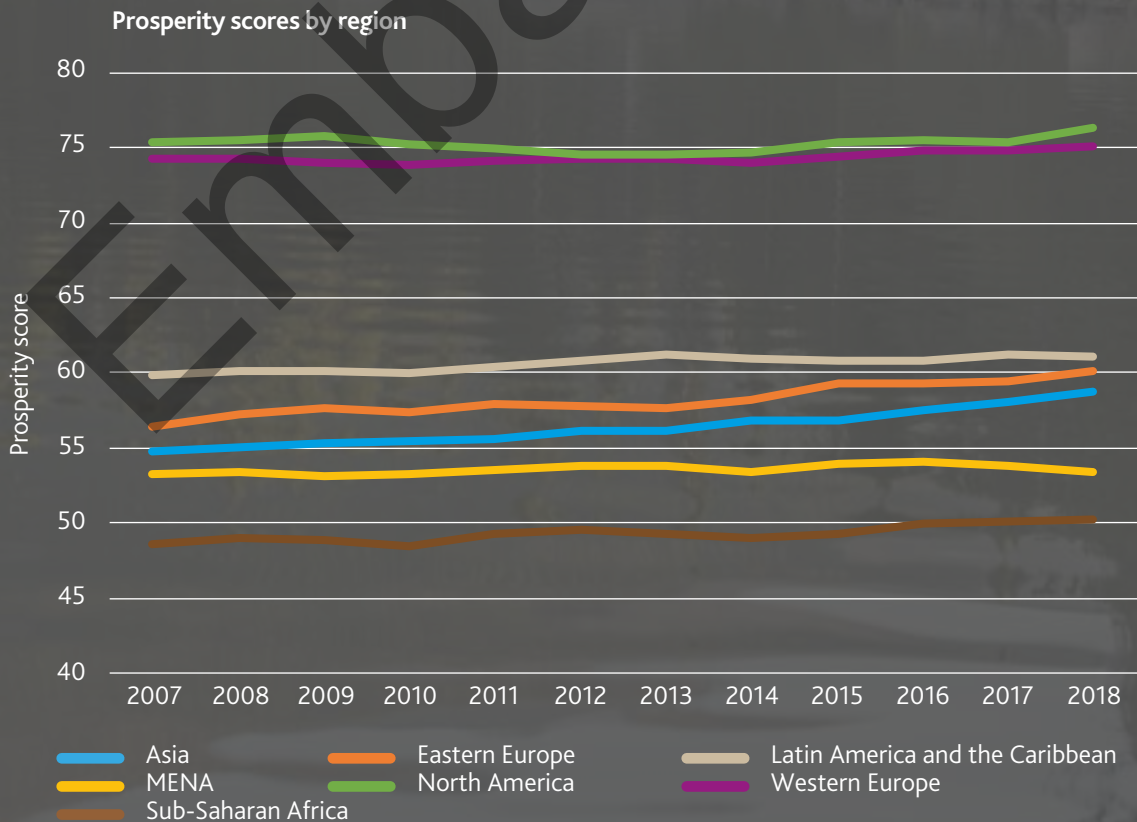
Focus on Regions

North America increased in prosperity and is the top ranking region this year, ahead of Western Europe. There is a significant gap between North America and Western Europe and the rest of the world. These top two regions come either first or second in all pillars. Among the other five regions, each region has pillars of relative strength and weakness. For example, Sub-Saharan Africa, the weakest region, comes third on Social Capital, while Latin America and the Caribbean comes third overall but sixth in Safety and Security.

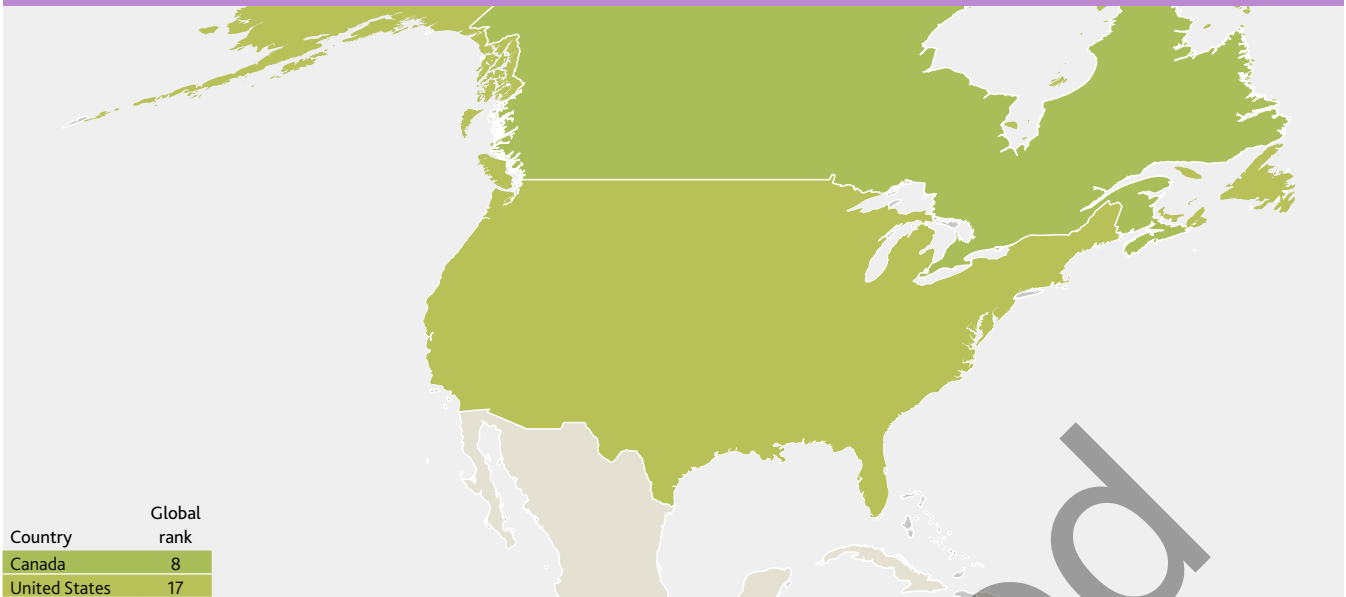
The following pages examine the strengths and weaknesses of each region and highlight the challenges faced by each.

	Prosperity Ranking	Economic Quality 	Business Environment 	Governance 	Personal Freedom 	Social Capital 	Safety and Security 	Education 	Health 	Natural Environment 
North America	1	1	1	2	2	1	2	1	2	2
Western Europe	2	2	2	1	1	2	1	2	1	1
Latin America and the Caribbean	3	5	5	4	3	4	6	5	3	3
Eastern Europe	4	4	4	5	5	7	4	3	6	4
Asia-Pacific	5	3	3	3	6	5	3	4	5	6
MENA	6	6	7	7	7	6	5	6	4	5
Sub-Saharan Africa	7	7	6	6	4	3	7	7	7	7

North America, made up of the US and Canada, is the most prosperous region in the world.



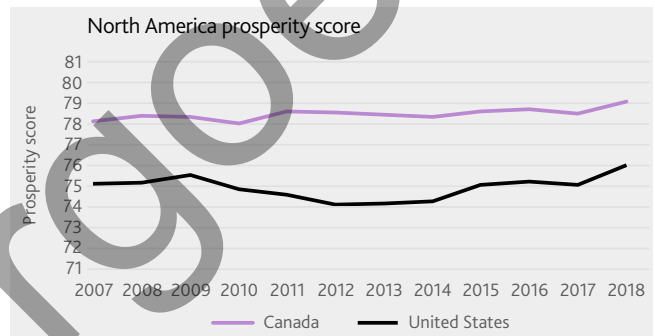
North America (1st)



Overall picture of prosperity: North America is the top-ranked region

This year is the largest overall prosperity gain North America has seen since 2007; the region has improved after a small fall last year, making it the number one region. Canada improved in all pillars except Social Capital. The US improved across all pillars excluding Natural Environment.

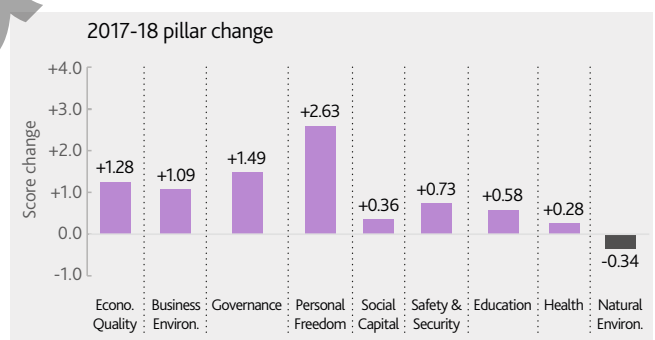
While the US actually improved its score more than Canada, this didn't translate into any change in global rank and it remains at 17th, Canada moved up from 11th to 8th.



Pillar highlights: strong improvements in economic and institutional pillars

The regional gain of North America was heavily driven by four pillars: Personal Freedom, Governance, Economic Quality, and Business Environment. The region remains top of the rankings for Economic Quality, Business Environment, Social Capital and Education.

Governance scores regained lost ground this year. The regional score is slightly better than last year, and Canada and the US sit at 8th and 19th respectively. After a decline last year, judicial independence scores improved in the US, and in Canada more citizens had confidence in the honesty of elections.



After a substantial dip in Personal Freedom scores during 2017, the region has exceeded 2016 levels this year, with the largest increase resulting from the number of people reporting satisfaction with freedom, which is 87%. Canada overtook New Zealand to take the top spot for Personal Freedom this year, whereas the US sits at 28th.

North America remains far above any other region for Business Environment. Canada ranks 3rd in this pillar and the US is 1st. Despite improvements this year overall, both countries received lower scores in the Logistics Performance Index, a measure of the ease of transporting goods into and across a country.

Canada saw a sharp fall in Social Capital, dropping from sixth place in last year's report to 11th this year. Fewer Canadians reported that they volunteered, voiced their opinion to a public official, and made donations to charity. The US increased its score overall, with more people reporting that they gave donations and received help. A recent report highlighted that, in 2017, Americans gave more than \$400 billion to US charities, the largest sum ever.¹

Education saw moderate improvements; more Americans and Canadians reported being satisfied with their children's schools and believe their kids are actually learning.

In Safety and Security, more Canadians reported consistently having available food and shelter, and in the US, there was a small fall in people feeling safe at night and the number of homicides increased slightly from 4.4 per 100,000 to 4.9.

Both nations improved their Health scores this year, yet they still perform badly in illness and risk factors; 36% of the US population is obese, which is the second highest in the world after Kuwait, and up from 29% in 2007. Canada also has a high level of obesity, with 29% of its population obese, up from 23% in 2007.

Within Economic Quality, Canada ranked 21st and didn't register a decline in a single indicator. The US, whilst rising in score overall, saw a fall as a result of a small decline in its economic complexity score.

Canada saw an improvement in the Natural Environment pillar this year, with an increase in the amount of wastewater that is treated, from 70% to 82%. In contrast, this was the only pillar in which the US declined, triggered by an increase in air pollution.

Security and Living Standards

As has been noted, one of the major themes of this report is that Safety and Security is foundational for prosperity, which is about whether people are safe, housed and fed. This depends largely on people securing adequate income, so measures of poverty and satisfaction with income are important. While North America is the most prosperous region overall, it falls a long way behind Western Europe in Safety and Security, while on measures of living standards, it scores similarly.

Although only two countries, North America is very diverse. It is therefore important to look at a sub-national level to understand the patterns of prosperity.²

Personal Safety

The region comes second in the world for Safety and Security – Canada ranks 17th and the US comes in at 43rd. Ranked alongside Western Europe, under Safety and Security it would be second from last, ahead of only Greece. In the US however, this poor overall performance masks some significant regional disparities.

The US falls behind on a number of indicators related to personal safety and living conditions. Its homicide rate is 4.9 per 100,000 people, which is 87th in the world. In Canada, the rate is 1.7, ranking it at 49th. There is significant variation across the United States – the homicide rate in northeastern states is 3.5, versus 6.4 in the southern states. In New Hampshire it is just 1.3, versus 11.8 in Louisiana. If they were countries, New Hampshire would rank 37th, whereas Louisiana would rank 128th in the Index, similar to countries such as Panama and Uganda.³

There is also a high rate of road deaths – 12.1 per 100,000 in the US (ranking it 62nd in the world), and 6.1 in Canada (ranking it 28th). The rate of road deaths is much higher in the south and midwest. The best performing states, Rhode Island and Massachusetts, would be in the top 20 countries in the Index for this indicator. The worst, Wyoming, would place 118th in the global rankings, similar to a number of Sub-Saharan Africa countries.⁴

In terms of security of property, 14% of people report property theft in the US (76th), and 10% in Canada (42nd). Again, there are wide disparities across individual regions within North America. Although this survey data is not available at a state level, the number of property crime incidents shows that the northeastern and midwestern states have

significantly less crime than southern and western states. On average, in the northeast there are 1,600 incidents per 100,000 people, compared to around 2,700 in the south and western states. The patterns are similar for the measure of how safe people feel walking home alone at night, where the northeast and midwest outperform the south and west.⁵

Security of Living Conditions

When considering adequate food and shelter, North America performs more strongly. In Canada, 11% of people say they have struggled to provide enough food for their families (24th in the world), and in the US it is 19% (44th).

In Canada, 7% say they have found it difficult to provide adequate shelter (22nd), compared to 13% in the US (38th). Within the US, the southern states perform poorest across these two indicators. However, there are higher rates of homelessness in northeastern and western states.⁶

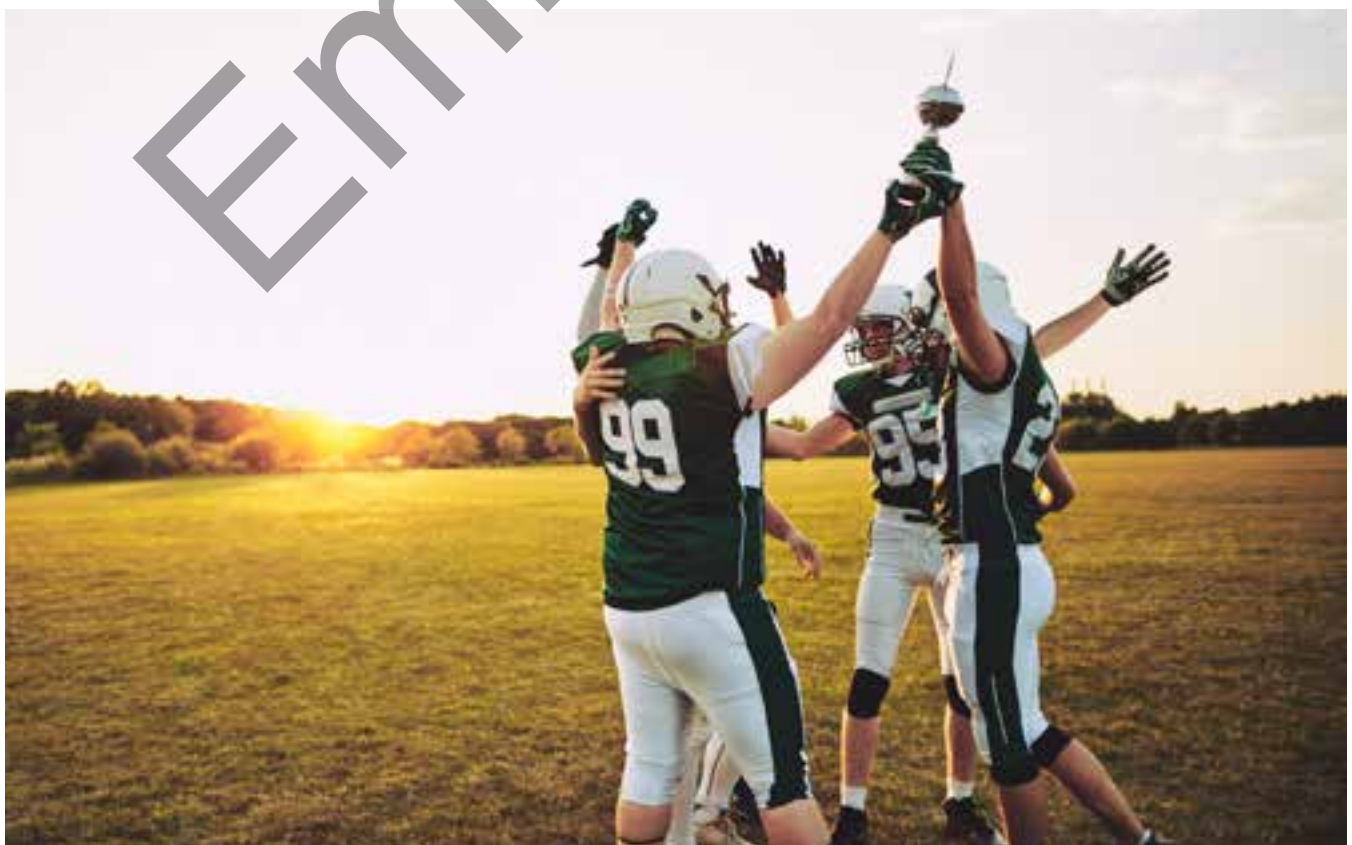
Standard of Living

In many cases, a person's income has a significant effect on the security of that person and their family. Within the Economic Quality pillar, we measure people's perceptions of their own living standards, as well as poverty rates.

Both the US and Canada are relatively strong on perceptions of living standards and household income. 87% of people are satisfied with their standard of living in Canada (15th in the world), and 84% in the US (19th). On this measure, the lowest scoring state, Mississippi, would rank 53rd, showing that the spread across this indicator is not as wide as others at a sub-national level.

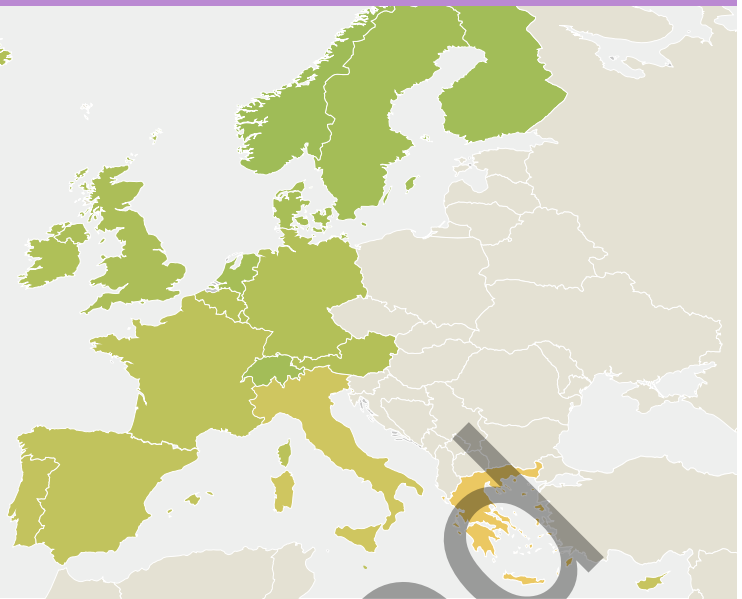
Despite a low absolute poverty rate (the number of people living on less than \$1.90), both the US and Canada have high relative poverty rates at 17.8% of the population (65th) and 14.2% (50th). Unsurprisingly, the states with the lowest poverty rates are in the northeast, and the states with the highest poverty rates are in the south and west; Mississippi, Louisiana and New Mexico are all in the bottom three.⁷

This analysis shows the value in understanding the sub-regional, and even sub-national, features of prosperity. Like other global regions, different parts of North America face different challenges to prosperity.



Western Europe (2nd)

Country	Global rank	Country	Global rank
Norway	1	Germany	14
Finland	3	Austria	15
Switzerland	4	Belgium	16
Denmark	5	Malta	19
Sweden	6	France	20
United Kingdom	7	Portugal	24
Netherlands	9	Spain	25
Ireland	10	Cyprus	28
Iceland	11	Italy	34
Luxembourg	12	Greece	52



Overall picture of prosperity: Slow growth

In 2018 the level of prosperity within Western Europe improved, although Western Europe scores below North America. The largest improvements come from Economic Quality, Natural Environment, and Social Capital.

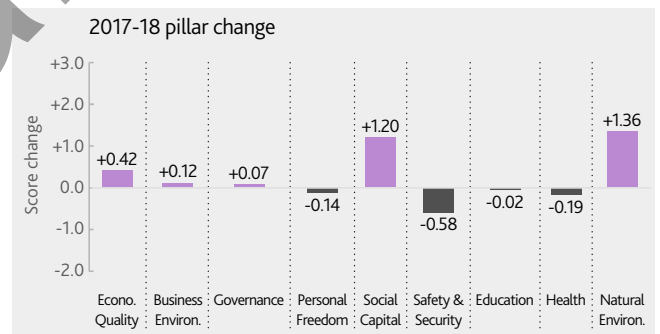
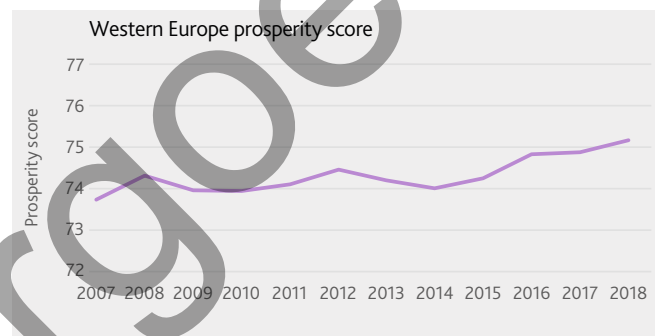
The largest risers this year were **Portugal** and **Cyprus**, whereas **Greece** is the biggest faller. Norway is the world's top-ranked country.

Pillar highlights: Higher levels of Social Capital and Natural Environment, but a less safe region

Natural Environment was one of the keys to rising prosperity in Western Europe this year; gains within this pillar have come primarily from improved wastewater treatment and rising levels of marine area protection. The highest areas of marine area protection are in France and Germany, who each conserve 45% of their territorial waters.

No other region saw as large a gain in Social Capital as Western Europe. After a decline in civic engagement for the past few years, the region has bounced back from the recent slump.

However, this growth has been offset by a decline in levels of Safety and Security, falling mostly because of an increase in political terror scores.



In the spotlight: risers and fallers

Norway (1st) tops the Index this year. Its high score is driven by the best Safety and Security in the world, as well as coming in the top 10 for all but one pillar.

The **United Kingdom** sits at 7th in the Index. This year Britons have reported a greater level of Social Capital with increased civic participation, and more people reporting willingness to help others. Moderate gains in Natural Environment were also made.

There have been mixed developments in **Germany**, which ranks 14th. Higher scores of Personal Freedom came partly through legalisation of same-sex marriage in Germany towards the end of 2017, after a law passed the Bundestag on 30 June and the Bundesrat on 7 July 2017. Natural Environment also improved after a decrease in air pollution. These gains, however, have been negated by a drop in score in other pillars. For example, under the Health pillar, the prevalence of diabetes and obesity is increasing.

Malta has seen consistent improvements in its prosperity score over recent years, with notable contributions coming from improving Education and Natural Environment. Improved wastewater treatment (Natural Environment) and better human capital scores (Education) have led to Malta's rise from 26th in 2012 to 19th this year.

Greece continues to fall down the rankings, dropping three places from 2017 to 52nd in this year's Index. Greece has seen significant declines in Social Capital and Safety and Security. Greece has decreased in every single indicator in Social Capital, and, under Safety and Security, Greeks reported feeling less safe at night, and that they had property stolen more often.

Portugal has improved in almost every pillar this year, with its largest gains coming through Economic Quality and in particular an acceleration of economic growth. Within Personal Freedom, scores also went up, including reported rises in tolerance towards immigrants, and in satisfaction with freedom.



Governance varies across Western Europe

In last year's report we noted that there is a dividing line in Western Europe that splits the countries in the north of the region from those in the south. If the north was a single region, it would rank first, ahead of North America, and the southern European states would rank third. That dividing line is particularly strong in Governance.

Northern countries, rank between first and 16th on Governance. Southern countries (made up of Greece, Spain, Portugal, Italy, Malta, Cyprus and France) rank between 21st and 54th. In other words, the effectiveness and integrity of governance, and the rule of law is much poorer in southern Europe than in northern Europe.

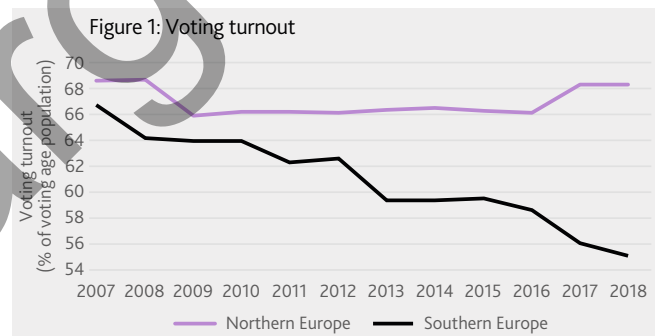
The Governance pillar measures four key areas: rule of law, government integrity, government performance, and political participation. Taking each of these in turn, we begin to see the divergence of north and south.

First, rule of law measures the confidence in rules in society, southern Europe scores much lower than its northern neighbours. The top four countries in the world for this area are all from northern Europe: Sweden, Norway, Finland, and Switzerland. Southern Europe, meanwhile, languishes behind. Italy and Greece are the worst performers, ranking 60th and 67th, respectively.

The second area is government integrity, which is the degree to which a government operates in a transparent and predictable manner with minimal corruption. The measure of corruption has remained relatively stable across the region in recent years with the notable exception of Spain whose score has declined following a range of corruption scandals in recent years.¹

The third area is government performance, which measures the performance of the civil service and how well policy incentivises business. Within this area there has been a drop in both northern and southern countries, notably in measures of government effectiveness and regulatory quality.

The fourth area measures political participation, which examines whether there is active participation and representation in the political process. Here, the most notable pattern is the divergence in voter turnout in the



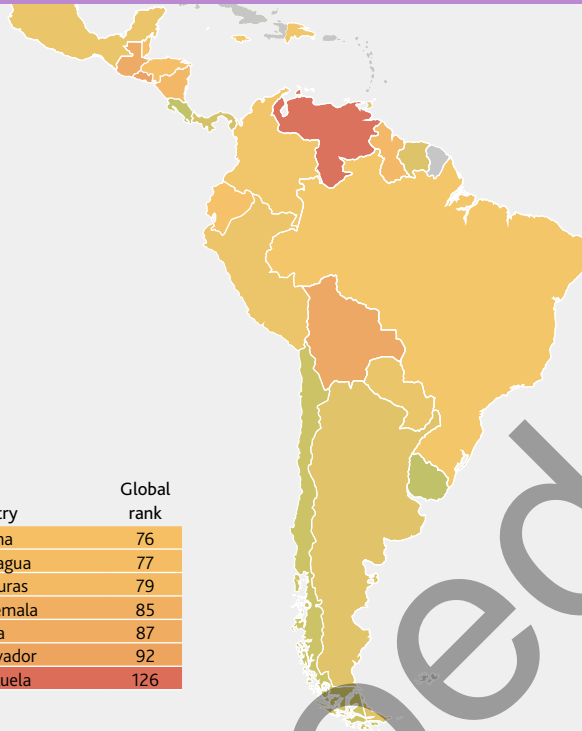
south compared to the north. In 2007, the average turnout in both regions was broadly similar, standing at 69% in the north and 67% in the south, but in 2018 that had fallen to 55% in the south (while remaining the same in the north).

In addition, the percentage of people reporting confidence in the outcome of elections has also diverged over the same period. In southern Europe, it has fallen from 57% to 49%, while in northern Europe the same measure currently stands at 70%. On both voter turnout and confidence in elections Cyprus saw the largest falls, with voter turnout dropping by 20% to 39% and the number of people having confidence in elections falling by 48% (down from 76%).

This fall in turnout is surprising, given the political turbulence of recent years coupled with the well-documented rise, and success, of populist politicians across Europe. One possible reason for their success is the "enthusiasm gap", which suggests that while moderate voters are disillusioned with politics and less likely to vote, those voting for populist parties often generate much more enthusiasm for their candidates over conventional parties. So, as the overall voter turnout falls as a result of this disillusionment, populist politicians generate a higher overall share of the vote, even as the overall turnout is lower.²

Politics aside, the data speaks for itself: the nations of Western Europe are diverging based on some core principles of good governance. The countries of the south need to show clear improvements need improvements in the rule of law and the levels of political participation to address the slide.

Latin America and the Caribbean (3rd)



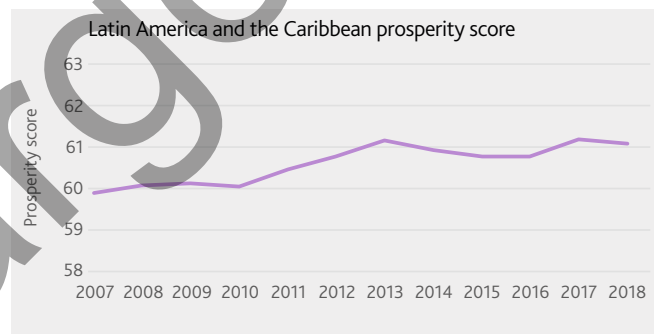
Country	Global rank	Country	Global rank	Country	Global rank
Uruguay	30	Colombia	57	Guyana	76
Costa Rica	31	Mexico	59	Nicaragua	77
Chile	38	Peru	60	Honduras	79
Panama	43	Paraguay	61	Guatemala	85
Trinidad and Tobago	48	Dominican Republic	63	Bolivia	87
Suriname	50	Brazil	65	El Salvador	92
Argentina	53	Ecuador	71	Venezuela	126
Jamaica	54	Belize	72		

Countries with populations over 1 million and not included in the Index due to lack of data: Cuba, Haiti, Puerto Rico

Overall picture of prosperity: slowing growth

Latin America and the Caribbean is the third-highest ranking region in prosperity, but is being caught up by Asia and Eastern Europe. Prosperity in the region effectively stayed the same this year and levels are still just below the high point in 2013.

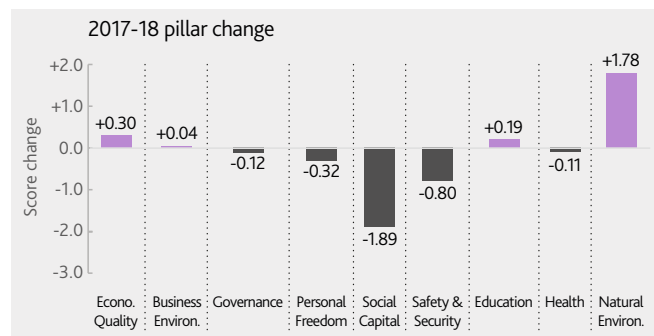
The prosperity in the region's countries remain closely grouped, with the exception of Venezuela, which is ranked 126th. Whilst 15 countries increased their prosperity over the past year, the biggest of the eight fallers was **Brazil**, by far the region's most populous country, which brought the overall average for the region down.



Pillar highlights: greater focus on the environment

Safety and Security continues a decade-long fall. The largest falls came because fewer people reported that they had enough food and adequate shelter for themselves and their families. This is consistent with the trend of decline in the pillar since 2012.

Last year the Latin American and Caribbean region improved most in the Natural Environment pillar, with all but three countries in the region increasing their score. Most of these gains came from improvement in wastewater treatment and an increase in marine protected areas.



In the spotlight: risers and fallers

Colombia is one of the largest risers in the region, rising from 66th in last year's report to 57th this year. While there have been substantial gains in the Safety and Security pillar with the number of civilian casualties from conflict falling dramatically following the peace agreement signed with FARC in 2016 between President Juan Manuel Santos and the Revolutionary Armed Forces of Colombia, Colombia still ranks 131st for Safety and Security worldwide. Over a longer period, its Business Environment, Natural Environment and Personal Freedom scores have all improved considerably.

Paraguay, ranked 61st, increased its overall prosperity over the past year, with significant improvements in its Social Capital score. This was driven by more people volunteering, voicing their opinion, and more people saying they would help a stranger. For more, see our feature on Paraguay.

Brazil, ranked 65th, fell in prosperity over the past year, and over the past five years it has been the third largest faller in the region. Economic Quality has worsened following a two-year recession in 2015-16 and stagnation in its reduction of poverty. Its Governance score has declined perhaps due in part to the Petrobras scandal and the ensuing political instability. It has, however, improved its Natural Environment score by protecting more marine areas.

Jamaica has seen the greatest increase in prosperity in the region over the past five years and is the fourth biggest riser over the past year. This can be attributed to a better Natural Environment score, through a higher rate of wastewater treatment. Over the longer term, it has improved its Business Environment by making it easier to access credit and building stronger intellectual property protection. It has also seen increases in Personal Freedom (through greater social tolerance) and Governance (through improved confidence in elections and confidence in government).

Economic wellbeing is under threat

For a country to prosper, it must promote wealth creation alongside wellbeing. Despite being the third most prosperous region in the world, Latin America and the Caribbean faces major challenges in sustaining economic wellbeing. We see this first in the Business Environment pillar, which measures how well a country promotes business and industry. The second pillar is Economic Quality, which is about how well a country's economy is equipped for generating wealth. Finally, wealth creation depends on the Governance pillar, which is fundamental to attracting investment, and providing the environment for growth.

Business Environment

The region comes fifth for Business Environment and has seen slower growth in this pillar than Asia, Sub-Saharan Africa, Eastern Europe and MENA over the last 10 years. This is largely due to the difficulties associated with starting a business. On this indicator, the region as a whole ranks last. In 11 countries, it takes longer than 20 days to register a business. In Ecuador, for example, it takes 49 days to start a business, compared to three in Jamaica, the region's best performer.

A second major weakness is labour market flexibility, where Latin America and the Caribbean is the worst performer. An inflexible labour market affects the productivity of firms and ability of people to find work. Executives in this region are highly critical of existing labour market regulations. Brazil, for example, is 148th for this indicator. The cost of redundancy is also high: in Argentina, for example, redundancy payments are equivalent to 30 weeks of salary, which ranks it 133rd for the cost of making someone redundant.

These inefficient business regulations can push firms into the "informal economy", where jobs are unlikely to be regulated, pension savings are unlikely to be collected, and wages are unlikely to be taxed. As a result, firms are often kept small, uncompetitive, and unproductive.

Economic Quality

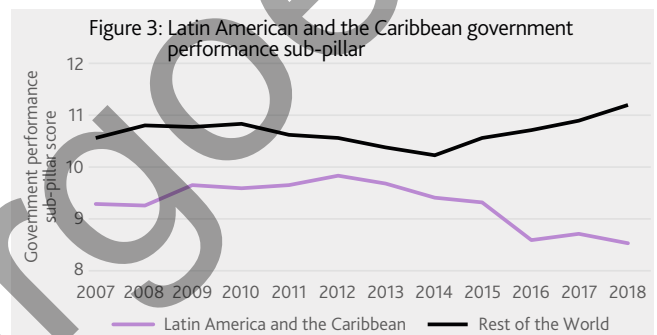
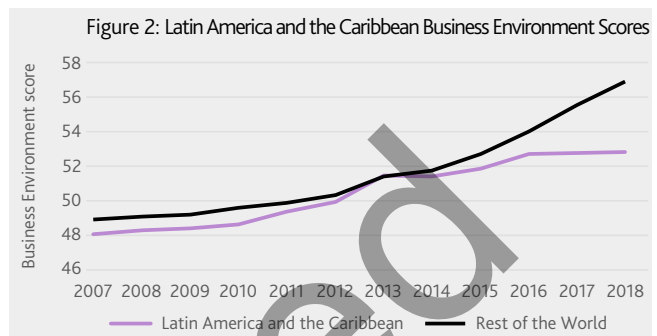
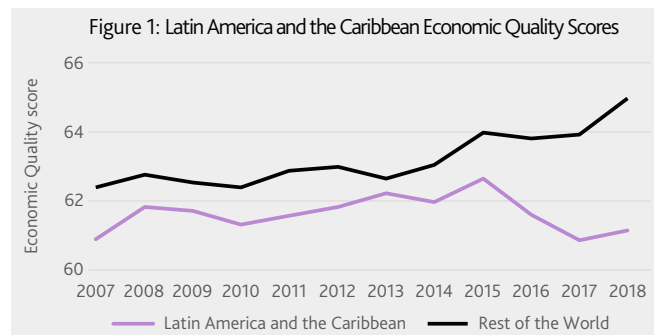
In Economic Quality, Latin America and the Caribbean is the fifth ranked region, and the only region to see a five year decline, caused by weaknesses across the pillar. It performs poorly in measures of trade: it comes last in perceptions of non-tariff barriers to trade. In terms of the quality and economic complexity of exports, it comes fifth out of seven regions on both indicators, and both have also been declining over the last five years.

Beyond the unstable macroeconomic policy, one of the main reasons for decline has been the falling living standards in the region. Average real per capita economic growth has slowed over the last five years, and is now just 0.35% per annum. Brazil accounts for much of this malaise; it is home to one third of the region's population and entered its worst ever recession in 2014. The economy shrank by 3% for two consecutive years, and has struggled to recover. This region also has significant challenges in confronting poverty. 3.6% of the population is in absolute poverty, and 25.6% is in relative poverty (sixth ranked region in the world). For example, according to Mexico's own measures, 43% of its population is classed as living in relative poverty.

Unfortunately employment, the major driver of lifting people out of poverty, is at low levels in the region. Unemployment has actually worsened, with 8.09% of adults in the labour force unemployed, up from 6.16% five years ago. During its recession, unemployment in Brazil doubled, from 6.7% to almost 13%. While the recession is now technically over, its unemployment figures are still the worst amongst its Latin American and Caribbean peers. But unemployment is also high in other countries: eight other countries have unemployment rates over 8%. The challenge is even more acute for young people in the area. For example, youth unemployment is 30% in Brazil, in Argentina it is 24%, and 17% in Chile.

Governance and corruption challenges

In its 2017 *Risks Report*, the World Economic Forum noted that for executives in Latin America and the Caribbean, the greatest risk for businesses was failure of national governance.¹ Good governance provides a



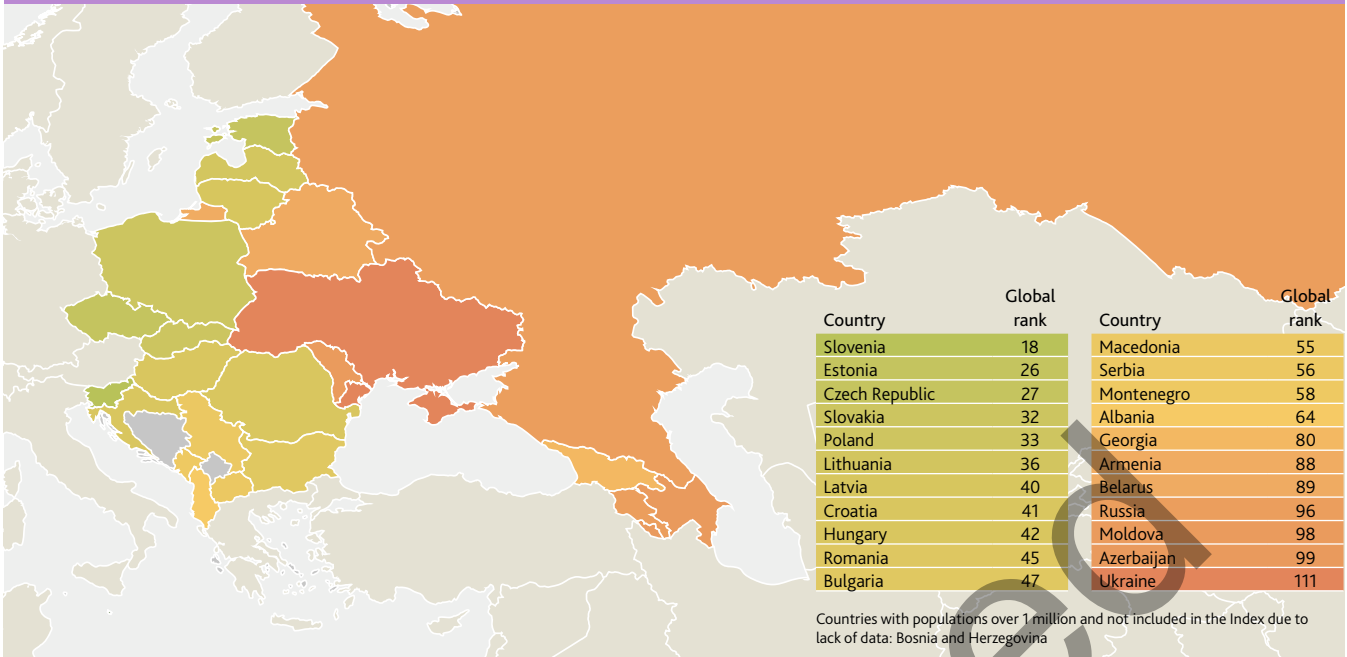
stable economic environment, as well as ensuring the correct reforms are undertaken to help businesses operate better. In this region, the picture is mixed. Latin Americans have the highest voter turnout in the world and the second highest proportion of female representation in legislatures. However, on other aspects of Governance the region performs poorly.

On measures of government performance, the region's score is low and declining. Just 26% of people have confidence in the government (the worst of all regions), with particularly poor scores in the largest economies, Brazil, Colombia, Mexico and Argentina. Many governments also face severe fiscal challenges. Argentina faces a large budget deficit and the Brazilian government is also running large government deficits, spending 34% of government revenue on interest repayments.

Government integrity is also low (sixth ranked region in the world). Business executives rank many of the countries poorly for the transparency of policy making, and perceived corruption is rife. The region has suffered a number of corruption scandals recently. An example is the ongoing investigation into executives at Petrobras, Brazil's state-owned oil company, which accepted bribes in exchange for awarding construction contracts.² The scandal has affected several other countries in Latin America and has implicated several politicians. Another example is Peru's president who, in March of this year, resigned after being found to be offering access to public works contracts in exchange for votes.³ In Guatemala, the President has been openly attempting to curb the authority of the state anti-corruption body.⁴

It has been suggested that these scandals have been driving distrust of the government, and some have noted that populist, authoritarian leaders are taking advantage of this mood.⁵ But others have noted that these scandals reveal a new zeal for tackling corruption.⁶ While an increase in corruption investigations can, in the short run, increase frustration in government, a sustained reduction in corruption will improve prosperity in the long run.

Eastern Europe (4th)



Overall picture of prosperity: steadily rising

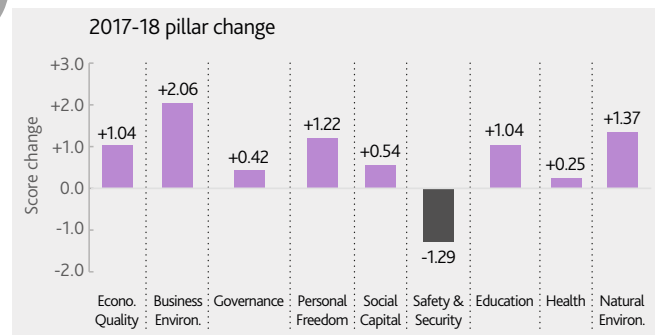
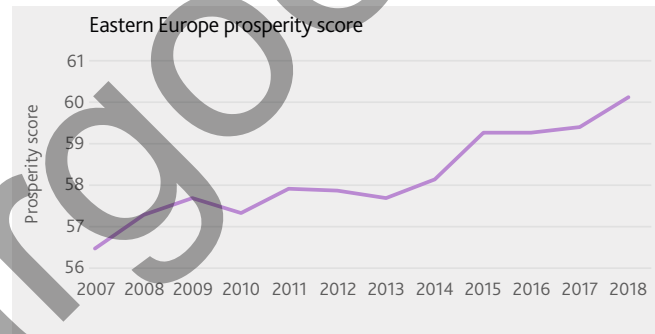
Eastern Europe's prosperity has risen steadily over the past decade. The region has been rising at a faster rate than the world average – with last year's increase the second largest of any region.

Over the past five years, all countries in the region, except Ukraine, have increased their overall score. Over the past year, all but two countries (Czech Republic and Latvia) improved their prosperity.

Pillar highlights: falling Safety and Security, and a rising Business Environment

Safety and Security declined significantly this year. Russia is the main driver of the fall in scores, but there have also been significant decreases in Poland, Moldova and Croatia. In Russia and Poland, there was an increase in the political terror indicator, a measure of state sponsored violence. In nine of the countries that fell, there were also significant falls in the reported availability of food and availability of shelter.

Within Business Environment, investor protections and the ease of starting a business have grown significantly. Strong growth in Business Environment over the past decade means Eastern Europe is now at almost the same score as the rest of world average for this pillar, although there are significant differences across the region.



In the spotlight: where next for improvement?

The "velvet divorce" between **Czech Republic** and **Slovakia** has led to two countries with similar levels of prosperity. They are ranked third and fourth in Eastern Europe and are ranked a dozen or fewer places apart in all but one of the nine pillars (Business Environment). Both have strong automobile export industries and both are each other's second largest export destination, behind Germany for both countries. The two countries score lowly for labour market flexibility, ranked 110th and 118th in this sub-pillar.

Croatia performs well generally, ranked eighth in the region, but it performs poorly in the Business Environment pillar, ranked 104th globally and positioned behind Ukraine in the region. It is perceived as a poor place to start a business, and has a high cost of doing so. Finance is hard to arrange and labour market regulations are numerous.

Romania, ranked 10th in the region (and 45th globally), improved its prosperity the most in the region over the past five years, climbing 16 ranks. Gains have been made across all pillars, with the biggest improvements in the Business Environment and Social Capital pillars. In contrast to the region's overall downward trend in Personal Freedom, Romania has risen in the past decade. Romania, and the whole region, perform particularly poorly in Health. Some of the reasons for this are high diabetes levels, high obesity and low vaccination rates.

Understanding prosperity in Eastern Europe

Eastern Europe as a whole has experienced greater growth in prosperity over the last decade than any other region, except for Asia-Pacific. Since 1991, GDP per capita has risen by over €10,000, an almost five-fold increase. But the drivers of prosperity vary across the region. When considering these drivers four zones emerge: the northern “entrepreneurial sea”, the central “industrial hinterlands”, the south-east “food hub” and the eastern former Commonwealth of Independent States (“former CIS”). This year’s Prosperity Index shows that, for each zone, there are different journeys to prosperity, and different challenges to overcome in order to build future prosperity.¹

The industrial hinterlands

The “industrial hinterlands” is the most prosperous zone within Eastern Europe, and is made up of parts of Poland, Czech Republic, Slovakia, Slovenia, and parts of Hungary. They score highly in the Economic Quality pillar and in measures of business infrastructure within the Business Environment pillar, with countries ranking globally between 22nd and 51st for the logistics performance index, and between 29th and 45th for fixed broadband subscriptions. This area forms a key part of the integrated European supply chain supporting Germany’s hub of engineering excellence, and this is one of the reasons for the zone’s success. They have a relatively highly-skilled but low-cost workforce, so firms in neighbouring countries, notably Germany and Austria, have made use of the hinterlands to lower costs and maintain competitiveness. The region has flourished economically over the last decade, primarily driven by industries around vehicle production.

The region’s focus on car production over the last few decades has been a strategic move that led to swiftly-rising prosperity, but the industry faces big challenges over the coming decades and the hinterlands will need to adapt. There are two areas that could support improvement. First, improving labour market flexibility. All countries in the zone rank in the bottom 50 for hiring and firing practices in this year’s Index. Second, the entrepreneurial environment requires improvement. In all countries people have poor perceptions about the value of working hard to get ahead, and three of the four countries rank 90th or below for ease of starting a business. Creating a more entrepreneurial environment would greatly strengthen the quality of the hinterlands’ business environment.

The Baltic entrepreneurial sea

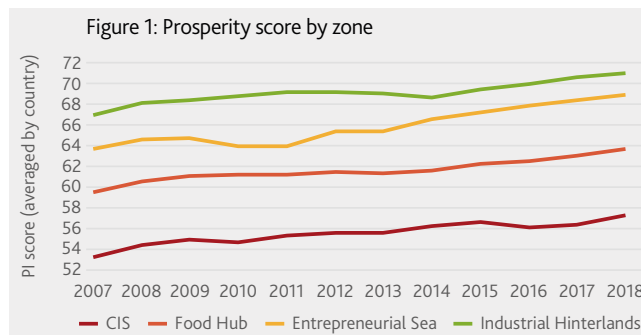
The Baltic “entrepreneurial sea”, consisting of Estonia, Latvia and Lithuania, along with certain sections of Poland, gains its name from its close proximity to the highly entrepreneurial Nordic states, but this is not all it inherits from the Baltic Sea. Partly born of geographical proximity to Finland, Denmark and Sweden, and the trade and commerce opportunities this presents, and partly resulting from the virulent rejection of Russian influence post 1991, these countries perform strongly across entrepreneurial aspects and within Eastern Europe have some of the greatest levels of prosperity. Estonia, Latvia and Lithuania rank 10th, 18th and 24th globally in the ease of starting a business. Latvia now ranks 10th for the ease of getting credit, and every country has increased its score in this indicator over the last five years. Their entrepreneurial successes, moving into new industries such as digital technologies and cyber securities, put them in good stead for future prosperity.

For more on one of the region’s success stories, see our feature on Estonia.

Southeast Food Hub

The countries of the southeastern European “food hub” are parts of Hungary, Croatia, Romania, Bulgaria, Macedonia, Serbia, Montenegro and Albania. Based in the Danube river basin, they are fortunate to have extensive fertile agricultural lands and agriculture remains a primary component of their economies.

The focus on agriculture has stunted growth in the economies of these countries, which in turn has left them with poor levels of economic quality. The majority of the farms in the food hub are small and extremely inefficient; according to World Bank data over 25% of Romanian farmers are living under the \$5.50 per day poverty level. The food hub also contains



a number of non EU-member states who are less economically integrated and far less prosperous. There is high unemployment in most countries across the region. In Macedonia, it is highest at 23%. There is also high relative poverty. For example, in Serbia, 25.5% of people are below the national poverty line.

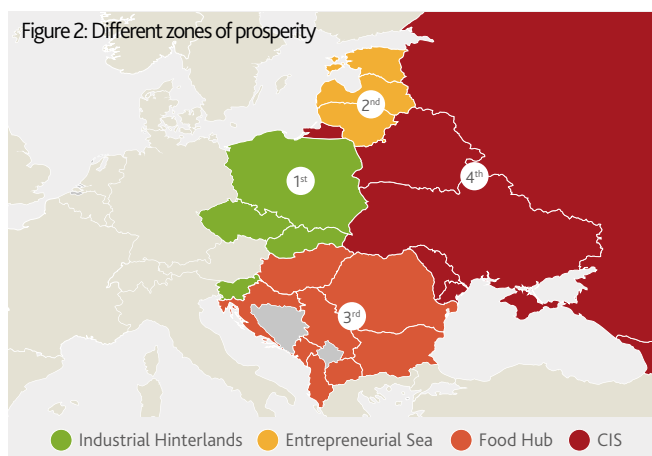
As noted in our *Central and Eastern European Prosperity Report*, outward migration of skilled workers remains a significant challenge to this zone. The greater development of urban centres across the zone should be a priority, along with assessing how local industry might use their strength as a food hub to move up the value chain of food processing.

Former CIS zone

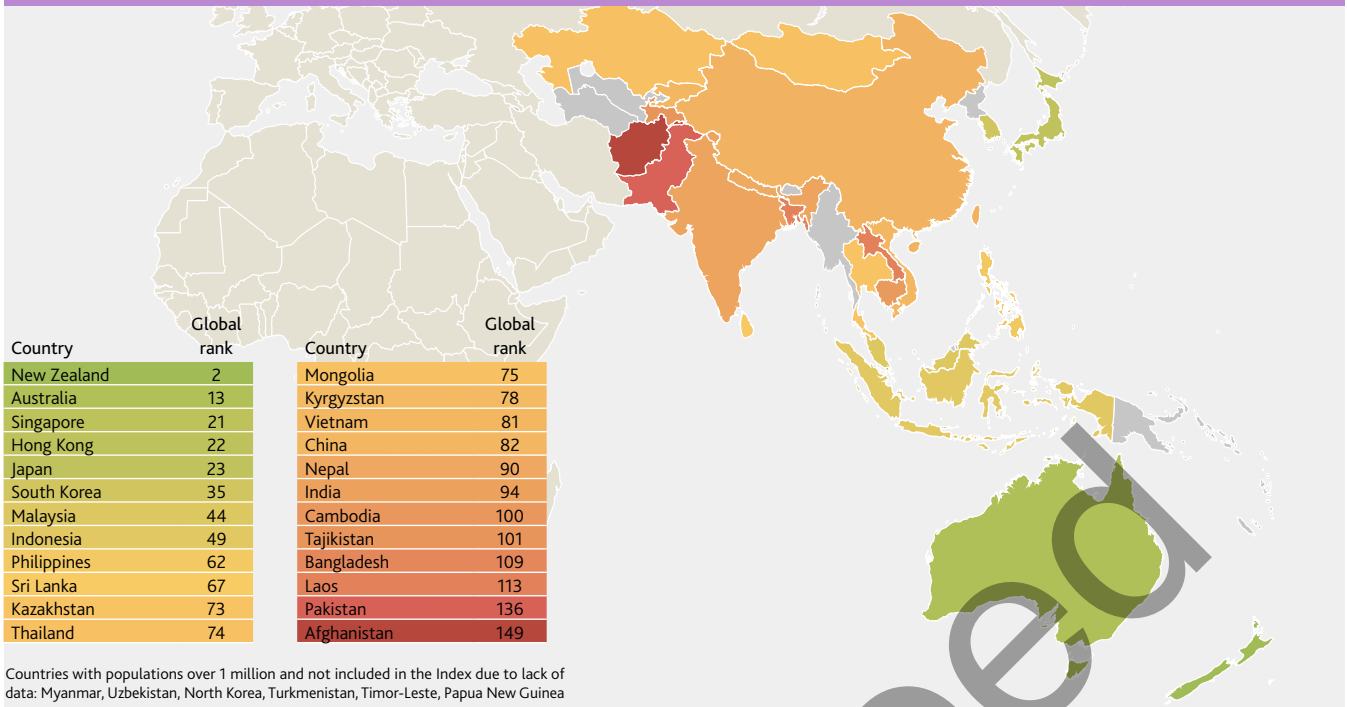
The former CIS zone, made up of Russia, Georgia, Belarus, Armenia, Moldova, Azerbaijan and the Ukraine, is by far the lowest performing of the four zones. It performs worst in all pillars, with the exception of education. The primary issue within the former CIS is the significant deficit of institutional foundations.

As a regional average, the former CIS would sit 129th in Personal Freedom, 124th in Governance, 117th in Social Capital, and 100th in Safety and Security. Governments in the region are largely totalitarian, preventing good governance and restricting important freedoms. For example, both Azerbaijan and Russia have the worst possible score for political rights, and four countries score in the bottom 50 for the World Bank’s rule of law measure. There are also severe government restrictions in practicing religion. For example, Georgia is the best performing country in this zone, but ranks just 91st globally.

In addition, all countries score extremely low on measures of social tolerance. For measures of perceived tolerance towards ethnic minorities, LGBT individuals, and immigrants, the best global rank for any country in this zone is 98th. For example only 1% of Azerbaijanis believe that their society is tolerant towards LGBT people. Russia is ranked as the seventh worst country in Pew’s measurement of social hostilities toward religion.



Asia-Pacific (5th)



Overall picture of prosperity: continuing long-term growth

Asia-Pacific has been the fastest growing region over the past 10 years. It has also risen over the past year, despite scores declining in seven of 24 countries. All pillars have had a score increase in the past decade, with the exception of Safety & Security, which has remained level.

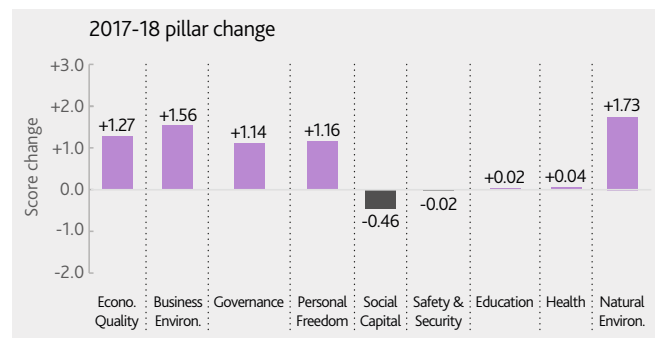
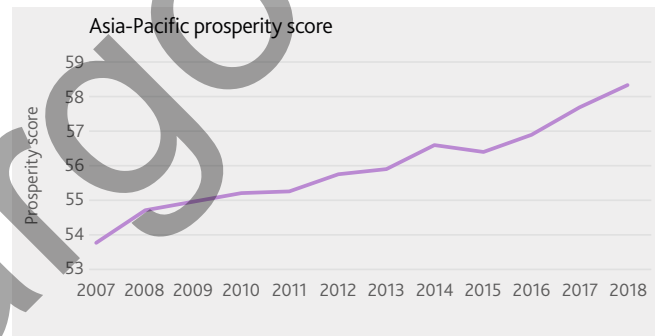
Many of the middle and lower ranking countries are improving prosperity levels at a higher rate than those at the top of the rankings. This year, the best improvers were **India, Bangladesh** and **Hong Kong**.

Pillar highlights: strong and growing Business Environment

Asia-Pacific is the third highest scoring region for Business Environment, with a significant increase in score over the past decade. This trend continued last year with rising scores in the access to credit and investor protection sub-pillars.

Asia is no longer last in the Natural Environment pillar and has overtaken Sub-Saharan Africa, in large part due to improvements in their wastewater treatment facilities.

Personal Freedom in the region is still low, but has increased slightly in each of the past three years, mostly due to greater social tolerance. However, basic legal rights in the region have declined in the same period.



In the spotlight: strengths and weaknesses

India now ranks 94th, and its prosperity score has risen the most in the past year, with all pillars except Social Capital improving. Governance is its highest ranking pillar and last year saw an increase in citizens' confidence in government. Other improvements include continued reductions in absolute poverty and an enhanced entrepreneurial environment, with easier access to credit, which improved the Business Environment rank by 11 places to 51st.

Cambodia's Governance score fell due to a reduction in their democracy level. They are ranked 100th overall and 130th for this pillar – they have now slipped behind China and are only ahead of Afghanistan for this pillar in Asia-Pacific. Their leader, Hun Sen, has now been in power for 33 years and has effectively instigated a one-party state.

Laos fell in the Social Capital pillar. Personal Freedom also fell in the country, with less tolerance towards immigrants and less satisfaction with the level of freedom.

Deaths from terrorism over a five-year period have decreased in **Pakistan**, which ranks 136th in the Index. This, combined with the continuing trend of improved living standards in the country has contributed to it having the third largest regional increase in prosperity over the past year.

Afghanistan is now last in the world rankings, after falling more than any other country. It fell most in Social Capital and Safety and Security. It ranks in the bottom 10 for six pillars and is no higher than 130th for any pillar.

Explaining Asia-Pacific's success

Asia-Pacific has risen more than any other region since the Prosperity Index began, and is home to some of the world's biggest economic success stories. Although it is the fifth ranking region overall, it comes third in Economic Quality, Business Environment and Governance. As noted in the Latin American feature, these pillars are essential for the foundations of economic wellbeing.

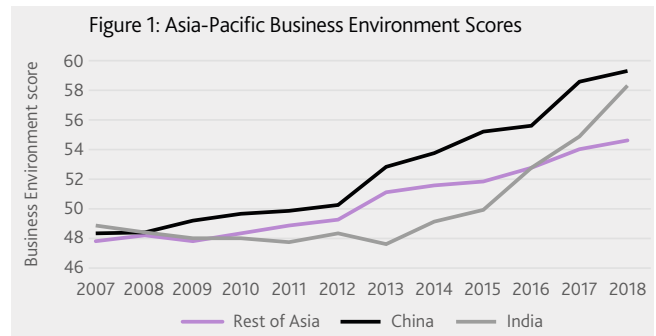
Two countries in the region exemplify this enormous increase in economic wellbeing. In the last decade, China and India have lifted large numbers of people out of absolute poverty, have economies that are growing much faster than those in the West and have moved 11 and six places respectively since 2007. Both countries, and the region more generally, are home to a growing middle class, who increasingly expect a higher standard of living, from the basics such as running water and electricity, to internet access and motor cars. However, there are significant differences in the way that they govern and the levels of freedom enjoyed by the citizens of these countries.

China, ranked 82nd this year, has reduced the percentage of people living in absolute poverty from 66% in 1990 to 1.4% in 2018. China's recent economic success is a well-told story, with predictions about China overtaking the US as the world's largest economy scattered across headlines. There is good justification for these predictions; China is 27th in the world for Economic Quality, with increased economic complexity and good anti-monopoly scores. Since the 1980s, China has increasingly opened up to the world, joining the World Trade Organisation in 2001 and further integrating into the world economy, although not without a few hurdles along the way.

The country's Business Environment has also been improving, currently at 43rd in the Index. The country still scores poorly on ease of starting a business (75th), but is ahead of Japan (85th) on this indicator and is improving. China currently makes up one of the biggest pools of unlisted companies with billion-dollar valuations, with 64 start-ups collectively valued at \$227 billion.¹ It also performs well on measures of business infrastructure, scoring 25th for the Logistic Performance Index and 41st for broadband subscriptions.

Although China scores well in measures of government competence, it will come as no surprise that political participation and Personal Freedom score poorly. This is a problem that the Communist Party of China (CPC) will eventually have to confront. As the country's middle class increases, thanks to more economic freedom, it is possible that they could begin to demand more political and personal freedoms, neither of which the CPC is in a hurry to relinquish.

India has also seen phenomenal change in the past decade, experiencing the sixth best economic growth per capita in the past five years and has moved from 100th to 94th for overall prosperity in the last 10 years. Like China, India too has a growing middle class and the Modi administration is determined to pull its remaining citizens out of poverty, with initiatives involving attempts to encourage poor households to open bank accounts, increasing internet connectivity, and, most recently, 'Modicare', a policy aimed at providing 500 million of the poorest Indians with healthcare.² This



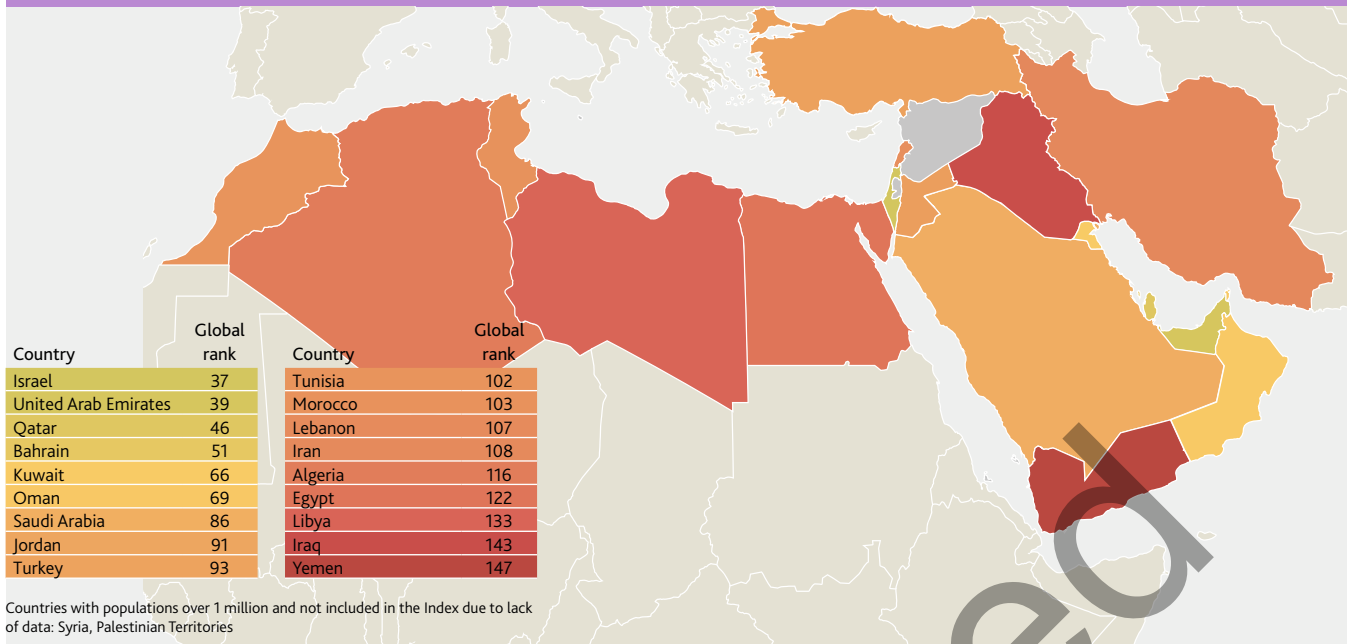
approach will of course have to be coupled with improving its Economic Quality and Business Environment pillars; it is still some way behind China in both these measures. India also scores very poorly on the ease of starting a business, coming in at 126th.

In contrast to China, India scores high in the Governance pillar, ranking at 40th in the world. As the world's largest democracy, India is very strong on measures of political participation, rule of law and government integrity. Yet the country is not without its problems; its treatment of women and minority rights is frequently called into question, with a growing educated middle class increasing scrutiny of these matters. The introduction of the Citizenship Amendment Bill is the most recent example of this, which will grant citizenship on the basis of religion but excludes provisions for Muslims.³

Some of these strengths and weaknesses are evident across other Asia-Pacific countries. Countries such as Malaysia and Indonesia are experiencing enormous growth, in part due to strong performance in Business Environment and Economic Quality. However, while the region has seen the best economic growth over the last five years, as we noted in last year's report, Personal Freedom in the region is poor. This might, in part, be due to a desire to maintain political stability so that economic growth can be sustained. Singapore is an example of a country that has done this successfully – it is ranked 98th for Personal Freedom but 21st for prosperity. The challenge faced by China's rulers are faced by others across the region; as people become wealthier it is likely they will ask for more political freedoms and influence.

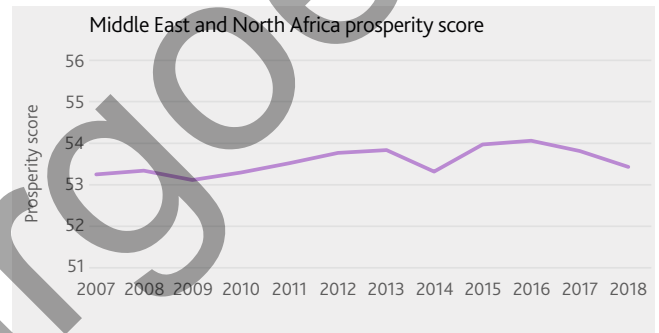


Middle East and North Africa (6th)



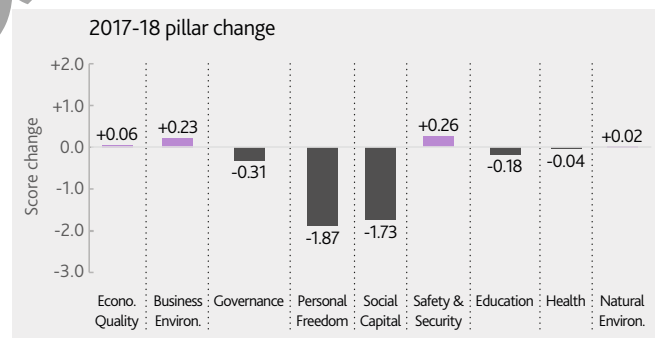
Overall picture of prosperity: decline at a time of international growth

The Middle East and North Africa (MENA) is the 6th ranked region and is one of only two regions to experience a decline in overall prosperity this year, with 11 of 18 countries' prosperity scores dropping since 2017. The rest of the world, overall, has experienced an increase in prosperity. Despite a wide range of scores within MENA (Israel ranks highest at 37th and Yemen lowest at 147th) the region faces a common challenge in Personal Freedom, where all countries fall outside the top 100.



Pillar highlights: Business Environment improves whilst Personal Freedom and Safety & Security continue a trend of long-term decline

Despite an improvement over the last year, Safety and Security has fallen over the last 10 years. There has been a rise in the number of refugees coming out of Libya and Iraq in the past year, and the region has seen a sustained decline in national security. This is unsurprising given the proximity of many countries to Syria.



Business Environment has experienced a clear and consistent rise since 2007, where various countries have improved access to credit and ease of starting a business. MENA as a region has a disproportionate number of countries that have declined in this pillar over the last 10 years.

In Health, the level of obesity in the adult population rose in **every MENA country** this year, with the largest risers being UAE, Algeria, and Egypt. This is already a significant issue in MENA, with the percentage of the population classed as obese ranging from 26% to 38% across the region (excluding Yemen at 17%).

In the spotlight: risers and fallers

Despite improving across most pillars, **Turkey** saw a large drop in Social Capital this year, with large falls in the number of people saying they help strangers, the number of people volunteering, and the number of people giving donations. As the government has become more autocratic, Governance and Personal Freedom have declined.

Whilst **Oman** ranks 52nd for Business Environment, it has made the second largest improvement in the ease of starting a business over the last 10 years in the region.

Tunisia worsened in Personal Freedom this year, with fewer citizens satisfied with freedom, and the largest drop in the government religious restrictions score.

Israel ranks 22nd in Governance and it is the only country in MENA to receive the top score for political rights from Freedom House, which is a measure of electoral process integrity, political pluralisms and participation, and the functioning of government. It also comes 24th for voter turnout, at 76% in the most recent elections, and 52nd for the number of women in Parliament, at 27.5% representation.

Lebanon saw a large fall in its Safety and Security score this year, due to a large increase in deaths from conflict. It also saw falls in Governance, Business Environment and Personal Freedom.



Three zones of prosperity

Prosperity in the region as a whole has stagnated over the past 10 years, but this veils the differing fortunes of three distinct zones within MENA. The countries of the Arabian Peninsula, excluding Yemen,¹ make up the Gulf area that is broadly prosperous, with a rate of improvement close to the world average. The countries of North Africa and those of the Old Persian Empire, stretching from Turkey in the west to Iran in the east,² had similar levels of prosperity in 2007. More recently they have started to diverge, with North Africa's prosperity declining over the past decade. The Old Persian Empire countries have experienced a slight improvement since 2007, but at a lower rate than that of the rest of the world.

The Gulf

The basis of prosperity for the countries of the Gulf has been provided by good ranks in Safety and Security as well as relatively strong economic foundations. The area is also particularly successful in Health, outperforming many countries in the world. However, institutions are weak, with poor Personal Freedom (a region-wide phenomena) and shortcomings in Governance, due primarily to almost no democratic participation in politics.

Furthermore, five of the six Gulf countries are in the bottom 50 worldwide for press freedom. In Oman for instance, there have been numerous cases of activists, intellectuals and citizens prosecuted for expressing non-aligned views in print and online media, and the recent Khashoggi killing has reinforced the lack of press freedom in Saudi Arabia. Civil liberties and freedom of expression is restricted with no country in this zone scoring better than five out of seven in the Freedom House civil liberties indicator (where seven is worst). However, the region, which contains a lot of immigrant workers, scores well for social tolerance. For example, the UAE is second globally for tolerance to immigrants.

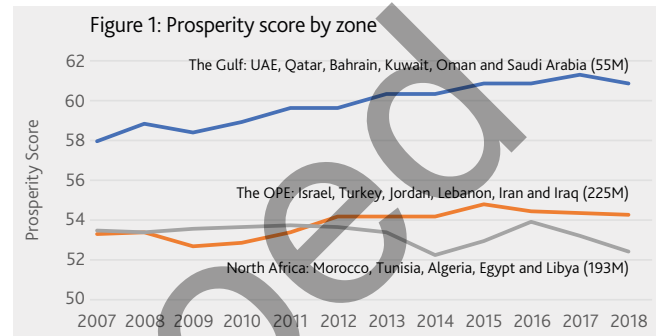
The economic foundations for Prosperity have continued to improve, with the Gulf area open to reform. In the 2018 *World Bank Doing Business* report, Saudi Arabia is ranked as the 2nd best reformer out of high income countries.³ The UAE has also been one of the biggest risers in ease of starting a business, rising from 81st to 45th in the last 10 years.

Confidence and perception of government effectiveness in the area is high, with a strong rule of law which is strengthening over time. For instance all countries rank within the top 50 for judicial independence. The reported perception of corruption is relatively low, with the UAE ranked highest by Transparency International at 21st although levels are higher in Kuwait and Bahrain (ranked 72th and 86th respectively).

Old Persian Empire (OPE)

With the exception of Israel, the countries of this zone are significantly less prosperous than the Gulf and are increasing their prosperity at a lower rate. They have weaker Safety and Security, weaker Governance (due to lower rule of law and worsening government integrity) and weak economic foundations.

This zone has a fundamentally precarious state of national security; other than Iran its countries all border Syria. The zone has a large number of



deaths from conflict, with Lebanon having the highest number in the Index. Terrorist attacks are frequent across the zone, with their prevalence worsening in Turkey in recent years, placing it 135th for this indicator.

Turkey is the main contributor to this zone's falling Governance score. Erdogan's attempts to transition the country away from democracy has led to its democracy level falling from 69th to 128th over the past 10 years, due to higher reported levels of judicial corruption. Iraq by contrast now ranks 80th for its level of democracy, up from 145th in 2008. It has improved from 147th to 138th in the overall Governance rankings in the same time period.

This sub-region has weaker economic foundations than the Gulf and lower economic growth. Unemployment rates are higher – over 10% higher than the Gulf in Iran, Jordan and Turkey. Investor protections are lower and this is coupled with greater difficulty in starting businesses. It is notable that the two oil-rich nations in the OPE, Iran and Iraq, score worst for Business Environment in the sub-region.

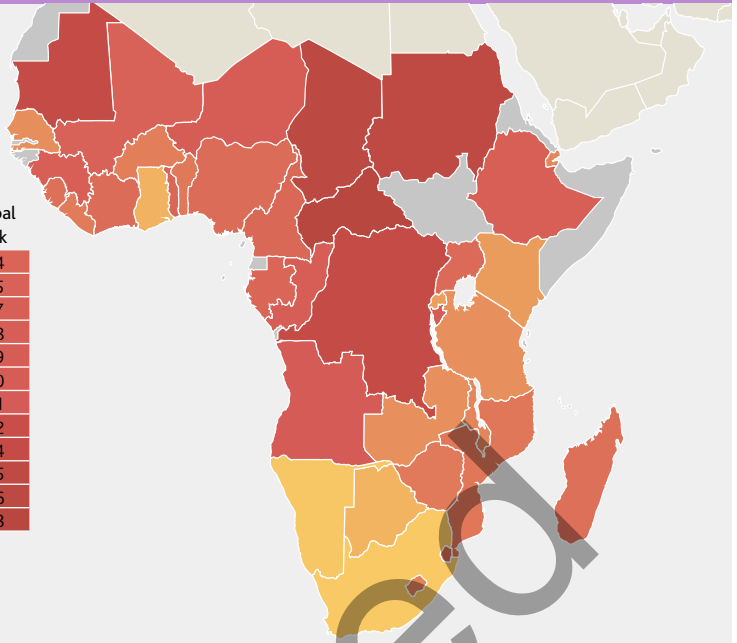
North Africa

The five North African countries are all in the bottom 50 for global prosperity, and all but Morocco have decreased in Prosperity over the past decade. Unstable Governance and the worsening of Safety and Security in the area has disrupted growth in Prosperity. In particular, Social Capital is weaker, and worsening (see our regional analysis in last year's report). Education and Health are also poor.

The consequences of the Arab Spring have not improved Governance and have worsened the Safety and Security of the zone, with Libya erupting into civil war in 2014. Egypt experienced a fall in its rule of law as it slid back to autocracy. Democracy in Tunisia was not accompanied with an improvement in government performance and the rule of law is now weaker there than before the Arab Spring. As a result of conflict in the region deaths from conflict and terrorism have increased, primarily in Libya and Egypt.

Four of the worst six countries in the MENA region for Health and Education are in North Africa (the others are Iraq and Yemen). Although there have been few changes in most measures, indicators of wellbeing have worsened among North African countries. For instance, more people are reporting sadness in all countries compared to a decade ago. Satisfaction with education has also decreased and parents perceive their children as learning less at school.

Sub-Saharan Africa (7th)



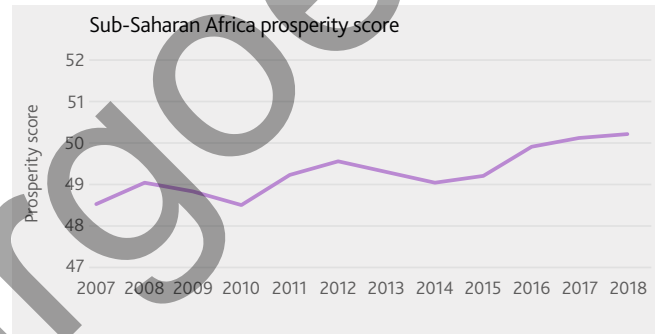
Country	Global rank	Country	Global rank	Country	Global rank
Mauritius	29	Liberia	117	Guinea	134
South Africa	68	Zimbabwe	118	Mali	135
Namibia	70	Benin	119	Ethiopia	137
Botswana	83	Mozambique	120	Congo	138
Ghana	84	Comoros	121	Niger	139
Rwanda	95	Togo	123	Burundi	140
Kenya	97	Sierra Leone	124	Angola	141
Tanzania	104	Madagascar	125	Mauritania	142
Zambia	105	Uganda	127	DRC	144
Senegal	106	Ivory Coast	128	Sudan	145
Malawi	110	Nigeria	129	Chad	146
Djibouti	112	Swaziland	130	CAR	148
Lesotho	114	Cameroon	131		
Burkina Faso	115	Gabon	132		

Countries with populations over 1 million and not included in the Index due to lack of data: Somalia, Eritrea, South Sudan, Gambia, Guinea-Bissau

Overall picture of prosperity: growth, but more needed

Prosperity in Sub-Saharan Africa increased slightly this year, continuing the trend of gradual improvement over the past decade. The gap between the rest of the world, however, is larger than in 2007, and the region remains the weakest performer.

Over the course of the past decade, 35 countries in the region increased their prosperity. There was mixed success for individual countries last year, with 20 countries improving their prosperity and 20 countries seeing it decrease.

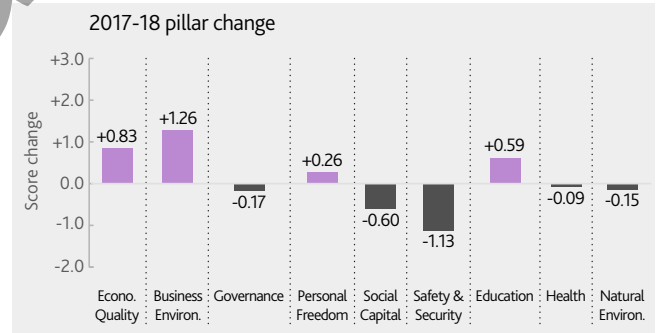


Pillar highlights: mixed success

The region as a whole has grown strongly in the Business Environment pillar over the past decade, in particular in the entrepreneurial environment sub-pillar, where it is now the third highest scoring region. There has also been an improvement in the access to credit indicator. Malawi and Cameroon were the world's largest risers in the pillar overall.

Even with a decline last year, Sub-Saharan Africa performs strongest relative to the rest of the world in Social Capital, and is the third-ranked region.

Safety and Security in the region fell in the past year, continuing its downward trend. Sub-Saharan Africa is the least safe region in the world, and has been since 2007.



In the spotlight: regional leaders

Rwanda has seen the largest improvement in Business Environment over the past decade, by instigating several business reforms. These include reducing the time to start a business, accessing credit and strengthening investor protections. Rwanda also performs well in the Governance pillar, placing third in the region and top worldwide for female parliamentarians (61%). This is an area the region as a whole is strong in, ranking third out of all regions.

Kenya, as the second-highest ranking country in Social Capital in the region, ranks third highest in the world for volunteering and 20th for voter turnout.

South Africa is the second-highest ranking country in the region for Personal Freedom, which scores well for legal rights for LGBT relationships and government restrictions on religion have gone down from last year.

Ghana is the second highest performer in the Economic Quality pillar in Sub-Saharan Africa. Ghana has improved in this pillar over the past year with improvements in its export quality index, a reduction in its trade barriers and a reduction in absolute poverty, causing a rise of 18 places to become second only to Mauritius in Sub-Saharan Africa. Ghana also has a 77% labour force participation rate.

Namibia performs well in several indicators within the Natural Environment pillar; for instance it is seventh overall for protected land area with 38% of its area conserved. In 1990, it was one of the first African countries to incorporate environmental protection into its constitution.

Education is fundamental to exploiting Sub-Saharan Africa's demographic dividend

In the 21st century, Sub-Saharan Africa will have the fastest growing population in the world. By 2050, there will be an additional one billion Africans on the planet. There are potentially enormous economic gains to be made from such a youthful, growing population. With a median age in 2012 of just 19 years, Sub-Saharan Africa has the opportunity to benefit from the demographic dividend, a boost in economic growth that occurs when there are growing number of people in the workforce relative to their dependents (the children and elderly).¹

But making the most of this opportunity requires ensuring that Africans move into meaningful and productive employment. One important area where Sub-Saharan Africa lags behind is in the human capital of their workforce, which is the stock of skills and knowledge of adults in the economy. Sub-Saharan Africa falls a long way behind other regions in our Education rankings, and it performs worst in human capital. For example, the average working-age African has just 1.5 years of secondary education, compared to 3.0 in MENA and 3.4 in Asia. The adult literacy rate is just 60%, compared to 80% in MENA and 83% in Asia.

Today's human capital is largely the result of yesterday's education and training system. Education is fundamental to prosperity, not only for its ability to enhance a fulfilling life, but for the productive capacity of the nation, which is limited by the skills of its citizens. Countries in Sub-Saharan Africa face the dual challenge of increasing both access to education (the number of children in school and the length of their time in school), and improving the quality (what, and how much, students learn while at school).

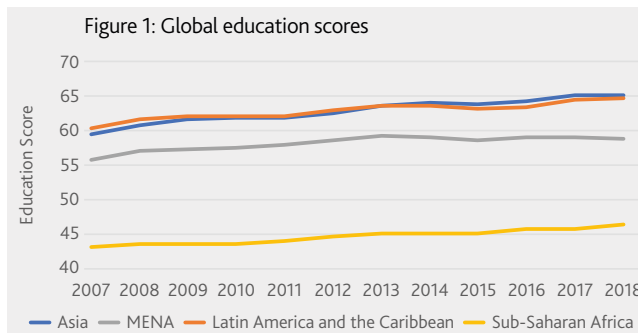
Access to education: Increasing enrolment

In recent years, there has been some improvement in the number of children attending school. The numbers of children completing primary school has increased from 59% to 69% since 2004. Further, the number of girls attending school has also increased. However, the problem of under-enrolment remains, particularly at secondary level – a recent Global Education Monitoring Report by UNESCO said that 58% of Sub-Saharan African 15-17 year-olds are out of school.² The proportion of children attending primary school is also low, at just 69%, compared to 94% in MENA and 97% in Asia. Further, while youth literacy has improved to 71%, it still falls far behind MENA (92%) and Asia (93%).

The Global Education Monitoring Report suggested four key ways to increase the number of children in classrooms.³ Firstly, they propose extending compulsory education to nine years and beyond. Many Sub-Saharan Africa countries have compulsory education that lasts six years or less. Extending compulsory schooling particularly improves enrolment for the most disadvantaged, which would help reduce inequality in educational outcomes. Secondly, the report makes the case for tackling child labour so that children can attend school. Thirdly, UNESCO argues for providing generous incentives for the poorest to continue education. The first step could simply be providing free education. For example, Benin saw primary school completion improve from 52% in 2007 to 81% in the latest year after abolishing school fees in 2007. But even where education is free, sending a child to school can impose economic costs on a family – so minimising those costs can reduce the opportunity cost for sending a child to school. Fourthly, the report suggests making secondary education more attractive to disadvantaged youth by providing tutoring or a more diverse curriculum.

Increasing the quality of education

Increasing enrolment is necessary, but not sufficient, for improving educational quality and ultimately, a nation's prosperity. Being present in a classroom does not guarantee educational outcomes.⁴ In the Index, the measure of education quality shows the region falls a long way behind. Out of the bottom 50 countries, 36 are from Sub-Saharan Africa. Another UNESCO study found that nearly 250 million children in developing countries were functionally illiterate, despite spending at least four years in a classroom.⁵ In recent leading international studies of numeracy and literacy, the average student in a low-income country performs worse than 95% of students in high-income countries.⁶ According to one benchmark, 60% of primary school aged children in developing countries fail to achieve minimum proficiency in learning.⁷



The World Bank identified three responses to the challenge of increasing education quality. The first is to measure learning by using a range of metrics to understand the effectiveness of policy and of teachers. This provides visibility on where the education system is failing, and helps to incentivise governments to focus on improving learning. There is already some positive focus on testing in the region. For example, 16 countries in the region are part of the Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ), an organisation focusing on undertaking research that can be used to improve the quality of education in those countries.⁸

Second, this information on metrics and learning should be publicly available and used to drive improvements. As noted above, this region performs particularly poorly in education quality, and over the last 10 years, only six countries in Sub-Saharan Africa have improved their education quality scores. One way of improving quality could be the use of international comparisons or assessments.

Third, governments should act on evidence: use proven interventions at the local and global level to improve learning outcomes. One important investment for educational quality should be in teacher quality.⁹ In a recent study of 14 Sub-Saharan African countries, the average grade six teacher performs no better on tests than the highest performing students in that grade. There is a further problem of teachers in Sub-Saharan Africa not turning up to teach.¹⁰ Improving teacher training and incentives is fundamental to improving outcomes.

An important qualifier is that reform must be country-led. While international partners can be useful, overseas development assistance cannot play a dominant role in improving educational outcomes. Some of the most successful countries globally in education, such as Singapore (3rd in Education) and South Korea (17th), are those that improved education quality and quantity without overseas development aid. For Sub-Saharan Africa to succeed, education reform must be owned nationally.



The Drivers of Prosperity

As a global index we have been measuring differences in prosperity between countries over the last 12 years. This has allowed us to see what distinguishes successful countries from unsuccessful countries. We now have data looking back far enough to understand how prosperity can be created, strengthened and protected. Some of this development can occur only after other pillars are established. Now we are in a position to see, for example, that Safety and Security needs to be established before other pillars of prosperity can be improved. A better understanding of these dynamics allows leaders to make decisions about what can and should be done next, and we discuss these dynamics over the coming pages.



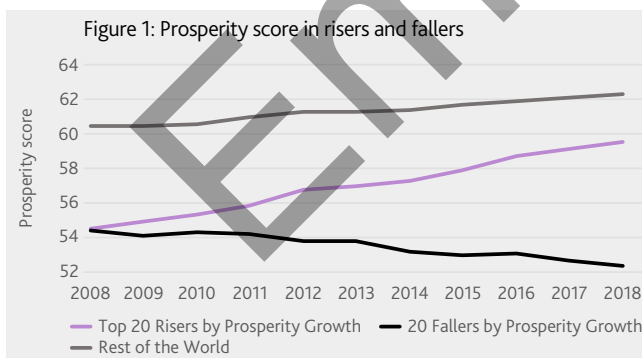


Risers and Fallers

After 12 years of measuring global prosperity, we are seeing an emerging set of trends, patterns and fresh insights. For this year's report, we took the 20 countries whose prosperity scores had risen the most over the last 10 years (the "risers"), and the 20 countries that had fallen the most in prosperity terms (the "fallers"). These countries come from all over the world, and every region, except North America, is represented. We analysed these groups to understand the commonalities for countries that are moving towards, and away from, prosperity.

Based on their average ranking, the 2018 risers and fallers each started in the same place in 2008. We grouped the 20 risers as a single country, and the 20 fallers too. Coincidentally, both would have ranked 97th for overall prosperity 10 years ago (as figure 1 demonstrates). Yet 10 years on, the 20 risers are well on the way to catching up with the prosperity levels enjoyed by the rest of the world. As a single country they would rank 81st in the world, up 16 places, having seen an improvement across all conditions needed for a prosperous society, with every pillar score improving. While the fallers' score fell by less than the risers' score increased, the fallers risk being left behind by both the risers and the rest of the world, having fallen 22 places to a ranking of 119th in 2018, with every pillar score declining in that time.

These trends sharpen the focus on how best to promote global



prosperity and contribute to international development. Understanding the drivers of a country's rising or falling prosperity goes to the heart of the most pressing development questions that the world is facing. Our job is to find the answers that can shape and effect positive change and ultimately, prosperity for all.

There are three key themes emerging from this analysis.

First, and as obvious as it sounds, prosperity levels globally have increased alongside rising levels of wellbeing. On average, our risers saw their wellbeing¹ increase and the fallers saw their wellbeing decrease (figure 2). The divergence of wellbeing between rising and falling prosperity is much greater than the divergence of GDP risers and fallers (see figure 3). This supports our long-held conviction that measuring prosperity is the best way to capture the underlying economic and social wellbeing of a nation's citizens. Our measurement over time shows that wellbeing is not a fixed cultural trait, but it changes in line with changing prosperity levels. As figure 2 shows, we see that wellbeing is not a given nor is it fixed. It could rise further, or fall, or be maintained over time.

Second, it takes much longer for a country to rise than to fall. When we look at the 20 risers and 20 fallers (in the next two sections) there are lessons to draw, despite the countries in each group looking very different from one another using traditional labels. Amongst both risers and fallers there is a mix of developed and developing countries, from different regions, in different shapes and sizes in terms of total population and GDP. Nonetheless, there is a clear asymmetry of slowly-up and quickly-down. Long term risers like Georgia and Sri Lanka can trace the start of their steady rise to the end of Soviet control 27 years ago and the end of civil war nine years ago, respectively. Once the Safety and Security and Personal Freedom of citizens rose to a certain point, good things tended to follow with an improving Business Environment and a strengthening of the institutions of state over time, a virtuous circle of improvement across all the pillars. While it takes time to build or rebuild a country and climb the ladder of prosperity, fallers fall fast, and hard. One of the most well-known examples is Venezuela, which has fallen dramatically as a result of autocratic rule and economic mismanagement.

Third, the starkest difference between the risers and the fallers is their Safety and Security score. The risers began, and finished, with Safety and Security as their best pillar. The fallers began with weaker Safety and Security and then fell much further. On average, fallers saw a decline across 10 out of 11 indicators in this pillar. Given the large numbers of fallers that are in, or near, conflict zones around the world, it is unsurprising that basic elements of national security, measured by indicators such as numbers of terrorist deaths or civilians killed in conflict, have deteriorated. This has impacted on people's basic security of living conditions and personal safety. Many more people are

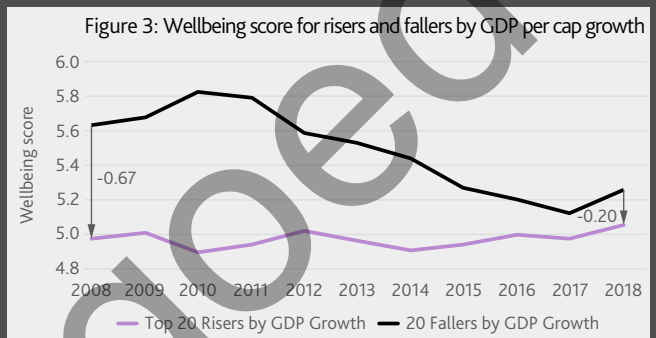
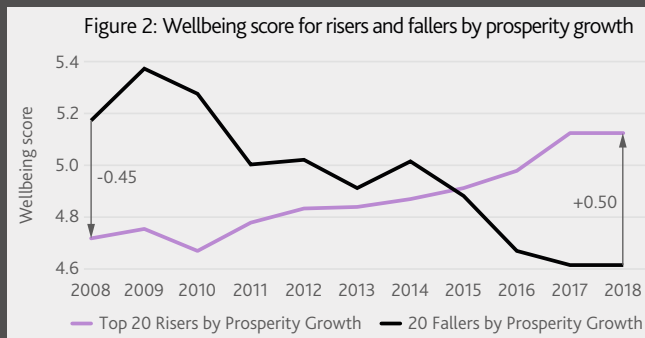
also reporting a lack of food and shelter than 10 years ago in falling countries. Safety and Security is an essential component of prosperity. We explore this dynamic in the next two sections

to explain the reasons behind the biggest risers and fallers this year.

Prosperity growth predicts growth in wellbeing

Our analysis shows that a rise in prosperity is a much better predictor of a rise in wellbeing than a rise in GDP per capita. The two graphs display progress in two different ways. In the first graph, we take the top 20 risers and 20 fallers in prosperity and graph the average of their prosperity score over time. There is clear correlation with improving prosperity and improving wellbeing, and a clear correlation that falling prosperity leads to falling wellbeing. In the second graph we take the top 20 risers and top 20 fallers in real per capita GDP growth. While falling GDP per capita is correlated with a fall in wellbeing, rising GDP per capita is not correlated with a rise in wellbeing.

Wellbeing is based on the Cantril scale, a widespread method of measuring wellbeing through surveys. It is collected by Gallup.





Georgia is one of the largest risers in prosperity over the last 10 years.



The Risers

To better understand the drivers of prosperity, we selected the countries that have risen the most in absolute prosperity scores over the last decade.

The risers, while a diverse group, all share a common characteristic; as a group, they began with comparatively strong Safety and Security scores, and they have improved these scores over the past decade. As a single country (based on an average across all 20 risers) they rank 67th in the world in Safety and Security, a big improvement from 83rd in 2008.

They also share a second characteristic in common. Their Business Environment ranking rose more than any other pillar (as an average across the risers) up 12 places from 2008 to a rank of 83rd in 2018. This 10-year trend clearly shows that better Safety and Security enables improvements to the Business Environment, and in turn the other pillars follow with rising scores.

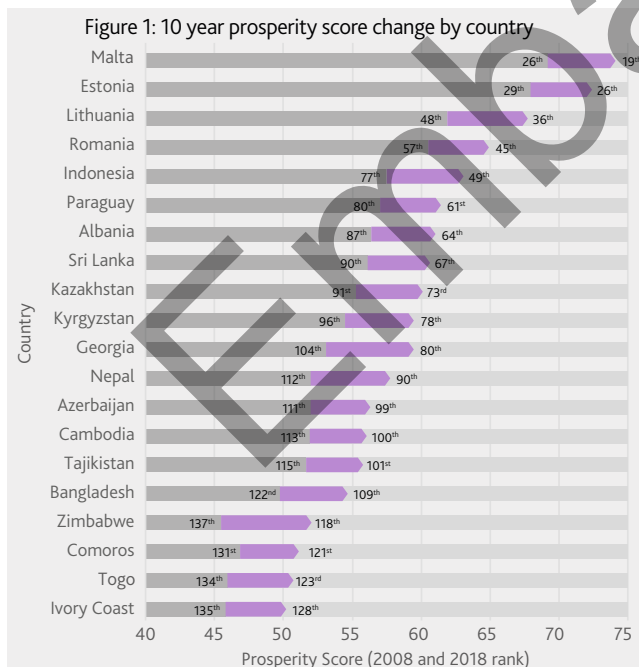
of violence and absence of fear of violence, in all their forms. The fact that Zimbabwe has risen the most after decades of hyperinflation and violent, political oppression shows that even the most fragile states are capable of positive reform and social progress such as improved judicial independence in Zimbabwe's case. While backsliding on this progress is possible, we do see grounds for optimism and a fresh perspective on what drives prosperity.

While most risers do not yet enjoy high levels of prosperity and half of the risers are ranked 90th or below, with a long way to catch up, they have all sustained a significant improvement in their prosperity over a 10-year period. India, for example, alongside extensive economic growth, has risen 11 places in the last decade from 103rd to 94th. Rising prosperity is achievable by almost any country when it achieves a degree of safety. It does not matter where a country is ranked now, rather its direction and speed of travel up the rankings are based on the reforms and choices made by its government, leaders and business entrepreneurs.

The pathway to prosperity is about individuals and creating an environment where they can fulfil their potential and thrive. The risers have all improved in wealth and almost all improved wellbeing. People's levels of satisfaction with freedom, healthcare and education, and their confidence in governments and elections have all registered some of the largest improvements, despite a global decline in these areas over the last decade. Each riser has had a different set of challenges to overcome, including civil war, political corruption, extreme poverty or a weak Business Environment. One of the highest ranked of our risers, Estonia experienced a sustained rise in prosperity over a period longer than a decade and has successfully managed to increase personal safety since the restoration of independence in the 1990s. The lowest, Togo, faced oppression and autocracy, which have been reduced but still are a major challenge under the president Faure Gnassingbé.

They are also a regionally varied group, predominantly from the Asia-Pacific region. Five risers are from Eastern Europe and four from Sub-Saharan Africa. Aside from North America, MENA is the only region not represented. Despite these differences there are three drivers of positive changes in prosperity that are identifiable within this group.

First, we have mentioned Safety and Security as a common trait among the risers and a foundation for prosperity. Ending war and



This shows that a virtuous circle of rising prosperity can be achieved by building from a solid foundation of Safety and Security. Where citizens feel secure, countries prosper and rise steadily irrespective of where they started in the rankings. Safety and Security is a broader measure of human security and freedom than military capability and defence, although this can be important for ensuring security. It focuses on absence

conflict has proved to be the single most significant contribution to unlocking the prosperity of several rising countries. Tajikistan and Sri Lanka have ended decades of civil war, and nations such as Comoros have overcome secessionist conflicts. Bringing an end to conflict has enabled these countries to enjoy widespread improvements with almost all pillar scores improving over the last decade. Nepal in 2006 ended a decade long civil war, when a peace agreement was signed between Prime Minister Koirala and Maoist leader Prachanda.¹ The peace agreement allowed rebels to join a transitional government. This is an achievement at a time when war, terrorism and deprivation are rising significantly around the world. The fact that 15 of 20 risers have improved in this pillar shows that insecurity from conflict and oppression can and must be overcome, before more broad-based prosperity can be achieved.

Second, there were positive changes in the Business Environment and economy. Bangladesh is a success story among developing nations having risen 27 places in Economic Quality over the last decade. Now standing at 85th, it has increased its GDP per capita from \$616 to \$1,517 over the last decade. What is truly remarkable and laudable is that Bangladesh has managed to consistently reduce poverty, from 44.2% in 1991 to 14.8% in 2018, despite a series of external shocks including unprecedented

flooding in areas of high population density after a major cyclone in 2007. The nation, whilst ranked at 122nd in overall prosperity in 2008, stood at 57th in Safety and Security, with notably high levels of security of living conditions. Kazakhstan is another country that has made significant economic headway, doubling its GDP per capita since 2002. Paraguay has improved the levels of security of basic living conditions over the last decade and took 16% of its population out of relative poverty. While the country faces challenges of high crime rates, lower levels of inequality have ensured conditions conducive to real progress over the last decade.

Third, rising prosperity is driven by strengthening governance. The Ivory Coast, for example, has experienced a long-term recovery from the political turmoil and widespread conflict that ended in 2011 and has seen an improvement of 43 places over the last decade in its Governance, now ranked at 103rd. This is remarkable improvement over a relatively short time period, given that it faced a major threat when an armed rebellion in 2002 split the nation in two. Similarly Indonesia, which became a democracy in 1998, has managed to maintain state institutions, allowing it to flourish in other areas, such as Business Environment, Personal Freedom and Education.



**Zimbabwe has risen from
137th in 2008 to 118th in this
year's Index.**

Georgia: improving Safety and Security

Following the restoration of independence from the Soviet Union in 1992, Georgia was ravaged by civil war and secessionist conflicts. Yet, in spite of the 2008 Russian incursion, this Eastern European nation has managed to consistently increase its prosperity over the last 10 years, improving its score across all pillars and making it one of the leading risers in prosperity.

The foundations of Georgia's wide-ranging improvements in prosperity were set in place following the 2004 Rose Revolution by a team of reformers from the United National Movement (UNM) who came to power with a promise of radical change. Under the leadership of the former Minister of Justice, Mikheil Saakashvili, the product of an elite Soviet education and US law school, Georgia built a new government where many individuals spoke English and brought international experience of government and policy. This helped to create a strong, centralised state which became much more resistant to Russia and its external control of the country.²

The early reforms prioritised national security and a rebuilding of institutional foundations to overcome crime and corruption. The

UNM adopted a zero-tolerance policy on crime from 2006 and this alone provided a huge boost to the security and governance of the country. The result was that Georgia's greatest gains over the last decade have been in Governance and Safety and Security, rising 49 and 48 places to 56th and 68th respectively in 2018.³

Even after the UNM lost power in 2013 to the current government, Georgian Dream, trust in police remains high and crime rates continue to drop; the numbers of homicides per 100,000 people declined from 7.5 in 2010 to 2.7 this year. The governments that succeeded UNM, have continued the nation's prosperity growth thanks to the continued strength of Safety and Security.

The past decade has seen all institutional foundation scores improve in this Eastern European nation. The decision to prioritise security proved well founded for Georgia and provided the right foundations to enact successful reforms 10 years later across Business Environment and Governance.

Zimbabwe: a fragile riser

Despite being close to the bottom fifth in the Prosperity Index, Zimbabwe is a fragile riser in absolute prosperity over the last decade, rising 19 places from 137th in 2008 to 118th in this year's rankings. The country's history has been marred by economic crises, autocratic rule, political violence,⁴ the scourge of endemic disease, and systematic oppression of political dissidents by ZANU-PF militia. Despite this recent history, Zimbabwe's relative development serves as a lesson that even the most fragile of states are capable of some positive reform and social progress.

Zimbabwe was at the peak of hyperinflation and violent oppression during the 2008 election. However, the following years marked the first moderate improvements, with hyperinflation finally beginning to recede, life expectancy rising and the 2013 elections being significantly less violent. The constitutional term limit passed with an overwhelming majority, resulting in modest gains in political freedom and democracy level scores large enough by 2014 to drive Zimbabwe out of the bottom 10 for Governance for the first time in the Index's history.

In 2015 Freedom House improved Zimbabwe's civil liberties

score, following court rulings against ZANU-PF in several prominent cases, suggesting greater judicial independence (although the score dropped again as a result of last year's coup). Judicial independence as reported by business executives in Zimbabwe has also been improving. Political pressure on teachers and restrictions on the operations of NGOs reduced in 2015, prompting an improvement in its political terror score, from 124th to 81st.

Zimbabwe's position is fragile. Poverty remains a major issue, with 21.4% of the population in absolute poverty (117th in the world) and 72.3% are in relative poverty (148th). This is despite relatively low unemployment and relatively high labour force participation. Maintaining stable governance will continue to be a challenge. The results of this year's election were contested by the opposition and riots in the wake of polling killed three protestors.⁵ The country is now facing shortages of petrol, food and medicine. These crises stem from the long rule of Robert Mugabe, who was ousted from power in 2017. Without more extensive reforms, it is unclear whether Zimbabwe can continue to build its prosperity.



Venezuelan migrants cross the border into Colombia. Venezuela has seen the largest fall in prosperity over the last decade.



The Fallers

For this analysis we took the 20 countries that have fallen the most, in absolute prosperity scores, over the last decade.

It is important to say that the fallers do not constitute a group of countries for which all hope is lost. Certainly, people living in these countries face much insecurity, but some countries in this list, such as Malawi, have already begun a path to recovery. Malawi saw declining Safety and Security and Governance in 2011 following growing government oppression, yet since 2016 it has turned around and this year's fall is very small in relative terms and compared to previous years.

Each faller faced trigger events at various points in the last 10 years. The trigger events all preceded marked declines in prosperity that were sharp and steep. It should be noted that Venezuela's decline has been much more precipitous than any other country in this group; its economy and overall prosperity has effectively collapsed.

What connects the fallers, on average, is their extremely poor Personal Freedom score in 2008 (with the notable exceptions of Italy and Greece who score well on this pillar). Treating this group's average scores as a country would place them at 97th in the global ranking, but trailing at 110th in the Personal Freedom pillar. This is something of an Achilles heel, as poor personal freedom and weak institutions make a nation more susceptible

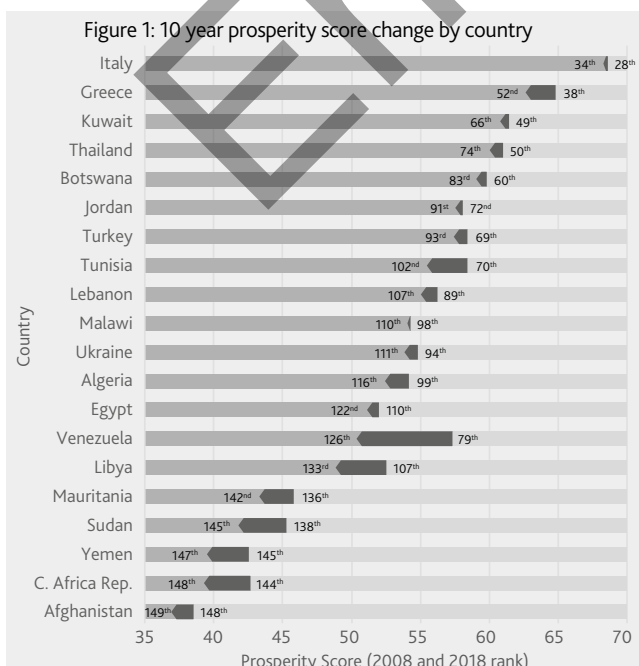
to external shocks. This lack of resilience can cause prosperity to fall across all pillars. Libya, for example, experienced a trigger event at the beginning of the second Libyan Civil War in 2014, following growing tensions the year prior, and this caused a fall across almost all pillars, over each of the past five years.

A lack of Personal Freedom matters most when a country faces economic crisis. In the case of Italy and Greece, relatively good freedom scores and strong institutions have helped them to avoid the depth of crises endured by other nations in similar situations.

Greece ranked 36th in Governance and 56th in Personal Freedom in 2008, whilst Italy ranked 41st and 28th respectively. Although the severity of their economic crises did cause significant damage over the following decade, they both avoided severe decline, particularly in the case of Italy. Once the 'model democracy' of Latin America, Venezuela is now unrecognisable, struggling to maintain law and order and to feed its divided people. It is also experiencing significant outflow of people to Colombia and Brazil, as Venezuelans seek to create their own personal pathways from poverty to prosperity. The nation's decline has left it ranked worst in the world this year for both Business Environment and Governance.

There are other scenarios that trigger decline: an economic shock or longer collapse as mentioned, and oppressive regimes, conflict and a breakdown in human security including a neighbouring conflict. Conflict has been the biggest contributor to the global decline of Safety and Security, with more wars and terrorist violence around the globe, illustrated by a shocking rise in the number of deaths on the battlefield, 44,600 in 2018, an increase of 58% in the last 10 years. Deaths from terrorism have quadrupled to 27,800 in the same period. It has had a pronounced effect across MENA, Sub-Saharan Africa and even in Asia, where the Taliban continue their assault on Afghan citizens and security forces. In Yemen, the civil war has led to thousands of deaths and left millions in need of humanitarian assistance.¹ In Sudan, conflict has also claimed the lives of many, as conflict rages between the Army of Sudan and the Sudanese People's Liberation Movement.²

The destructive nature of conflict impacts all citizens' quality of life, not just those directly involved in the fighting. It can also spill over borders via mass migration. War and conflict quickly erode basic human security and exacerbate existing systemic issues. Jordan, long a hub for those fleeing conflict in MENA, has seen its social services put under increasing pressure following



the influx of 1.4 million Syrian refugees. Lebanon is in a similar situation, as it is affected by the overflow from the Syrian civil war.

The effect of oppressive regimes, whose leaders restrict media freedom, impose systematic government oppression and incite political violence is felt in Asia, MENA and Sub-Saharan Africa. Eight of the 20 fallers' declines were triggered by an increase in oppression to some degree. For example, Malawi embarked on a short but sharp campaign of violent government suppression of public protests in 2011. Even press freedoms in Botswana

declined, as former President Ian Khama's critics accused him of becoming increasingly authoritarian.³ In Egypt, the political overthrow has not led to increased prosperity. Indeed, President Abdel Fattah al-Sisi, who first took power in a July 2013 coup, continues to exercise power in an authoritarian way, restricting serious political opposition.⁴ In Turkey, there has been growing corruption and repression of political rights under President Erdogan. In Ukraine, government oppression using Anti-Protest Laws in January 2014 led to violent demonstrations and loss of life, following the ousting of Viktor Yanukovich from the presidency in 2014.⁵

The Syrian conflict has affected the prosperity of surrounding countries.



Tunisia: falling Safety and Security

Following the 2011 uprising that toppled Ben Ali and heralded the Arab Spring, many hoped and believed that Tunisia was at the beginning of a positive transformation, but instead it has experienced a decline in all pillar scores since that point. Again, it is the deterioration of Safety and Security scores that has proved to be an unassailable roadblock on the nation's path to prosperity and the success of its democracy. The 2015 Sousse terrorist attacks were illustrative of a sharp decline in Safety and Security, which has dropped to 77th this year, from 44th in 2011.

Security of living conditions has declined throughout the last seven years, with levels of reported availability of food and shelter experiencing sharp decreases since 2011, and in recent years there has been an increase in deaths from terrorism. The 2011 revolution was born out of Tunisia's faltering economy and a position of weakness with the ninth worst level of Labour Force Participation at just 47% in 2011 and poor Economic Quality, ranked at 70th in 2011 which since tumbled to 119th this year.

Beyond economic stress, the largest declines have been through experiential measures with a marked decrease in scores for satisfaction with healthcare and education, joy and happiness. Whilst the nation has seen improvements on a comparable level to Georgia in democracy, judicial independence and political rights, Tunisia has failed to achieve the same broader levels of prosperity.

Tunisian democracy is still nascent and as in other MENA countries it is experiencing a stop-start development. Overthrows of other unpopular regimes, such as in Cairo or Kiev, have been brief moments of triumph that have failed to establish long term change. It has proven easier to drive an autocrat from office than take the steps towards building a successful and efficient democratic regime. This is a failure of new leadership to fill the vacuum and whilst there is still time and hope for Tunisia, only time will tell the legacy of the Arab Spring.

Thailand: increasing authoritarianism

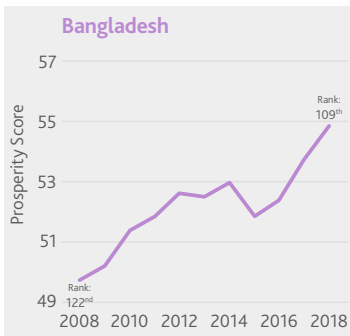
Thailand is a unique nation by several measures. It is relatively prosperous, ranking 74th in the Index with a modern economy, flourishing tourism, and a growing middle class. The nation displays the hallmarks of a successful democracy with 61% of Thai citizens having confidence in the government and 59% confident in elections but democracy is exactly what it lacks. In fact, Thailand has had 14 attempted coups since the end of the Second World War, more than almost any other country in the world. In between these coups, violent political strife and government oppression of its people ensue.

We can trace the recent decline of Thailand back to 2013 when a sizeable decline in the levels of confidence in government and satisfaction with personal freedom, and an increase in social hostilities became apparent. Growing unrest resulted in the overthrow of the government in 2014 by a military junta, who have yet to hand the nation back to its people via a democratic process. From 2014 to 2015 the sharpest declines manifested in a decrease of civil liberties and falling levels of democracy when

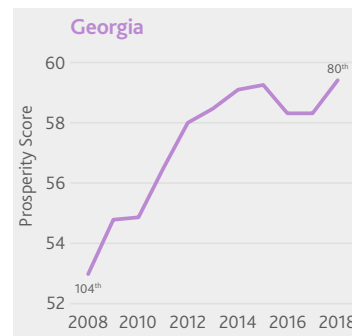
the junta began prosecuting opponents of military rule, increased media censorship and introduced a nightly curfew.⁶

The long running political instability has prevented the nation from maintaining basic levels of human security. Thailand is the third most unequal country in the world with the top 1% richest individuals owning 58% of the wealth, and most people living in a large rural community. Interventionist military rule has resulted in political oppression and prevented any democratically elected government, bar one, from completing a full term throughout the history of Thailand's democracy. Since the 2014 coup, levels of satisfaction with the standard of living have dropped alongside availability of food and shelter. Thais feel insecure and until the nation finds political stability and democratically elected leadership, it remains unclear how true reform can be implemented to rebuild safety and security, and the institutions to foster rising prosperity.

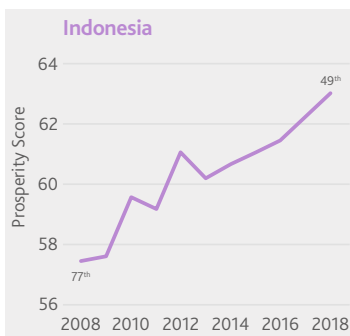
Notable Risers



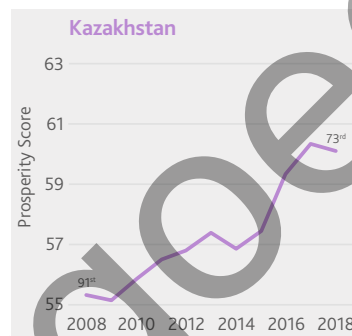
Bangladesh has increased its Education score the most. 98% of children are now completing primary school, adult literacy has improved to 72%, and 92% of youth are literate. It has also risen 27 places in economic quality over the last decade, now standing at 85th, and has increased its GDP per capita from \$616 to \$1,517 over the same time period.



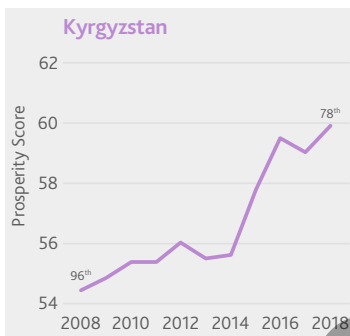
Despite Russian aggression, Georgia has maintained good Safety and Security, and improved the quality of its Governance and Business Environment. Within Governance, the largest improvements have come from improved Rule of Law (as assessed by the World Bank) and a decline in Transparency International's Corruption Perceptions Index.



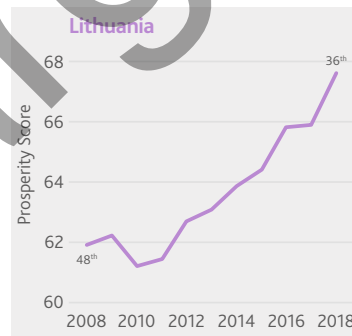
In Indonesia, democracy is now 20 years old, and one of the pillars that rose the most was Governance, alongside Social Capital and Business Environment. Within the Governance pillar, more people are confident in the independence of the judiciary and in national government.



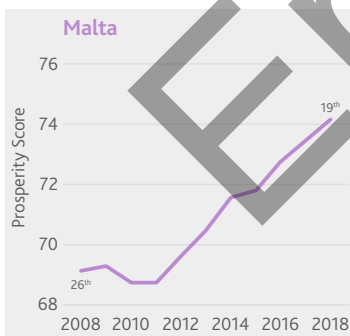
Kazakhstan's most improved pillar is Business Environment. This has improved across a range of indicators, with the largest increase in ease of obtaining credit and ease of resolving insolvency. It has also seen improving economic conditions: Since 2002, GDP per capita has doubled and poverty incidence has fallen sharply.



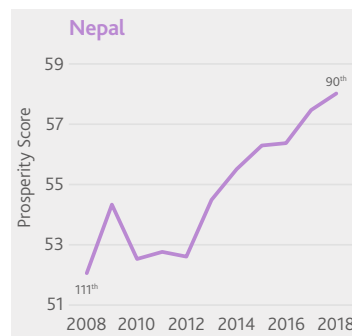
Kyrgyzstan's most improved pillar was Economic Quality. Within this pillar, it registered improvements across a range of indicators. Absolute and relative poverty declined, the number of people with bank accounts increased, and more people are satisfied with their living standards and household income.



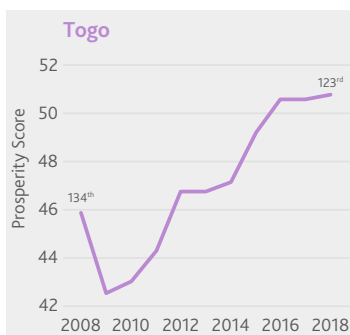
The largest increases in Lithuania have come from Social Capital, Safety and Security, and Natural Environment. In Safety and Security, the improvement has come primarily from fewer homicides, and more people reporting they feel safe walking home alone at night.



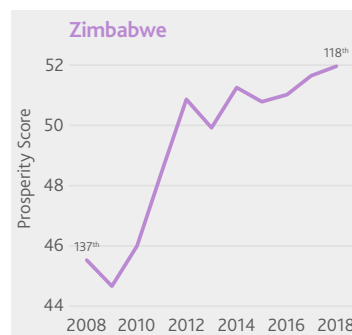
Malta has grown in Business Environment, Natural Environment and Personal Freedom. Malta's improvement in Natural Environment has come from improved wastewater scores, with 100% of its wastewater now being treated.



Nepal has seen a transition to democracy, with the largest rises in Personal Freedom, Business Environment, and Education. Within Personal Freedom, the largest changes have come from the increase in people reporting satisfaction with freedom, and increased tolerance of LGBT rights.

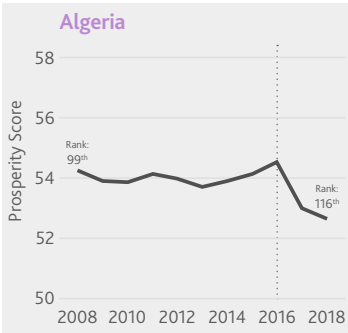


Togo has increased the most in Business Environment and Personal Freedom. In Personal Freedom, Togo's largest increase has come from abolishing the death penalty. In Business Environment, Togo has significantly improved the ease of starting a business.

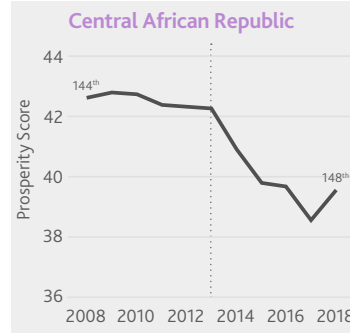


Zimbabwe has seen a lessening of political oppression, and slight recovery from economic crisis. Some of the largest rising pillars are in Governance, with judicial quality improving. Improvement in prosperity has tailed off in recent years, and recent events suggest prosperity is fragile.

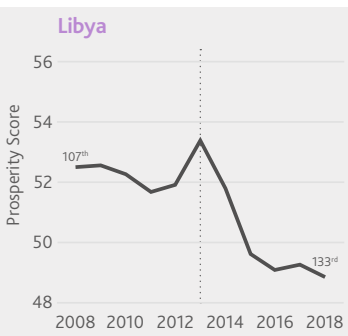
Notable Fallers



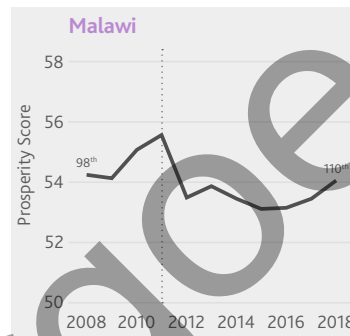
Algeria's oppressive regime has led to a fall in its score, with the largest fall coming in Personal Freedom. There are far fewer people saying they are satisfied with their freedom. There are also increased government restrictions on religion and increased social hostility towards religion.



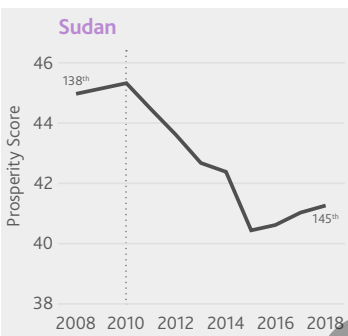
In the Central African Republic, the largest falls have come in Personal Freedom and Safety and Security. This is primarily due to a rebel coup leading to conflict and breakdown of law and order, and a large increase in terrorism, with 54 terrorist deaths per 100,000 people. Almost 600,000 refugees have fled from the Central African Republic.



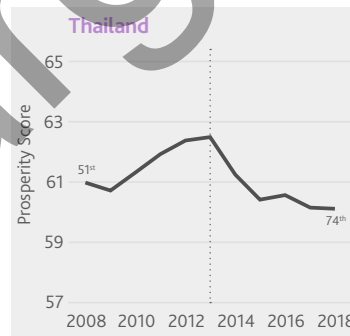
Libya's largest fall is in Safety and Security, with the fall coming after the Arab Spring and the beginning of its civil war. There has been a large increase in battlefield deaths and in the last year, deaths from terrorism numbered 72 per 100,000 population.



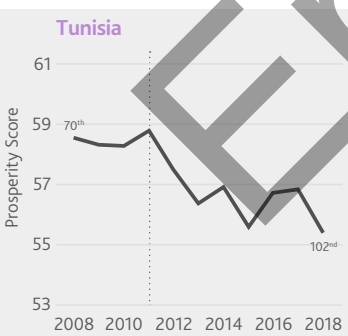
Malawi's fall began in 2011. This followed anti-government protests in 2011 which left 19 people dead. The most significant falls have been in Social Capital, Safety and Security, and Governance. In Safety and Security, more people reported not having enough food, not having enough shelter and having property stolen.



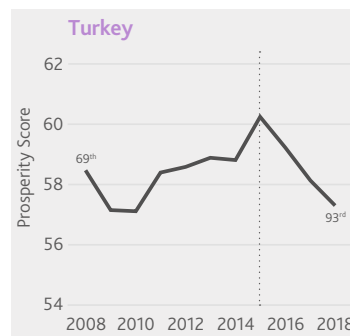
Sudan suffered initially from the conflict between Army of Sudan and the Sudanese People's Liberation Movement, and continues to suffer from conflict in Darfur. Its largest falls have come in Personal Freedom, Social Capital and Business Environment. On an indicator level, one of the largest falls has come from people being less satisfied with freedom.



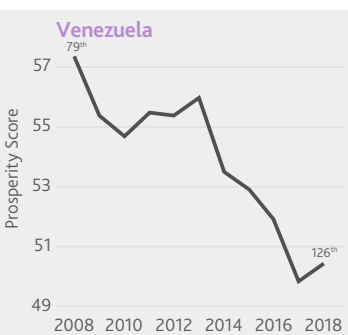
Thailand's biggest falls have come in Personal Freedom and Governance. In Personal Freedom, there has been increased hostility to religions other than Buddhism, worsening press freedom and worsening civil liberties. The fall is in large part due to the military coup in 2014, where the military took over the national government and enacted a new constitution.



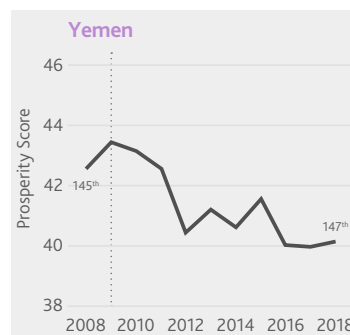
Following the Arab Spring, Tunisia's Safety and Security has declined, followed by falls in other pillars such as Economic Quality and Social Capital. In Social Capital, some of the largest falls have come in people's willingness to help strangers, and having someone to rely on in times of troubles.



Turkey's fall began in 2015, with the largest fall in Governance. President Erdoğan's Justice and Development Party have in recent years been centralising governance. For example, this year, the government increased the president's power and reduced democratic checks and balances.



Venezuela is by far the largest faller, suffering economic collapse under former President Hugo Chávez and current President Nicolás Maduro. It has fallen in every pillar, most significantly in Safety and Security, with the biggest falls in people reporting the availability of food and shelter.



Yemen's civil war has led to an estimated 22 million requiring humanitarian support. There has been a large increase in deaths from the conflict. In the most recent year there were 138 battlefield deaths per 100,000 people. There is also a steadily rising number of refugees from the country.

Country Profiles





The end of a three-decade long civil war has led to a significant rise in Sri Lanka's prosperity.



Estonia

Introduction

Estonia is one of the clearest success stories to emerge from Eastern Europe since the fall of the Soviet Union. Since re-declaring independence in 1991, GDP per Capita has increased from less than \$2,000 to more than \$18,000, among the highest growth rates in the world. Our Prosperity Index illustrates just how dramatic these changes have been, where Estonia has risen to 26th in the world, from 29th, to rank only second behind Slovenia in Eastern Europe in terms of Prosperity. It has also recorded a rise in wellbeing over the last decade.

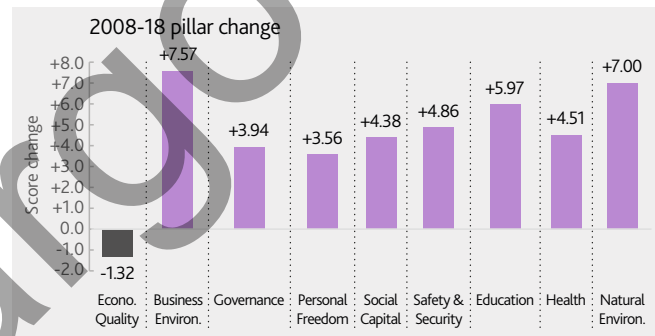
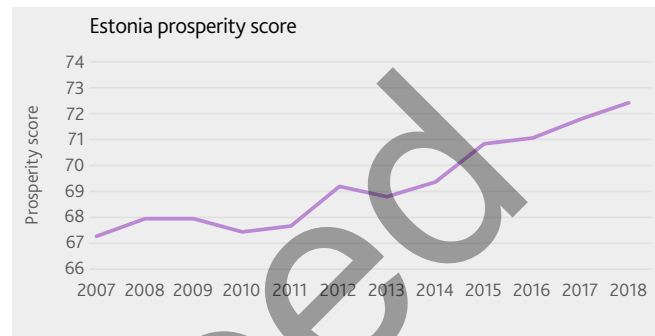
Estonia is one of the world's most open and entrepreneurial economies. It achieved its success through establishing strong and effective governance, coupled with a clear vision for how to improve its business environment. Policy has been aimed at economic diversity and FDI, through the mechanisms of economic openness, improved business infrastructure and entrepreneurialism.

Governance

Estonia's path to success was enabled by political reform during the 1990s which introduced property rights, a stable rule of law and the principle of separation of powers. This has all been underpinned by a cultural rejection of the past and a widespread embracing of the Nordic norm in terms of its governance structure. In 1992, a new constitution was enacted, drawing upon elements from the constitution of 1920 which resulted in a unicameral parliamentary structure, laying the foundations for a democratic future.¹ A new government with state and local level representation was elected in 1992; this demonstrated a new political accountability to the people of Estonia.

Estonia has climbed five places over the past decade for perception of corruption and now has the best score in Eastern Europe. Property rights required for a market economy were established during the 1990s, for example when land and housing was re-privatised through a voucher programme.² The independence of the judiciary was improved by guaranteeing the confidentiality of deliberations and by installing a chief justice to monitor judicial activity instead of the minister for justice.³ Reform has continued in this area, with Estonia rising eight places from 26th to 18th for judicial independence over the past 10 years.

Estonia has managed to maintain Safety and Security throughout its transformation. Estonia has joined NATO to safeguard national security. Domestically, homicides have fallen and



people feel safer walking home at night. Critically, Estonia has been free from battlefield conflict or civilian casualties, despite significant conflict in Ukraine and other parts of Eastern Europe.

Business Environment

To bolster external and domestic confidence in Estonian business, strong investor protection policy has been in motion since the mid-1990s. Reforms have reduced the pressure on the court system by providing more tailored, faster and enforceable resolutions to business disputes outside the courts. This has reduced the average time taken for dispute resolution to 145 days (low by European standards) and contributed to Estonia rising from 34th to 26th in the investor protections sub-pillar since 2008.⁴

The government has also been improving business infrastructure since the 1990s; this has included the digitisation of border crossings to improve access to markets and the introduction of high speed internet connections. Investment in infrastructure has continued, and Estonia is ranked number one in the world in cyber security and 12th in the world for wireless broadband connections per capita.⁵

In order to achieve the aim of economic diversity, open economic policies to encourage FDI were implemented. No tariffs were placed on imports until 1999, at which point some tariffs against



Since 1991, Estonia's GDP per capita has increased to over \$18,000.



non-EU countries were put in place, to align with EU institutional structures. In 2001, Estonia ended the special monopoly of the state Estonian Telephone Company, effectively removing a barrier to entry to its domestic high-tech market.⁶ In addition to this, foreign firms were given the same freedoms as Estonian firms, and allowed to operate without specific restrictions. Estonia is now one of the most open economies in the world, with exports presently making up 78% of GDP.⁷

The tax system was altered in the mid-2000s, leading Estonia to be described as the most competitive tax economy in the developed world.⁸ Since 2006, corporation tax is a low 21%, with only distributed incomes taxed, making the country attractive to multinational businesses. Income tax is 20%, and property taxes are levied against land value, not the value of structures on land.

Entrepreneurialism

In recent years and with the aim of further diversifying their economy, Estonia began to pursue policies intended to encourage entrepreneurialism. The government funded advertising, conferences and events, aimed at fostering enterprise amongst its workforce. Estonia is now ranked 10th in the world for ease of starting a business which can be done from online anywhere in the world in only 18 minutes. Online training content and business counselling for entrepreneurs provide a high level of education for SME managers.⁹

These policies have made Estonia the most entrepreneurial country in Eastern Europe, with over 400 start-ups in the country. This is six times the European per capita average and 80% of these are opportunity (for example, taking advantage of a business opportunity), not necessity driven (when there are no better choices for work).¹⁰ An early success story was Skype Technologies, founded in 2003 in Estonia; whilst this was

led by a Swede and a Dane, the software itself was developed by Estonians who had had previous success developing a peer-to-peer sharing platform. Skype alumni have since gone on to co-found an investment group which has ensured that management and innovation skills have stayed in the Estonian economy.

Social well-being

Social development in Estonia has occurred alongside its economic successes. Estonia is 11th globally for Education and is only behind Slovenia in the region, with particularly good access to education. Attainment of students at primary and secondary level is higher than most Western European nations, placing Estonia 8th in the world. Health outcomes have risen steadily, life expectancy has risen to 77 years – eight higher than during the latter stages of Soviet administration. Estonia has aimed to protect its citizens' privacy rights through applying blockchain technology to health records and has embraced digital solutions to its healthcare system.¹¹

Like the rest of Eastern Europe, Estonia's primary weakness is Social Capital. It comes 69th globally for this pillar, with particular weaknesses in people saying they have opportunity to make friends, the opportunity to help strangers, and voicing opinions to public officials.

Estonia demonstrates how bold policy reform has a clear impact on economic and social development. Estonia's strong political institutions – ranked highest in Eastern Europe for rule of law, regulatory quality and judicial independence – provided a platform to develop policies for economic improvement. Through encouraging FDI and fostering domestic high-tech industries, Estonia has created a diverse and open economy, capable of delivering widespread prosperity to its population.



Paraguay

Introduction

Paraguay is one of our success stories – over the last decade it has jumped above seven of its Latin American neighbours and is now ranked 61st in the world. GDP per capita has increased by 50% since the turn of the century, and Paraguay’s citizens now report a higher level of wellbeing. Some of the biggest improvements for this modernising, exporting country have come from an improving Business Environment and Economic Quality scores. However, it faces significant governance challenges, where it ranks 108th, well within the bottom half of this pillar.

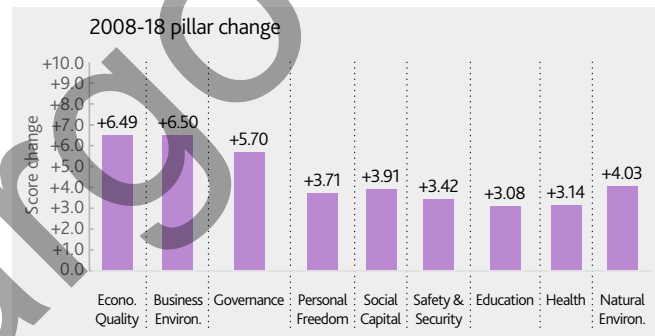
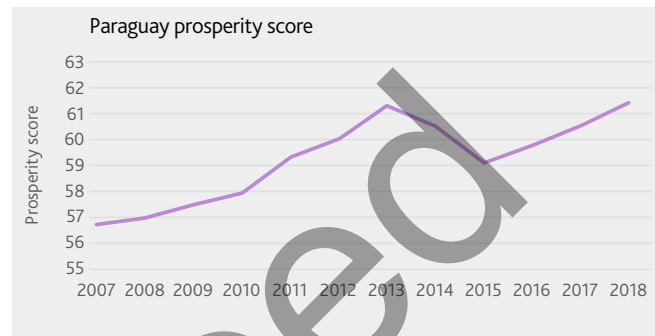
Social Wellbeing

Investment in people has also been targeted, with spending continuing to increase in healthcare and education. Paraguay has moved up from 12 places in the Health pillar, to 47th in 2018, well above the regional average for Health. Vaccinations of measles has increased, with a 99% vaccination rate. Life expectancy has improved by more than 1.5 years to 73 years. Further, people are reporting higher levels of joy, and lower levels of sadness. All of these improvements take place while public spending on healthcare as a percentage of GDP has risen to 7.8%.¹ Education provision has also improved, with 10 new universities being built since 1990, and there is a marked increase in tertiary education amongst the workforce.

Whilst absolute and relative poverty remains high in the country, both are improving. The percentage of the population in relative poverty is now 29%, 16% less than a decade ago. Absolute poverty figures are 1.7%, 6% lower than a decade ago. Infrastructure improvements have been well funded and well targeted. The National Development Plan of 2014 focussed on regional integration through improving infrastructure and access to telecommunications. This has resulted in increased access to the internet and electricity for many rural communities, and increased transport networks. Improved housing has also been targeted, with funding provided for 30,000 homes during Horacio Cartes’ presidency.

Institutional challenges

Authoritarian rule in Paraguay ended in 1989, and public pressure on government reform has ensured a return to authoritarian rule has not occurred. However, Paraguay ranks 108th in the world for Governance, its worst ranking pillar. Successive governments since the overthrow of Stroessner’s authoritarian regime in 1989 have tried, and failed, to extend the number of Presidential



terms, most recently when violent protests occurred after Horacio Cartes attempted this in 2017.

There are several indicators which reflect this instability in government. Firstly, corruption is common. In the Corruption Perceptions Index, Paraguay ranks 115th. Paraguay performs even worse when looking at the judiciary, it ranks 143rd in our judicial independence rankings. A 2017 survey showed that 23% of respondents, or someone in their household, had paid a bribe to a judge in the 12 months leading up to the survey and that 40% reported they felt the judiciary was corrupt.² Secondly, press freedoms remain low with Paraguay ranking fifth lowest in the press freedom index within the region. The market share of media outlets is increasingly concentrated and journalists are limited by threats of violence from organised crime institutions. Social freedoms remain weak in the country. For instance, Paraguay has one of the highest rates of domestic violence globally, with 20% of women reporting physical or sexual abuse by a former or current partner. Abortion remains illegal, as do same-sex marriage and civil unions.

Economic Foundations

Despite these institutional issues, Paraguay has successfully managed its economy, rising from 102nd in 2008 to 73rd in 2018. This is partially explained by the decrease of people in relative poverty, and the increase in people saying they are

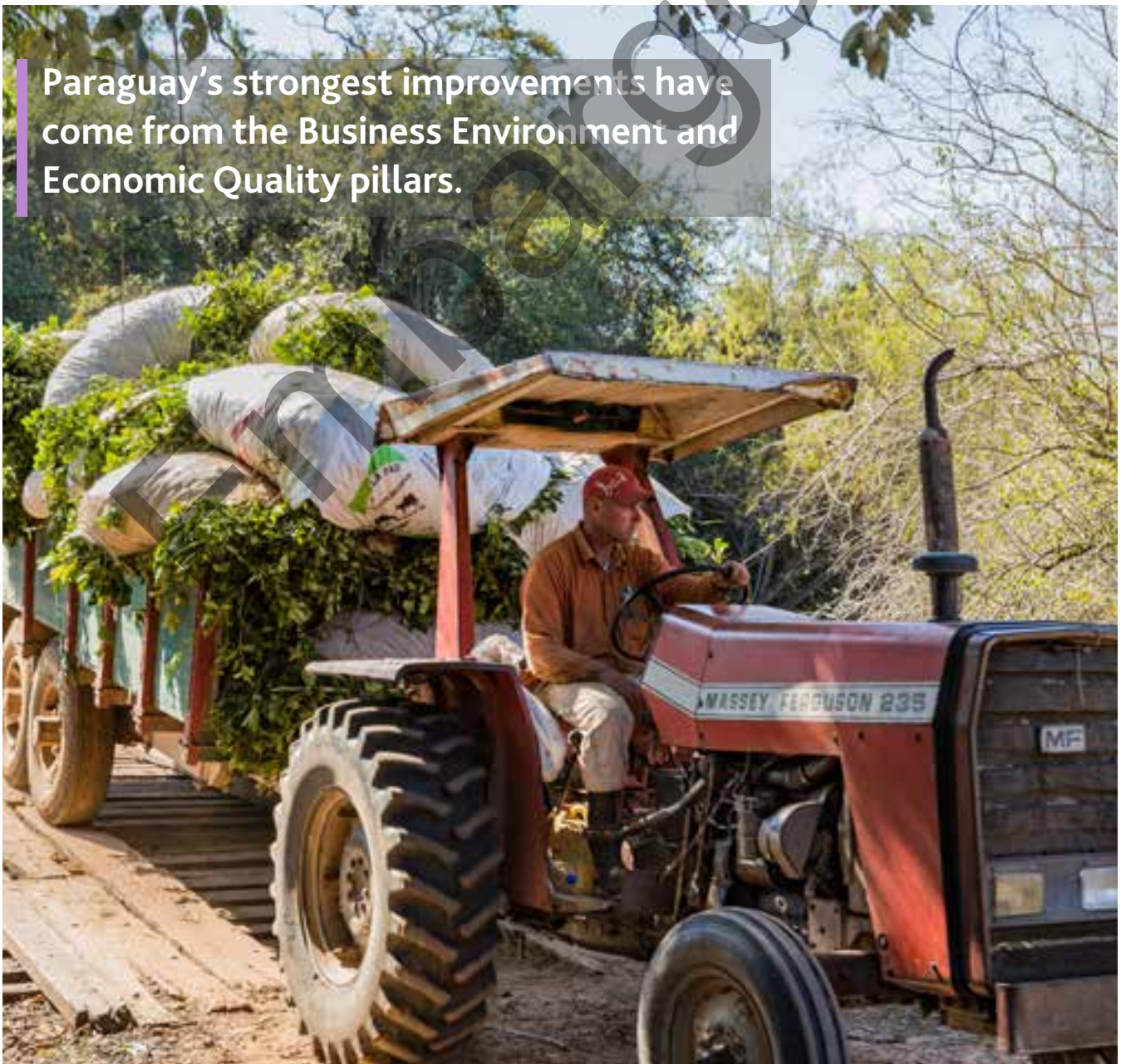
satisfied with their standard of living. In 2018 it also had the 23rd highest rate of economic growth over the last five years. Recent policy has focussed on minimising economic volatility. The Central Bank maintains low interest rates and helps to keep inflation below 5%. Since 2005, public debt has been less than 25% of GDP, which is low for the region, with the government consolidating this through the Fiscal Responsibility Law of 2015 which limits public spending as a percentage of GDP.³ As a result, various international ratings agencies have consistently upgraded the country's sovereign risk ratings. Recent sovereign bonds issuances in 2017 were oversubscribed, showing how the international investment community has responded positively to this consolidation of the economy.⁴

Paraguay is industrialising and modernising its agricultural industry to meet world export standards as well as diversifying into the manufacturing sector. On measures of export quality it ranks 68th, and, although economic complexity is low at 115th, it has been rising steadily over the decade. In order to maintain its competitive advantage in its main exports of soy and corn, the Paraguayan government has approved 22 new genetically modified types of seeds. In addition to this, extensive work has

been put in place to industrialise subsistence lands to further improve yields. Diversifying into manufacturing industries has been achieved by a beneficial regulatory environment of tariff-free imports for manufacturing firms; Paraguay is ninth in the region (and 65th in the world) for perceptions about the prevalence of trade barriers. This, combined with a well-educated skilled workforce and cheap energy has resulted in the manufacturing sector growing to 9.5% of GDP.

Since 2003, Paraguay has shown strong and consistent growth in economic indicators and human capital. This is the result of economic reforms and intelligent policy making. An attractive investment environment, upgrades to infrastructure and an increase of skilled labour has led to a diverse and growing economy. There are, however, several institutional problems which need to be addressed to further improve Paraguay's prosperity. Paraguay must work to improve the accountability, integrity, transparency and equity of its government and the independence of the judiciary. These critical institutions form the bedrock of a nation's ability to safeguard prosperity for future generations.

Paraguay's strongest improvements have come from the Business Environment and Economic Quality pillars.





Sri Lanka

Introduction

Despite ongoing political turbulence, over the last decade Sri Lanka has seen increases across all nine pillars. The largest rise has come in the Safety and Security pillar, following the end of a nearly three-decade long civil war in 2009. The country has risen 23 places in a decade and is now ranked 67th in the global rankings. The conclusion of the civil war has enabled significant reinvestment in health, education and infrastructure, and has provided a more stable environment for commerce and investment.

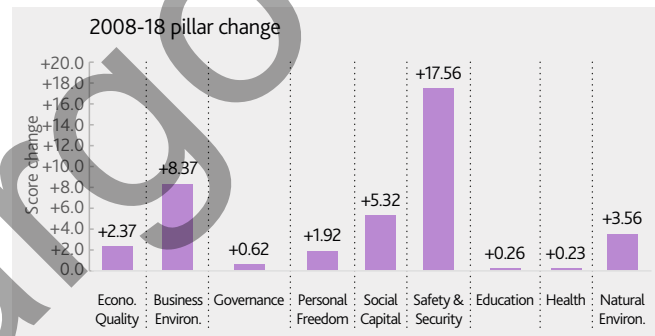
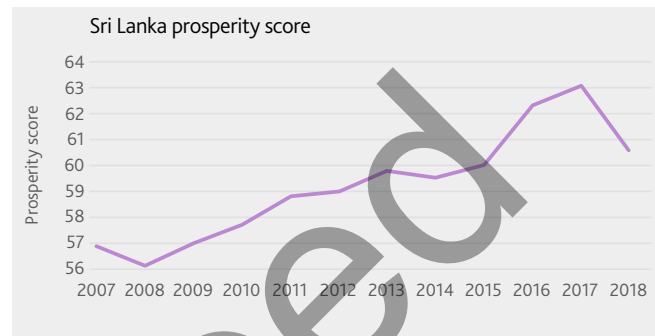
This has facilitated improvements to the Business Environment and Economic Quality pillars which is reflected in increased GDP growth rates. Improved Safety and Security has allowed tourism, a major source of income for Sri Lanka, to flourish again.¹ However, Sri Lanka's impressive progress over the past 10 years remains fragile. It declined in prosperity last year and future prosperity could yet be undermined by a return to instability.

Improving Safety and Security

The ending of the Sri Lankan Civil War in 2009 went against the global trend of worsening Safety and Security and has been the catalyst for Sri Lanka's rise from 147th at the height of the conflict to 83rd this year. Despite both sides of the conflict committing human rights violations towards the end of the war, as reported by the UN, the resolution was a watershed moment for Sri Lanka. The defeat of the Liberation Tigers for Tamil Eelam (LTTE) by government forces stopped the further destruction of lives and infrastructure, with Sri Lanka rising from second worst rank for national security to 108th. Despite this integral component of Safety and Security having improved, the other two aspects, personal safety and security of living conditions, have not yet seen a sustained rise following the end of the civil war.

Improving Sri Lanka's Governance pillar will be an ongoing challenge. Concerns remain over the progress of key reforms that followed the end of the conflict, designed to improve judicial transparency and integrity and to make Sri Lanka a fully demilitarised nation by the end of 2018. However, tentative progress has been made, with the 2017 Right to Information Act granting citizens the right to request information from the state. It remains to be seen whether this improves Sri Lanka's poor rank for transparency of policy-making, which is currently 113th.

The formal and informal aspects of the Personal Freedom pillar have yet to see similar reform, it being the country's lowest position. Sri Lanka ranks at 130th in our social tolerance



sub-pillar, evidenced by ongoing tensions between Buddhist, Muslim and Christian communities.² Attempts have been made to ease tensions between ethnic and religious groups, for example, by making the singing of the national anthem in Tamil legal and recruitment into the civil service bi-lingual, although this target is not comprehensively met.

Improving citizen's welfare

Sri Lanka is in the top 50 for our Health pillar rankings. The healthcare system managed to function during the civil war, and during the conflict the government did not abandon healthcare centres and hospitals in rebel-held areas.³ This has helped contribute to an efficient present day health system with infectious diseases under control.

Education in the country generally retained its structure throughout the civil war, with a few exceptions. Prior to the civil war, places for Tamils at university had been restricted, and the conflict further limited access to higher education for the Tamil population, as well as causing dips in school completion rates during spikes in the fighting. The human capital of the population has not been significantly affected, with the average secondary schooling of almost five years per worker. This was made possible by the introduction of free education, from kindergarten through to university in 1945 and is the cause of current primary completion rates being at 100%. However, attainment levels



Sri Lanka has risen from 90th to 67th in the global rankings since 2008.

are poor, with the country ranking 136th globally for education quality.

The Economic Environment

Economic growth in Sri Lanka managed to persist throughout the conflict, with stronger growth coming during a lull in the conflict in 2001. It remains strong today; average GDP per capita growth over the last five years has been 3.2%, ranking it 37th in the world. This growth in a time of conflict stemmed from government efforts in the late 1970s and early 1990s to liberalise the national economy. The latter set of reforms re-energised the domestic economy, privatising state-owned

enterprises and reducing regulation. These reforms also provided a boost to Sri Lanka's efforts to integrate itself into global supply chains, reducing tariffs, simplifying customs procedures, allowing the repatriation of profits, and investing in major infrastructure projects (in partnership with the Chinese government). These reforms have helped to develop Sri Lanka's competitive advantage in the garment and textile industries as well as placing the country 25th globally and 3rd highest in the Asia-Pacific region for entrepreneurial environment. However, the regional disparities of this success should be noted, with the western and northwestern provinces accounting for more than half of national productive output.⁴



In spite of these reforms, business infrastructure, labour market flexibility, and ability to access credit remain major challenges for those trying to do business in Sri Lanka. The civil war damaged infrastructure and the renationalisation of road, rail, and electricity provisions by the state in 2005 resulted in the disruption of the infrastructure network.⁵ The centralisation of financial institutions and private equity firms has led to low numbers of Sri Lankan SMEs reporting access to credit, despite making up over 80% of businesses.⁶ Recent policy has tried to address this with the founding of the Credit Information Bureau

in 2016 to develop a framework through which firms can apply for loans with assets as collateral.⁷ The termination of the Employee Workmen's Act of 1994 is an example of a policy the Sri Lankan Government has been working on to repeal, since 2015, in an attempt to reduce labour market rigidity.⁸ However, while its unemployment figures are relatively good, labour force participation is poor. This is an area that matters for individual prosperity, and should be an area of concern for the government.



Pillar Profiles

Prosperity is multi-dimensional, meaning it is more than just wealth. We need to consider a broad set of indicators across nine pillars of prosperity. The following pages examine some of the developments within each of the nine pillars of the Prosperity Index.

Open Economies

Prosperous societies require **open economies**, where the economy is stable and growing, as well as a business environment that encourages innovation and investment.

Economic Quality improves this year, following a relatively steady improvement since 2007. More people are satisfied with their standard of living than in 2007, and there are more people around the world with bank accounts. However, economic growth has slowed, and the anti-monopoly score has also declined since 2007.

Business Environment continues to improve, and has risen more than any other pillar since 2007. Over that time all indicators have improved under this pillar. The ease of starting a business has improved the most, and is an indicator that has risen in all seven regions. Indicators of business infrastructure, such as ease of getting electricity, have also improved.

Empowered People

Prosperity requires that **people are empowered** through being educated, being healthy, and having access to a safe natural environment.

The world's **Education** has steadily improved, and every region has improved since 2007. The region with the greatest improvement is Eastern Europe, followed by Latin America and the Caribbean. Globally, the greatest improvements have come from improved primary completion rates, and increased secondary education per worker.

Despite rising strongly from 2007 to 2012, the global **Health** score has plateaued since then. The strongest improvements have come as a result of increasing vaccinations. These improvements were offset by more people reporting increased levels of sadness and worry since 2007, and higher levels of obesity and diabetes.

Natural Environment has improved steadily since 2007. The largest increases have come from improved access to drinking water and improved wastewater treatment. However, in aggregate air pollution and sustainable fish stocks are worsening around the world.

Inclusive Societies

Prosperity requires that people be part of **inclusive societies**, where social and legal institutions protect their fundamental freedoms and ability to flourish.



Following last year's trend, the world's **Safety and Security** continues to decline. It has declined the most in the world's least prosperous regions: MENA and Sub-Saharan Africa. The greatest deterioration has been driven by an increase in the number of terrorist deaths and more people are saying they have less food available.

The world's **Governance** has improved globally since 2007, although it has still declined in Latin America and the Caribbean, MENA, North America and Western Europe. The score for the level of perceived corruption has improved, and there is more equal representation of women in national parliaments. Despite these improvements, a number of indicator scores have fallen, including people's political rights.

Personal Freedom has recovered from a low in 2013 to a 10-year high. The greatest rise has come from the LGBT rights indicator, with a number of countries improving the legal status of LGBT relationships. However, this has been counterbalanced in other countries by worsening government restrictions and social hostilities towards religion.

Since 2007, **Social Capital** has continued to improve globally. Eastern Europe and Asia have seen the largest increases, while North America, and Latin America and the Caribbean have declined. The indicators with the largest global increases are the opportunity to make friends, and confidence in the police.

Economic Quality

Economic Quality measures how well a country's economy is equipped to generate wealth, and how well that wealth is shared amongst its citizens. A strong economy is dependent on high labour force participation, trade competitiveness and the ease with which trade is conducted. The success of an economy is not only measured in how much wealth is produced. It must also be inclusive and improve the standard of living for those in a country.

The world's Economic Quality has experienced steady, long-term growth over the last decade. After a brief hiatus from 2016-17, the global improvement in Economic Quality this year has been the largest since 2007, with every regions' score rising.

The level of improvement is unevenly spread, with North America rising the most, whereas MENA has experienced only subdued growth in prosperity.



Standard of Living measures whether citizens have access to a range of affordable goods and services, and whether economic growth is persistent.

Indicators – satisfaction with household income, satisfaction with standard of living, five-year economic growth rate

- The **United States** has increased Standards of Living scores for the fifth year running, the largest changes coming from an increase in satisfaction with standard of living.
- Whilst in general, Sub-Saharan Africa performs poorly in this pillar, **Mauritius** ranks much higher than the rest of the region, in part due to a ranking of 20th in Standard of Living.

Economic Inclusiveness means the degree to which everyone has the resources and opportunities to enable them to participate in society.

Indicators – absolute poverty (% population living below \$1.90 per day), relative poverty, percentage of adult population with a bank account

- **Bangladesh** has seen the greatest fall in its absolute poverty rate over the last year, down to 14.8% of the population. In 1991 44.2% of Bangladeshi citizens were in absolute poverty.
- In seven countries 100% of the adult population have bank accounts, five of which are in Western Europe and the other two are **Australia** and **Canada**. The weakest performer is **Yemen**, where only 6% of the adult population has a bank account.

Anti-Monopoly Policy measures whether producers can compete freely in the marketplace and whether consumers have choice in what to purchase.

Indicators – perceptions about effectiveness of anti-monopoly policy

- **Armenia** has seen the largest 10-year improvement in perceptions about the effectiveness of antimonopoly policy, rising from 142nd to 38th.
- Perceptions about the effectiveness of **South Africa's** anti-monopoly policy worsened more than any other country over the last year.

Labour Force Participation assesses the extent to which population is participating in the workforce.

Indicators – labour force participation rate (age 15+), female labour force participation rate (age 15+), unemployment rate

- **Spain** has seen one of the biggest reductions in unemployment levels this year, with 470,000 new jobs created between April and June of this year. Since 2013, unemployment has fallen from 24.8% to 17.4%.
- **Asia-Pacific** has the lowest unemployment of any region, at 3.98%.

Trade Competitiveness looks at the extent to which an economy produces a diverse range of valuable goods and services in an internationally competitive manner with a wide set of trading partners.

Indicators – economic complexity index, export quality index

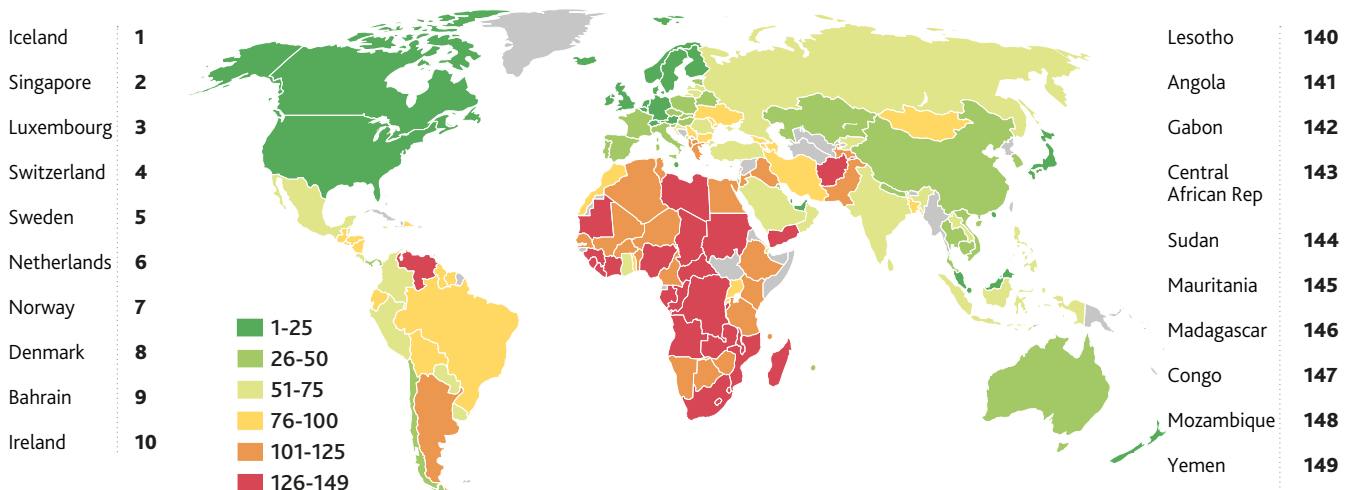
- **Singapore** is the highest ranked country in Asia in the Export Quality Index, ranked second worldwide.
- The five largest fallers over the last five years within this sub-pillar are all in Sub-Saharan Africa: **Gabon**, **Botswana**, **Cameroon**, **Zambia** and **Ghana**. They have fallen primarily due to reduced economic complexity, a measure of industrial capabilities and knowhow of a country.

Ease of Trade measures how well an economy welcomes domestic and international trade.

Indicators – perceptions about non-tariff barriers to trade

- Asian countries take the top two spots for Ease of Trade: **Singapore** and **Hong Kong** are 1st and 2nd respectively.

Economic Quality

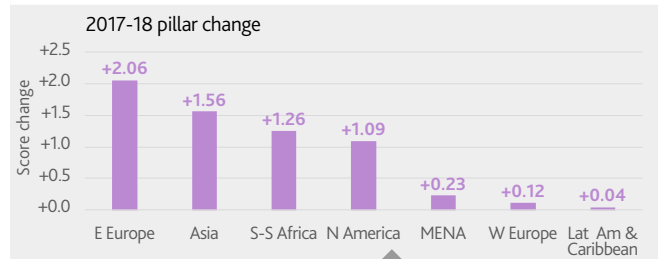
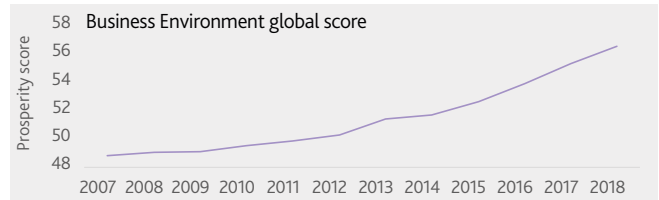


Business Environment

The strength of a nation's Business Environment is a critical factor in determining its prosperity. A strong Business Environment provides an entrepreneurial climate, enabling new ideas and opportunities to be pursued, which lead to more wealth and greater social wellbeing.

The world's Business Environment has improved every year since 2004. Overall, each region improved this year, with large gains made in **Eastern Europe** and **Asia-Pacific**. Despite this, there is wide variation in the Business Environment rankings, and there are countries in every region, except North America, that have seen decline.

In the past year, the largest drivers of progress have been increases in scores for Access to Credit and Entrepreneurial Environment.



Entrepreneurial Environment assesses whether businesses are easy to start and run, and how easy it is for someone to get ahead by working hard.

Indicators – perception that business is easy to start, perception that working hard gets one ahead, ease of starting a business

- In 2018, **Djibouti** made it less costly to start a business by exempting new companies from professional license fees, and reducing the fees needed to register a business.
- Whilst **Germany** ranks 12th overall for Business Environment, it ranks 91st for ease of starting a business due to complex registration procedures.

Business Infrastructure examines the infrastructure that enables market access for individuals and firms, which includes transport and logistics, utilities and communications.

Indicators – logistics performance, broadband subscriptions rate, cost to obtain electricity connection (% of GDP per capita)

- **Laos** is the biggest riser, moving up 23 places to 106th this year as a result of an improved logistics performance score.
- **Slovakia** is the largest faller due to the increased cost of obtaining an electricity connection.

Access to Credit assesses whether individuals and businesses are able to get credit at an affordable rate to finance their ideas and thereby foster entrepreneurship.

Indicators – ease of getting credit, perceived affordability of financial services

- This sub pillar has been the largest driver of change within Business Environment over the last year, with many countries finding it easier or harder to get credit.
- Since last year, **Malawi** established a new credit bureau and adopted a law establishing clear priority rules inside and outside bankruptcy procedures. This year, it now ranks 32nd in terms of access to credit, up from 119th in 2017.

Investor Protections measures the strength of rules around ownership and rights, particularly around intellectual property.

Indicators – perceived level of intellectual property protection, duration, cost and effectiveness of insolvency resolution

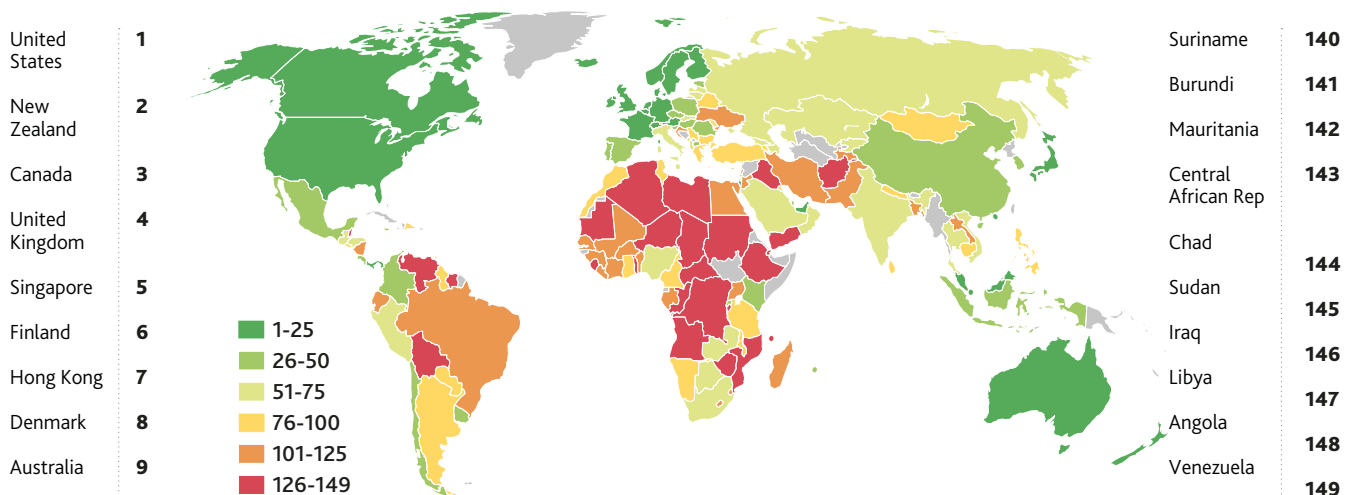
- Every region has improved investor protections over the last five years. 120 countries improved their intellectual property protection scores, and in 97 countries it is now easier to resolve insolvency than in 2013.

Labour Market Flexibility measures the ability of businesses to adapt to new challenges by hiring people they need, or to losing people and positions they don't need, without being unfairly impeded by costs and regulations.

Indicators – redundancy costs in weeks of salary, perceived regulatory barriers to hiring and firing

- **Estonia** has the highest rank for Business Environment in Eastern Europe at 25th, its score bolstered by a high score in perceived hiring and firing practices.
- Over the last three years, all countries in **Latin America** have seen their score fall or remain unchanged for hiring and firing practices, except Nicaragua and Venezuela (Venezuela still ranks 149th).

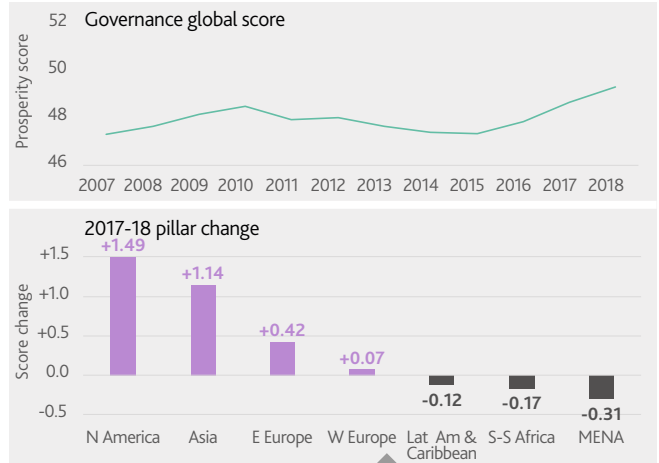
Business Environment



Governance

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. Effective, fair and accountable governments increase public confidence, and ultimately result in higher levels of life satisfaction among citizens.

On average, the Governance score has increased globally this year, and in each of the sub-pillars that make up this pillar, the score increased. Western Europe and North America lead the world, with North America comparatively stronger on Rule of Law, and Western Europe stronger in Political Participation. This year has seen MENA experience the largest decline, while North America and Asia-Pacific saw the largest rises in their pillar scores.



Rule of Law assesses confidence in the rules of society. In particular, this refers to the law being applied equally to all and to the quality of contract enforcement, property rights, the police and the courts.

Indicators – World Bank Rule of Law index, independence of the judiciary, perceived ease of challenging government regulation

- **Georgia** is the largest 10-year riser in this sub-pillar for Eastern Europe (and second largest riser in the world), due largely to changes in rule of law and judicial independence.
- While they were virtually tied in 2013, **North America** now significantly outperforms Western Europe for this sub-pillar, largely as a result of steady improvement across all indicators. By contrast, **Western Europe** has seen a two-year decline in the World Bank Rule of Law index, with the **UK** and **Germany** among the largest fallers.

Government Integrity measures how well government operates in a transparent and predictable manner with minimal corruption. Citizen engagement with the political process further strengthens government accountability.

Indicators – perceived transparency of government policy change, public sector corruption

- While **Belarus** has a low rank, it has seen the largest five-year improvement in Government Integrity, due to improvements in the public sector corruption as a result of efforts to publish more government information online.
- **Bahrain** has the largest fall in public sector corruption score, following a similar fall the year before.

Government Performance assesses the performance of the civil service, and how well regulation and policy incentivise businesses.

Indicators – perceived ability of government to formulate and implement good policy, perceived quality and independence of public and civil services, citizens' confidence in national government

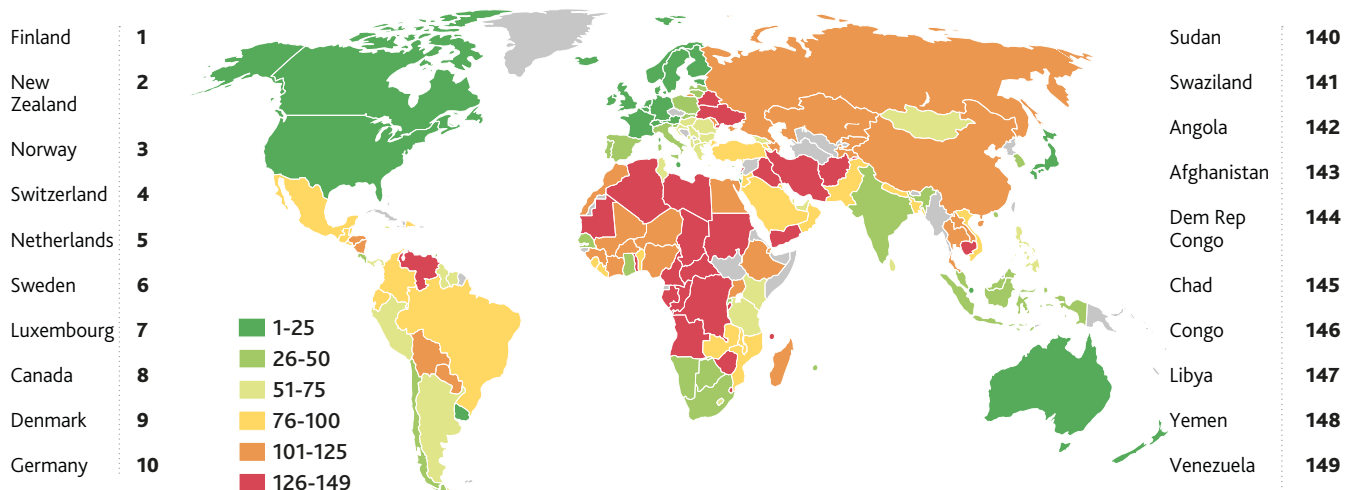
- **Asia** has seen the largest five-year improvement in Government Performance, driven by improvements across all indicators. The top three improvers in this region are **Japan, Pakistan** and **India**, with the largest change coming from increased confidence in their governments.
- **Latin America and the Caribbean** has seen the largest fall in this sub-pillar in the last five years. This is largely as a result of diminished confidence in government, and declining regulatory quality. In **Brazil**, the percentage of those having confidence in government fell from 46% in 2013 to 17% in 2018, unsurprising given the recent corruption scandals there.

Political Participation looks at whether there is active representation and participation in the political process by everyone.

Indicators – ability of citizens to participate in political process, Center for Systemic Peace democracy/autocracy score, citizens' confidence in honesty of elections, voter turnout, % female representation in national parliament

- The representation of women in Parliaments has been steadily becoming more equal in every region around the world. **Bolivia** has seen the largest increase in the last 10 years, with representation increasing from 22 women in the lower house to 69 (out of 130 seats).
- **Asia-Pacific** has seen the largest 10-year rise in this sub-pillar, due to increasing confidence in elections, improving political rights and higher democracy levels.

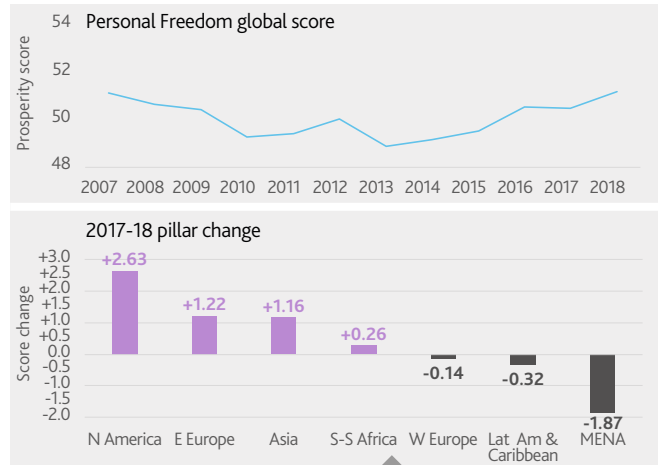
Governance



Personal Freedom

Societies that foster strong civil rights and freedoms have been shown to enjoy increased levels of satisfaction among their citizens. 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.

Global levels of Personal Freedom have improved consistently over the last three years, rising to a new high since 2007. The largest increases have come from the individual freedoms sub-pillar, and, to a lesser extent, social tolerance. MENA saw the biggest decline over the last year, with the largest improvements coming in North America and Eastern Europe.



Basic Legal Rights measures the degree of personal autonomy. This means a lack of interference and coercion from the state, and the right of association. They include the right to one's own person and freedom around what information they can publish and consume.

Indicators – freedom of expression and association independent from state interference, presence/absence of death penalty, length of military conscription, level of press freedom

- Basic Legal Rights in **MENA** have hit an all-time low, caused by a drop in levels of press freedom. However, **Tunisia**, in contrast to the rest of MENA, has seen large improvements in civil liberties over the last five years. The country held the first free and fair local elections in the country's history in May of this year.
- There is a wide disparity in press freedom across Eastern Europe. Whilst **Estonia** ranks 10th worldwide, **Russia** sits at 134th having gradually, but consistently dropped in score since 2004.

Individual Freedoms means citizens have the opportunity and capability to choose how to live their own life. This includes belief and religion, alongside the right to own property regardless of gender.

Indicators – governmental religious restrictions, satisfaction with freedom, legal status of LGBT individuals, gender-equality of property and inheritance rights

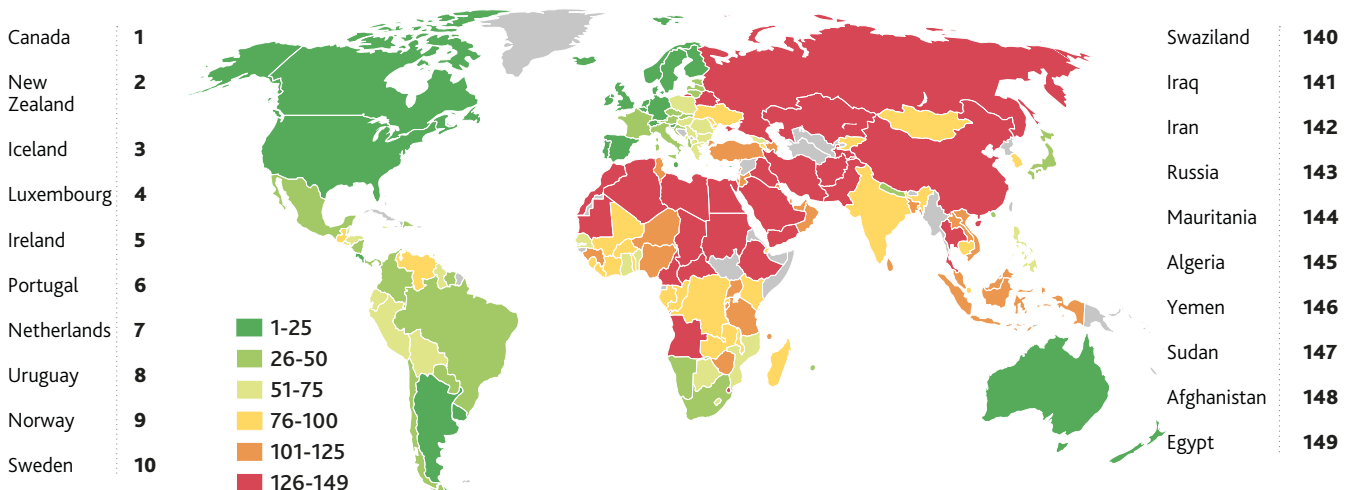
- Each region has experienced improved individual freedoms since 2013. However, there is still wide variation even within regions. In Sub-Saharan Africa, **Sudan** reports the least satisfaction with freedom at 27%, in contrast to **Mauritius**, where 91% of citizens report being satisfied.
- Despite ranking 127th for Personal Freedom, **Pakistan's** citizens have reported the largest increase in satisfaction with their freedom over the past five years.
- Although homosexuality is still illegal in 51 countries worldwide, various countries and regions have improved LGBT rights in 2018. For instance, the International Court for Human Rights in **Latin America** ruled in January that governments must allow same-sex marriage.

Social Tolerance measures how well society respects and benefits from a diversity of peoples' religious beliefs, ethnicities, origins and sexualities. Cultural and religious diversity have positive economic impacts, with new ideas, new markets and a general culture of creativity and innovation emerging from the interaction of people from different backgrounds.

Indicators – perceived tolerance of ethnic minorities, perceived tolerance of LGBT individuals, perceived tolerance of immigrants, social barriers to freedom of religion

- Globally, there has been an increase in (self-) reported tolerance towards ethnic minorities, immigrants and LGBT people. **Mauritius** has reported the largest increase in the latter indicator over the past year.
- **Nepal** is the third highest scoring country in Asia-Pacific (after New Zealand and Australia) in this sub pillar; tolerance of LGBT individuals in society has improved following legal reforms, such as the anti-discrimination laws which have been in effect since 2015.
- Social barriers to religion have worsened over the last year in **MENA, Western Europe, Sub-Saharan Africa, Eastern Europe, and Latin America and the Caribbean.**

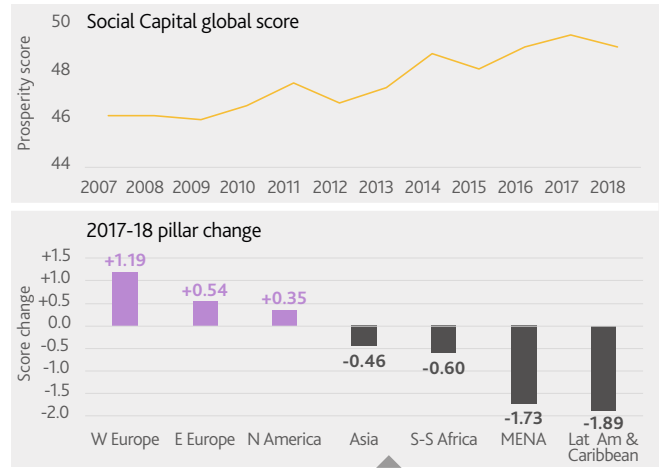
Personal Freedom



Social Capital

Social networks, and the cohesion a society experiences when people trust and respect one another, 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.

Four out of seven regions declined in Social Capital over the last year. This is in contrast to the overall trend in the last 10 years, as Social Capital has grown significantly, with the greatest gain in the Social Norms sub-pillar in the last year. As we noted last year, while North America is the leading region, it has declined over the last 10 years. Conversely, Eastern Europe has seen the second greatest gain in the last 10 years but is the lowest ranked region. The top-ranking countries are dominated by Anglosphere and Nordic countries, with New Zealand, Australia and Norway making up the top three.



Personal and Social Relationships measures the strength of bonding Social Capital in the form of personal relationships, family networks and genuine community. These relationships improve subjective wellbeing and also provide material support.

Indicators (all survey variables) – perceived level of opportunity to make friends, ability to count on family/friends for help, frequency of helping strangers, frequency of giving informal financial help

- In the top 20 countries for the frequency of helping strangers, **USA** and **Singapore** are the only developed countries. Of the others, nine countries are from **MENA**.
- In **Ghana**, 55% of people say their households have given money to another household in the last year. This is far ahead of the second ranked country, **Cyprus**, where the number was 39%.
- **Tunisia** has seen the greatest 10-year fall in this sub-pillar, with the largest fall in frequency of helping strangers.

Social Norms measures bridging Social Capital, which is manifested in civic norms, social cohesion and engagement. In particular, this encompasses trust in institutions (such as the police), and the level of respect with which people treat each other.

Indicators (both survey variables) – perceived level of respect, confidence in local police force

- Despite being the worst performing region in 2007, **Eastern Europe** is now the 5th ranked region in the world for this sub-pillar.
- **Singapore** leads the world in confidence in their police, with 96% of people reporting confidence in the police. **Venezuela** is the lowest ranked country, with only 24% having confidence in the police force.

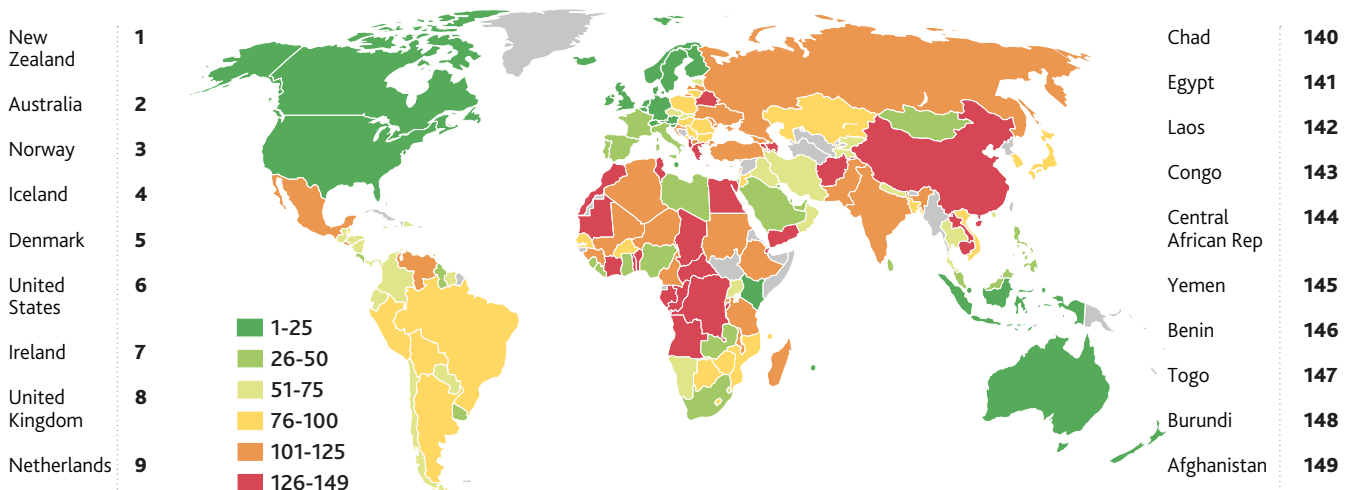
Civic Participation measures the linking Social Capital, which is the civic and political participation of a citizenry. These link people together, through volunteering and donating, and through participation in the political process.

Indicators – frequency of donations to charity, frequency of volunteering, frequency of voicing opinion to a public official, voter turnout

- Out of any region, **North America** has the highest number of people volunteering their time. **Indonesia** has seen the largest increase in people volunteering over the last 10 years.
- **Malta** has the highest turnout for elections in the world. Despite not having compulsory voting, it ranks higher than a number of countries where voting is compulsory (such as Luxembourg and Australia).
- **Kyrgyzstan** has seen the largest increase in the past 10 years in people donating to charity.

- Out of any region, **North America** has the highest number of people

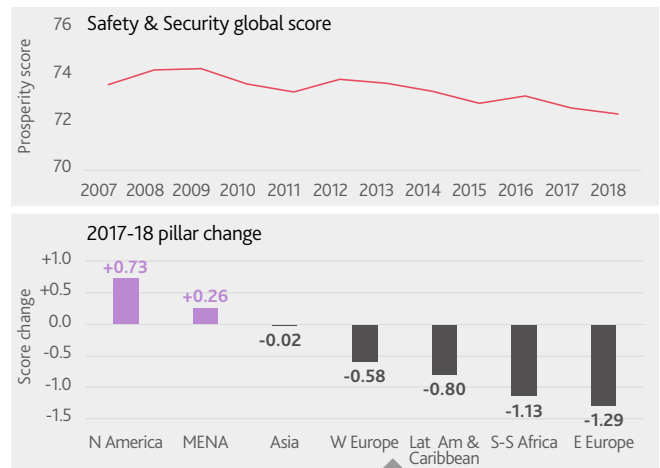
Social Capital



Safety and Security

Safety and security are integral to securing prosperity. A secure and stable environment is necessary for attracting investment and sustaining economic growth. People's wellbeing is dependent on having secure living conditions and personal safety. In short, a nation can prosper only in an environment of security and safety for its citizens.

The global score in Safety and Security has experienced a downward trend for over a decade. 2018 saw the pillar's worldwide score hit a new all-time low. In the last year, 80 nations saw an overall decline, with large drops in Eastern and Western Europe. Several individual countries such as Kuwait and Columbia, and regions such as North America, saw improvements.



National Security measures how well people within a country are kept safe from conflict and violence, which include coups, state-sanctioned killings, torture, disappearances and political imprisonment.

Indicators – battlefield death rate, civil and ethnic war casualty rate, political terror scale (state violence and repression), refugees by country of origin, terrorist death rate

- **Colombia** has seen fewer casualties from civil and ethnic war, after the Revolutionary Armed Forces of Colombia (FARC) reached an agreement in 2016 to end their 52-year armed conflict.
- Levels of National Security have fallen in MENA, driven largely by an increase in battlefield deaths and political terror. Levels of political terror in **Saudi Arabia** have worsened for the second consecutive year
- The **United Kingdom** has dropped four places from last year's ranking in this year's Safety and Security ranking, now standing at 14th. This has been in part due to a decline in National Security after terrorist attacks through 2017 and 2018.

Personal Safety examines how well the safety of property and person are respected and kept secure on a day-to-day basis. This includes levels of theft, homicides and safety while walking alone.

Indicators – intentional homicide rate, stolen property from yourself or household member, feeling of walking alone safely at night

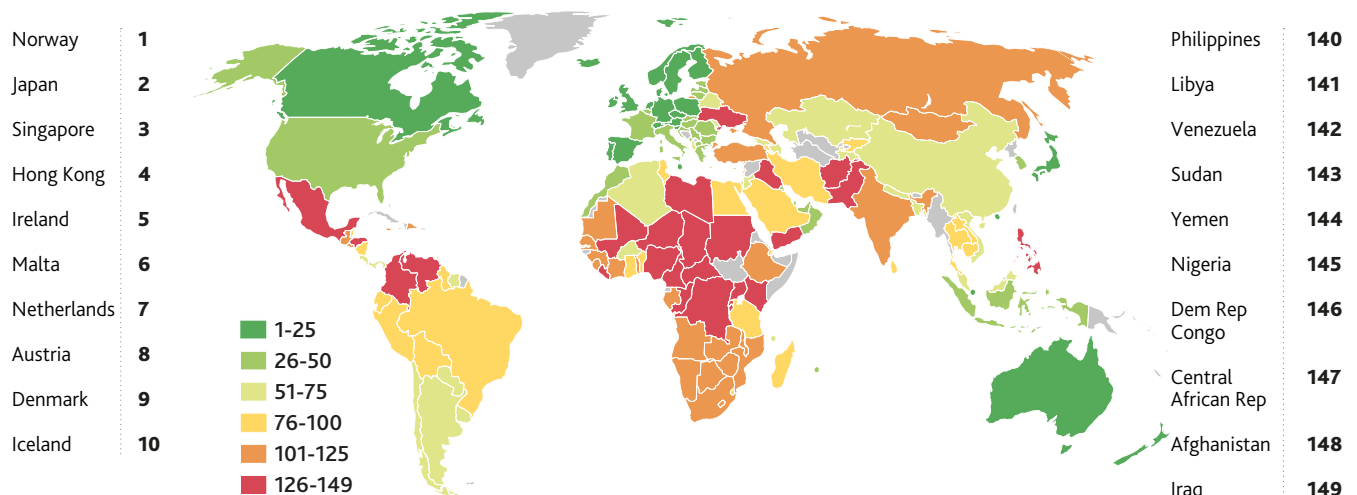
- Across **all regions** except Latin America, Personal Safety has increased over the last five years, usually due to decreases in theft and safety at night.
- The number of homicides being committed has decreased in 50 countries, and another 70 have had no change.
- Despite universally high levels of intentional homicides across **Latin America**, some countries have improved. **Guatemala** has experienced a declining homicide level for the past five years, but remains 141st.

Security of Living Conditions looks at how safe and secure people are in their daily lives. This means secure housing and food supply as well as the safety of the living environment and infrastructure.

Indicators – availability of adequate food, availability of adequate shelter, road death rate

- The main reason for a decrease in score within this sub-pillar over the past year is a fall in the availability of food and shelter. In 75 countries people reported a decrease in the availability of food this year. In terms of regions, **Sub-Saharan Africa, Asia, and Latin America** all saw large decreases this year.
- In Eastern Europe, **Armenia** has managed to have the greatest reduction in terms of its road deaths this year, after the introduction of new policing measures.
- In Sub-Saharan Africa, **Madagascar and Mozambique** have seen the greatest declines in this sub-pillar, driven by decreasing availability of food and shelter, whereas **Ghana and Congo** have seen the greatest increases.

Safety and Security

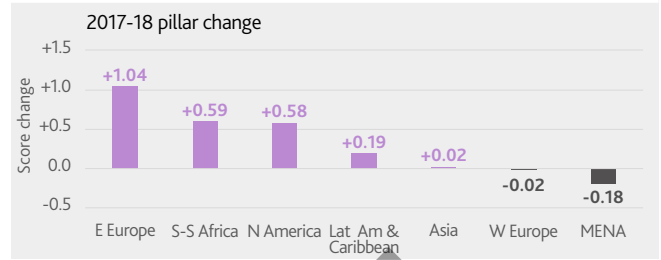
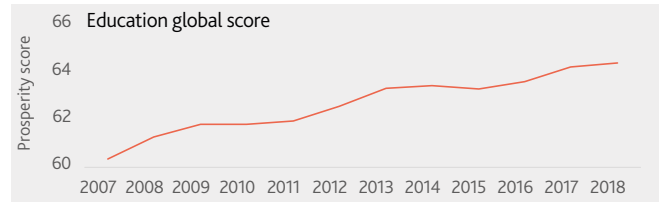


Education

Education and human capital are building blocks for prosperous societies. The accumulation of human capital contributes to economic growth, making a case for the effect of education on rising per capita income levels. Furthermore, increased exposure to education allows people to lead more fulfilling lives. A better-educated population is more able to contribute to society.

Education has improved steadily around the world since 2007. Eastern Europe has improved more than other regions in recent years. This is because of improved attainment at primary and secondary levels as well as a workforce that has been educated for longer than previously recorded. MENA and Western Europe are the only regions to decline over the last year.

Notably, worldwide enrolment for girls and boys at primary and secondary level is much closer to parity than at the start of the decade. The global workforce is now better educated than before, with an average of three and a half years of secondary education per worker.



Access to Education examines how wide-ranging access to, and enrolment in, education is. This includes access across genders and the literacy rate amongst adults and youth.

Indicators – adult literacy rate, youth literacy rate, Gini coefficient of education distribution, girls to boys enrolment ratio

- **Trinidad and Tobago** has the most equal access to education in the Latin America & Caribbean region, placing it 19th in the world for this indicator.
- **Sub-Saharan Africa** has improved access to education for girls over the past decade at a faster rate than any other region. However, it still ranks behind all other regions for this indicator, with girls making up 48% of enrolled students.

Quality of Education measures the quality of education attained by citizens. This quality is reflected in the numbers achieving primary and secondary education, public perception of schooling and the international reputation of universities.

Indicators – perception among citizens that children are learning, education quality by primary and secondary attainment, number and quality of top universities, satisfaction with local schooling, primary completion rate

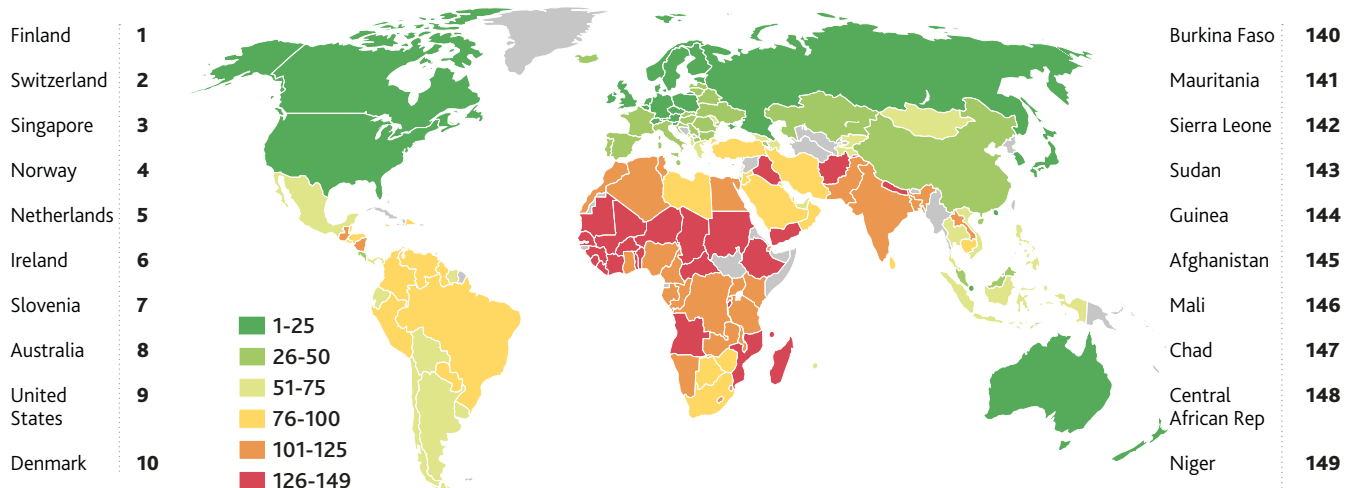
- The top five countries for primary and secondary school attainment are all in Asia, with **Singapore** scoring highest.
- There are now 43 countries in the PI with a primary completion rate of 100%, compared to 20 countries in 2007. **Bangladesh** has seen the largest increase in this indicator, rising to 98% primary completion, compared to 64% in 2007.

Human Capital of the Workforce measures the levels and skills in the workforce that encourage research and development. These are measured at secondary and tertiary level.

Indicators – secondary education years per worker, tertiary education per worker, proportion of secondary pupils enrolled in technical/vocational training

- Europe has the highest number of pupils undertaking technical or vocational training with 15 out of the top 20 countries for this indicator. **Finland** is the highest ranking European country, with 48% enrolled in this form of training.
- **Russia** has the highest average tertiary education per worker in the world, with almost two years per worker.
- **Guyana** is one of only seven countries whose workforce now has less secondary education on average than a decade ago.

Education

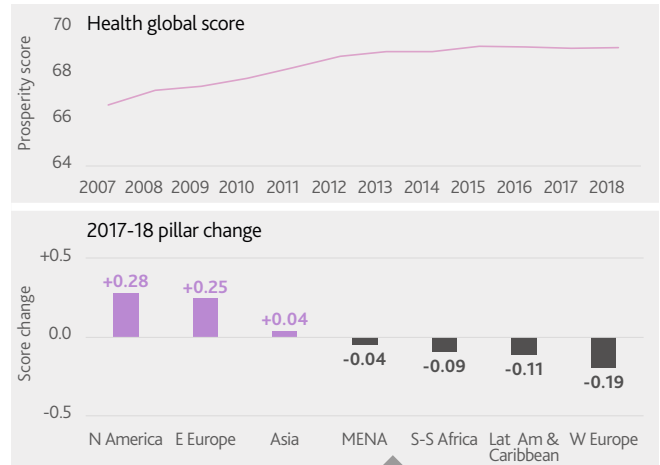


Health

For a nation to truly prosper, its citizens must have good Health. Those who enjoy good physical and mental health report high levels of wellbeing. An effective health infrastructure is critical for sustaining per capita income. Poor health keeps people from fulfilling their potential.

Having risen strongly at the beginning of the last decade, world Health is now beginning to flat-line. The long-term trends of rising life expectancy and increased access to basic sanitation continue, particularly noticeable in the Asia-Pacific region. But these effects have been offset by more people reporting health problems and higher reported incidences of sadness and worry.

Over the past year, overall changes for regions have been quite small, with the largest changes in North America and Eastern Europe. North America has done well in health outcomes, with low levels of people reporting health problems. Conversely, people in Western Europe are reporting more health problems, despite having improved emotional well-being.



Health Outcomes are the basic outcomes expected by members of a prosperous society. This includes mental and emotional wellbeing, as well as basic measures of mortality and life expectancy.

Indicators – life expectancy at birth, mortality rate, perception of health problems, feelings of joy, feelings of sadness and worry

- The life expectancy of people in **Zimbabwe** has increased by more than 15 years in the last 10 years, more than any other country. This increase puts it at 131st in this indicator, up from 149th in 2007.
- **Kyrgyzstan** is the country with the best reported levels of sadness and worry, but is 123rd for perception of health problems.
- The population of **Eastern Europe** has increased its levels of reported joy steadily since first reported in the Index, pushing **MENA** into last place for this indicator.

Health Systems Quality looks at the adequacy of health infrastructure, service quality and preventative care (including sanitation, immunisation and broader public health). This is reflected in people's satisfaction with their healthcare.

Indicators – satisfaction with healthcare, quality of sanitation facilities, vaccination rate for diphtheria, vaccination rate for measles

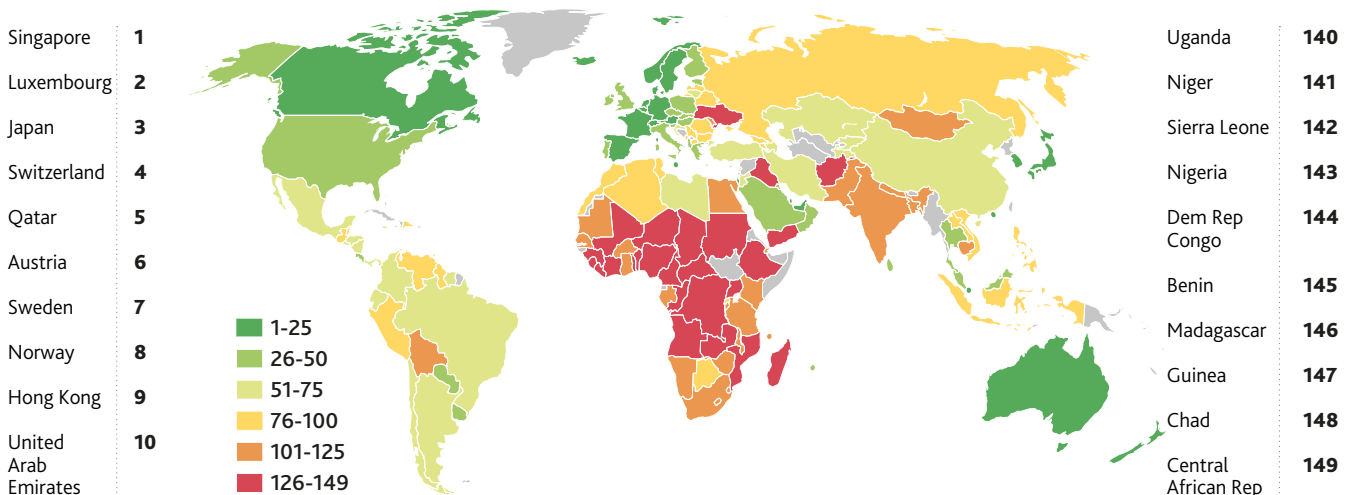
- **Asia** has seen the greatest score increase in its health system quality over the past decade, with 10% more of its population receiving vaccinations for measles and diphtheria. This increase is most pronounced in **Laos, India** and **Tajikistan**.
- In all regions, populations have better access to waste disposal than a decade ago; 113 countries have improved access to sanitation, whilst 29 have worsened access. However, **Georgia** has the largest decline, with 8% its population having less access than 10 years ago.
- **Eastern Europe** is the region whose population is the least satisfied with its healthcare system.

Illness and Risk Factors measures the extent to which the health system's coverage and performance are effective at maintaining the health of the population.

Indicators – quality-adjusted life years lost to tuberculosis, adult diabetes rate, obesity rate

- **Eastern Europe** is the only region to see improvement in scores in this sub-pillar over the past 10 years .
- **South Africa** has seen the largest decrease in tuberculosis deaths over the past decade, but it remains the biggest cause of mortality in the country.
- Nine of the 10 most obese nations in the Prosperity Index are in **MENA**.

Health

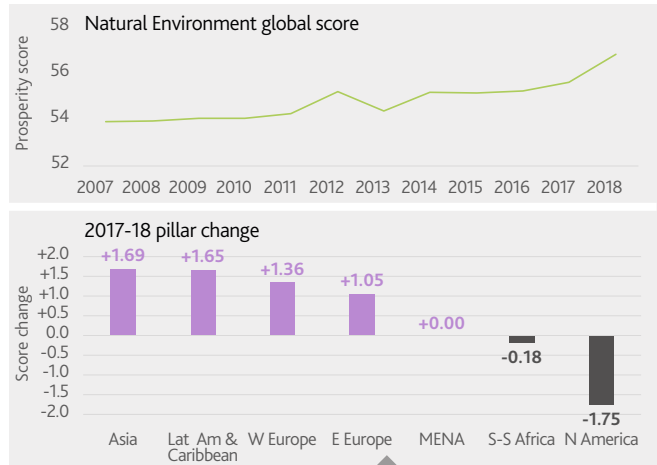


Natural Environment

A high-quality environment conveys a sense of wellbeing and satisfaction to a country's population through characteristics that may be physical (such as air quality), social (such as green areas to meet), or symbolic (such as pride in national parks). A high-quality environment can also provide substantial material economic benefits to those whose living depends on the environment.

Natural Environment has improved in every year of the Index except from 2012-13. The greatest gains over the last decade have come from wider access to drinking water and improved wastewater treatment. However, fish stocks are now more stressed than they were in 2007 and air pollution has worsened in every region.

Latin America has risen the most over the past year due to improved wastewater treatment, as well as Brazil and Chile adding significantly to their marine protected areas.



Environmental Quality looks at the extent to which the natural environment enhances human welfare. Attributes of Environmental Quality such as clean air and water bring immediate health and wellbeing benefits.

Indicators – air pollution levels (% pop exposed to PM2.5 above WHO threshold), % urban population with at least basic drinking water services

- Two of the biggest risers for access to drinking water in urban areas over the last five years are **Afghanistan** and **Laos**. They still have significant room for development in this indicator though, as they are ranked 131st and 109th respectively.
- North America** is the highest scoring region for this sub-pillar, while **Asia** is the lowest scoring region. There has been progress with access to drinking water in Asia, but air pollution has worsened considerably over the past decade, with **Singapore**, **Malaysia** and **Indonesia** the region's largest fallers.

Environmental Pressures measures the exploitation of natural resources. Over-exploitation can restrict the ability of the natural environment to support biodiversity. Sustainable agriculture and fisheries can increase long-run productivity through the slowing of degradation, which acts as a long-run drag on productivity.

Indicators – fraction of fish stocks in national waters overexploited/collapsed (landlocked nations assigned regional average), domestic freshwater withdrawal as % of renewable resource

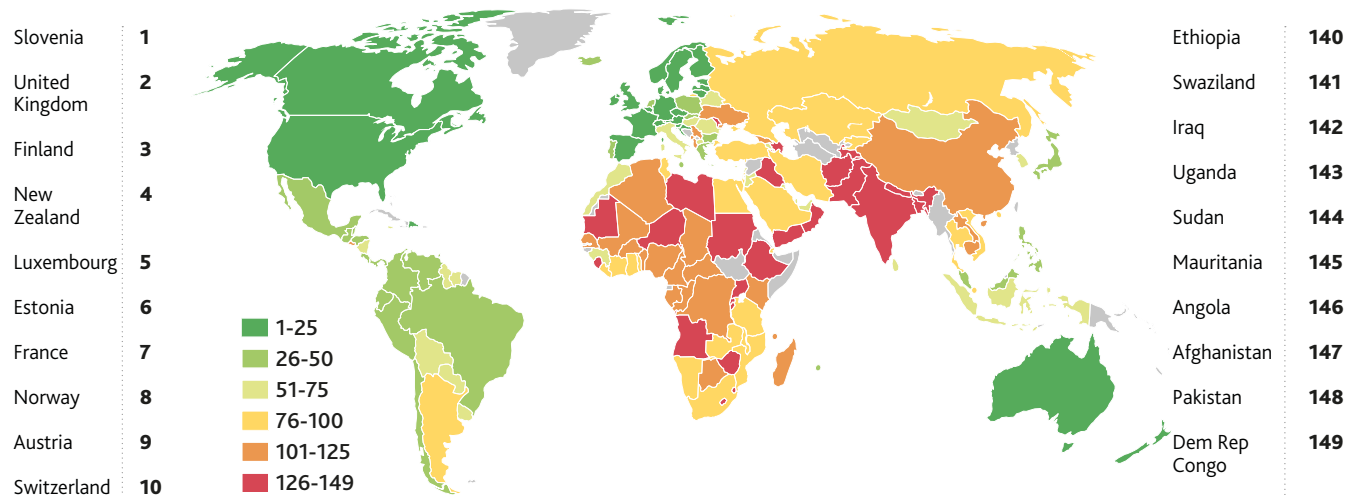
- Namibia** has improved more than any other country for sustainable national fish stocks in the last five years, with 12% of their fish stocks over-exploited this year compared to 62% in 2013.
- Turkey**, **Libya** and **Algeria** have seen the largest increase in the over-exploitation of fish stocks over the past five years.

Preservation Efforts measures how well countries take steps to preserve and protect the natural environment. This includes the extent to which they avoid contamination of the environment through pollution (such as wastewater or pesticides).

Indicators – protected marine area (% of total), protected terrestrial area (% of total), regulation of harmful pesticides, anthropogenic waste-water treatment, satisfaction with preservation efforts

- Slovenia** tops this sub-pillar with over half of its terrestrial area protected.
- In the MENA region, the **United Arab Emirates** tops this sub-pillar and the Natural Environment pillar. It has the best score for reported satisfaction with preservation efforts in the world, and the second best wastewater treatment score in the region.
- There has been little change over the past five years in protected land areas, yet **Albania** has improved significantly, adding 15% of its total land area to protected status.

Natural Environment





Methodology, Notes and Acknowledgements





Methodology

The Legatum Prosperity Index™ is a framework that assesses countries on the promotion of their citizens' flourishing, reflecting both wealth and 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 seeks to redefine the way we measure national success, 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 the world.

To cover both wealth and wellbeing, and not just one or the other, the Prosperity Index faces the challenge of finding a meaningful measure of national success. 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.

For the 2016 issue, the Prosperity Index was refreshed following a two-year methodological review, with the input of academic and policy advisors. The objective of the review was to get closer to a measure of prosperity that is transparent and policy-relevant, achieved by combining established theoretical and empirical research on the determinants of wealth and wellbeing. The Index captures the breadth of prosperity across nine pillars of prosperity using 104 indicators. We ensured that all indicators displayed a statistically significant and meaningful relationship with at least wealth or wellbeing. The 2016 edition of the Prosperity Index covered more countries and more variables, added a new Natural Environment pillar and captured new data sources.

For 2018, we have retained the methodology established in 2016. For more information on the methodology, please refer to the *Methodology Report* published at www.prosperity.com.

A country is given a score for each pillar. This score is based on that country's performance with respect to each of the indicators in that pillar, and the level of that indicator's importance (the weight assigned to each indicator), which is discussed in the *Methodology Report*. Finally, the pillar scores are averaged to obtain an overall prosperity score, which determines each country's rank. Each pillar contains around 12 indicators. We have also aggregated the indicators into sub-pillars, to capture an intermediate perspective. While the Index score provides an overall assessment of a country's prosperity, each pillar (and sub-pillar) score serves as a reliable guide to how that country is performing with respect to a particular foundation of prosperity.

We continuously monitor the quality and availability of global data, which is not constant. As a result of datasets being discontinued, or new datasets becoming available, we have updated some of the variables used in the Index. For example:

- Under the Health pillar, the World Bank replaced the variable called "Improved sanitation facilities", with two new variables: "People using at least basic sanitation services (% of population)", and "People using safely managed sanitation services (% of population)". We chose the first of these measures, because it had greater coverage and a higher correlation with the old measure.
- In the Natural Environment pillar, the air pollution measure has changed. In the latest data release, the Environmental Performance Index, has used a weighted average of four levels of air pollution, unlike previous years when it had used a different weighting system. We have used their new measure in this year's Prosperity Index.

- In the Economic Quality pillar, the International Monetary Fund (IMF) had not updated the Export Diversification Index since 2010. We therefore chose to replace the IMF measure with the Harvard Economic Complexity Index, which is a measure of export diversity.

In all cases, we updated the historical data. This resulted in some minor changes to scores and rankings for prior years; the overall effect, however, is small. A full list of changes and updates to variables can be found in the *Methodology Report*.

Note on averages

When calculating scores for regions, we take a population-weighted average score. This is because we want to capture the effect on individuals rather than countries. For example, if two countries improve their prosperity, then the more populous country has a greater effect on global prosperity than the less prosperous country.

The exception is in the riser and faller articles, where we use normal averages to calculate the changes over time. We did this because our interest was in the drivers of prosperity, and we wanted to treat each country equally so that more populous countries would not hide the positive changes made by smaller countries.

Pillars



The **Economic Quality** pillar measures countries on the openness of their economy, macro-economic indicators, foundations for growth, economic opportunity and financial sector efficiency.



The **Business Environment** pillar measures a country's entrepreneurial environment, its business infrastructure, barriers to innovation and labour market flexibility.



The **Governance** pillar measures a country's performance in rule of law, effective governance, and democracy and political participation.



The **Education** pillar measures access to education, quality of education and human capital.



The **Health** pillar measures a country's performance in basic physical and mental health, health infrastructure and preventative care.



The **Safety & Security** pillar measures countries based on national security, security of living conditions and personal safety.



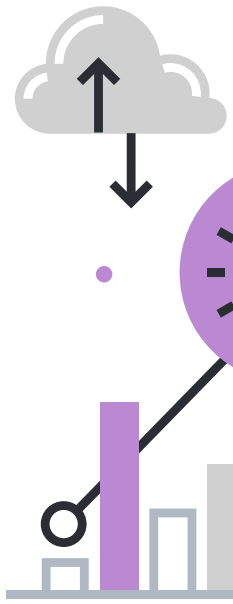
The **Personal Freedom** pillar measures national progress towards basic legal rights, individual liberties and social tolerance.



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



The **Natural Environment** pillar measures a country's performance in the quality of the natural environment, environmental pressures and preservation efforts.





Step by step

1

Selecting the variables

We carried out an extensive literature review for each pillar looking at the academic literature on economic development and wellbeing. We first identified more than 200 variables that have an effect on wealth and wellbeing. This list was refined based on input from academic and policy experts in each pillar area, who advised on the reliability of data sources, alternative measures and the credibility of variables' measurement. This left us with a final list of 104 variables, distributed fairly evenly across the nine pillars.

2

Standardisation

The variables in the Prosperity Index are based on many different units of measurement, including numbers of individuals, years, percentages and ordinal scales. These different units need to be normalised for comparison between variables 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 a variable 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.

3

Variable weights

Each variable is assigned a weight, indicating the level of importance it has in affecting prosperity. Weights fall into four buckets: 0.5, 1, 1.5, and 2. Each variable by default is weighted as 1, and, based on its varying significance to prosperity, its weight may be adjusted downwards or upwards accordingly. For example, a variable with a weight of 2 means that it is twice as important in affecting prosperity as most other variables. Weights were determined by three factors, ordered according to priority: (1) the relevance and significance of the variable regarding the accumulation of material wealth and the enhancement of wellbeing as informed by the academic literature; (2) expert opinions offered by the Index's special advisors; and (3) the degree of compatibility with the Legatum Institute's view of prosperity as human flourishing across wealth and wellbeing.

4

Pillar scores

In each of the nine pillars, variables' distance to frontier scores are multiplied by their weights and then summed to generate countries' pillar scores. The countries are then ranked according to their scores in each pillar.

5

Prosperity Index score

The Prosperity Index score is determined by assigning equal weights to all nine pillars for each country. The mean of the nine pillar scores yields a country's overall Prosperity score. The overall Prosperity Index rankings are based on this score.

Notes

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

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The Legatum Institute is a London-based think-tank with a global vision: to see all people lifted out of poverty. Our mission is to create the pathways from poverty to prosperity, by fostering Open Economies, Inclusive Societies and Empowered People. We do this in three ways. Our Centre for Metrics creates indexes and datasets to measure and explain how poverty and prosperity are changing. Our Research Programmes analyse the many complex drivers of poverty and prosperity at the local, national and global level. Our Practical Programmes identify the actions required to enable transformational change.

For more information about the Prosperity Index or to speak to one of the Legatum Institute's experts, please email info@li.com

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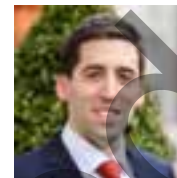
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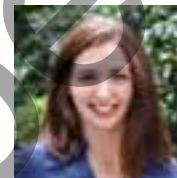
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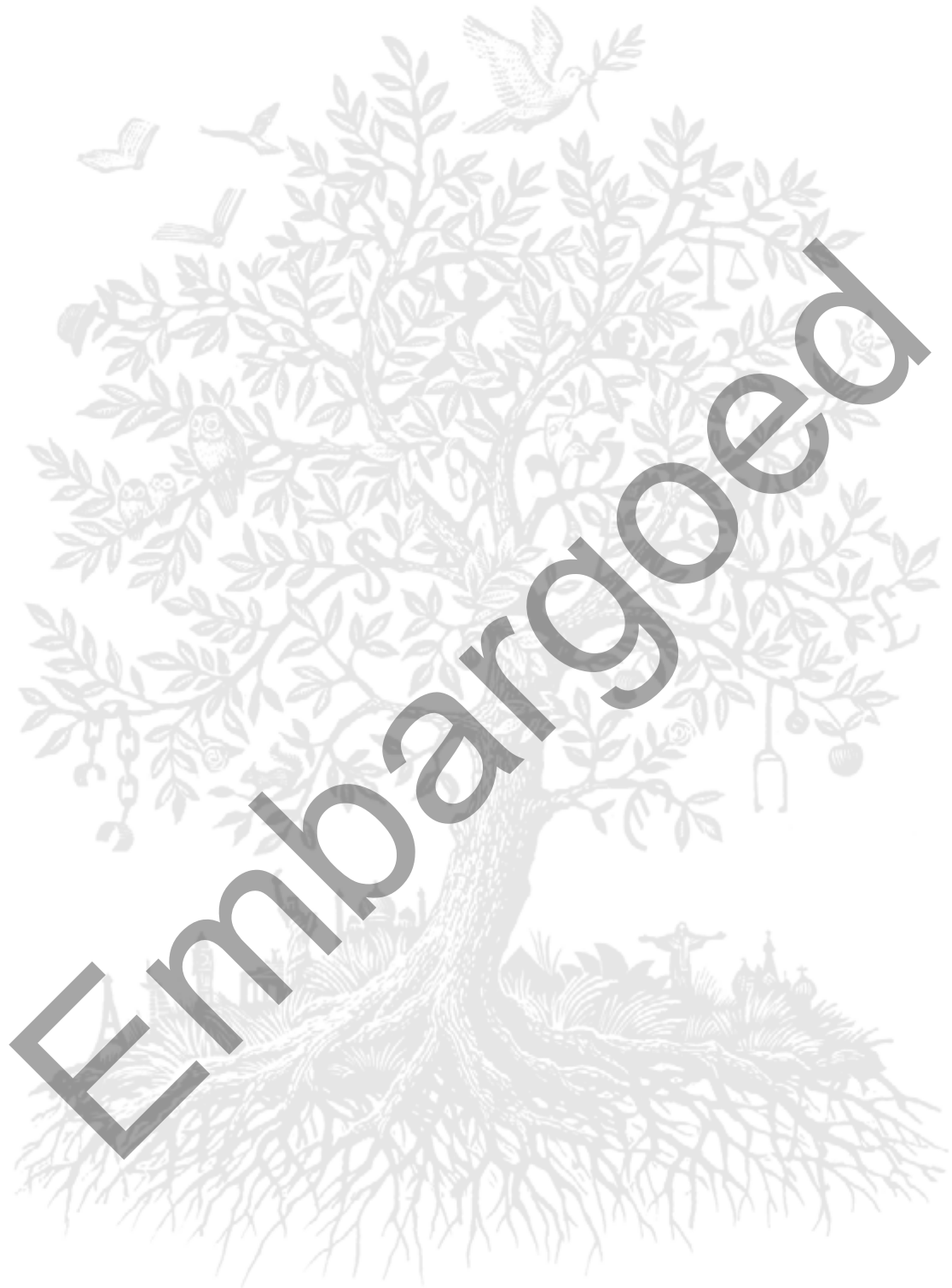
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CREATING THE PATHWAYS FROM POVERTY TO PROSPERITY

PROSPERITY INDEX

The Legatum Institute is an international think tank and educational charity whose mission is to promote policies that create the pathways from poverty to prosperity

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