LEGATUM™ INSTITUTE

PROSPERITY INDEX

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The Legatum Prosperity Index™

A tool for transformation

THIRTEENTH EDITION

2019

Contents

Foreword

Our mission at the Legatum Institute is to create the pathways from poverty to prosperity, by focussing on understanding how prosperity is created and perpetuated. 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 effective institutions, an open economy, and empowered people who are healthy, educated, and safe.

The measurement of national prosperity is an important task for governments and for those who hold them to account. It is the real measure of whether a nation is truly fulfilling the potential of its people, in terms of both their productive capacity and their collective wellbeing.

The Index has been purposefully designed to be a transformational tool, and our ambition is that leaders around the world use it to help set their agendas for growth and development, and also to enable others to hold them to account.

This is the 13th consecutive year of the Legatum Prosperity Index, and with the input of over 100 expert advisors, we have undertaken a major exercise to strengthen it, by enhancing the economic dimension, and also introducing more policy-focussed elements. This revised Index enables us to construct a thoroughly comprehensive picture of prosperity, across its institutional, economic, and social dimensions, with particular emphasis on the different policy-related issues to be addressed.

Through the Index, analysis of the performance of each of the 167 countries can be carried out on the key characteristics of inclusive societies, open economies, and empowered people. We have used 12 pillars, comprising 65 different elements, measured by close to 300 discrete country-level indicators, using a wide array of publicly available data sources. This comprehensive set of indicators provides an incredibly rich and holistic policy-focussed dataset representing over 99% of the world's population, thereby allowing the potential of each country to be identified and understood. This in turn enables targeted policy responses that can drive tangible improvements in prosperity.

While most policymakers focus on the big fiscal and macroeconomic policy tools at their disposal, or separately consider the social factors, they rarely consider all together. By combining in one Index the full range of disparate personal, business, and policy choices that impact and drive prosperity in different countries, we are looking to shift the focus of policymakers and influencers towards the broader implications of institutional, economic, and social policies.

The very good news is that the index reveals that prosperity continues to rise in the world, both over the last year and consistently since 2007. Of the 167 countries we have measured, 148 have become more prosperous over the last decade, and more people are living increasingly prosperous lives. Every region has seen improvement over the past 10 years. However, the news is not all good. The gap between the highest and lowest prosperity scores is the largest since we began measuring it in 2007, having grown steadily since 2014 when the highest and lowest scores were the closest together.

The rise in global prosperity over the past decade has been driven by more open economies and in particular the quality of people's lived experience improving across the vast majority of countries. However, further improvements in global prosperity are being held back by weaker personal freedom, and declining governance. On a more positive note, Safety and Security, one of the 12 pillars we use to measure and track prosperity, has begun to improve across the globe, following an extended period of deterioration. Safety and security, in all its guises, is the foundation of any successful nation building, and it enables the other pillars of prosperity to follow, from health and education through to a thriving investment environment and sound governance. We see that especially in The Gambia and Sri Lanka, despite the tragic events this year, safety and security has improved recently. This is a result of reductions in political terror and violence in both countries, and the end of civil conflict in Sri Lanka, and this recent improvement in safety and security augurs well for the future.

Through the analysis of this report, we believe the key to unlocking greater prosperity lies in the potential for improvement in each country. This potential exists not only because there is significant variation across the world, but because every country has distinct local opportunities to improve. Many countries have shown that they can improve and achieve high performance. Using this Index, we have also been able to identify best practices across many dimensions, demonstrating that there is much to be gained from benchmarking peers.

There are also significant benefits to be gained by exploring the connections between development in different areas. In particular, through our work this year focussing on both the African Continent and also within the United States, we have seen the relationship between strengthening institutions and broader economic and social development, and the importance of healthy and strong institutions in underpinning both economic and social wellbeing.

There is also a broader pattern across the world that demonstrates how the effectiveness of institutions is critical to the development of prosperity. The challenges of transformation that many developing regions face is about change – in some ways, significant change. However, the question as to whether the broader institutions in a country will permit that change is often an open one. Are markets truly contestable? Can political power be transferred? Can government operate effectively? Does the social contract facilitate change? Identifying the constraints to change will be critical to determining the best path forward. What steps can leaders and governments resolve to take themselves to establish improved governance, and to what extent is there a case for more targeted development assistance, focussed on building strong institutions?

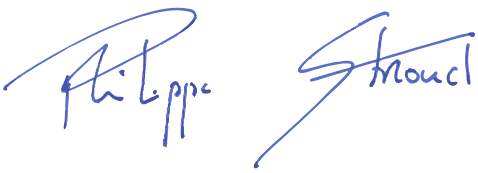
We hope that this Index enables the nature of countries' strengths and weaknesses to be understood, and helps identify where solutions are already available as inspiration for others. This Index can support political leaders, policymakers, investors, business leaders, philanthropists, journalists, and researchers to identify areas of local strength, and where to look for best practice to improve other areas, while holding others to account. In doing so, it can help them to set their agendas, and implement strategies for institutional, economic, and social development.

We have been able to show where there have been particular improvements in prosperity, such as in health and in enterprise conditions. Contrasting these improvements, we have also been able to identify where there have been deteriorations in personal freedom and governance across the world. Beneath the overall improvement in prosperity around the world, there are wide variations in outcomes at regional and national levels. Hence, the binding constraints to increasing prosperity vary significantly around the world.

The top 40 most prosperous nations are those that have demonstrated over time how to build prosperity. Those in the bottom 30 face significant challenges across all pillars, especially in improving Safety and Security. The middle 90 countries of the Index, those that rank 40th to 130th and which contain 69% 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 focussed on improving prosperity in this grouping of countries.

We are increasingly ambitious about engaging directly with political leaders, policymakers, investors, business leaders, philanthropists, journalists, and researchers in these 90 countries, to share our insights and forge closer relationships that can effect fundamental change and implementation.

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



Baroness Philippa Stroud
CEO of the Legatum Institute

Using the Index — A tool for transformation

The Prosperity Index has been developed as a practical tool to help identify what specific action needs to be taken to contribute to strengthening the pathways from poverty to prosperity globally. The Index consists of 12 pillars of prosperity, built upon 65 actionable policy areas (elements), and is underpinned by 294 indicators.

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

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

INTERPRETING THE INDEX

For 167 nations, the Index uses the same indicators, and combines them in the same way to create elements and pillars. By using the Index, it is possible to compare the relative performance of each country for overall prosperity and each of the 12 pillars of prosperity, such as health, education, and social capital, as well as the 65 elements within the pillars. The elements have been established to represent key policy areas, such as investor protections, primary education, government integrity, and air pollution, to help facilitate more targeted action.

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

APPLYING THE INDEX

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

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

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

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

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

RESOURCES AVAILABLE

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

Summary country overview. This document provides pillar-by-pillar ranking tables and 2-page summaries for each country. It gives pillar and element information, including rankings and scores, and how these have changed over time. This overview is available for download.

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

Indicator scores. An Excel spreadsheet, which can be downloaded, contains the scores for all of the 294 indicators for each year since 2007. Using these scores, the user can carry out more in-depth analysis. Further information on how the scores for each indicator are calculated can be found in the Methodology section (see page 82).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Team members at the Legatum Institute are available to engage and provide support to those interested in addressing the challenges and opportunities presented by these materials. Please contact us at info@li.com.

USING THE INDEX

Political leaders

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

Policymakers

The Index and its accompanying resources allow policymakers to benchmark nations' performances against peers across 12 pillars and 65 elements of prosperity to create a much more granular perspective of performance and the potential binding constraints to development.

Each of the 65 elements of prosperity have been designed to be recognisable, discrete areas of domestic policy, and measured using a combination of indicators from a variety of public data sources. The indicators should be interpreted as a set of proxies for the underlying policy concept and we would encourage policymakers to interpret a country's score and rank for an element as the trigger for more fundamental analysis of the strengths and weaknesses of its performance. Benchmarking against a basket of international metrics must be complemented by in-depth context-sensitive analysis, which itself can lead to more balanced agendas across a range of policy areas.

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

Philanthropists

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

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

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

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

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

Investors and business leaders

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

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

Academics and Researchers

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

Journalists and civil society

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

THE PATHWAYS TO TRANSFORMATION

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

1. Transformation is a process not an event. For countries in the middle ranks of the Index, it is not necessary, or useful, to aspire to be Denmark – at least in the medium term. Intermediate benchmarks are much more helpful and effective.

2. Iterative changes are often more powerful than striving for an ideal on any one dimension. Given the highly complex nature of development, many factors impinge on others. There is little value in having a highly efficient, or even 'ideal', system of contract enforcement if the forms of corporate governance, investor protections, or property rights are much less developed. In fact, a lopsided approach can be detrimental, as it can generate unintended consequences. Each change of the ecosystem needs to move from one (relatively) stable state to another. These are often described as 'second-best institutions', but they are often the next-best solution.

3. It is important to identify the most binding constraint to development, and use it to inform sequencing and prioritisation. To give a rather simplified example, a country may find itself with a weak environment for foreign investment and also weak property rights. In such a situation, loosening restrictions on foreign investment is unlikely to have much of an impact, as investors will be wary of securing a return if property rights are not adequately protected. In such a circumstance, improving property rights would likely be a more impactful first step.

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

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

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

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Executive Summary

INTRODUCING THE 2019 PROSPERITY INDEX

The Legatum Institute's revised and improved 2019 Prosperity Index quantifies prosperity in 167 countries across the globe, which together contain 99.4% of the world's population. Almost 300 country-level indicators, grouped into 65 policy-focussed elements, are used to measure the current state of prosperity in these countries and how it has changed since 2007. Using the Prosperity Index framework, nations around the world can assess their strengths and weaknesses in order to determine the economic and strategic choices that need to be made to further build inclusive societies, open economies, and empowered people to drive greater levels of prosperity.

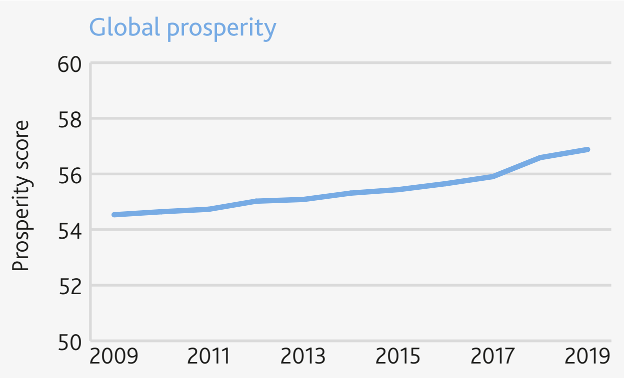
THE KEY FINDINGS FROM THIS YEAR'S REPORT ARE:

- Global prosperity continues to improve, but the gap between the strongest and weakest performing countries continues to widen;
- The improvement in global prosperity has been driven by more open economies and improvements to people's lived experiences;
- Economies are more open due to the improvement in the investment environment and digital connectivity, as well as a reduction in administrative burdens;
- People's lived experiences have improved due to better health, education, and living conditions;
- Stagnating institutions are holding back further improvements to global prosperity;
- People are more tolerant, although there is less freedom to speak, associate, and assemble.

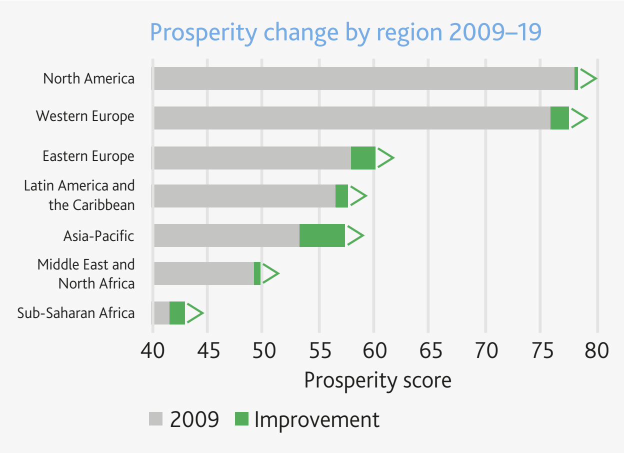
Global prosperity continues to improve, but the gap between the strongest and weakest performing countries continues to widen

Overall, the world is more prosperous than it has ever been, with Denmark overtaking Norway as the strongest performer. North America remains the most prosperous region, although, as a result of its prosperity stagnating, the gap with Western Europe has narrowed.

Of the 167 countries measured and tracked for prosperity in this year's index, 148 (containing 88% of the world's population) have seen an improvement in their prosperity since 2009. Although **Myanmar** (124th) has seen the most improvement in prosperity, government treatment of the Rohingya Muslims is cause for concern. **Togo** (144th) and **Kyrgyzstan** (88th) are the second and third most improved countries, rising 14 and 18 ranks respectively.



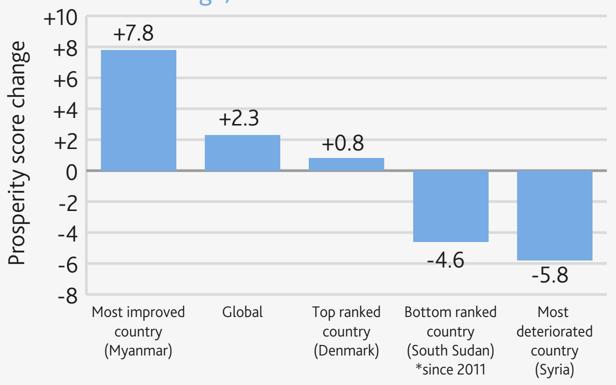
Each of the seven world regions contributed to the rise in global prosperity. The Asia-Pacific region saw the greatest improvement and accounts for most of the global increase. The region has seen the greatest improvement in 8 of the 12 pillars of prosperity over the past decade, including in all four of the economic pillars. Such is the improvement in prosperity in the Asia-Pacific region that it has closed the prosperity gap with Latin America and the Caribbean.



Not all nations contributed to the rise in global prosperity, with 19 countries experiencing a deterioration over the past decade, of these 19 countries, 15 are in sub-Saharan Africa or the Middle East and North Africa. **Syria** (157th), **Yemen** (166th) and **Venezuela** (143rd) saw the greatest declines, falling 23, 7 and 27 places respectively in the rankings. Australia was the only country of the 29 countries in the Asia-Pacific region that saw a decline in prosperity, as a result of deteriorating enterprise conditions and a decline in its economic quality.

The gap in prosperity between those countries ranking at the top of the Index and those ranking at the bottom is growing wider. Illustrative of this, Denmark, the top-ranked country, has improved, while South Sudan, the bottom-ranked country, has seen a deterioration in its prosperity.

Global and selected country prosperity score change, 2009–2019*



Further to this macro-level divergence in countries' prosperity, we also see a regional divergence in the performance across some of the pillars. This is most evident in Safety and Security, for which the safest region (Western Europe) has experienced the greatest improvement, while the Middle East and North Africa — the weakest-performing region — has experienced the greatest deterioration.

The improvement in global prosperity has been driven by more open economies and improvements to people's lived experiences

The rise in global prosperity over the past decade has been partly driven by more open economies, with 146 countries having seen an aggregate improvement across three of the four pillars within the Open Economies domain: Enterprise Conditions, Investment Environment, and Market Access and Infrastructure.

The quality of people's lived experience has improved since 2009, and has also contributed to the improvement in global prosperity, with 160 countries seeing an aggregate improvement across health, education, and living conditions since 2009.

Economies are more open due to the improvement in the investment environment and digital connectivity, as well as a reduction in administrative burdens

It is now easier to start and expand a business than it was a decade ago and tax processes, including when tax payments need to be made, have been simplified for businesses. These changes have led to improved enterprise conditions. In addition, the global investment environment is more attractive than it was 10 years ago, due to strengthened property rights, investor protections, and contract enforcement. Internet usage has also more than doubled, with the number of internet subscriptions in 2019 over two and a half times that in 2009, and internet bandwidth is nearly six times 2009 levels. These improvements have strengthened market access and infrastructure. **Singapore** (16th) has the most open economy, ranking first on the Investment Environment, Economic Quality and Market Access and Infrastructure pillars and fifth on Enterprise Conditions. **Yemen** (166th), on the other hand, has the least open economy. Its best performance is on the Enterprise Conditions pillar, but even here it only ranks 162nd.

However, this improvement in the openness of economies has not fully translated into increased economic output. Globally, average GDP per capita growth has slowed from 6% in 2009 to 3.5%, gross savings have declined and government debt-to-GDP ratio has increased from 52% in 2009 to 62%. Consequently, the Economic Quality pillar has improved only marginally over the past decade, with 96 countries improving.

People's lived experiences have improved due to better health, education, and living conditions

Better health-care systems and health outcomes are driving the improvements in health. Changes in the tertiary education sector and the adult population becoming more educated than it was a decade ago have led to the improvements in education. Reductions in poverty rates across the globe, with millions of people having been lifted out of poverty, have led to greater personal financial security and increased access to basic services, such as water, sanitation, and electricity, have led to better living conditions, although somewhat independently of other aspects of prosperity (see page 68). People's lived experience is highest in **Sweden** (4th) and lowest in **Central African Republic** (165th).

Although people's lived experience has improved, the natural environment has changed little over the past decade. Though freshwater resources have improved and preservation efforts have increased, emissions of air pollutants have continued to increase since 2009. While living conditions, health, and education have improved in all but 7 countries, over the past decade, nearly a third of all countries (51) have seen a deterioration in their natural environment.

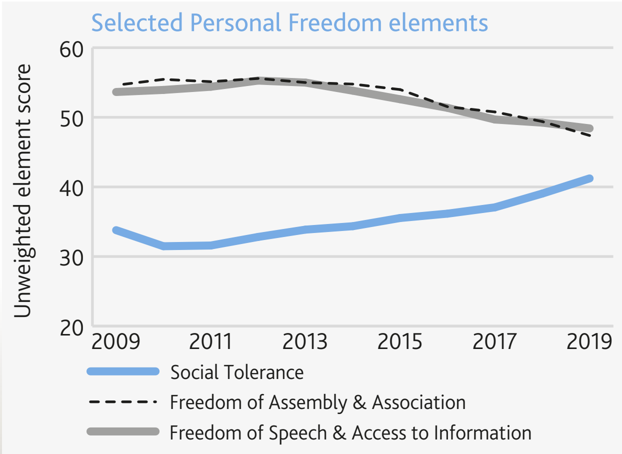
Stagnating institutions are holding back further improvements to global prosperity

Personal freedom has deteriorated over the last decade, with all regions other than Western Europe and Latin America and the Caribbean weakening. The quality of governance has declined, with regions such as sub-Saharan Africa and the Middle East and North Africa experiencing acute deterioration. Over the first eight years of the past decade the world saw a steady deterioration in safety and security, due to new conflicts arising in a number of countries, particularly in the sub-Saharan Africa and Middle East and North Africa regions, and also as a result of increased terrorist activity. However, the past two years have brought a reduction in politically-related terror and violence and a slight reduction in terrorist activity, leading to an improvement in safety and security since 2017. **Sri Lanka** (75th) has seen the greatest improvement in safety and security over the past decade, due principally to the ending of its 25 year civil war. However, the nation's vulnerability was exposed earlier this year when hotels and churches were the target of terrorist attacks, with over 250 lives lost and over 500 injured.

The Social Capital pillar is the only pillar within the Inclusive Societies domain that has improved over the past decade. In particular, social networks have strengthened, as has trust in institutions, such as the police force, the judiciary, and the military. **Togo** (144th) has experienced the greatest improvement in social capital, with relationships across all spheres of society strengthening. It is one of 104 countries to experience an improvement in this pillar.

People are more tolerant, although there is less freedom to speak, associate, and assemble

People have become more tolerant of other groups in society, particularly of the LGBT community, with residents of 111 countries expressing more tolerance than they did a decade previously. The freedom to speak, assemble and associate, however, has become more restricted across the globe over the past 10 years, with 122 countries seeing a deterioration. Contrary to the overall global decline in personal freedom, some countries are bucking the trend. For example, **Tunisia** (95th) has seen one of the greatest overall improvements in personal freedom, largely as a result of increased freedoms of assembly, association, and speech after the revolution of 2011.



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CONCLUSION

There is much to celebrate in the findings of this year’s Prosperity Index. Eighty-nine percent of countries are experiencing higher levels of prosperity than they did a decade ago, with all regions contributing to the improvement in global prosperity. Economies have become more open over the past decade, although Economic Quality has not improved to the same extent as the other economic pillars. Furthermore, living conditions, education, and health are at their highest ever levels, and are also contributing to the rise in global prosperity.

It is encouraging to see the improvement in safety and security over the past two years after eight years of decline, even though this restoration of peace and stability is still nascent. It is also encouraging to see the rise in social tolerance as people become more accepting of other groups in society. It is, however, concerning to see personal freedoms and governance deteriorating. Given the important role institutions play in underpinning not only economic quality, but also people's lived experiences, it is imperative that countries reverse this global trend (see page 40).

Although the rise in social capital is partially counterbalancing the failings of institutions, much more needs to be done to address the deteriorations in personal freedom and governance, to further build inclusive societies, open economies, and empowered people and drive greater levels of prosperity around the world.

People enjoying the beach together in Lome, Togo.

Togo (144th) has seen the most improvement on social capital, with relationships across all spheres of society strengthening, and is one of 104 countries to experience an improvement in social capital.

Mapping prosperity in 2019

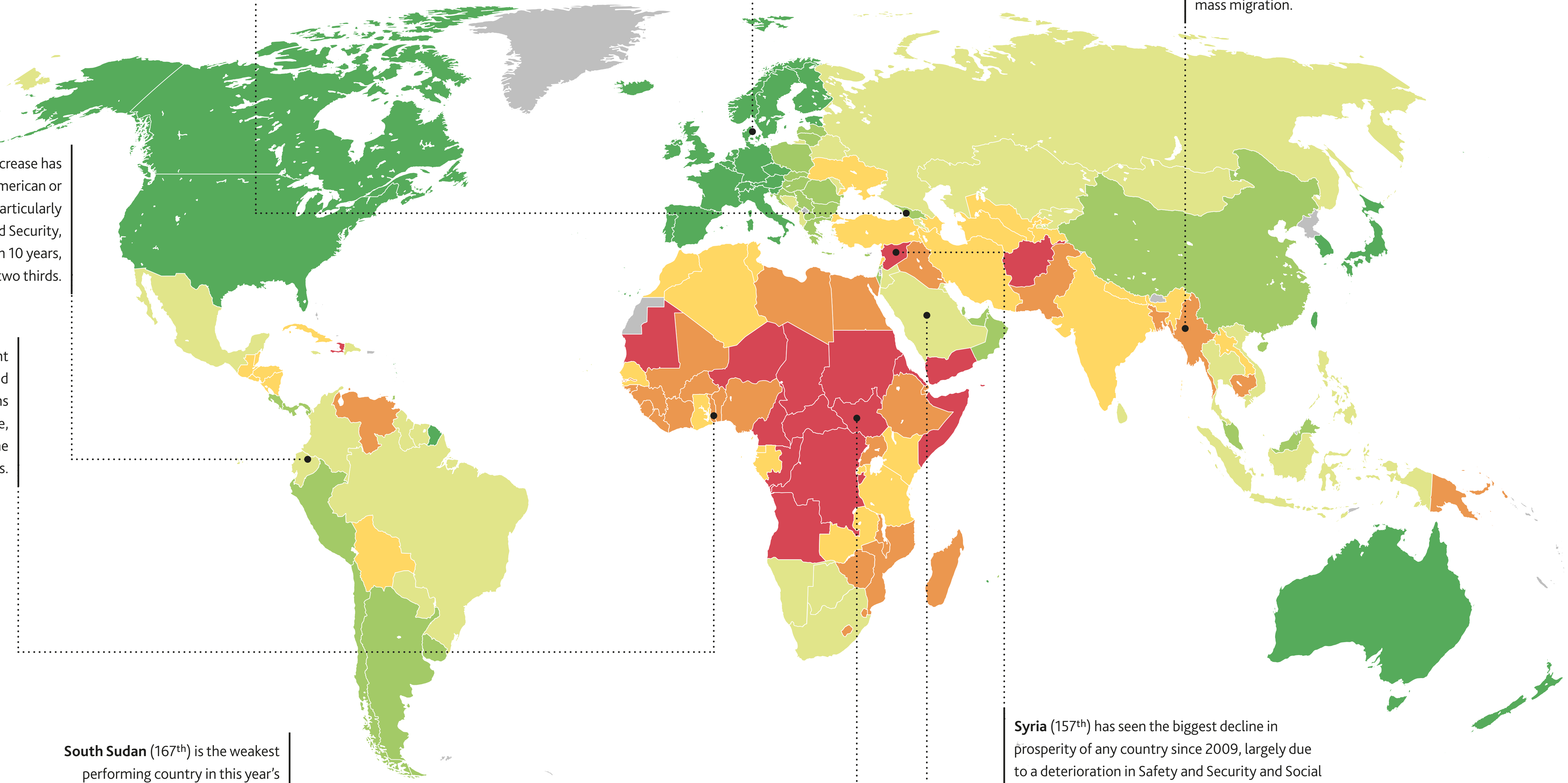
Georgia (53rd) is the most improved country in Eastern Europe, rising 11 ranks since 2009. This is predominantly due to the economy strengthening and a reduction in terrorism and violent crime.

Denmark (1st) is the strongest performing country and tops this year's Prosperity Index. It ranks in the top 10 for every pillar as well as being the highest ranked for Living Conditions.

Myanmar (124th) has seen the greatest improvement in prosperity over the past decade, driven by the economy strengthening and personal freedoms improving, but military operations against certain groups are leading to mass migration.

Ecuador's (80th) pace of prosperity increase has been greater than any other Latin American or Caribbean country. Ecuador has been particularly successful in improving its Safety and Security, with the country rising 40 ranks in 10 years, helped by its homicide rates falling by two thirds.

Togo (144th) has shown the strongest improvement of any country in sub-Saharan Africa and is the second most improved country worldwide. Living Conditions have improved considerably over the past decade, rising 17 ranks, driven by a recent reduction in the proportion of people reporting food shortages.



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 five most populous countries or areas not included in this year's Prosperity Index are:

1. Korea, Dem. People's Rep. (25.4 million)
2. West Bank and Gaza (4.5 million)
3. Puerto Rico (3.3 million)
4. Kosovo (1.8 million)
5. Timor-Leste (1.2 million)

South Sudan (167th) is the weakest performing country in this year's Prosperity Index, also ranking last for Safety and Security, Health and Education.

Syria (157th) has seen the biggest decline in prosperity of any country since 2009, largely due to a deterioration in Safety and Security and Social Capital, resulting in it ranking fourth weakest and weakest for these pillars respectively.

Saudi Arabia (71st) has improved its prosperity more than any country in the MENA region, rising 14 ranks in 10 years, with greater tolerance towards immigrants and ethnic minorities. Despite this improvement, it still ranks in the bottom 10 for Personal Freedom.

Global Prosperity Index, 2019 ranking:

1–30 31–60 61–90 91–120 121–150 151–167

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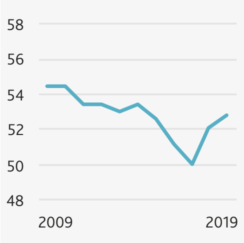
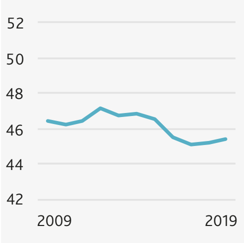
The pillars of prosperity at a glance

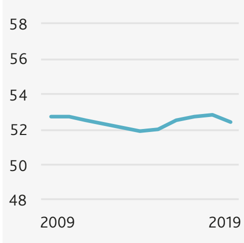
The **Safety and Security** pillar measures the degree to which war, conflict, terror, and crime have destabilised the security of individuals, both immediately and through longer lasting effects.



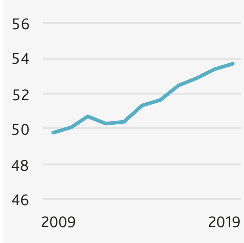
The **Personal Freedom** pillar measures progress towards basic legal rights, individual liberties and social tolerance.



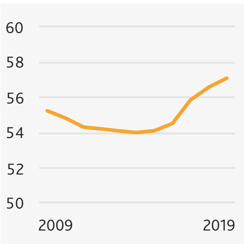
The **Governance** pillar measures the extent to which there are checks and restraints on power and whether governments operate effectively and without corruption.



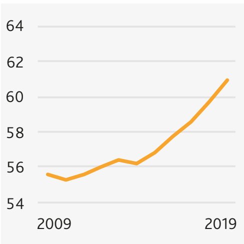
The **Social Capital** pillar measures the strength of personal and social relationships, institutional trust, social norms and civic participation in a country.



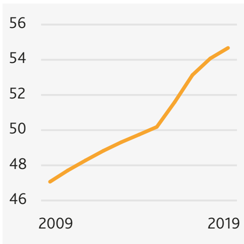
The **Investment Environment** pillar measures the extent to which investments are adequately protected and are readily accessible.



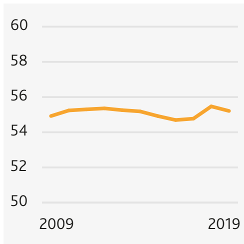
The **Enterprise Conditions** pillar measures the degree to which regulations enable businesses to start, compete, and expand.



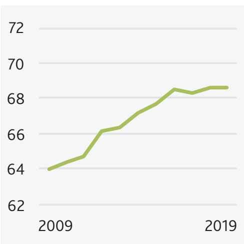
The **Market Access and Infrastructure** pillar measures the quality of the infrastructure that enables trade, and distortions in the market for goods and services.



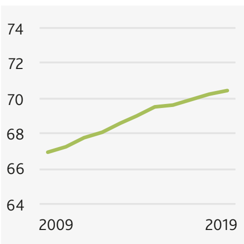
The **Economic Quality** pillar measures how well a state's economy is equipped to generate wealth sustainably and with the full engagement of its workforce.



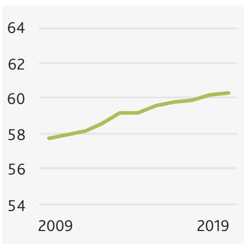
The **Living Conditions** pillar measures the degree to which a reasonable quality of life is experienced by all, including material resources, shelter, basic services and connectivity.



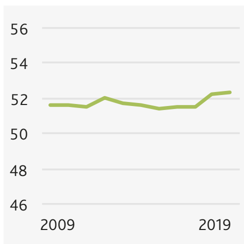
The **Health** pillar measures the extent to which people are healthy and have access to the necessary services to maintain good health, including health outcomes, health systems, illness and risk factors, and mortality rates.



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



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



The Legatum Prosperity Index™

Ranks 1–56

2009 Rank	2018 Rank	2019 Rank		Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
1	2	1	Denmark	5	2	3	2	6	7	8	8	1	8	3	10
3	1	2	Norway	2	1	1	1	2	9	15	12	7	5	11	7
4	3	3	Switzerland	1	12	7	8	13	3	7	2	4	3	12	5
2	4	4	Sweden	11	4	6	9	10	13	5	4	3	15	17	1
5	5	5	Finland	17	3	2	4	7	18	10	21	6	26	6	2
6	6	6	Netherlands	12	5	4	6	12	8	4	6	2	9	8	54
10	7	7	New Zealand	13	10	5	7	3	14	21	19	26	22	10	6
8	9	8	Germany	21	13	9	13	15	4	11	5	5	12	21	17
7	8	9	Luxembourg	3	8	8	21	22	16	2	7	9	19	33	9
9	11	10	Iceland	6	6	13	3	25	30	12	16	20	7	13	8
16	10	11	United Kingdom	16	15	11	14	4	6	9	15	8	23	15	24
14	12	12	Ireland	14	9	14	12	23	10	23	3	12	20	16	14
11	15	13	Austria	9	17	15	11	11	19	17	22	13	10	22	3
12	13	14	Canada	18	7	10	10	14	15	19	38	16	25	5	15
15	14	15	Hong Kong*	4	41	16	28	5	1	3	9	14	6	4	28
18	16	16	Singapore	7	95	25	18	1	5	1	1	10	1	1	91
13	17	17	Australia	26	14	12	15	9	21	29	31	21	18	9	19
17	18	18	United States	58	22	21	16	8	2	6	17	29	59	14	25
21	19	19	Japan	10	31	18	132	17	11	13	26	19	2	7	23
23	20	20	Malta	19	18	23	17	33	22	33	14	11	14	35	41
22	22	21	Estonia	33	25	19	38	20	20	24	11	28	55	18	13
19	21	22	Belgium	29	16	17	45	24	17	16	33	18	24	19	47
20	23	23	France	30	23	20	41	18	26	14	37	17	16	29	16
26	24	24	Taiwan, China	8	26	24	49	19	12	27	25	41	31	28	88
25	25	25	Spain	32	19	27	30	27	29	22	47	15	13	23	43
28	26	26	Portugal	25	11	26	53	31	28	25	49	27	30	39	45
24	27	27	Slovenia	23	27	33	40	41	40	26	29	23	32	24	4
29	28	28	Czechia	20	32	31	112	26	35	35	13	32	28	26	18
27	29	29	South Korea	35	46	30	142	21	33	20	10	25	4	2	75
31	30	30	Italy	24	29	39	56	40	25	32	52	24	17	31	48
33	31	31	Israel	129	72	22	57	16	24	30	18	22	11	25	121
32	33	32	Slovakia	27	35	40	76	30	49	44	32	33	43	48	12
38	32	33	Lithuania	28	38	34	141	32	36	37	35	38	92	27	27
30	36	34	Cyprus	43	24	32	81	44	41	31	50	30	29	36	79
34	35	35	Latvia	34	39	37	130	34	37	40	34	40	87	30	11
36	34	36	Poland	22	62	38	111	38	32	42	39	31	40	34	62
35	37	37	Chile	66	28	28	65	37	39	34	51	44	70	46	55
40	40	38	Costa Rica	48	21	35	51	53	46	60	60	55	36	55	33
42	39	39	Uruguay	41	20	29	58	43	66	59	69	46	34	57	52
44	38	40	United Arab Emirates	49	138	44	20	29	23	18	20	42	47	49	132
46	44	41	Malaysia	85	119	54	29	28	27	41	27	65	39	42	39
39	46	42	Greece	42	43	41	114	93	34	38	88	39	33	41	29
45	42	43	Qatar	15	135	56	23	47	31	28	24	43	48	64	113
43	41	44	Mauritius	38	37	36	35	35	44	56	59	56	54	62	112
41	43	45	Croatia	31	49	46	136	55	89	39	48	34	57	47	31
37	45	46	Hungary	39	89	72	90	45	57	45	30	37	52	45	30
48	47	47	Romania	40	57	47	116	36	72	47	40	64	71	61	58
47	50	48	Seychelles	52	64	51	36	65	54	54	44	68	38	67	61
50	48	49	Bulgaria	61	69	58	123	60	53	58	36	49	65	43	76
52	51	50	Montenegro	46	55	50	73	49	52	50	80	52	91	52	105
51	49	51	Panama	47	48	60	70	61	79	48	42	78	45	91	36
61	52	52	Serbia	44	77	71	96	74	64	61	73	47	72	44	99
64	55	53	Georgia	71	53	49	122	39	47	49	77	94	90	54	142
55	53	54	North Macedonia	70	82	69	84	52	56	64	72	50	56	86	80
54	56	55	Trinidad and Tobago	67	40	57	74	77	95	69	66	53	77	69	119
62	57	56	Peru	74	45	67	144	54	68	78	62	98	60	63	26

*Hong Kong is a Special Administrative Region of China

The Legatum Prosperity Index™

Ranks 57–112

2009 Rank	2018 Rank	2019 Rank		Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
65	60	57	China	108	159	91	34	48	38	52	23	66	21	56	147
49	54	58	Bahrain	127	156	90	19	46	45	36	61	36	53	59	135
60	63	59	Argentina	93	30	53	113	84	123	89	108	60	46	53	50
58	59	60	Oman	36	142	85	33	59	48	43	68	62	61	72	154
67	68	61	Armenia	75	83	75	75	56	60	67	91	79	67	51	108
53	58	62	Kuwait	68	115	93	50	78	83	51	41	35	51	85	116
83	61	63	Indonesia	96	103	62	5	64	62	88	58	106	97	88	69
63	62	64	Jamaica	118	34	52	85	63	63	79	112	67	50	82	139
71	64	65	Albania	62	75	70	120	69	65	63	113	90	69	50	73
56	65	66	Thailand	128	120	105	27	57	76	55	28	75	35	79	111
59	67	67	Mexico	140	68	80	118	66	75	53	45	81	37	74	78
78	66	68	Kazakhstan	89	139	87	72	51	70	77	53	59	84	38	133
57	69	69	Brazil	111	42	66	133	73	98	86	102	63	58	90	21
69	73	70	Bosnia and Herzegovina	51	92	101	89	85	111	80	83	48	93	65	122
85	72	71	Saudi Arabia	120	158	86	43	70	43	46	56	58	68	68	144
76	70	72	Colombia	153	74	68	97	71	77	68	75	83	44	73	32
80	71	73	Belarus	76	145	123	143	81	87	73	54	45	76	32	86
82	74	74	Russia	139	144	99	101	76	80	70	43	57	103	20	44
91	80	75	Sri Lanka	126	80	73	24	101	61	95	109	103	49	66	53
66	78	76	Botswana	82	56	43	86	75	73	96	46	112	119	100	100
70	76	77	Cabo Verde	54	33	59	48	116	99	113	105	102	79	102	35
75	75	78	Dominican Republic	124	52	95	82	86	94	74	70	88	85	97	65
89	83	79	Paraguay	69	76	94	55	94	144	92	79	76	81	103	22
94	86	80	Ecuador	73	59	109	92	100	143	84	100	89	63	70	56
92	88	81	Moldova	84	98	84	105	82	101	65	111	74	96	60	134
72	82	82	Suriname	55	50	82	68	138	121	94	98	72	106	101	20
68	77	83	South Africa	136	36	48	47	72	51	81	71	109	133	104	143
88	87	84	Philippines	148	70	79	25	92	74	75	55	115	101	83	51
95	85	85	Vietnam	94	140	114	31	109	100	72	57	86	42	76	92
74	81	86	Jordan	90	121	74	107	58	59	66	126	61	80	96	151
99	90	87	Mongolia	59	63	63	67	103	92	121	96	108	100	58	130
106	89	88	Kyrgyzstan	65	100	100	37	98	106	120	87	93	89	77	60
79	79	89	Namibia	56	51	42	60	79	86	90	107	114	126	120	77
97	91	90	Guyana	81	65	76	79	96	107	101	124	82	116	92	74
77	84	91	Turkey	149	146	111	147	50	58	57	67	54	64	80	110
101	97	92	Azerbaijan	107	152	115	125	62	55	71	94	70	66	75	148
96	93	93	São Tomé and Príncipe	37	44	77	62	130	91	117	85	117	104	108	57
81	92	94	Belize	72	60	92	128	128	116	99	114	85	95	98	42
73	98	95	Tunisia	122	88	65	140	97	104	82	106	77	94	94	146
86	99	96	Ukraine	145	85	81	148	113	71	87	99	69	114	37	127
87	94	97	Cuba	95	155	135	46	90	153	98	86	80	27	40	94
84	96	98	El Salvador	125	71	78	99	88	90	93	93	91	86	109	156
93	100	99	Guatemala	116	79	107	64	89	108	76	74	113	98	117	89
100	95	100	Morocco	57	118	98	163	68	84	62	92	95	110	116	117
110	105	101	India	135	101	45	77	80	42	85	81	120	109	113	164
98	101	102	Ghana	99	47	55	59	106	69	115	142	116	117	111	101
107	104	103	Uzbekistan	63	147	148	22	87	129	103	65	100	41	81	160
90	102	104	Lebanon	144	107	122	146	102	78	83	136	51	82	84	140
105	106	105	Bolivia	77	73	125	119	115	150	119	127	99	108	95	34
115	108	106	Rwanda	121	114	64	71	42	50	105	84	145	105	128	97
103	107	107	Honduras	130	97	127	66	95	113	100	95	110	83	115	82
104	109	108	Turkmenistan	79	162	154	39	91	142	109	63	84	62	78	165
102	103	109	Nicaragua	104	113	137	106	105	138	97	115	105	78	114	63
108	110	110	Algeria	53	134	116	149	136	140	104	129	71	73	87	131
114	111	111	Senegal	100	61	61	54	124	88	125	125	118	122	142	103
109	113	112	Gabon	102	112	130	145	112	103	107	104	107	129	99	59

The Legatum Prosperity Index™

Ranks 113–167

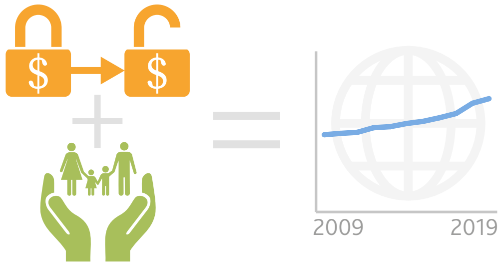
2009 Rank	2018 Rank	2019 Rank		Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
117	112	113	Kenya	147	106	83	44	67	67	106	135	132	115	105	129
122	115	114	Tajikistan	86	149	141	26	117	122	131	148	104	74	89	136
128	114	115	Nepal	78	67	104	91	127	128	142	89	126	118	119	137
120	118	116	Laos	60	151	133	102	135	117	116	82	123	123	106	40
111	116	117	Equatorial Guinea	83	154	128	63	122	120	114	64	111	159	125	37
112	119	118	Zambia	87	108	97	80	108	82	138	153	144	128	126	38
119	117	119	Iran	131	163	138	129	126	149	110	101	73	88	71	152
125	122	120	Tanzania	113	109	96	100	120	112	130	118	135	124	134	67
121	123	121	Djibouti	112	130	121	104	99	93	111	78	124	120	141	145
126	120	122	Cambodia	114	127	156	87	125	146	102	76	129	99	124	83
118	121	123	Papua New Guinea	106	54	113	121	111	109	129	103	160	147	140	70
147	124	124	Myanmar	154	129	140	32	145	105	108	97	131	107	110	46
127	128	125	The Gambia	88	111	112	42	119	124	134	158	127	142	136	85
113	129	126	Egypt	150	161	143	127	107	85	91	143	87	111	107	157
135	125	127	Bangladesh	141	116	131	78	143	96	122	120	119	113	122	149
124	126	128	Malawi	91	78	88	156	121	115	135	139	157	135	146	72
137	127	129	Comoros	45	94	136	103	153	130	144	145	128	132	147	104
145	134	130	Côte d'Ivoire	132	96	106	150	114	110	124	90	133	155	149	96
131	133	131	Benin	64	66	89	160	146	102	133	140	147	145	148	118
132	131	132	Eswatini	92	148	134	134	104	126	123	116	122	146	131	138
130	130	133	Lesotho	98	87	102	126	129	125	127	117	140	163	123	159
139	132	134	Burkina Faso	117	58	108	124	133	119	155	141	148	138	152	98
136	135	135	Uganda	133	117	118	139	83	81	136	132	143	140	137	125
140	136	136	Liberia	80	91	103	61	134	118	164	152	150	160	156	64
129	138	137	Madagascar	115	90	129	108	131	139	143	137	166	139	144	84
143	139	138	Guinea-Bissau	50	99	142	98	157	132	150	130	158	151	161	66
156	141	139	Zimbabwe	103	124	153	110	150	155	145	146	130	134	118	128
146	144	140	Pakistan	156	122	120	88	110	127	128	138	121	127	133	167
150	140	141	Guinea	123	105	132	93	123	97	154	155	154	157	162	49
148	142	142	Iraq	165	137	145	94	148	134	118	110	97	121	121	166
116	137	143	Venezuela	146	128	167	137	158	167	126	165	96	75	93	71
158	146	144	Togo	110	110	139	164	144	136	148	122	137	148	135	141
141	147	145	Mozambique	105	84	124	95	141	148	152	166	155	143	153	68
144	143	146	Sierra Leone	101	86	117	52	149	147	157	161	159	164	151	87
123	145	147	Libya	161	136	158	115	159	161	132	131	92	102	112	162
138	148	148	Nigeria	157	102	126	69	118	131	139	157	136	162	138	114
133	149	149	Mali	152	81	110	131	142	133	149	119	141	154	163	102
153	152	150	Ethiopia	138	153	144	117	137	145	141	133	149	130	139	115
154	151	151	Niger	134	93	119	83	147	135	158	134	161	150	166	124
142	150	152	Cameroon	155	126	151	135	139	137	140	121	134	158	127	109
151	153	153	Haiti	97	104	149	152	163	166	156	151	152	144	130	155
149	154	154	Rep. of Congo	137	123	150	159	151	157	146	162	139	141	132	81
152	155	155	Mauritania	109	143	159	154	161	154	159	147	125	137	160	163
157	156	156	Angola	119	133	146	155	167	160	147	144	146	152	157	120
134	157	157	Syria	163	166	162	167	140	159	112	128	101	112	129	158
155*	158	158	Sudan	162	165	157	138	132	141	137	164	138	131	143	153
160	159	159	Burundi	158	157	152	151	154	114	153	159	164	136	150	126
161	160	160	Eritrea	142	167	164	153	152	158	160	154	153	125	158	106
166	161	161	Somalia	151	150	165	109	166	164	165	163	151	161	159	123
164	162	162	Dem. Rep. of Congo	160	141	163	157	165	156	166	156	163	156	145	107
163	163	163	Afghanistan	166	132	147	166	155	151	161	123	156	153	155	161
167	164	164	Chad	143	125	161	165	160	165	167	149	162	166	165	90
165	166	165	Central African Republic	159	131	155	161	164	163	162	150	167	165	164	95
159	165	166	Yemen	164	164	166	158	162	162	163	167	142	149	154	150
**	167	167	South Sudan	167	160	160	162	156	152	151	160	165	167	167	93

*From 2011 Sudan excludes South Sudan, which became a separate country in 2011.
**South Sudan was established in 2011. Prior to 2011 it was formerly part of Sudan

Key findings

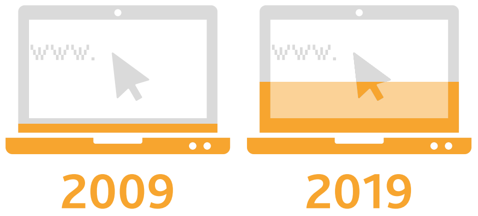
Global prosperity continues to improve, but the gap between the strongest and weakest countries continues to widen

Global prosperity has steadily improved over the past decade and is at its highest level ever, with 148 countries improving since 2009. However, 19 countries have not improved, and their deterioration has resulted in the gap between the strongest and weakest performing countries widening since 2014.



The improvement in global prosperity has been driven by more open economies and improvement to people's lived experience

Economies have become more open over the last decade, with enterprise conditions, market access and infrastructure and investment environment all strengthening, although economic quality is relatively unchanged. Living conditions, health, and education have also improved, although there has been stagnation in the natural environment.

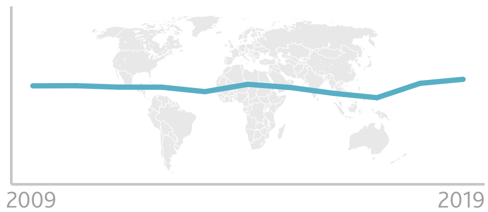


Economies are more open due to improvements in the investment environment and in digital connectivity, and a reduction in administrative burdens

The global investment environment has become more attractive over the past 10 years. In addition, internet usage has more than doubled during this period and internet capacity is six times that in 2009. These improvements, combined with a simplification of business administration, particularly around the frequency of tax payments and starting a business, has also led to economies becoming more open.

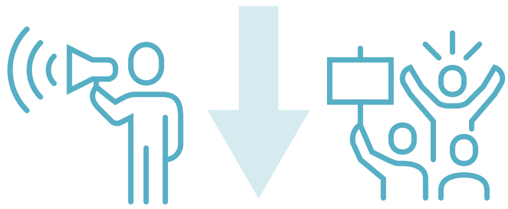
People's lived experience has improved due to better health, education and living conditions

Improvements to health-care systems and health outcomes have driven the enhancement seen in global health. Education has also improved, particularly tertiary education, and the adult population is now more educated than they were previously. Greater personal financial security and increased access to basic services have also led to the improvement in living conditions.



Further improvement in global prosperity is held back by stagnating institutions

Personal freedom has deteriorated over the last decade, with all regions other than Western Europe and Latin America and the Caribbean weakening. The quality of governance has declined, with regions such as sub-Saharan Africa and MENA experiencing particular deterioration. Over the first eight years of the past decade, the world saw a steady deterioration in safety and security. However, the past two years have seen a slight improvement, but not yet enough to reverse the trend.



People are more tolerant, but the freedom to speak, associate and assemble has deteriorated

People have become more accepting of other groups in society over the past decade, particularly of the LGBT community, with 111 countries expressing more tolerance than they did a decade previously. The freedom to speak, assemble, and associate, however has deteriorated, with 122 countries seeing a deterioration, resulting in an overall decline in personal freedom.

Country highlights

United States (18th)

The **United States** is ranked 18th, and is one of only 19 countries to have experienced a deterioration in prosperity since 2009. This has been driven primarily by declining mental and physical health, and rising obesity rates (rising by five percentage points to 36% of the population), causing the health of US residents to deteriorate. A reduction in the availability of adequate shelter has also contributed to a decline in living conditions. On the other hand, it has seen improvement in its market access and infrastructure.

China (57th)

China ranks 57th, up 8 places since 2009, driven by improvements in its enterprise conditions and in the living conditions of its residents. The proportion of those living in absolute poverty has been reduced dramatically, from 19% of the population in 2009, to less than 1% currently. However, despite some improvements, China still ranks 159th for the Personal Freedom pillar and 147th for the Natural Environment pillar.

Indonesia (63rd)

Indonesia's rise in prosperity makes it the fifth most improved country since 2009, rising 20 places to 63rd in the global rankings. Indonesia's economy has strengthened considerably, with improvements across each of the four economic pillars. It is also the second most improved country for Social Capital (5th), having risen 27 ranks as a result of a larger proportion of the population taking part in social and civic activities. It now boasts the highest levels of volunteering of any country.

Ecuador (80th)

Ecuador has improved its prosperity more than any other Latin American or Caribbean country since 2009, rising 14 ranks to 80th. The country has seen wholesale improvement, particularly within the Governance and Personal Freedom pillars; government effectiveness and executive constraints are significantly better than they were in 2009, and many media freedoms have recently been re-established following the election in 2017. The country is also safer and more secure than previously, helped by a move to 'legalise' gangs.

India (101st)

India rose nine places to 101st in the prosperity rankings, seeing an improvement in each pillar except Personal Freedom. Significant improvements have occurred in its enterprise conditions, where the introduction of the Goods and Services Tax has reduced the frequency of tax payments. Health outcomes have also improved, specifically longevity, and the rise in preventative and ongoing treatments has helped India rise nine ranks for the Health pillar.

Ethiopia (150th)

Ethiopia is ranked 150th in the world, and has seen considerable improvement in Education (139th) over the past decade. For example, an additional 2.15 million children had access to pre-primary education over the course of just four years.[1] There are also promising signs that the country's institutions are strengthening; Prime Minister Abiy oversaw the formal conclusion of the conflict with Eritrea (for which he won the Nobel Peace Prize), and freedom of speech and the access to information have improved substantially.

Focus on regions

North America remains the most prosperous region, although the gap with Western Europe has narrowed and the two regions now exhibit similar levels of prosperity. The prosperity of these top two regions sits apart from that of the rest of the world. The difference in prosperity between Western Europe and third-ranking Eastern Europe is greater than the gap between Eastern Europe and the bottom-ranking region, sub-Saharan Africa.

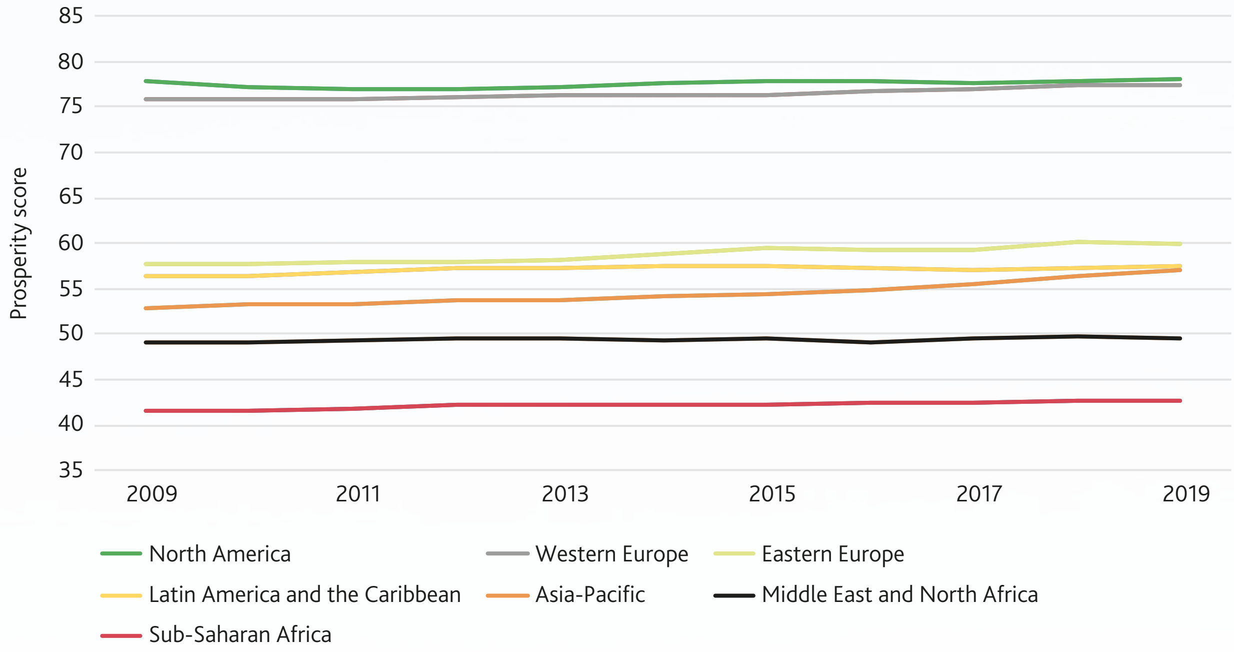
All regions have seen an improvement in their prosperity over the past decade, although North America has seen only minor improvement, with the Asia-Pacific region seeing the most improvement. The improvement seen in the Asia-Pacific region has been so substantial that it now shares similar levels of prosperity with Latin America and the Caribbean. Eastern Europe was the second most improved region, yet the average improvement seen across Eastern Europe is only half that seen across the Asia-Pacific region. Such is the impact of the Asia-Pacific region's growth that the improvement seen in Eastern Europe is still only equal to the global average. Despite improvements in their prosperity, sub-Saharan Africa and MENA continue to fall further below the global average.

All regions of the world are experiencing more Open Economies than they did a decade previously, and all, apart from North America, have also seen a strengthening of the Empowered People domain, which has been the driving factor in the overall improvement in prosperity seen in most regions. In addition, the Inclusive Societies domain has also improved across the Asia-Pacific region, Western Europe, and Latin America and the Caribbean, although the deteriorations in other regions have meant that at a global level, there has been a stagnation in this domain.

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

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

Prosperity by region



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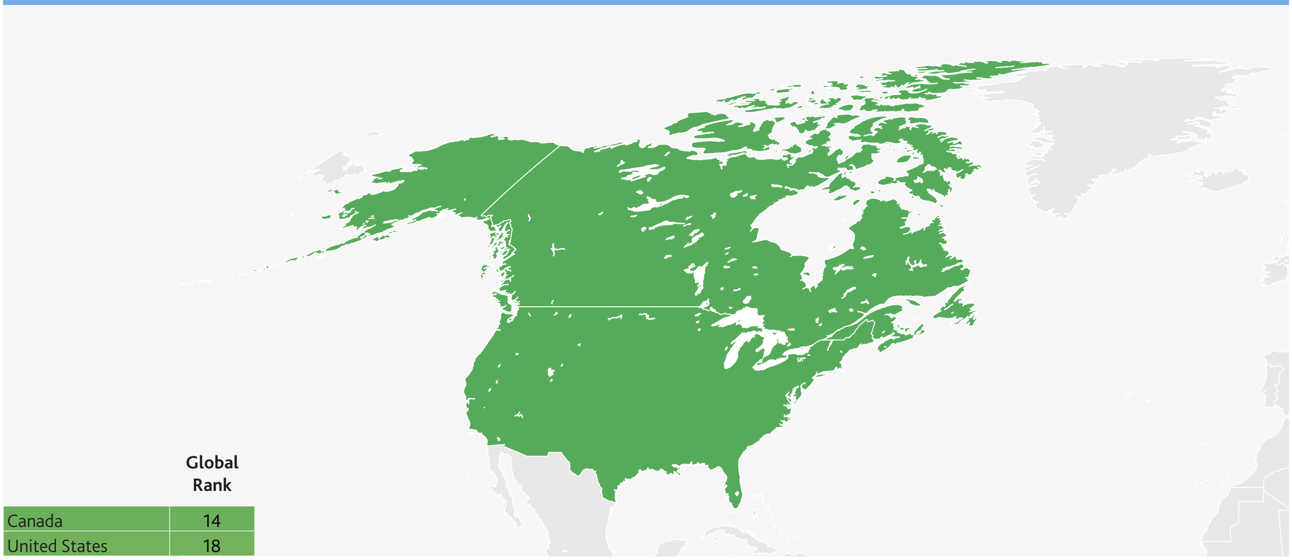
North America (1st)



	Global Rank
Canada	14
United States	18

NORTH AMERICA TRENDS

North America is the most prosperous region, although its prosperity has improved only marginally over the last decade. The changes in prosperity seen in the region are primarily a result of the following:

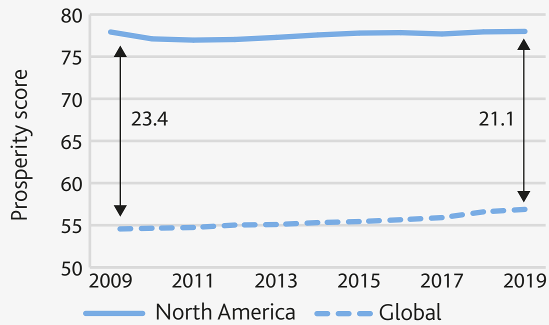
Improvements

- Both **Canada** (19th) and the **United States** (6th) have seen an improvement in market access and infrastructure, due in the first instance to the much-improved communications infrastructure in each country, with internet bandwidth increasing by more than three times across the region since 2009, and far more efficient customs clearance procedures.
- Enterprise conditions have improved overall in North America, strengthening in the **United States** (2nd) due to more cooperation in labour-employer relations and lighter touch regulation in its hiring. However, enterprise conditions have weakened in **Canada** (15th).
- Education has improved in both **Canada** (5th) and the **United States** (14th); tertiary education completion rates in both countries are at 85%, up from 81% and 65% respectively, and the adult population is more educated than a decade previously.

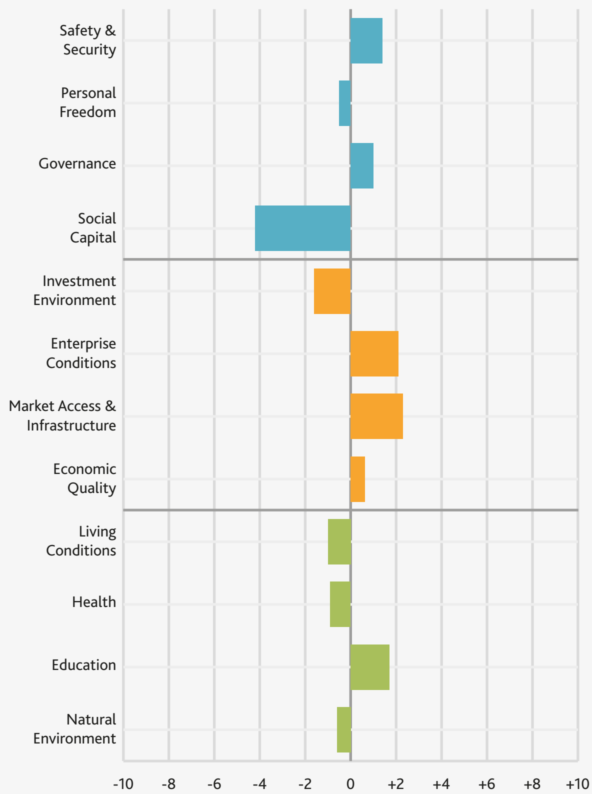
Deteriorations

- Social Capital has seen the greatest decline of all pillars across the region. American society is becoming less cohesive, due to a growing mistrust of institutions by the public – only 31% of people in the **United States** (16th) trust the national government. Social cohesiveness has also been affected by family and friends becoming less supportive.
- Health in the **United States** (59th) is in decline. The nation has the second-highest obesity rate of any country, after Kuwait, and the sixth-highest rate of substance abuse. Residents in the United States are also experiencing declining mental health, with suicide rates increasing from 12 to 14 deaths per 100,000 people.

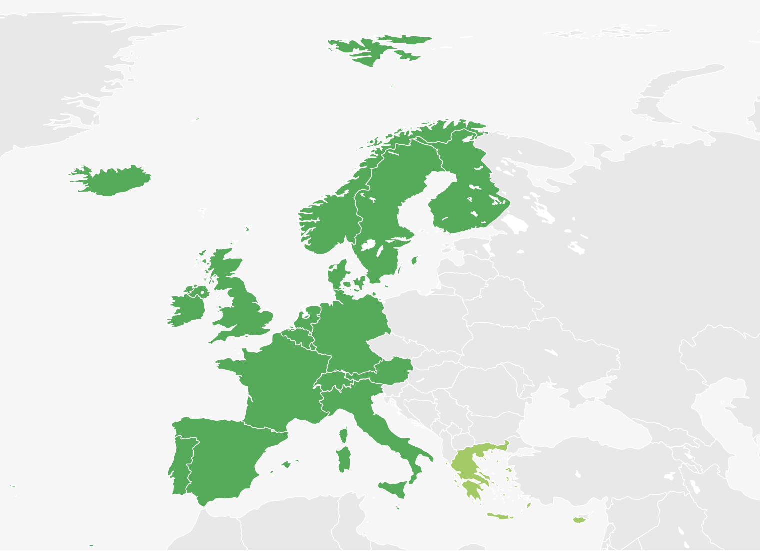
North America and global prosperity



Regional score change 2009–19, by pillar



Western Europe (2nd)



	Global Rank		Global Rank
Denmark	1	Ireland	12
Norway	2	Austria	13
Switzerland	3	Malta	20
Sweden	4	Belgium	22
Finland	5	France	23
Netherlands	6	Spain	25
Germany	8	Portugal	26
Luxembourg	9	Italy	30
Iceland	10	Cyprus	34
United Kingdom	11	Greece	42

WESTERN EUROPE TRENDS

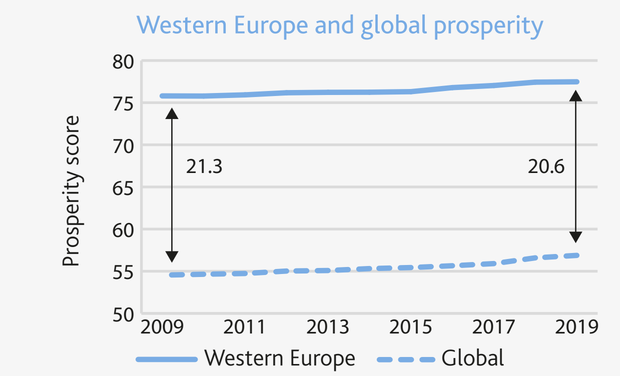
Western Europe has experienced a slow and steady increase in prosperity over the past decade, the reasons for which are set out below:

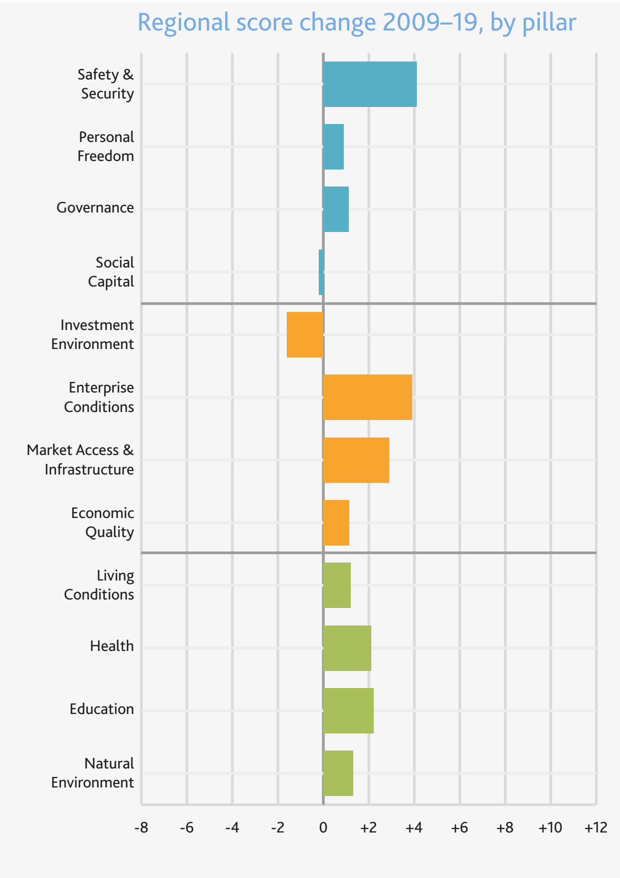
Improvements

- All but six Western European countries saw an improvement in their safety and security over the past decade. **Switzerland** (1st) is now the safest country in the world, up from 17th in 2009, and has the lowest level of violent crime of any nation.
- Across the region, 17 countries have seen an improvement in their enterprise conditions. **Germany** (4th) is the most improved, owing to greater labour market flexibility and a reduction in the burden of complying with government regulations.
- Western Europe has consolidated its position as having the highest levels of both health and living conditions of any region. Residents in **Malta** (14th) experienced the greatest improvement in the Health pillar, improving across all elements. **Italy** (24th) has seen the greatest improvement in living conditions, due to a reduction in deaths and injuries arising from road traffic accidents, with several measures such as law enforcement policies to improve safe road behaviour being enacted in the country.[1]

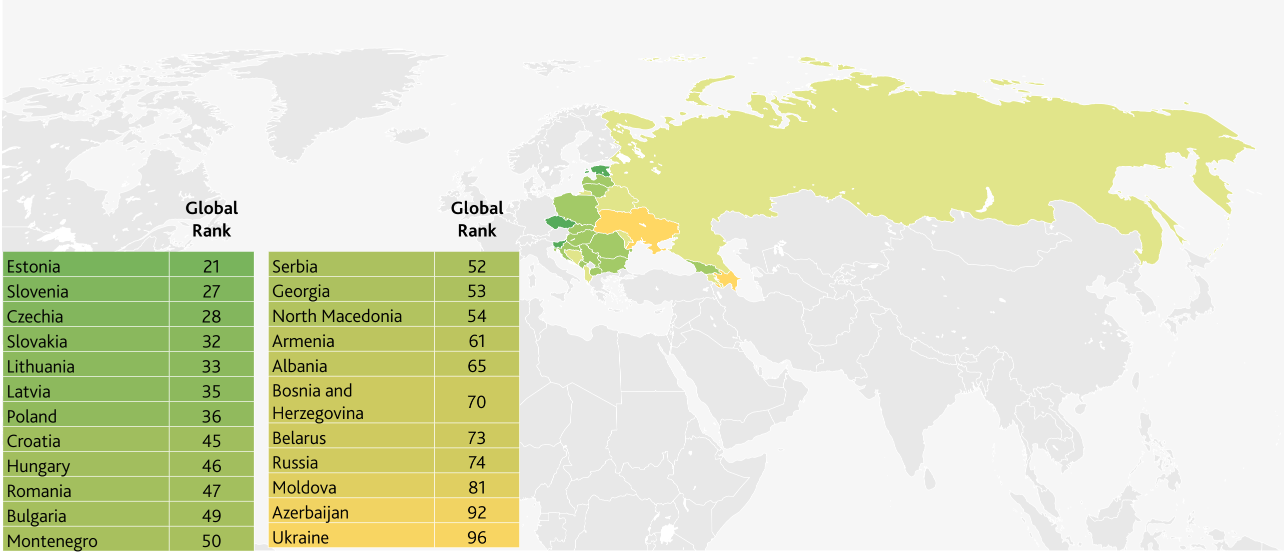
Deteriorations

- The Investment environment deteriorated in Western Europe between 2009 and 2014, and despite improvements over the last five years, the region has not recovered to pre-financial crisis levels. Restrictions on international investment are still higher than 2009 levels, and bank branch access and the soundness of banks are also worse than in 2009. **France** (19th), **Switzerland** (14th) and **Norway** (2nd) are the only countries to have recovered in the Investment Environment pillar to 2009 levels.
- Social capital in the region has weakened slightly, with 11 countries deteriorating and 9 strengthening. Owing to residents having less institutional trust, **Cyprus** (81st) has experienced the greatest decline. **Iceland** (3rd) experienced the greatest improvement in Social Capital, and has risen five places in the rankings.





Eastern Europe (3rd)



	Global Rank
Estonia	21
Slovenia	27
Czechia	28
Slovakia	32
Lithuania	33
Latvia	35
Poland	36
Croatia	45
Hungary	46
Romania	47
Bulgaria	49
Montenegro	50

	Global Rank
Serbia	52
Georgia	53
North Macedonia	54
Armenia	61
Albania	65
Bosnia and Herzegovina	70
Belarus	73
Russia	74
Moldova	81
Azerbaijan	92
Ukraine	96

EASTERN EUROPE TRENDS

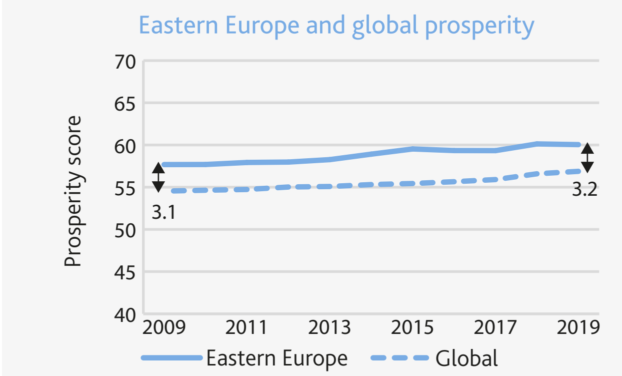
Eastern Europe is the second most improved region over the past decade, yet has improved less than the global average. The change seen in the region's prosperity is due to the following:

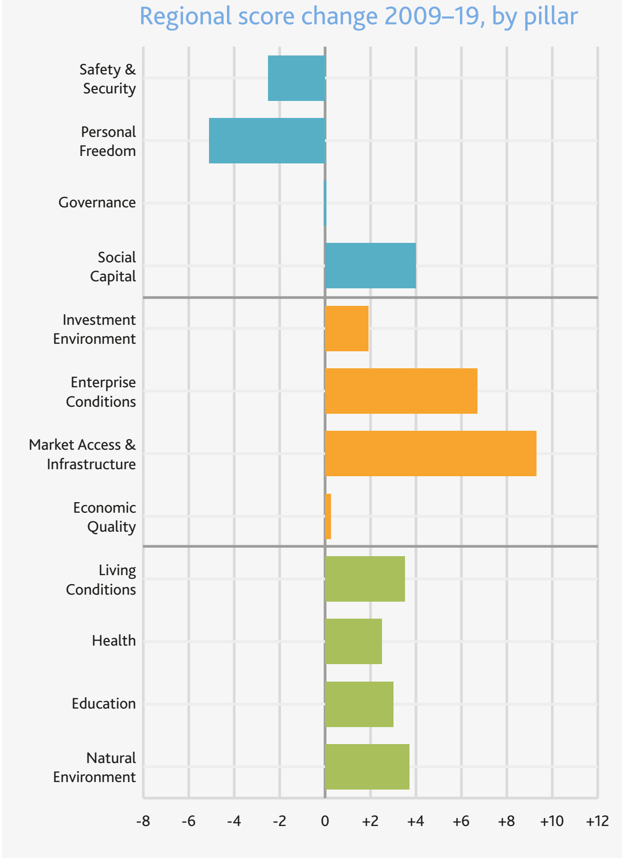
Improvements

- Every country improved their market access and infrastructure, and all but four countries improved their enterprise conditions. The reduction in the burden of regulation is driving the improvement in enterprise conditions, with **Ukraine** (71st) experiencing the greatest reduction in the burden of regulation of any country across the world.
- Over the past decade, living conditions improved in every country in the region. The greatest improvement occurred in **Moldova** (74th), which now has greater levels of connectedness than in 2009. The percentage of people with cell phones and bank accounts in the country has more than doubled to 89% and 44% respectively over the decade.
- Historically weak social capital strengthened across the region, with 17 of 23 countries improving, and **Bosnia and Herzegovina** (89th) improving the most. These changes were driven by improving social networks, which strengthened in every country except **Latvia** (130th).

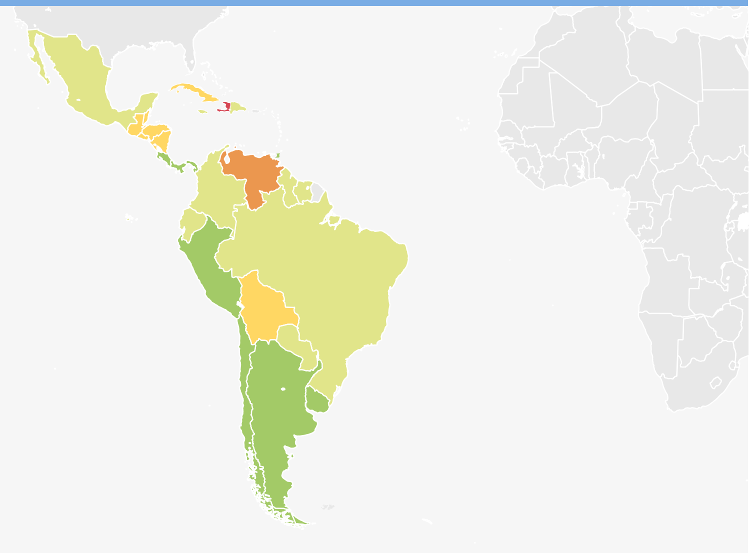
Deteriorations

- Personal freedom in Eastern Europe deteriorated more than in any other region, with only eight out of 23 countries showing an improvement since 2009. **Hungary** (89th) has experienced the greatest deterioration of any country, with significant reductions in the freedoms of assembly, association, and speech — characteristic of region-wide trends.
- While Eastern Europe has deteriorated overall in safety and security over the last decade, 18 of 23 countries in the region have seen an improvement; deteriorating safety and security in the region has been driven primarily by the war in Donbass, **Ukraine** (145th), ongoing since 2014. Over 6,600 people have been killed, and 800,000 Ukrainian's have been internally displaced, since the conflict began.





Latin America and the Caribbean (4th)



	Global Rank		Global Rank
Chile	37	Ecuador	80
Costa Rica	38	Suriname	82
Uruguay	39	Guyana	90
Panama	51	Belize	94
Trinidad and Tobago	55	Cuba	97
Peru	56	El Salvador	98
Argentina	59	Guatemala	99
Jamaica	64	Bolivia	105
Mexico	67	Honduras	107
Brazil	69	Nicaragua	109
Colombia	72	Venezuela	143
Dominican Republic	78	Haiti	153
Paraguay	79		

LATIN AMERICA AND THE CARIBBEAN TRENDS

Prosperity in Latin America and the Caribbean has been rising since 2009, but it has stagnated since 2014, resulting in the region's prosperity falling closer to the global average. Reasons for the changes in Latin America and the Caribbean's prosperity are as follows:

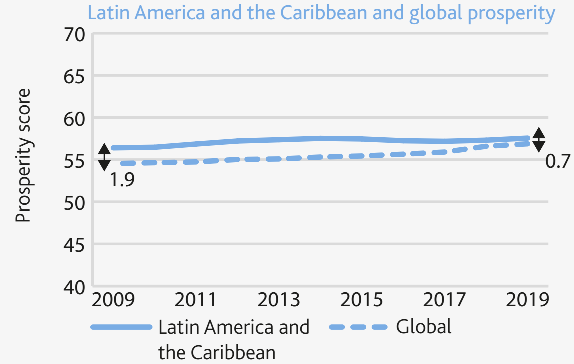
Improvements

- All countries saw an improvement in their market access and infrastructure, with **Colombia** (68th) improving the most, followed by **Panama** (48th). Both these countries experienced significant improvements in internet bandwidth, coverage, and usage, and they signed bilateral free trade agreements with the United States in 2012.
- Safety and security improvements in the region are characterised by a reduction in the level of politically related terror and violence, including reductions in the rates of extrajudicial killings and political imprisonment, particularly exemplified by **Colombia** (152nd), **Ecuador** (73rd), and **Guyana** (86th).
- The improvement in education, seen in 20 countries across the region, is exemplified by **Peru** (63rd), which has enacted extensive reforms to the education system.[2] In the last 10 years, secondary education completion rates rose by 24 percentage points, the average number of years women spend in school also increased from 10.6 to 11.6 years, and the literacy rate of the adult population rose from 90% to 94%.

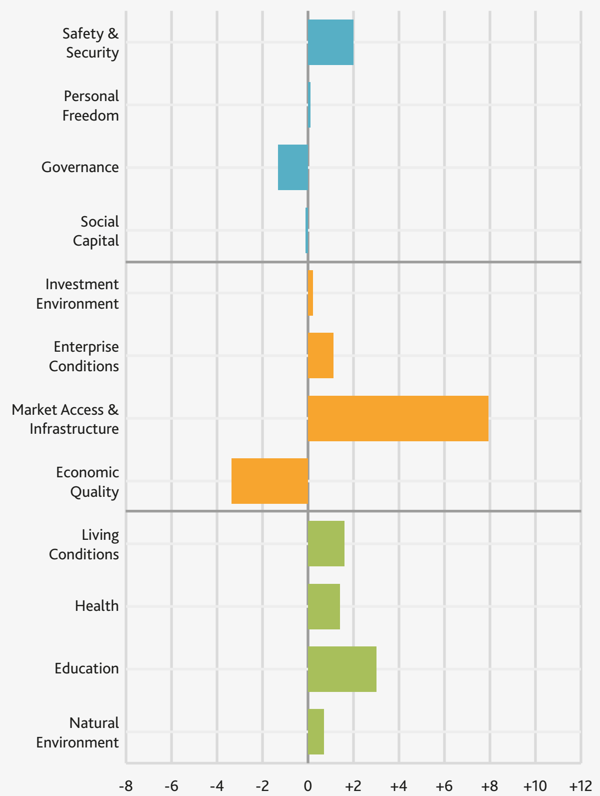
Deteriorations

- Governance across the region has weakened, with 15 countries deteriorating. This is evidenced by the recently inflamed political situation in **Venezuela** (167th), as well as deteriorations in government effectiveness and political accountability in **Chile** (28th), **Haiti** (149th), and **Nicaragua** (137th). On the other hand, **Ecuador** (109th) and **Argentina** (53rd) have bucked the trend, both countries rising 24 rankings over the decade.
- Economic quality has declined in aggregate across the region, although this has been driven by a concentrated decline in just 9 of 25 countries. The increased macroeconomic fragility of **Venezuela** (165th), and declining fiscal sustainability in **Brazil** (102nd) have driven the decline.

Latin America and the Caribbean and global prosperity

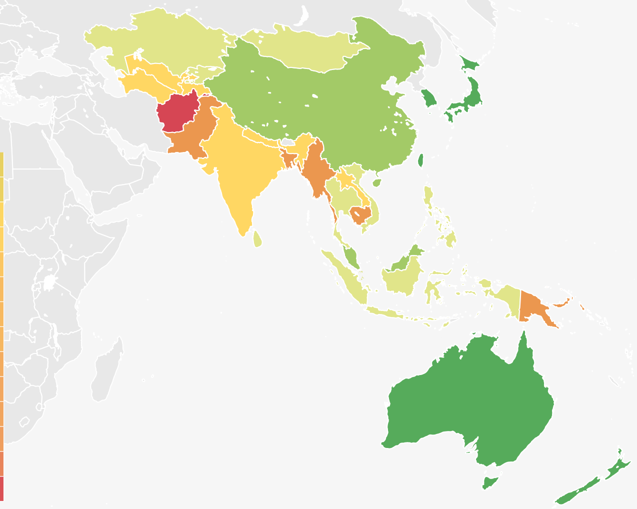


Regional score change 2009–19, by pillar



Asia-Pacific (5th)

	Global Rank		Global Rank
New Zealand	7	Mongolia	87
Hong Kong	15	Kyrgyzstan	88
Singapore	16	India	101
Australia	17	Uzbekistan	103
Japan	19	Turkmenistan	108
Taiwan, China	24	Tajikistan	114
South Korea	29	Nepal	115
Malaysia	41	Laos	116
China	57	Cambodia	122
Indonesia	63	Papua New Guinea	123
Thailand	66	Myanmar	124
Kazakhstan	68	Bangladesh	127
Sri Lanka	75	Pakistan	140
Philippines	84	Afghanistan	163
Vietnam	85		



ASIA-PACIFIC TRENDS

The Asia-Pacific region is the most-improved region over the last decade. Although it is still the 5th-ranked region, it has overtaken the global average, and very nearly closed the gap with Latin America and the Caribbean, for the reasons below:

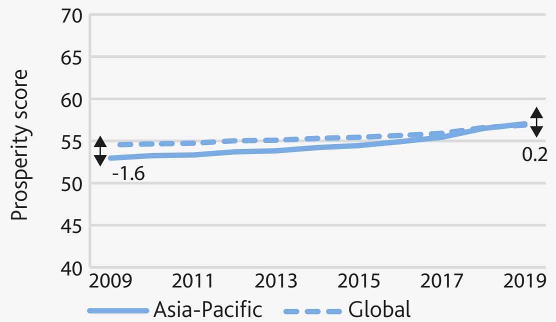
Improvements

- The Asia-Pacific region has seen the greatest improvement in market access and infrastructure, with all countries improving. Electricity in **Vietnam** (72nd) has become much more accessible and reliable, and the international internet bandwidth in **Kazakhstan** (77th) is nearly 50 times what it was in 2009.
- The Asia-Pacific region has seen the greatest improvement in enterprise conditions of all regions, with 17 countries improving. The red-tape cutting drive of President Modi in **India** (42nd) is an example of this; the number of tax payments per year has fallen to 12 from over 40 in 2009, and firms spent on average a third of the time complying with regulations in 2019 than they did in 2009.
- The Asia-Pacific region is the most improved for living conditions due to declining poverty rates, with fewer people suffering undernourishment, and increased connectivity to water services. This improvement is most evident in **Vietnam** (86th), where an additional 20 million people have access to piped water, and the proportion of the population in extreme poverty, at 2%, is a tenth of what it was in 2009.

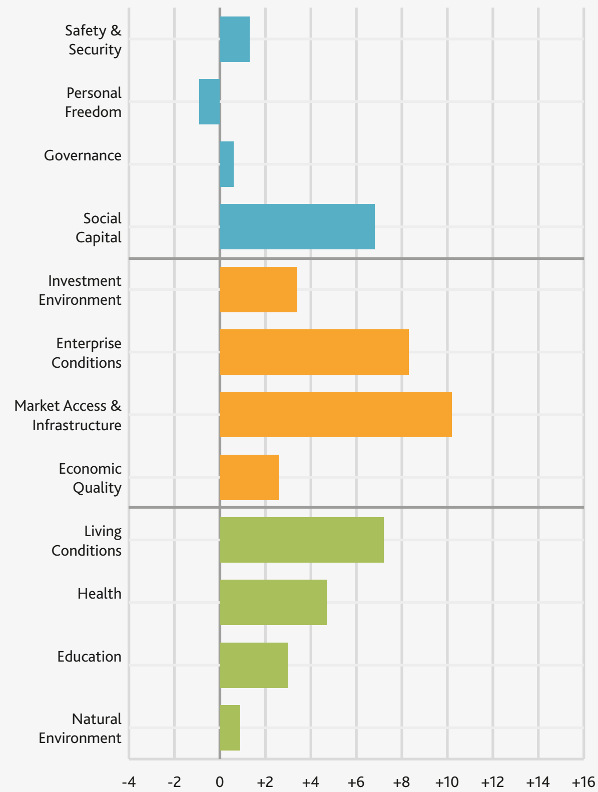
Deteriorations

- Personal Freedom is the only pillar to have deteriorated across Asia-Pacific, particularly in **Thailand** (120th) after the 2014 coup d'état that led to a military junta assuming power. Across the region, there has also been a crackdown on press freedom, and the rights of assembly, association, and free speech remain vestigial. Despite the regional decline, 18 countries saw an improvement in personal freedoms.

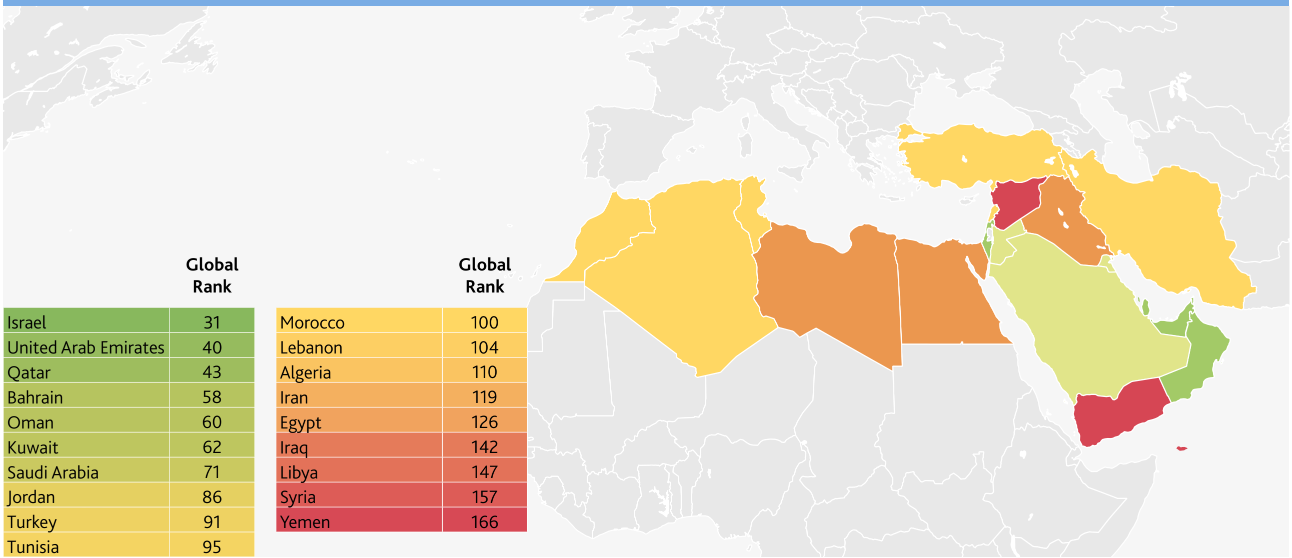
Asia-Pacific and global prosperity



Regional score change 2009–19, by pillar



Middle East and North Africa (6th)



	Global Rank
Israel	31
United Arab Emirates	40
Qatar	43
Bahrain	58
Oman	60
Kuwait	62
Saudi Arabia	71
Jordan	86
Turkey	91
Tunisia	95

	Global Rank
Morocco	100
Lebanon	104
Algeria	110
Iran	119
Egypt	126
Iraq	142
Libya	147
Syria	157
Yemen	166

MIDDLE EAST AND NORTH AFRICA TRENDS

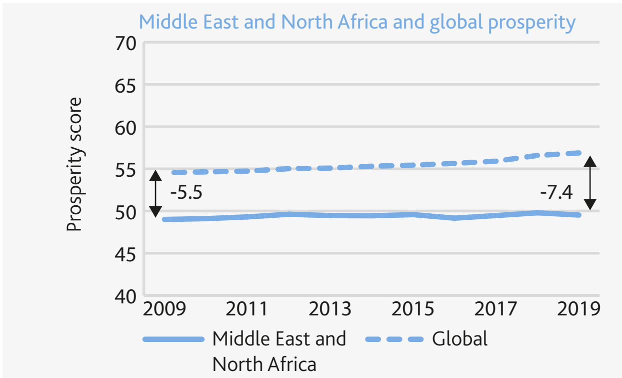
The Middle East and North Africa (MENA) region has improved its prosperity over the last 10 years, albeit at a far slower rate than the global average. The reasons for the region's increase in prosperity, and issues holding back further improvement, are outlined below:

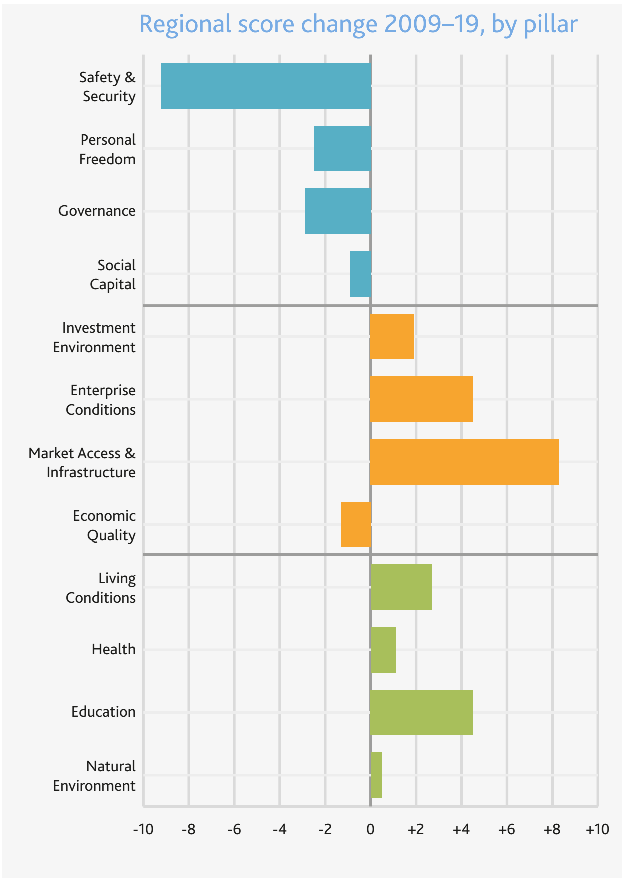
Improvements

- MENA's economic environment has improved over the last decade, evidenced by improvements in both enterprise conditions and market access and infrastructure. In particular, increased internet usage and network coverage have driven a vast improvement in the region's communications infrastructure, typified by **Iran** (110th) and **Oman** (43rd).
- Education improvements across MENA have resulted in higher enrolment and completion rates across each level of education since 2009, resulting in 16 countries improving in education. **Saudi Arabia** (60th) exemplifies this as it seeks to move from a resource economy towards a knowledge-based economy, increasing its tertiary enrolment rate from 31% to 69% in a decade.

Deteriorations

- MENA has suffered the greatest deterioration in safety and security of any region over the last decade due to conflicts in **Libya** (161st), **Yemen** (163rd) and **Syria** (164th). These countries are among the most affected by both terrorism and war and civil conflict in the world.
- Ten countries in the region have seen a decline in personal freedom since 2009. Freedoms of association and speech have declined the most, with protests being put down violently in **Turkey** (146th) and **Egypt** (161st). More positively, **Tunisia** (88th) has experienced significant improvements in press freedoms, civic autonomy from the state, and rights of association.
- MENA's economic quality has deteriorated as a result of less fiscal sustainability across the region; 11 countries have a greater budget balance deficit this year than they did a decade ago.



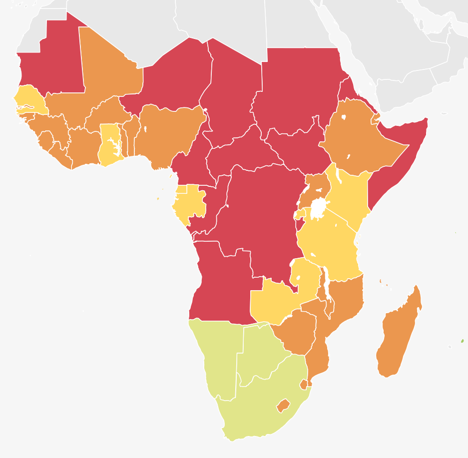


Sub-Saharan Africa (7th)

	Global Rank
Mauritius	44
Seychelles	48
Botswana	76
Cabo Verde	77
South Africa	83
Namibia	89
São Tomé and Príncipe	93
Ghana	102
Rwanda	106
Senegal	111
Gabon	112
Kenya	113
Equatorial Guinea	117
Zambia	118
Tanzania	120
Djibouti	121

	Global Rank
The Gambia	125
Malawi	128
Comoros	129
Côte d'Ivoire	130
Benin	131
Eswatini	132
Lesotho	133
Burkina Faso	134
Uganda	135
Liberia	136
Madagascar	137
Guinea-Bissau	138
Zimbabwe	139
Guinea	141
Togo	144
Mozambique	145
Sierra Leone	146

	Global Rank
Nigeria	148
Mali	149
Ethiopia	150
Niger	151
Cameroon	152
Rep. of Congo	154
Mauritania	155
Angola	156
Sudan	158
Burundi	159
Eritrea	160
Somalia	161
Dem. Rep. of Congo	162
Chad	164
Central African Republic	165
South Sudan	167



SUB-SAHARAN AFRICA TRENDS

Prosperity in sub-Saharan Africa is at its highest ever level, but it is still the lowest-ranked region, and its deficit with the global average has grown. The changes in sub-Saharan Africa's prosperity over the last decade are outlined below:

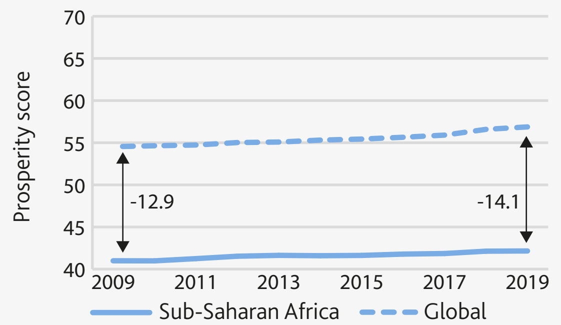
Improvements

- **Gabon** (107th) and **Kenya** (106th) are exemplars of the improvement seen across the region on market access and infrastructure, as a result of improved port services in Gabon and greater transport connectivity and improved border administration in Kenya.
- All countries have seen their living conditions improve, with the exception of **Madagascar** (166th). **Togo** (137th) improved the most, due to a reduction in the percentage of the population who are under-nourished or who are experiencing wasting, and an increase in the percentage of the population who have a bank account, make digital transactions, or own a cell phone.
- All countries have seen an improvement in health, apart from the **Seychelles** (119th) and **Madagascar** (139th). Countries such as **Botswana** (12th), and **Zimbabwe** (34th), have seen the number of healthy life years lost to communicable diseases decrease by over 20%, due in part to more antiretroviral therapy being provided for the HIV-affected population.
- Social capital has improved in 34 countries, with **Togo** (164th) seeing the biggest improvement, due in part to residents having increased confidence in public institutions.

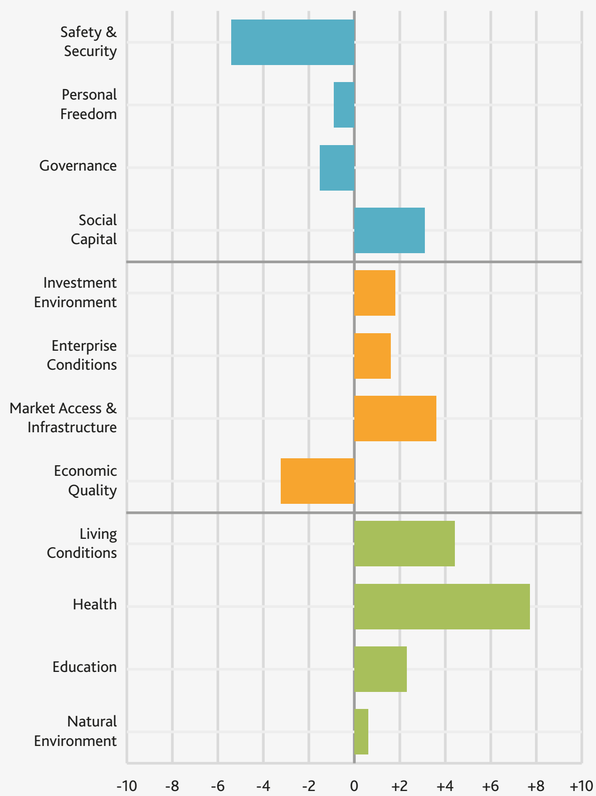
Deteriorations

- The region has seen the biggest decline in safety and security over the last decade after MENA. **South Sudan** (167th) has seen the biggest decline, due to the conflict between government and opposition forces. About 400,000 people have been killed and more than four million displaced since December 2013.[3]
- Economic quality has deteriorated in sub-Saharan Africa. **Angola** (144th) has seen one of the biggest deteriorations, with an increased risk rating, and the government debt-to-GDP ratio trebling to 72%. Five year GDP growth is also negative, and inflation has nearly doubled to 24% in the country.

Sub-Saharan Africa and global prosperity



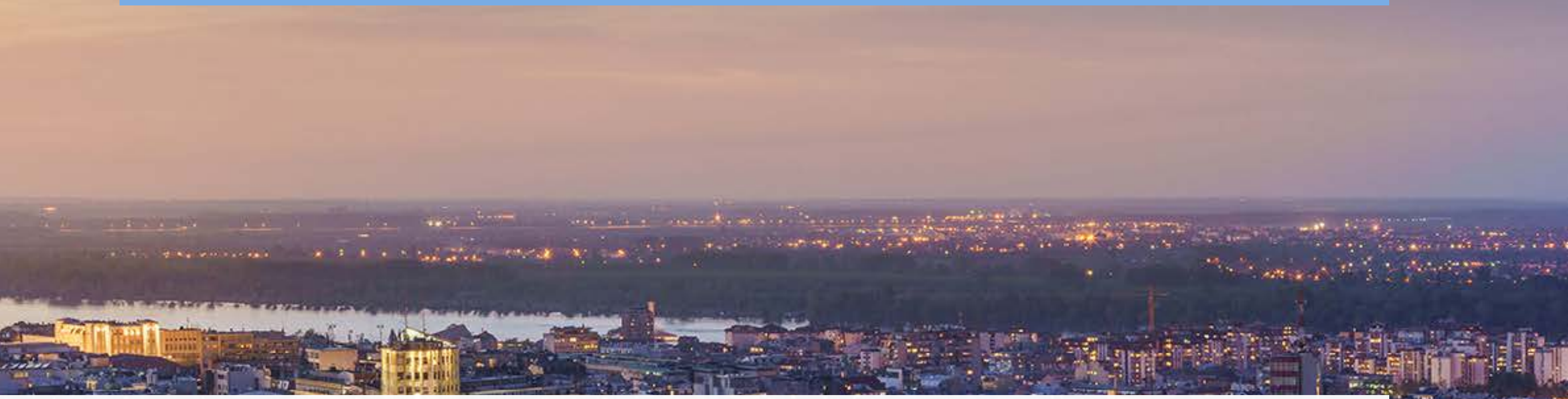
Regional score change 2009–19, by pillar



An elderly couple in Victoria Falls park, Zimbabwe.

Zimbabwe has seen the biggest improvement in the Health pillar of any country over the last decade, with the death rate of 15–60 year olds almost halving, from 630 per 1,000 people down to 330, and the life expectancy of 60 year olds increasing by over two years.

AngelaNPerryman/Shutterstock.com



Glimmers of hope, causes for concern

The Index provides us with rich data for analysis. With 13 years' worth of data, 167 countries, and just shy of 300 indicators, the Prosperity Index provides us with considerable analytical opportunities. For this year's report, we examined the group of countries that have seen one of the 20 greatest improvements in prosperity over the last 5 years. From these, we selected just eight countries whose notable recent improvements are in fact part of a long-term trend, or have seen substantial and consistent improvement in prosperity over the last few years. Similarly, we looked at those countries that have seen one of the 20 greatest deteriorations in prosperity over the last 5 years, and selected 8 whose recent deterioration is part of a longer-term trend, or of a significant magnitude.

The two groups of countries highlighted on the following pages have either exhibited a 'glimmer of hope' in improving their prosperity, or shown a 'cause for concern'. By 'glimmer of hope', we refer to those countries who are showing encouraging signs of progress over recent years. By 'cause for concern', we refer to countries that are exhibiting worrying signs of deterioration. Both groups are countries that require observation in the coming years, either to continue tracking successful outcomes, or to see if, and how, countries and governments address recent failures.

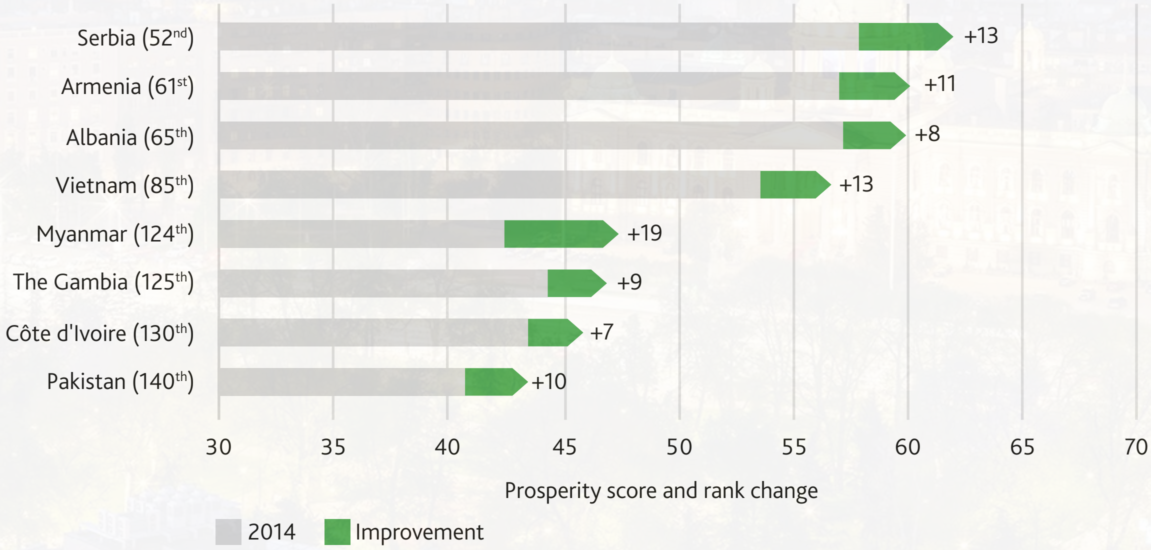
For those showing a glimmer of hope, some were in the bottom 25 places in the rankings as recently as 2014, but their improvements have been sustained enough to move them closer to the middle of the rankings. Others, sitting near the middle portion of the index, have seen an acceleration of growth in prosperity over the last couple of years. We chose not to highlight nations that have seen significant gains in prosperity over the last couple of years, yet remain in the bottom 25 places in the rankings this year, such as **Togo**, which has seen a notable improvement rising 7 ranks since 2014, yet still ranks 144th this year. Whilst these nations have made progress, significant challenges still remain across multiple aspects of prosperity.

Myanmar is the second most improved country since 2014 and now ranks 124th, therefore qualifying to be included in the analysis. However, the country still faces significant challenges relating to the treatment of Rohingya muslims.

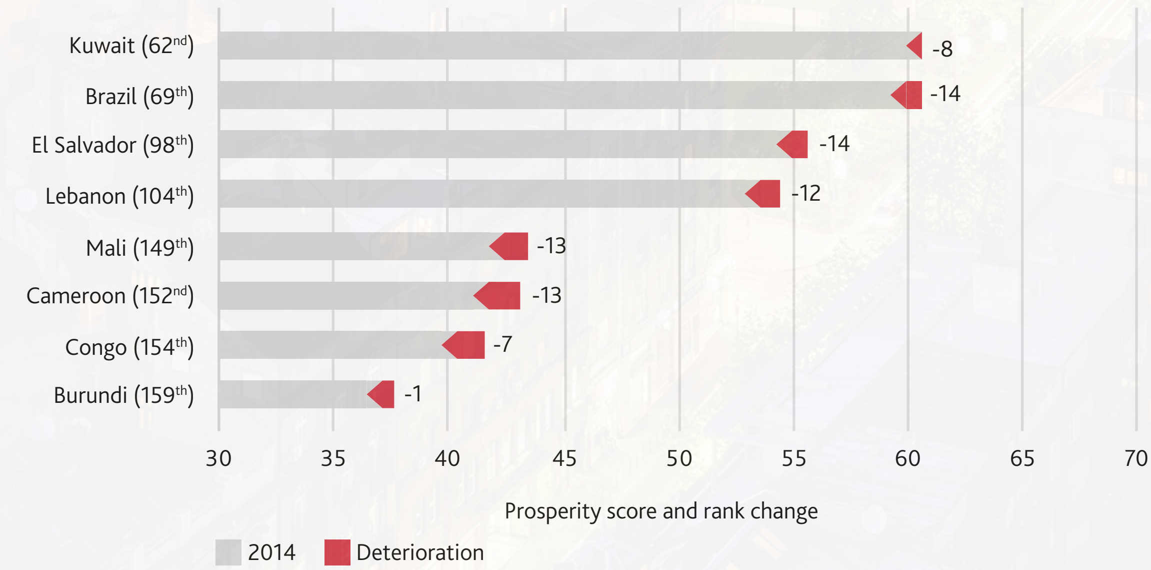
As seen in last year's report, a deterioration in prosperity can often be a sharp change over just a handful of years. For this reason, the deterioration of prosperity in many nations highlighted over recent years is a cause for concern, due to the potential of rapidly deteriorating prosperity. Using a similar rationale to the selection of countries as glimmers of hope, countries who have seen a large decline yet remain in the top 40 places in the rankings have not deteriorated far enough to exhibit a cause for concern, although these countries should be closely observed for further deterioration.

The following pages highlight the way in which prosperity has changed in recent years in these 16 countries, and some of the causes underlying the improvements or deterioration seen.

“Glimmers of hope” prosperity score change 2014–19



“Causes for concern” prosperity score change 2014–19



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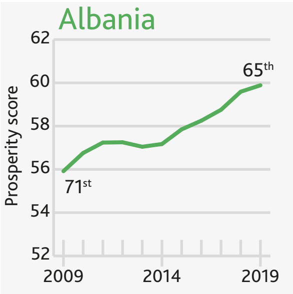
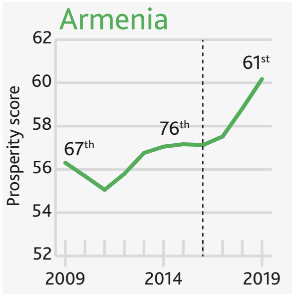
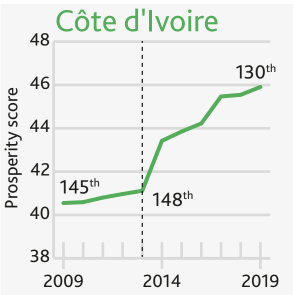
Glimmers of hope



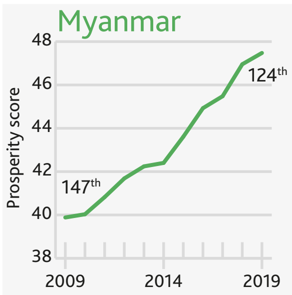
Albania's prosperity has consistently improved over the last five years, driven by the opening of its economy. Tourism has played a key part in Albania's economic growth, providing an estimated €1.5 billion annually for the nation, and Albania has also strengthened investors' protections. Alongside economic growth, Albania has also experienced increasing enrolment and completion rates at all levels of education.



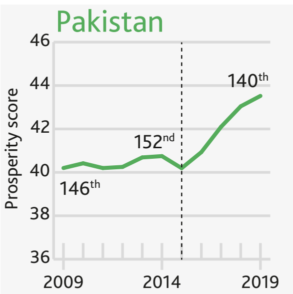
Armenia experienced the third greatest improvement in prosperity since 2016, with all twelve pillars improving. The greatest improvement has been in social capital, due to confidence in the national government rising to 67% this year, from 25% in 2018, following the mass anti-government protests and elections in 2018 that forced out President Serzh Sargsyan, who had held office since 2008.



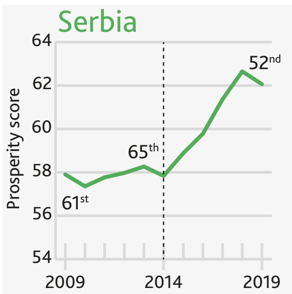
Côte d'Ivoire's improving safety and security, following the end of two civil wars between 2002 and 2011, has driven its improvement in prosperity. The improving security situation has enabled other improvements, particularly enterprise conditions and education. Doing business has become easier and wages are more flexible. Since 2014, primary school enrolment and completion rates have increased by 18 and 9 percentage points to 86% and 65% respectively.



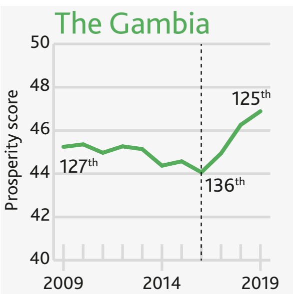
Myanmar has experienced the second greatest improvement in prosperity of any country over the last five years. Myanmar has experienced improvements in personal freedom, with freedom of association and organisation strengthening. Market access and infrastructure has also strengthened, with network coverage more than tripling since 2014, to 59%. Despite this, Myanmar has faced significant criticism of its ongoing treatment of Rohingya muslims, with an estimated 745,000 Rohingya having fled Myanmar into Bangladesh since just August 2017.



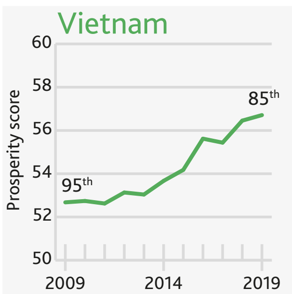
Pakistan's prosperity has improved since 2015. Safety and security improved, albeit from a low base, due to an easing of intensity in the ongoing war in the North-eastern Pakistan. Governance has also improved, with Bertelsmann Siftung's 2018 country report on Pakistan surmising "grounds for optimism" due to the stability of the transition from the Chief of Army Staff to his successor. Health and education have also improved, particularly due to longevity, and enrolment in each level of education has improved.



Serbia has risen 13 places in the rankings over the past five years. The largest improvements have occurred in the nation's enterprise conditions since 2014, due to reductions in the number of business tax payments per year and the time businesses spend filing taxes. Social capital has also experienced a considerable improvement, with family and other social networks strengthening and trust in strangers and institutions improving.

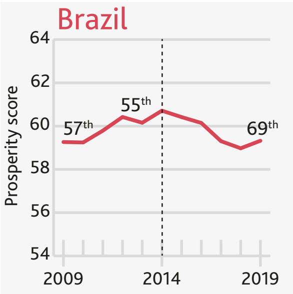


The Gambia's prosperity has risen every year since 2016, following a moderate decline between 2009 and 2016. Improvements in personal freedom and safety and security have driven this improvement. Adama Barrow now governs The Gambia following an election victory in 2016, after two decades of rule under former president Yahya Jammeh. Since then, political terror and violence has reduced, alongside improvements in the freedoms of association, assembly, and speech.

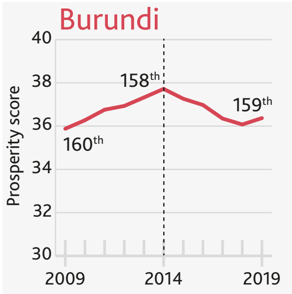


Vietnam has seen consistent improvements in prosperity, driven by both economic and social measures. The total net value of Vietnam's domestic and international market for services increased by $10 billion to $37 billion over the last five years, with a landmark free trade deal signed with the EU in June of this year, which will reduce tariffs on 99% of goods traded with the EU. This has translated into improvements in living conditions; the percentage of people under the national poverty line fell from 17% to 10% between 2014 and today.

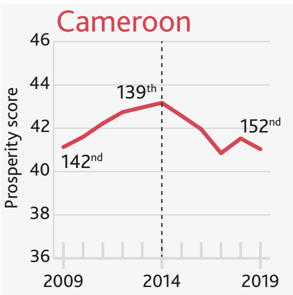
Causes for concern



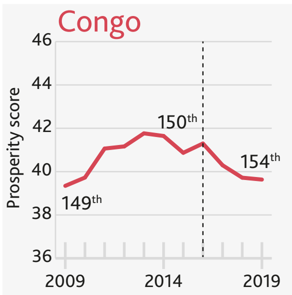
Brazil's prosperity has fallen since 2014, primarily due to its economy declining, despite an improvement over the previous five years. Since the recession of 2015, government debt-to-GDP ratio has risen from 62% to 90% and new business density has dropped. Despite this, Brazil has started to restore fiscal sustainability and macroeconomic stability. Over the last two years , the government budget balance steadied, and inflation volatility fell. As a result, prosperity saw a slight improvement since last year, but significant challenges remain.



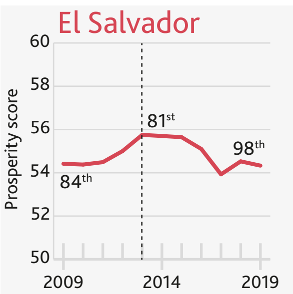
Burundi is struggling to emerge from a 12 year civil war that ended in 2005. Initial stability followed, resulting in governance and personal freedoms improving, alongside concurrent improvements in health, education, and living conditions. These improvements have started being undone, as a result of increasing authoritarianism by the incumbent president. There have been reports of repression of opposition parties, resulting in increased political terror and violence, which in 2015 caused hundreds of thousands to flee.



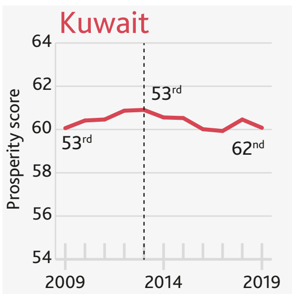
Cameroon's prosperity has been deteriorating since 2014 due to intensifying conflict and repression. Boko Haram has continued attacks on civilians in the northern part of the country and conflict between security forces and separatists in the northwest and southwest has led to widespread civilian death and displacement. There are now 668,000 Cameroonians displaced internally from conflict, whereas there were none in 2013. As a result, Cameroon has fallen 38 places for the Safety and Security pillar since 2014.



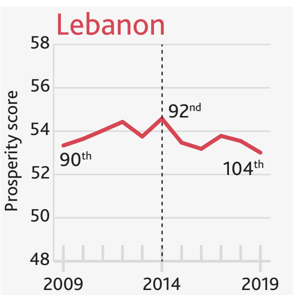
Congo has seen a sharp decline in its prosperity since 2016, primarily due to weakening safety and security, personal freedom, and economic quality. In 2016, the government launched a military campaign in the Pool region, with some observers accusing the regime of genocide against those of Lari ethnicity. Perceived tolerance of ethnic minorities has fallen from 68% in 2016 to 52% this year, and the military campaign has resulted in 100,000 people being displaced.



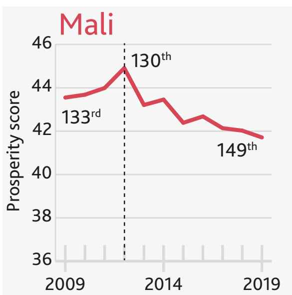
El Salvador has seen a decline in both safety and security and governance since 2013, despite slight improvements in these areas in the preceding years. In 2012, a truce between two powerful street gangs, MS-13 and Barrio 18, initially led to lower homicide rates. However, the truce unravelled in late 2013, and by 2015 the homicide rate had increased to 105 homicides per 100,000 people (increasing from 70 in 2011, and 40 in 2013), and is now the highest in the world.



Kuwait has experienced a steady decline in prosperity since 2013, due to deteriorations in governance. Snap parliamentary elections occurred in 2012 and 2013. The 2013 elections largely boycotted by an opposition coalition of Sunni Islamists, tribal populists, and some liberals. The rule of law has also deteriorated in Kuwait, with experts judging the legal system to have less integrity, and the judiciary to be less independent than it was five years ago.



Lebanon's prosperity has been in steady decline since 2014, with governance, safety and security, and economic quality deteriorating. Many observers attribute Lebanon's challenges to the extra strain on the nation due to an estimated 1.5 million Syrian refugees who have settled there since 2011. Despite this influx of people, Lebanon has managed to maintain the living conditions of its citizens, with more people having access to basic services than five years ago.



Mali's prosperity has been weakened by the Northern Mali Conflict, which began in 2012. Although the government brokered a 2015 peace deal, fighting persisted. A 2019 Human Rights Watch report noted a further deterioration of the security situation, reporting a spike in attacks by armed Islamist groups, and atrocities committed by the army during counter-terrorism operations. Already ranking 142nd for Safety and Security in 2014, Mali has fallen a further 9 places in the pillar over the past five years.

Pillar profiles

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

INCLUSIVE SOCIETIES

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

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

OPEN ECONOMIES

The Open Economies domain captures the extent to which an economy is open to competition, encourages innovation and investment, promotes business and trade, and facilitates inclusive growth. For a society to be truly prosperous, it requires an economy that embodies these ideals.

This domain consists of the Investment Environment, Enterprise Conditions, Market Access and Infrastructure, and Economic Quality pillars, and it comprises 98 indicators captured within 21 elements.

EMPOWERED PEOPLE

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

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

An infographic that sets out the construction of the 2019 Prosperity Index, and the linking of the 3 domains, 12 pillars and 65 elements is illustrated on the next page. The pages that follow examine each of these domains, pillars, elements, and the indicators underpinning this structure, in more detail.

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The building blocks of prosperity

The domains, pillars and elements of prosperity

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Defining Inclusive Societies

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

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

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

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

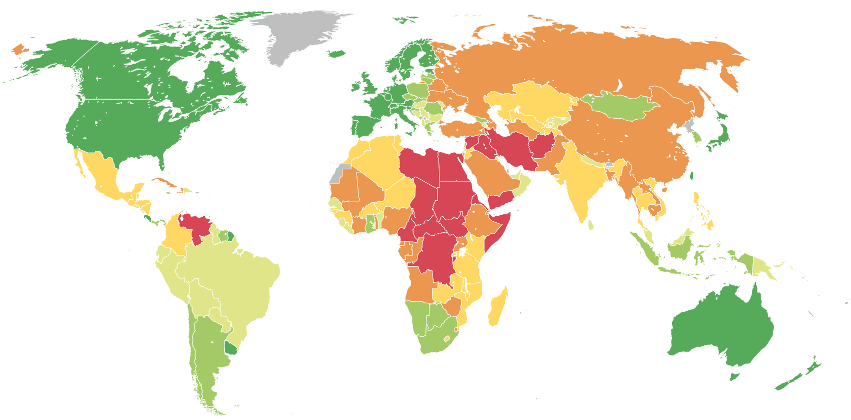
Personal Freedom measures basic legal rights (agency), individual liberties (freedom of assembly and association, freedom of speech and access to information), the absence of legal discrimination and the degree of social tolerance experienced in a society. Societies that foster strong civil rights and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

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

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

Inclusive Societies 2019

Strongest	
Norway	1
Denmark	2
Finland	3
Netherlands	4
Iceland	5
Sweden	6
Switzerland	7
New Zealand	8
Canada	9
Luxembourg	10



Weakest	
158	Somalia
159	Central African Rep.
160	Burundi
161	Dem. Rep. Congo
162	Eritrea
163	Sudan
164	Afghanistan
165	Yemen
166	South Sudan
167	Syria

Rank

1–30 | 31–60 | 61–90 | 91–120 | 121–150 | 151–167

A police officer helps a young girl get a better view of an event at the town hall in Oslo, Norway.

Norway ranks first in for the Personal Freedom, Governance and Social Capital pillars in 2019.

iStock.com/Ekely

Institutions matter

Institutions, both political and economic, matter for development, and it has been argued that institutions matter *most* when it comes to the long-term economic growth of nations.[6,7,8] While the importance of institutions is well-established in theory and in academic literature, it is not yet fully embedded in the psyche of the development community.

The Prosperity Index captures the strengths and weaknesses of both economic and political institutions, enabling measurement and analysis of their impact on a nation's prosperity, over a short and long-term period.

This helps to explain the importance of institutions, because across the Index, the relationship between a nation's institutions and its prosperity is significant. Countries with stronger institutions tend to have stronger economies. In particular, economic quality is related to the quality of governance (especially regulatory quality and government integrity). Furthermore, the quality of people's lived experiences is more related to the quality of a nation's institutions than to its wealth.

POLITICAL INSTITUTIONS: A MIXED GLOBAL PICTURE

The strength of political institutions can be measured across four pillars of the Index: Safety and Security, Personal Freedom, Governance, and Social Capital. Here we see some striking global patterns over the last 10 years.

First, politically-related violence has decreased over the last 10 years, but the increased incidence and impact of terrorism, war, and civil conflict have resulted in a mixed picture for levels of safety and security.

Within the Personal Freedom pillar, there has been an improvement in measures of social tolerance, which reflects citizens' tolerance of ethnic minorities among other things. However, this has been counterbalanced by an erosion of other freedoms including the freedom of assembly, association, speech, and the right to information. Positively, there has been a substantial improvement in institutional trust and an increase in the strength of social networks.

Within the Governance pillar, we have seen a decline in political accountability in Eastern Europe, with political participation showing a substantial decline. There are worrying trends within the MENA region too, where the integrity of the legal system is in decline and the military is increasingly becoming involved in national politics.

THE RELATIONSHIP BETWEEN ECONOMIC AND POLITICAL GOVERNANCE

There is a strong relationship between the quality of governance (particularly government accountability and government integrity) and both property rights and domestic market contestability – core elements of economic governance. This highlights the link between principles of economic and political governance, a relationship which is particularly visible across lower-income countries.

To demonstrate this, we can examine African nations. Of the 55 members of the African Union (54 of which are included in the Prosperity Index), there is a high degree of variance in the strength of institutions. From these nations, three groups emerge based on the rate at which their political institutions have strengthened; those which strengthened rapidly, those which improved at a 'normal' rate, and those which have been strengthening more slowly, or indeed weakened. Between these groups, there is a correlation between improvements in the strength of political institutions and improvements in macroeconomic stability and domestic market contestability (see Figures 1 and 2).

Côte d'Ivoire, for example, was embroiled in a short civil war in early 2011 when the incumbent President Gbagbo refused to recognise President-elect Alassane Ouattara as his legitimate successor. When Ouattara finally took office, there was a need to restore normality to government after such a fundamental breakdown in political institutions.

The improvements in governance and reductions of politically related terror and violence resulting from Ouattara's assumption of the presidency have been far-reaching, and concurrent with improvements in productive capacity (see Figure 3). He immediately sought to liberalise the economy, he broke down state monopolies, and stamped out the illicit trade that had flourished during the civil war. A competition law was passed in 2013 to regulate the behaviour of dominant firms, and the government has since privatised a number of state-owned enterprises – notably in the industrial and banking sectors.[9,10]

Figure 1: Macroeconomic Stability in Africa

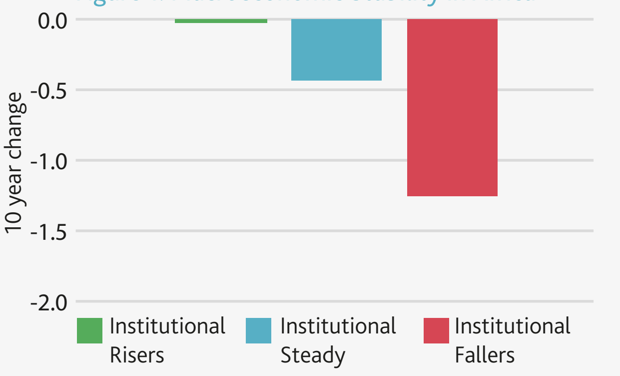
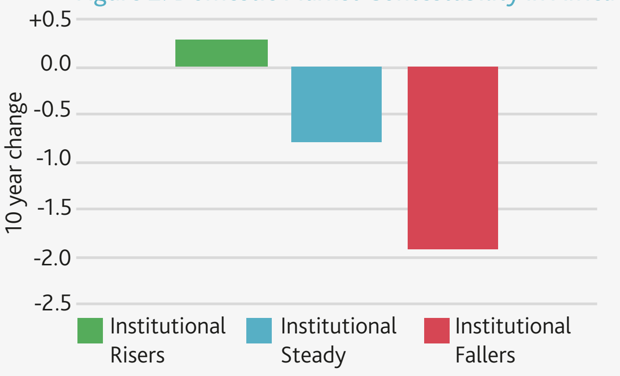


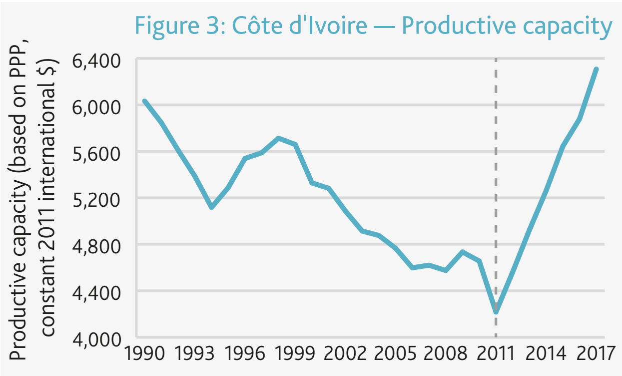
Figure 2: Domestic Market Contestability in Africa



Fernand Mikanga (Wikimedia Commons)

Ms Helen Clark, then Administrator of the United Nations Development Programme, meets with Côte d'Ivoire President Alassane Ouattara in 2012.

Following the 2011 civil war, Côte d'Ivoire President Alassane Ouattara has taken steps to reduce politically related terror, and to liberalise the economy.



Cameroon, by contrast, has seen an increase in politically-related terror and violence over the last 10 years, as well as deteriorations in government integrity and government effectiveness. This has been accompanied by a deterioration in aspects of economic governance. Market-based competition in the country is now weak (and weakening), despite it being a member of the Organisation for the Harmonisation of Corporate Law in Africa, and the IMF has warned that the deteriorating financial situation of state-owned enterprises is "a growing source of financial risks."[11]

THE QUALITY OF INSTITUTIONS AND SOCIAL WELLBEING

Institutions also play an important role in influencing levels of social wellbeing around the world. Short-term improvements in social wellbeing can be caused by several factors, including lower poverty rates, higher quality of education, and better healthcare systems, and these are largely independent of the pillars within the Index's Inclusive Societies domain. However, institutions accounted for 62% of the variance in the stock level of social wellbeing in 2017, which represents an accumulation of long-term improvement. An additional 20 percentage points of the variation were explained when including wealth (represented by productive capacity), but the strength of institutions remained the major differentiating influence. This strongly suggests that institutions are the mediating factor in converting economic wealth to social wellbeing, at least in the long-term.

This tendency for institutions to have a strong relationship with the level of social wellbeing is seen not just at the national level, but also at the sub-national level within the United States. On average, the U.S. has strong institutions, but there is substantial variation between the states – even within a federal system. For example, the U.S. Center for Public Integrity deems Connecticut and Nebraska to be far better than South Dakota and Wyoming for levels of transparency and accountability, based on the laws and systems they have in place to deter corruption.

Within each state of the US, the strength of institutions has a modest but statistically significant relationship with GDP per capita. The quality of institutions plays a much larger role in explaining variations in social wellbeing across the states – more so than levels of wealth. While GDP per capita explains 53% of the variation, institutions explain 69%; this is similar to the trend at the global level, when combined they explain a larger proportion of the variance (81%). It is institutions that remain the factor with greatest explanatory power.

Even though the variations in institutional strength between the states of the U.S. are small compared with the rest of the world, and the relationship between institutions and social wellbeing is also weaker than that seen at the global scale, institutions still have a material impact. The point remains when it comes to predicting levels of social wellbeing; the strength of institutions has more explanatory power than wealth.

THE THRESHOLD EFFECT OF SAFETY AND SECURITY

The relationship between wealth generation (as represented by productive capacity) and safety and security reveals an interesting pattern. There appears to be a threshold level of safety and security, above which improved safety and security is strongly related to improved productive capacity and aspects of economic governance – to almost the same degree as government accountability and integrity. Below the threshold, the relationship with productive capacity breaks down. Put more simply, a nation without a basic level of Safety and Security is much less likely to create the conditions necessary for improving wealth and productive capacity.

Furthermore, this pattern is largely driven by the impact of civil conflict and political terror, both of which exhibit a similar threshold effect. This effect is different to domestic security issues such as violent crime and property crime, which do not exhibit the threshold pattern to the same degree.

One possible explanation of this pattern is that with high levels of civil strife and political terror, many other things can, and often do, go wrong. This suggests that it is the *wider implications* of political terror and civil conflict that are material, not just the impact on the individuals directly affected. In contrast, domestic security issues such as violent crime and property crime do not exhibit the threshold pattern to the same degree.

For example, if a government's military or police force kills 25 protestors, it represents a breakdown in the social contract that is highly likely to have wider implications in that country, such as an associated breakdown in trust and a feeling of repression. Devastating though it would be, the loss of 25 lives as a result of a systems failure in a train accident, for example, would not have societal consequences of the same breadth.

Furthermore, rising levels of civil conflict and political terror are linked not only to declines in economic and social wellbeing, but are also highly correlated with deteriorations in property rights and domestic market contestability and, to a lesser degree, with worsening healthcare systems.

Though civil conflict and political terror don't always cause far-reaching issues, the longer they are present in a country, the higher the chances of systems collapse. For example, though a short period of conflict may not cause a complete systems breakdown, it is unlikely that protracted civil war would *not* have significant impacts on health and education systems.

CONCLUSION

The strength of institutions, as measured across the Inclusive Societies domain within the Prosperity Index, is pivotal in enhancing both economic and social wellbeing. In the short term, improving the quality of institutions can stimulate increased economic wellbeing – particularly by influencing the quality of economic governance. Among other improvements, more contestable domestic markets mean entrepreneurs are more able to compete, and stronger property rights encourage foreign investment.

In the long term, the quality of institutions has a substantial impact on social wellbeing, even at a sub-national scale. Most notably, the integrity and accountability of government is strongly related to people's health, education, and living conditions.

For these reasons, institutions can be seen as the mediating factor between economic and social wellbeing. Growth is encouraged and facilitated in the short term by strong institutions, and the quality of those same institutions has a strong relationship with people's long-term health, education, and living conditions.

The Washington Monument, Washington, DC., USA.

On average, the U.S. has strong institutions, but there is substantial variation between and among the states – even within a federal system.

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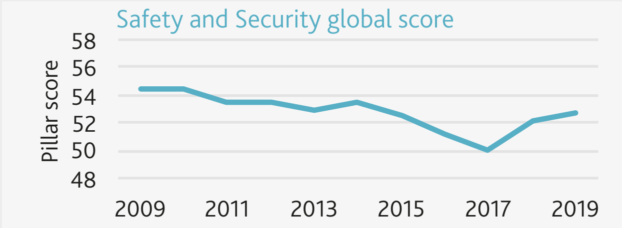
Safety and Security

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



ELEMENT (WEIGHT %)	INDICATORS
War and Civil Conflict (20%) concerns the impact of organised conflicts affecting a country, both internal and external, on people, in terms of deaths, injuries and human displacement.	• *Two-sided conflict deaths (UCDP)* • *One-sided conflict deaths (UCDP)* • *Civil and ethnic war (CSP)* • *Conflict-driven internal displacement (IDMC)* • *Refugees (origin country) (UNHCR)*
Terrorism (15%) measures the deliberate and targeted harm inflicted by non-state actors on a nation's population, taking into account the number of incidents, injuries and also deaths that result. The costs of attacks on business are also taken into consideration.	• *Terrorism deaths (GTD)* • *Terrorism injuries (GTD)* • *Terrorism incidents (GTD)* • *Property cost of terrorism (GTD)*
Politically Related Terror and Violence (30%) measures the extent to which people live in fear of, or suffer from, terror and violence inflicted by the state or other political bodies.	• *Political terror (PTS)* • *Extrajudicial killings (CIRIGHTS)* • *Use of torture (CIRIGHTS)* • *Disappearance cases (CIRIGHTS)* • *Political imprisonment (CIRIGHTS)*
Violent Crime (25%) assesses the level to which violent domestic crime affects the citizens of a country.	• *Intentional homicides (WB-DI)* • *Dispute settlement through violence (WJP)* • *Safety walking alone at night (Gallup)* • *Physical security of women (WomStat)*
Property Crime (10%) captures the level to which property crime, such as burglary, destabilises the security of individuals and affect both individuals' wealth and wellbeing.	• *Property stolen (Gallup)* • *Business costs of crime and violence (WEF)* • *Business costs of organized crime (WEF)*

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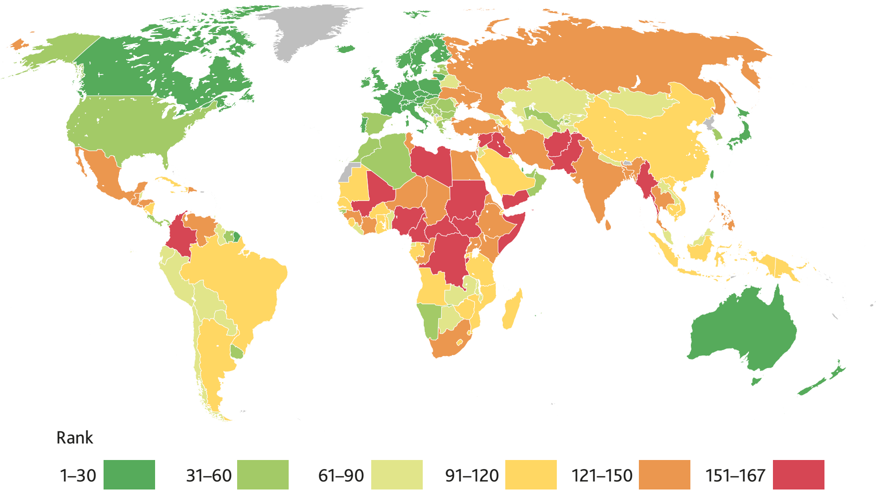
Police in Malaga.

Spain is the fourth most improved country for safety and security over the past decade, due to a reduction in terrorism and a decline in state sanctioned torture and disappearance.

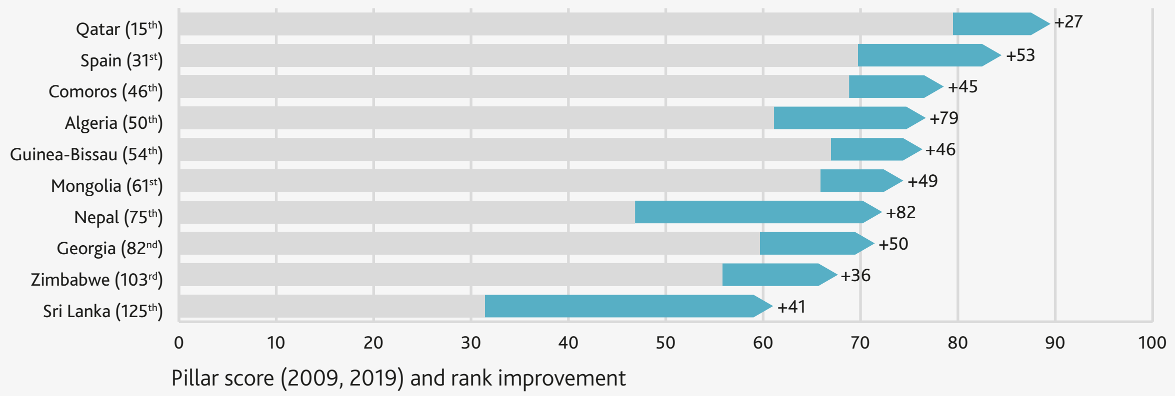
Safety and Security 2019

Strongest	
Switzerland	1
Norway	2
Luxembourg	3
Hong Kong	4
Denmark	5
Iceland	6
Singapore	7
Japan	8
Taiwan, China	9
Austria	10

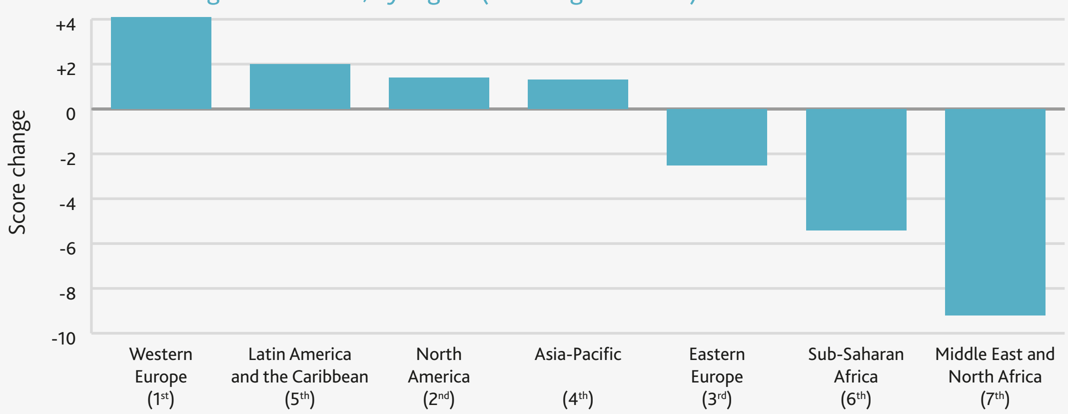


Weakest	
158	Nigeria
159	Dem. Rep. Congo
160	Central African Rep.
161	Libya
162	Sudan
163	Yemen
164	Syria
165	Iraq
166	Afghanistan
167	South Sudan

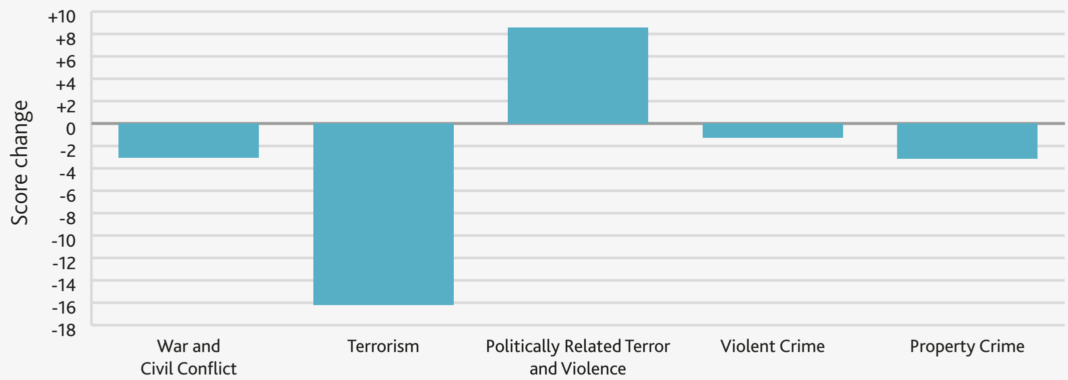
Safety and Security: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)

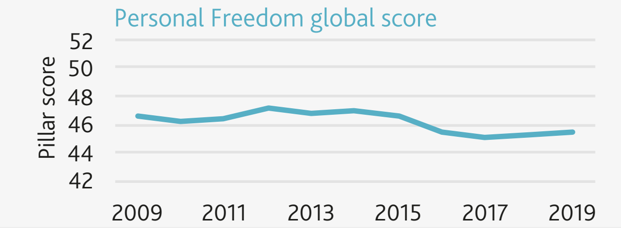


Score change 2009–2019, by element



Personal Freedom

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



ELEMENT (WEIGHT %)	INDICATORS
Agency (25%) captures the degree to which individuals are free from coercion or restriction and are free to move. At its heart, an individual experiences agency if they have the freedom to act independently and make their own free choices. Forced bondage and slavery, unlawful imprisonment, restrictions on movement, and numerous other factors can act as impediments on agency.	• *Personal autonomy and individual rights (FH)* • *Due process and rights (WJP)* • *Freedom of movement (CIRIGHTS)* • *Women's agency (WomStat)* • *Freedom from arbitrary interference with privacy (WJP)* • *Freedom from forced labour (V-DEM)* • *Government response to slavery (GSI)* • *Satisfaction with freedom (Gallup)*
Freedom of Assembly and Association (20%) measures the degree to which people have the freedom to assemble with others in public spaces to express opinions freely, with autonomy from the State, and to form collective interest organisations.	• *Right to associate and organise (FH)* • *Guarantee of assembly and association (WJP)* • *Autonomy from the state (V-DEM)*
Freedom of Speech and Access to Information (20%) captures the ability of people to express political opinion without reproach and the extent to which the media is censored and is independent from and not influenced by the ruling government.	• *Press freedom from government censorship (FH)* • *Press freedom from physical repression (RsF)* • *Freedom of opinion and expression (WJP)* • *Government media censorship (V-DEM)* • *Alternative sources of information (V-DEM)* • *Political diversity of media perspectives (V-DEM)*
Absence of Legal Discrimination (20%) assesses the level of discrimination in law or by government and whether the law protects individuals and groups from suffering discrimination. This dimension captures multiple factors, including gender, sexuality, religion, ethnicity and economic background.	• *Equal treatment and absence of discrimination (WJP)* • *Non-discriminatory civil justice (WJP)* • *Freedom from hiring and workplace discrimination (WJP)* • *LGBT Rights (ILGA)* • *Protection of women's workplace, education and family rights (WomStat)* • *Freedom of belief and religion (WJP)* • *Government religious intimidation and hostility (Pew)*
Social Tolerance (15%) measures the degree to which societies are tolerant of differences within the population, and the level of tension arising over these differences. Societal discrimination and intolerance can engender serious issues within a society, and are a significant inhibitor of individual's *de facto* freedoms.	• *Perceived tolerance of ethnic minorities (Gallup)* • *Perceived tolerance of LGBT individuals (Gallup)* • *Perceived tolerance of immigrants (Gallup)*

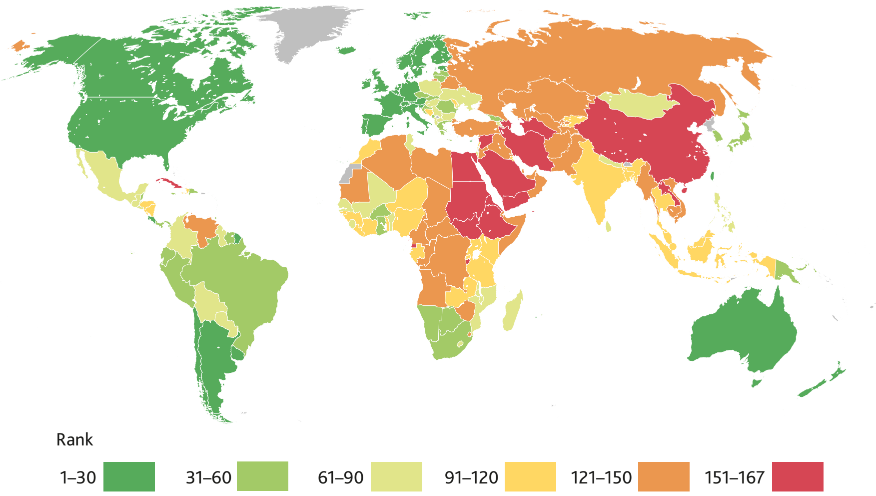
Coptic Christian migrant women from Ethiopia inside a church in Valetta, Malta.

Malta is among the top 10 most improved countries for personal freedom over the past decade, due to its residents becoming more tolerant of others in society.


Giannis Papanikos / Shutterstock.com

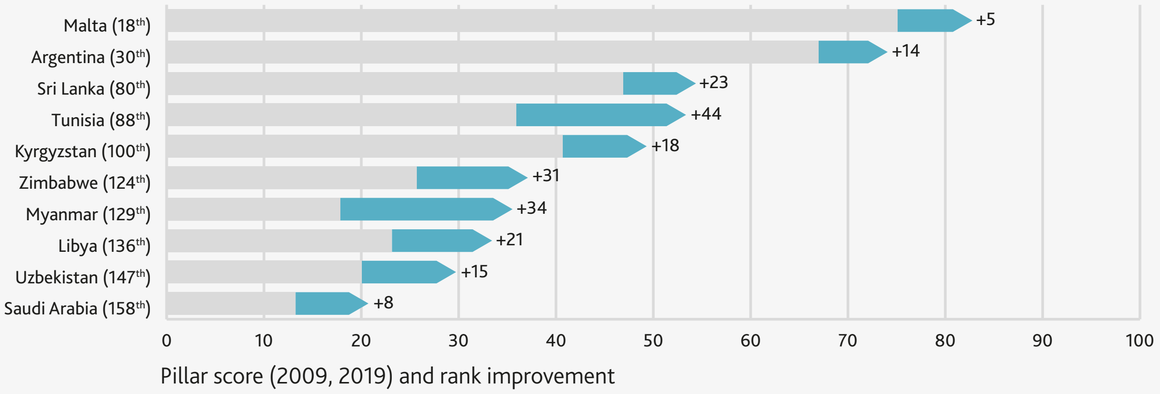
Personal Freedom 2019

Strongest	
Norway	1
Denmark	2
Finland	3
Sweden	4
Netherlands	5
Iceland	6
Canada	7
Luxembourg	8
Ireland	9
New Zealand	10

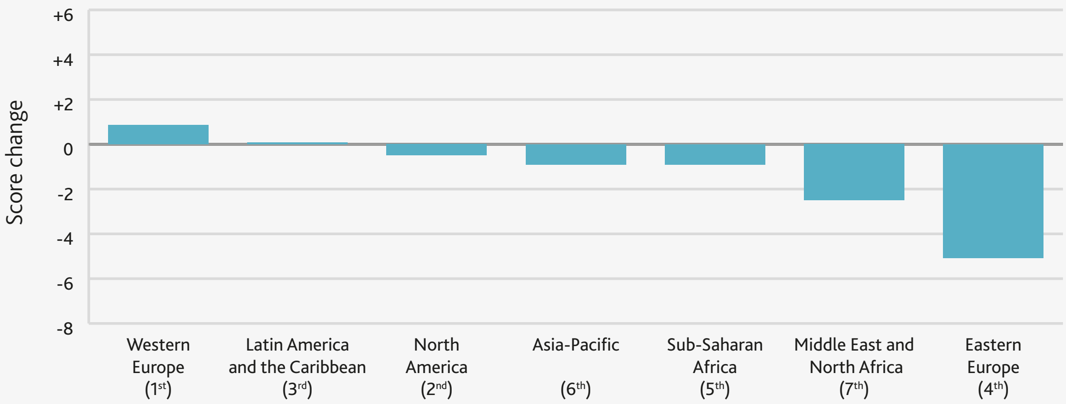


Weakest	
158	Saudi Arabia
159	China
160	South Sudan
161	Egypt
162	Turkmenistan
163	Iran
164	Yemen
165	Sudan
166	Syria
167	Eritrea

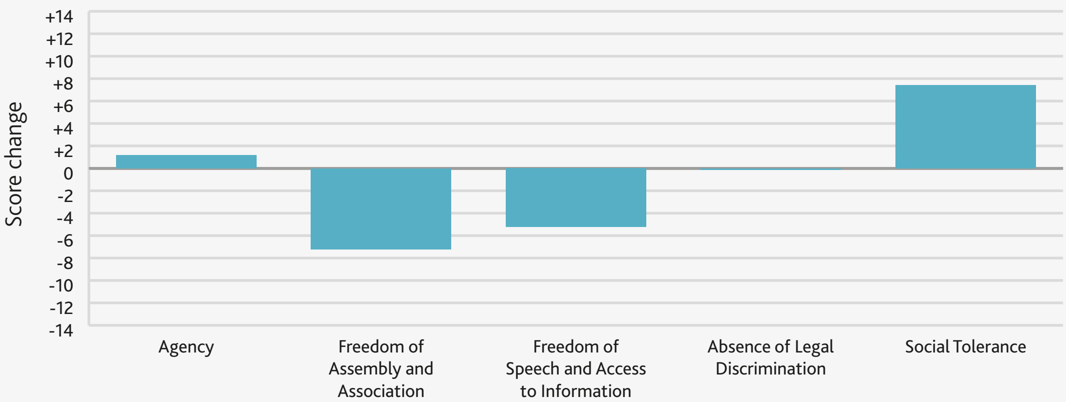
Personal Freedom: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)

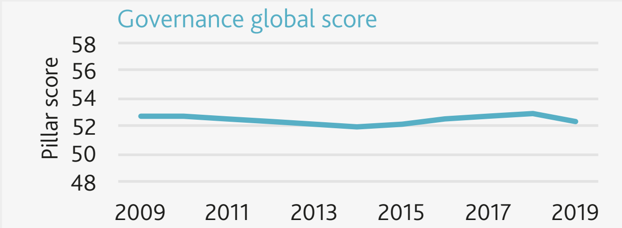


Score change 2009–2019, by element



Governance

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



ELEMENT (WEIGHT %)	INDICATORS
Executive Constraints (15%) assesses the level of checks and balances, and separation of powers – especially with respect to the executive.	• *Executive powers are effectively limited by the judiciary and legislature (WJP)* • *Government powers are subject to independent and non-governmental checks (WJP)* • *Transition of power is subject to the law (WJP)* • *Military involvement in rule of law and politics (FI)* • *Government officials are sanctioned for misconduct (WJP)*
Political Accountability (15%) is the degree to which the public can hold public institutions accountable, capturing the degree of political pluralism, and other mechanisms of accountability.	• *Consensus on democracy and a market economy as a goal (BTI)* • *Political participation and rights (FH)* • *Democracy level (CSP)* • *Complaint mechanisms (WJP)*
Rule of Law (15%) is the fairness, independence and effectiveness of the judiciary (in applying both civil and criminal law), along with the accountability of the public to the law.	• *Judicial independence (WEF)* • *Civil justice (WJP)* • *Integrity of the legal system (FI)* • *Efficiency of dispute settlement (WEF)*
Government Integrity (20%) assesses the integrity of a government, encompassing both the absence of corruption, and the degree to which government fosters citizen participation and engagement, through open information and transparent practices.	• *Use of public office for private gain (WJP)* • *Diversion of public funds (WEF)* • *Right to information (WJP)* • *Publicised laws and government data (WJP)* • *Transparency of government policy (WEF)* • *Budget transparency (IBP)*
Government Effectiveness (20%) is a combination of the quality of public service provision, the quality of the bureaucracy and the competence of officials.	• *Government quality and credibility (WGI)* • *Prioritisation (BTI)* • *Efficiency of government spending (WEF)* • *Efficient use of assets (BTI)* • *Implementation (BTI)* • *Policy learning (BTI)* • *Policy coordination (BTI)*
Regulatory Quality (15%) encompasses all aspects of the running of the regulatory state – whether it is burdensome and impedes private sector development, and whether it is smoothly and efficiently run.	• *Regulatory quality (WGI)* • *Enforcement of regulations (WJP)* • *Efficiency of legal framework in challenging regulations (WEF)* • *Delay in administrative proceedings (WJP)*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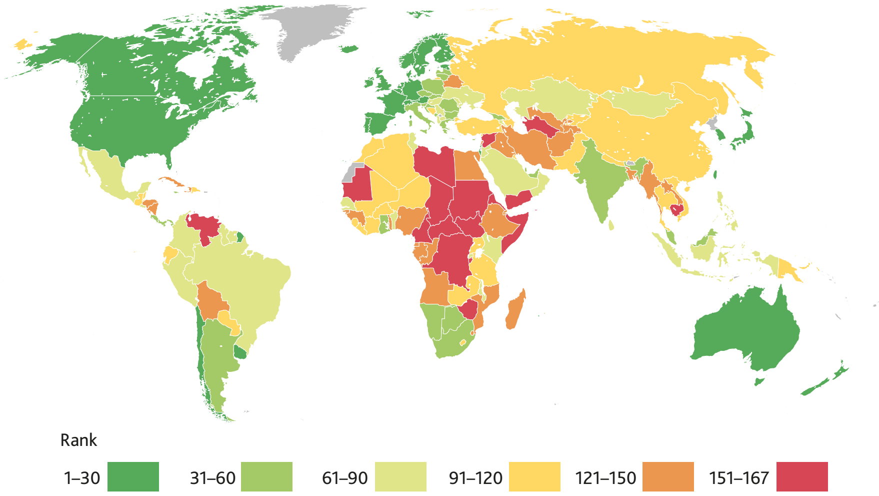
President Mauricio Macri campaigning in Sante Fe, Argentina.

Argentina has risen 24 ranks for Governance since 2009, helped by President Mauricio Macri's administration's efforts to improve transparency and prosecute corrupt executives.

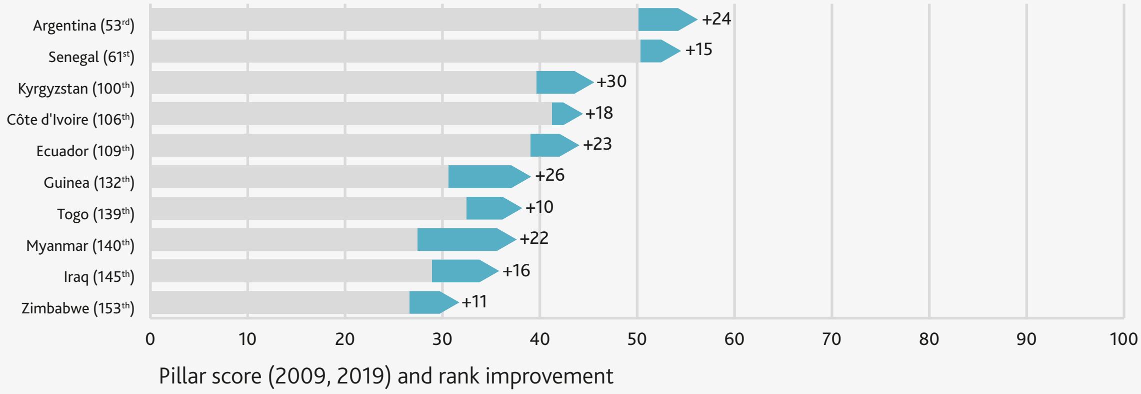
Governance 2019

Strongest	
Norway	1
Finland	2
Denmark	3
Netherlands	4
New Zealand	5
Sweden	6
Switzerland	7
Luxembourg	8
Germany	9
Canada	10

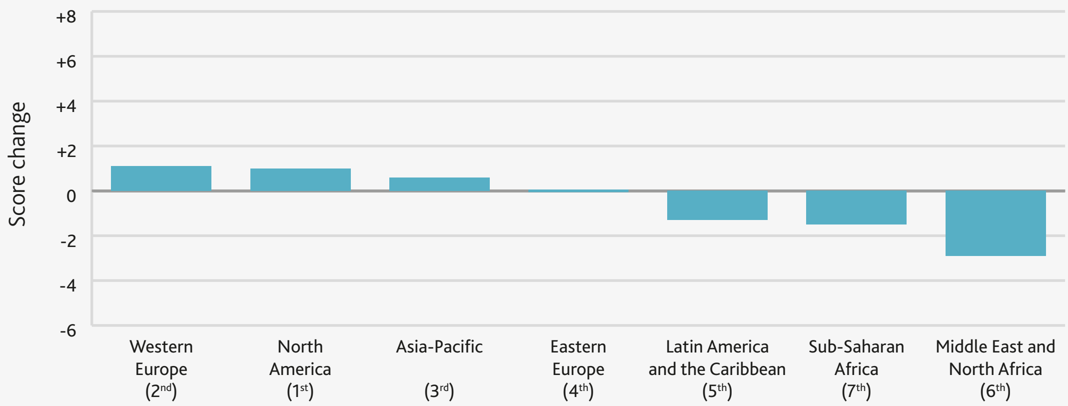


Weakest	
158	Libya
159	Mauritania
160	South Sudan
161	Chad
162	Syria
163	Dem. Rep. Congo
164	Eritrea
165	Somalia
166	Yemen
167	Venezuela

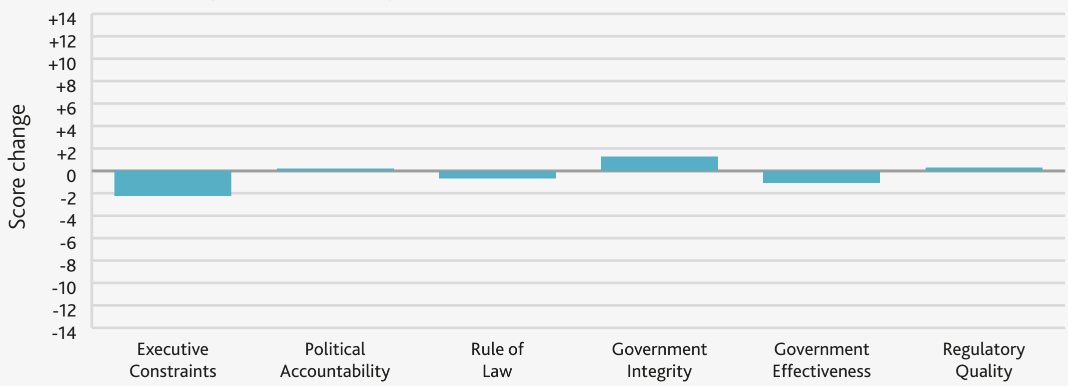
Governance: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)

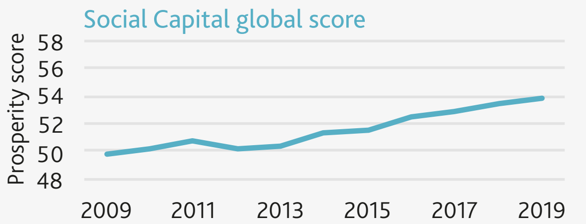


Score change 2009–2019, by element



Social Capital

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



ELEMENT (WEIGHT %)	INDICATORS
Personal and Family Relationships (20%) captures the strength of the closest-knit personal relationships and family ties. These relationships form the crux of support that individuals can turn to, emotionally, mentally, and financially on a daily basis.	• *Help from family and friends when in trouble (Gallup)* • *Family give positive energy (Gallup)*
Social Networks (20%) measures the strength of, and opportunities provided by, ties that an individual has with people in their wider network. These ties are a vital part of social support, and these networks can bolster bridging capital when social and community networks span different groups in society. Local social networks depend on building and maintaining relationships with other individuals and families, including neighbours.	• *Respect (Gallup)* • *Opportunity to make friends (Gallup)* • *Helped another household (Gallup)*
Interpersonal Trust (20%) assesses the amount of trust within a society, encompassing the degree to which people trust strangers and those outside their known social sphere.	• *Generalised interpersonal trust (IVS&Bar)* • *Helped a stranger (Gallup)*
Institutional Trust (20%) captures the degree to which individuals trust their institutions. Trust in institutions is an important foundation upon which the legitimacy and stability of political systems are built.	• *Confidence in local police (Gallup)* • *Public trust in politicians (WEF)* • *Confidence in financial institutions and banks (Gallup)* • *Confidence in judicial systems and courts (Gallup)* • *Confidence in national government (Gallup)* • *Confidence in military (Gallup)*
Civic and Social Participation (20%) measures the amount to which people participate within a society, broadly split into the civic and social spheres.	• *Donated money to charity (Gallup)* • *Voter turnout (IDEA)* • *Volunteering (Gallup)* • *Voiced opinion to a public official (Gallup)*

raditya/Shutterstock.com

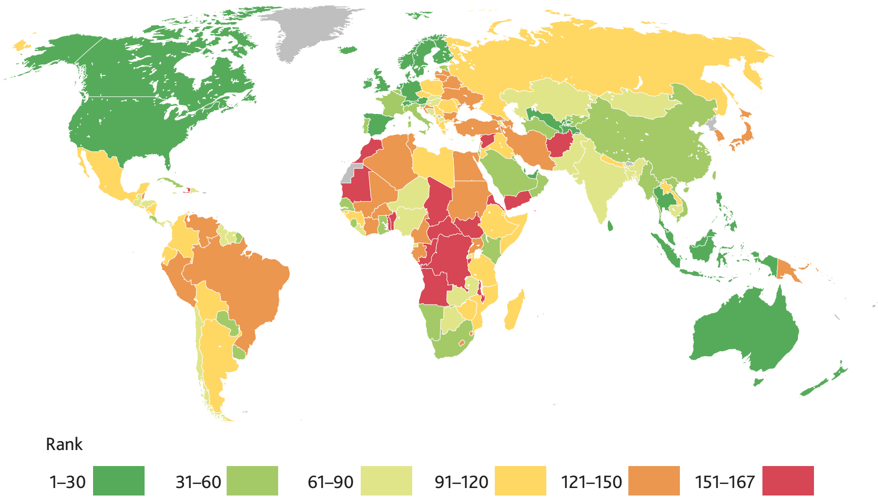
Volunteers provide eathquake relief in Obel village, Indonesia.

Indonesia has the highest levels of civic and social participation in the world.

Social Capital 2019

Strongest

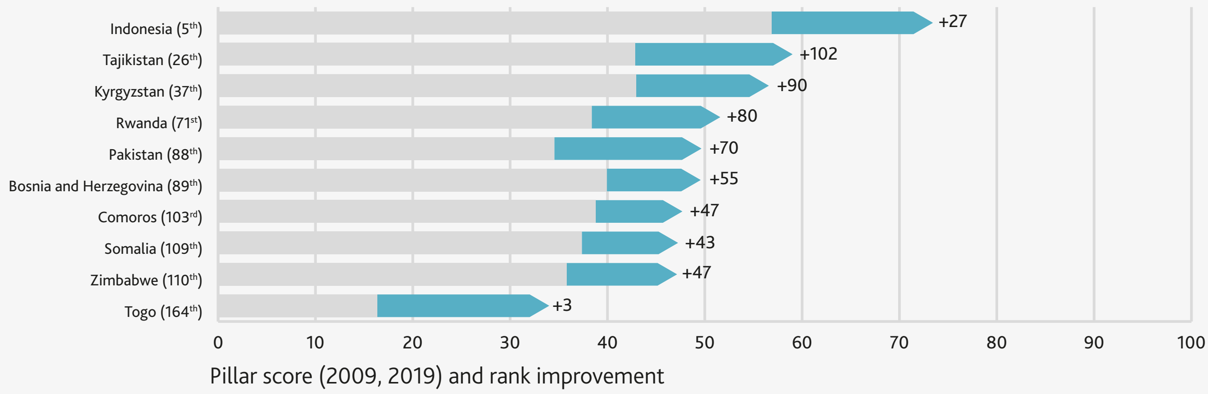
Norway	1
Denmark	2
Iceland	3
Finland	4
Indonesia	5
Netherlands	6
New Zealand	7
Switzerland	8
Sweden	9
Canada	10



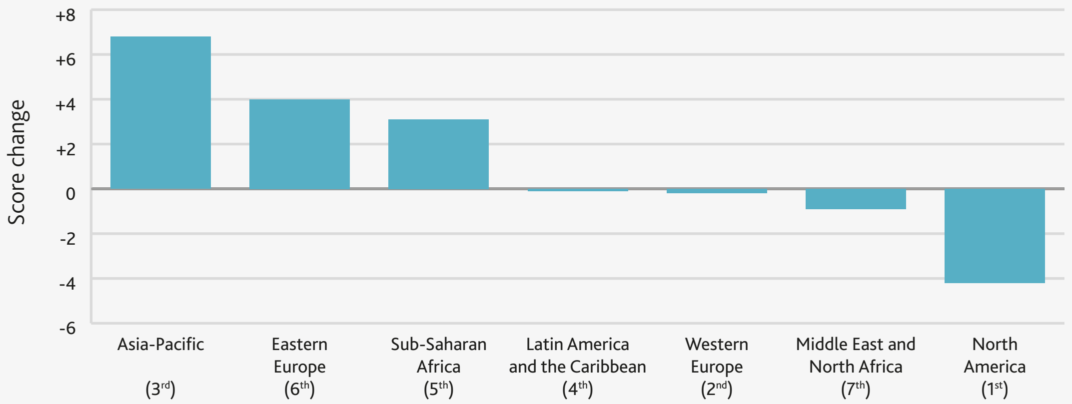
Weakest

158	Yemen
159	Congo
160	Benin
161	Central African Rep.
162	South Sudan
163	Morocco
164	Togo
165	Chad
166	Afghanistan
167	Syria

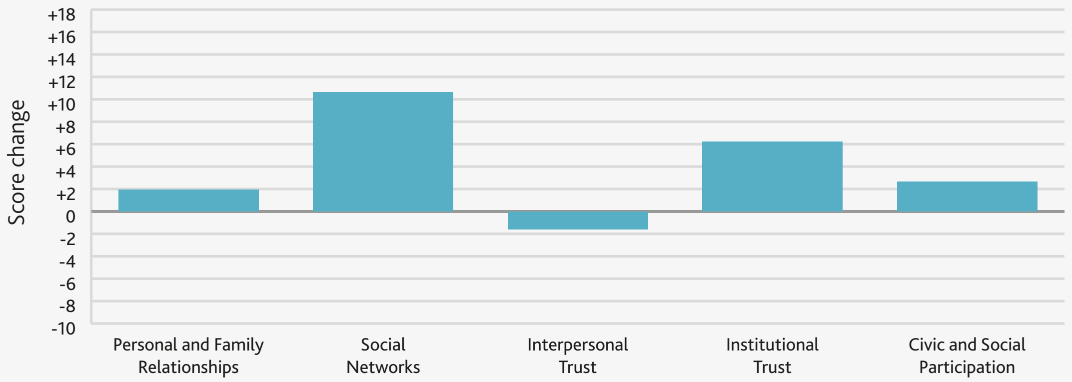
Social Capital: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)



Score change 2009–2019, by element



Defining Open Economies

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

Without an open, competitive economy it is very challenging to create lasting social and economic wellbeing where individuals, communities, and businesses are empowered to reach their full potential. Trade between countries, regions, and communities is fundamental to the advance of innovation, knowledge transfer, and productivity that creates economic growth and prosperity. Research shows that open economies are more productive, with a clear correlation between increased openness over time and productivity growth.[1] In contrast, in an uncompetitive market, or one that is not designed to maximise welfare, growth stagnates and crony capitalism thrives, with knock-on impacts elsewhere in society.

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

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

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

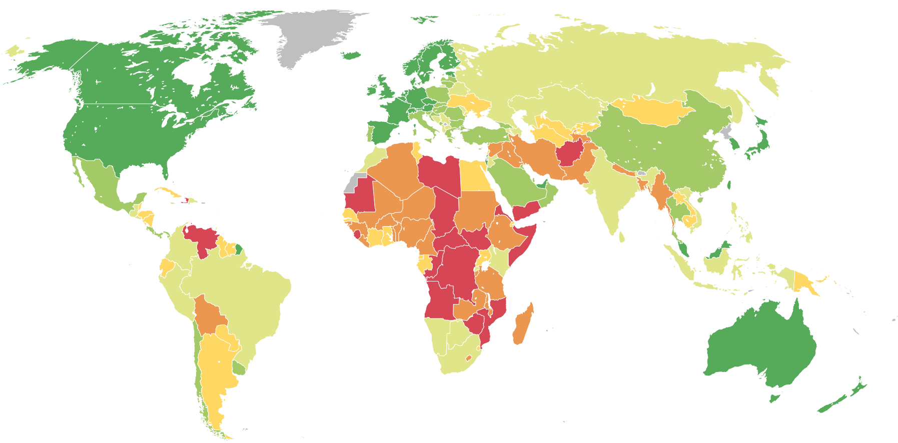
Market Access and Infrastructure measures the quality of the infrastructure that enables trade (communications, transport, and resources), and the inhibitors on the flow of goods and services between businesses. Where markets have sufficient infrastructure and few barriers to trade, they can flourish.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

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

Open Economies 2019

Strongest

Singapore	1
Hong Kong	2
Switzerland	3
United States	4
Netherlands	5
Germany	6
Denmark	7
Sweden	8
United Kingdom	9
Norway	10



Weakest

158	Mauritania
159	Congo
160	Angola
161	Central African Rep.
162	Haiti
163	Venezuela
164	Dem. Rep. Congo
165	Chad
166	Somalia
167	Yemen

Rank

1–30 | 31–60 | 61–90 | 91–120 | 121–150 | 151–167

Singapore ranks 1st on the Investment Environment, Economic Quality and Market Access and Infrastructure pillars, and 5th on Enterprise Conditions.

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Measuring economic wellbeing

Our aim when considering economic wellbeing is to measure the true value created by nations and communities. In this way, the strength of the underlying structures of production can be assessed, rather than emphasising the income accrued and the rates of consumption. Another way of considering this is to ask what the underlying capacity of an economy is, given those who could be contributing to its success.

One reason for generating such a measure is to benchmark the performances of countries on the pillars of the Open Economies domain. We would expect there to be a high (but not exact) correlation between a singular measure of economic wellbeing and the domain scores.

GDP per capita, as a welfare measure, acts as a useful metric for the average income of the population of a nation. However, while it can also be seen as a satisfactory first-order approximation of value creation, it is widely considered to be incomplete for many purposes. This is especially true for countries with atypical population structures and for those with extra earnings generated from natural resources – known as resource rents. For example, if a country has a large working-age population, its economic potential should theoretically be higher. Likewise if it has access to mineral resources, it may appear wealthy, but that gives little indication of the productivity of the rest of the economy.

In our endeavour to compare our measure of holistic prosperity with a more singular measure of economic success, we have accounted for both demographics and the value added from production in a new metric: productive capacity. We explore in the following sections why accounting for population structures and resource rents matter for measuring economic wellbeing and peoples' lived experiences.

DEMOGRAPHICS AND PROSPERITY

In order to normalise between economies of very different populations, a common approach is to consider a GDP per capita measure. Such a per-capita measure is appropriate when taking a welfare perspective, considering the theoretical income available to the average member of society. However, when considering the productive capacity of a nation, it is more appropriate to relate the output to the subset of the population who are expected to contribute to production – that is, those of working-age (aged 15 to 65). While the old and the young are consumers as much as those in between, they are not expected to produce.

Countries with a low dependency ratio – that is to say, with relatively more people of working age – would normally be expected to produce more per capita than countries with a higher dependency ratio. The impacts of dependency ratios are not simply on how national accounts report; they are intrinsically linked to peoples' lived experiences. Fundamentally, a higher dependency ratio means that there are fewer economically active people contributing tax. Those not of working age generally require higher government spending (in the form of education and healthcare spending, as well as state pensions), so a higher dependency ratio requires this to be provided to more people with fewer resources.

How is the working-age population currently distributed?

Though the great majority of countries have working-age populations comprising between 60% and 70% of the total, there is a large disparity between the highest working-age percentage (85%) and the lowest (47%). Most developed economies have working-age populations above 60%. Japan is well-known to have a very ageing population, with the highest proportion of people over the age of 65 at over 25%, yet still 61% of their overall population is working age.

Only a small number of countries have working-age populations higher than 70%, and it is worth noting that, with the exception of South Korea and China, the high proportion of working-age adults in each of these countries is due largely to migrant workers, including the Gulf States, Singapore, and Hong Kong (see Table 1).

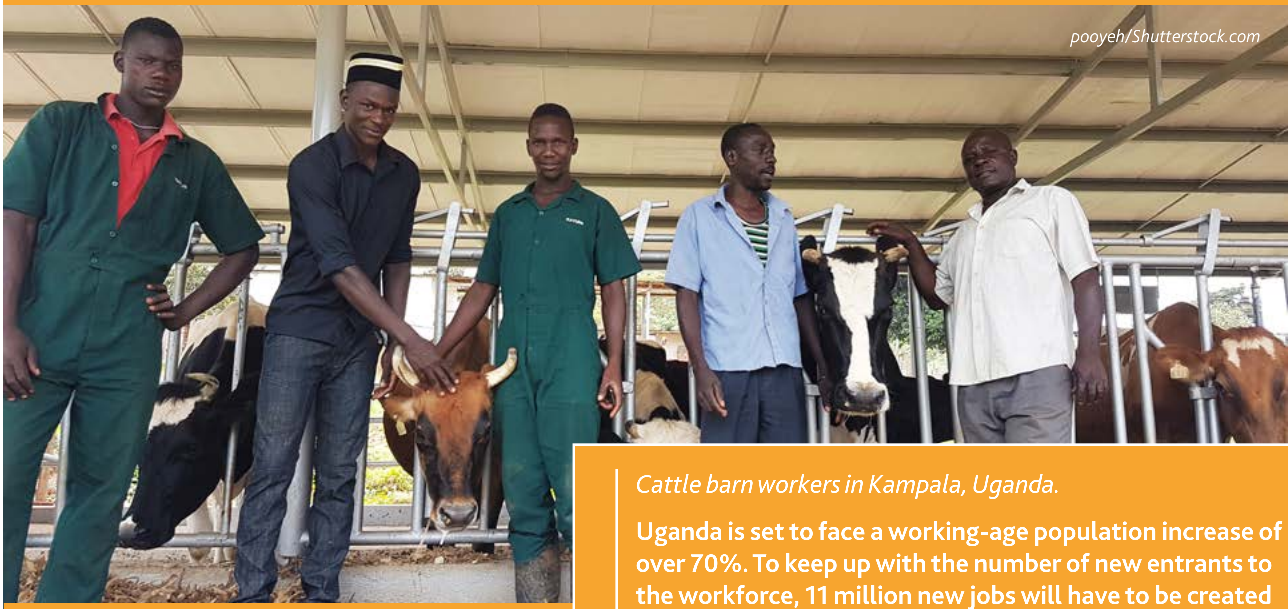
Table 1

Country	Working age %, 2017
Qatar	85%
United Arab Emirates	84%
Bahrain	78%
Singapore	77%
Kuwait	76%
Oman	76%
Moldova	73%
South Korea	73%
Hong Kong	72%
China	72%

At the other end of the spectrum, the 45 countries with a low share (<60%) of working-age population are universally countries with young populations. These countries, including Kenya, Niger, and Mali, all have under-15 population shares of at least 40% (see Table 2). For example, in Niger the working-age cohort is only 47% of the population, and the remaining 53% consists of 50% under the age of 15 and just 3% over the age of 65. These youth bulges tend to have a much larger impact on the dependency ratio than the impact (to date) of an ageing population in more developed countries.

How might these demographics shift?

In the past decade, we have passed a major demographic landmark. Globally, the working-age share of the population peaked in 2012, and it has been in decline ever since (see Figure 1). Before this inflection point, when the working-age share of the population was increasing, we would expect to have seen a boost to GDP per capita globally – a 'demographic tailwind', so to speak. After 2012, with a 'demographic headwind' of a declining working-age share, we would expect to see GDP per capita growth constrained, as the output of



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Cattle barn workers in Kampala, Uganda.

Uganda is set to face a working-age population increase of over 70%. To keep up with the number of new entrants to the workforce, 11 million new jobs will have to be created every year through to 2030 in sub-Saharan Africa alone.

Table 2

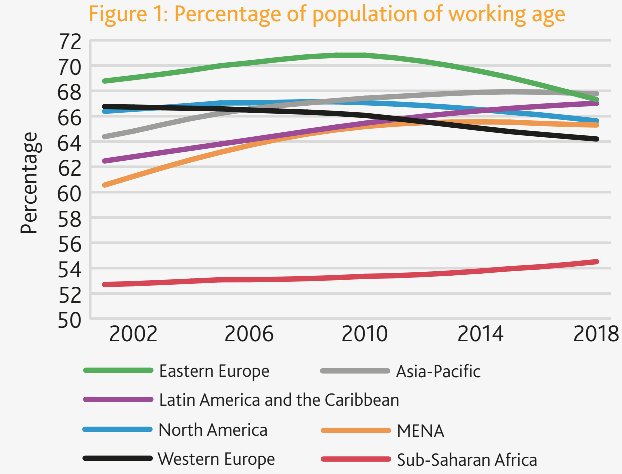
Country	Working age %, 2017
Niger	47%
Mali	50%
Uganda	50%
Chad	50%
Congo, Dem. Rep.	51%
Angola	51%
Somalia	51%
Tanzania	52%
Mozambique	52%
The Gambia	52%

the available workforce is distributed more thinly across a growing proportion of dependents, both young and old.

There are some stark trends in projections for the change in the working-age demographic across the world, if we use a zero-migration model.* We see that by 2030, the working-age population of some countries would have increased by as much as 80% since 2015, with most of the largest increases in sub-Saharan Africa; Mali, Chad, Uganda, and Niger are each set to face working-age population increases of over 70%. To keep up with the number of new entrants to the workforce, 11 million new jobs will have to be created every year through to 2030 in sub-Saharan Africa alone.[2]

The majority of the most substantial structural decreases in working-age population percentages will be found in Europe, with countries such as Serbia, the Netherlands, Slovenia, and Austria facing declines of over 20% from 2015-2030, and Germany's working-age population set to shrink by over 30%. Though the magnitudes of these decreases are less than those of the increases projected in sub-Saharan Africa, they are significant nonetheless. Additionally, our analysis highlights that a demographic change of this nature is projected across the breadth of Europe, rather than just in Western Europe, the more commonly cited example.

Figure 1: Percentage of population of working age



Other Measurement Considerations

Rather than using the total population as a denominator, we have chosen to use the working-age population. One could argue that we could go further and use just those in work – in effect, a measure of labour productivity. Though doing this would be a valid and useful measure as it captures the current capabilities of a workforce, it would fail to capture the economic wellbeing of all members of society. From the point of view of national policy, it is far more useful to also consider those who are excluded from the labour market or do not participate for family or other reasons, because their wellbeing is equally important.

ACCOUNTING FOR RESOURCE RENTS

In order to measure the economic wellbeing of a country, we want to be able to identify the true value-added activity within the country. GDP is the commonly accepted measure for such purposes – defined in a way that is also comparable to national income.

However, when seeking to understand the true value-add of the participants in an economy, GDP can provide a distortive picture, especially for countries with significant resource rents. Contributions of resource rents to GDP figures can represent something of an accounting anomaly. While accurately reflecting the income generated from extraction, the figures capture not only the genuine

*For details, please see the full methodology document, available online at www.prosperity.com value of making the resources available, but also the latent value of the asset.

Table 3

Country	Resource rent as % of GDP, 2017*
Congo, Rep.	43%
Mongolia	41%
Libya	38%
Iraq	38%
Kuwait	37%
Suriname	33%
Congo, Dem. Rep.	33%
Guyana	25%
Liberia	25%
Equatorial Guinea	24%

While there is indeed value created in the process of extracting resources, and of converting them into a useable form, the majority of the value often existed prior to withdrawal. In this sense, the productive aspect of the sector is greatly overestimated in straight measures of GDP, which captures the commercial value of the resource sales. The profit accrued from taking resources out of the ground should not be confused with the creation of value.

The underlying value of an economy should not include the amount of oil or mineral rent it receives. Hence, we find that it is more appropriate to take non-resource rent output (GDP minus resource rents) as our measure of the value-add in an economy.

At a national level, this distinction is well understood; many statistics authorities of resource-rich countries will report on the non-oil component of their economies. We are more concerned about the availability of similar analysis at the international level, for the purpose of carrying out cross-country comparisons.

As with demographic profiles, there is a large disparity between countries in the proportion of GDP that is made up of resource rents, which can misrepresent the productivity of each economy. Such distortion has an impact on a small but not insignificant number of countries. For approximately 40 economies, resource rents constitute 10% or more of GDP. For example, countries such as Kuwait, the Democratic Republic of the Congo (DRC), and Mongolia, each of which has resource rents contributing more than 25% of GDP, have GDPs that overstate the underlying productivity of their broader economies. Kuwait may look wealthy, but its workforce is relatively unproductive. So too is the DRC, economically speaking, underperforming what its GDP figures would suggest.

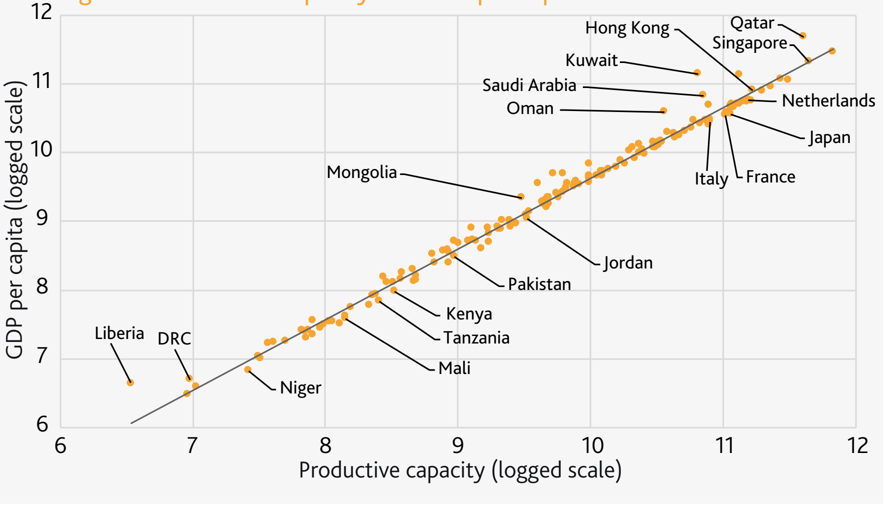
Why does this matter for economic wellbeing?

Most extractive industries tend to employ a very small number of people, though less so for minerals than oil.[3] The measure of GDP, therefore, does not reflect an accurate picture of the inclusivity of the national income, as the reported output is very unevenly distributed across the population. By removing resource rents from the measure of economic output, we can distil a more precise measure of the likely median value-generating capacity of an economy.

Additionally, in heavily resource-dependent nations, the development of the underlying economy can be masked by volatility in world markets for natural resources. Such economies are likely to experience 'false positives' and 'false negatives' for the impact of policy changes.

Countries such as Azerbaijan and Angola have seen dramatic drops in resource rents over the last ten years, while at the same time their non-resource economies have grown. As a result, their reported GDP figures have not grown as much as the underlying economy has. This means, in effect, that although Angola's GDP appears to be in slight decline, its structural bases are improving. Clearly the loss of resource rents will affect the short-term fiscal sustainability, but the growth of the non-resource economy is a major positive. Hence, acute 'remedial' economic reform would be less likely to be helpful for the country's long-term growth prospects.

Figure 2: Productive capacity and GDP per capita 2016



This table was originally presented in the Global Index of Economic Openness Report in May 2019. The counties and percentages presented in this version of the table differ from those presented in that report due to the World Bank subsequently revising their resource rent data.

CONCLUSION

Taking both demographics and resources into account, we have constructed a modified GDP measure. This measure of economic wellbeing, against which we assess each aspect of our Index, is what we have termed *productive capacity*. It measures the underlying economic output produced per working-age member of the population. We calculate it as follows:

PRODUCTIVE CAPACITY = (GDP – RESOURCE RENTS) ÷ WORKING-AGE POPULATION

The productive capacity of most countries is about 50% higher than GDP per capita, reflecting the fact that approximately two-thirds of the population are of working age. However, for a small number of countries, the differences are more significant. Figure 2 illustrates the overall relationship, highlighting selected countries that are outliers, due to a combination of resource rents and atypical demographic profiles.

The relationship between productive capacity and overall prosperity is marginally stronger than that between GDP per capita and prosperity. More importantly, this relationship is also stronger at a deeper level, showing a closer relationship with each of the 12 pillars than GDP per capita. What productive capacity captures is not income-based economic wellbeing, but production-based. Those countries with atypical dependency ratios and high resource rents are better accounted for in measures of productive capacity than by GDP per capita. This means that in ensuring each aspect of our Index relates to economic wellbeing, we are ensuring that they relate to the underlying economic potential of the country, not just income statistics.

Engineers working on oil platforms in Sangachal, Azerbaijan.

Countries such as Azerbaijan and Angola have seen dramatic drops in resource rents over the last ten years, while at the same time their non-resource economies have grown. As a result, their reported GDP figures have not grown as much as the underlying economy has.

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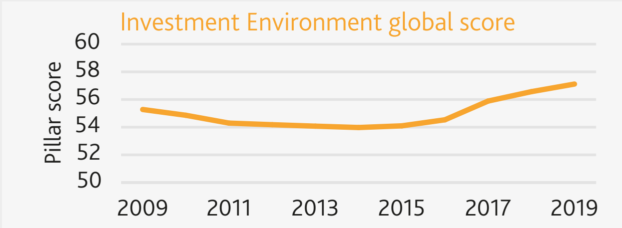
Investment Environment

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



ELEMENT (WEIGHT %)	INDICATORS
Property Rights (30%) measures how well property rights over land, assets, and intellectual property are protected.	• *Protection of property rights (WEF)* • *Lawful process for expropriation (WJP)* • *Intellectual property protection (WEF)* • *Reliability of land infrastructure administration (WB-DB)* • *Procedures to register property (WB-DB)* • *Regulation of property possession and exchange (BTI)*
Investor Protection (20%) assesses the degree of investor protection, from expropriation risk to minority shareholder rights.	• *Strength of insolvency framework (WB-DB)* • *Insolvency recovery rate (WB-DB)* • *Auditing and reporting standards (WEF)* • *Extent of shareholder governance (WB-DB)* • *Conflict of interest regulation (WB-DB)*
Contract Enforcement (20%) assesses the efficacy and efficiency of a country's system to enforce the rights of a contract holder.	• *Quality of judicial administration (WB-DB)* • *Time to resolve commercial cases (WB-DB)* • *Legal costs (WB-DB)* • *Alternative dispute resolution mechanisms (WJP)*
Financing Ecosystem (20%) measures the availability of money for investment, from sources including banking and bank debt to corporate debt and more sophisticated financial markets.	• *Access to finance (WB-ES)* • *Financing of SMEs (WEF)* • *Venture capital availability (WEF)* • *Quality of banking system and capital markets (BTI)* • *Commercial bank branches (IMF-FAS)* • *Soundness of banks (WEF)* • *Depth of credit information (WB-DB)*
Restrictions on International Investment (10%) assesses the policies that enhance the volume and quality or type of international investment into a country.	• *Business impact of rules on FDI (WEF)* • *Capital controls (FI)* • *Freedom to own foreign currency bank accounts (FI)* • *Restrictions on financial transactions (Chinn-Ito)* • *Prevalence of foreign ownership of companies (WEF)* • *Freedom of foreginers to visit (FI)*

View of Singapore's Central Business District.

Singapore has the strongest investment environment in the world, with a particularly good record on property rights.

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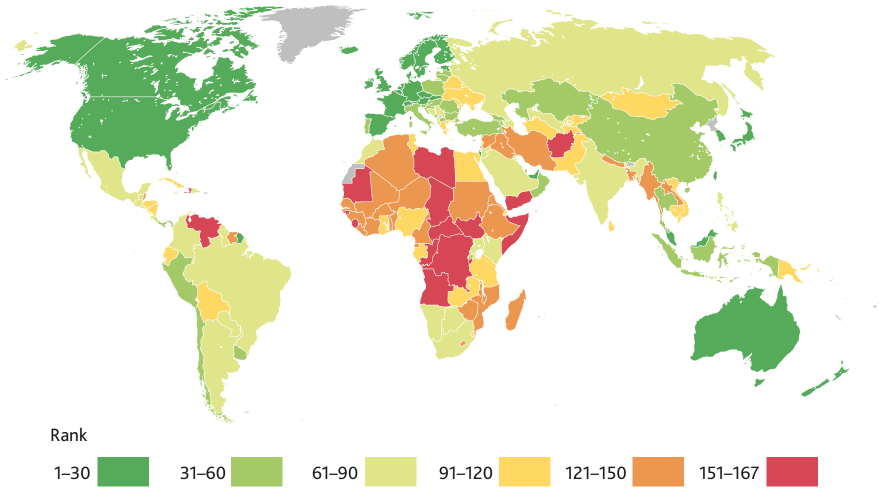
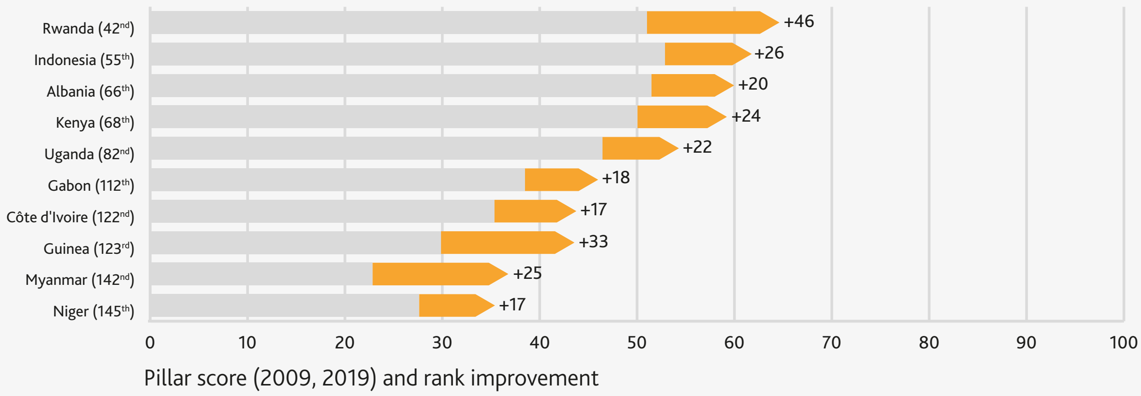
Investment Environment 2019

Strongest	
Singapore	1
Norway	2
New Zealand	3
Hong Kong	4
United Kingdom	5
United States	6
Denmark	7
Australia	8
Finland	9
Israel	10

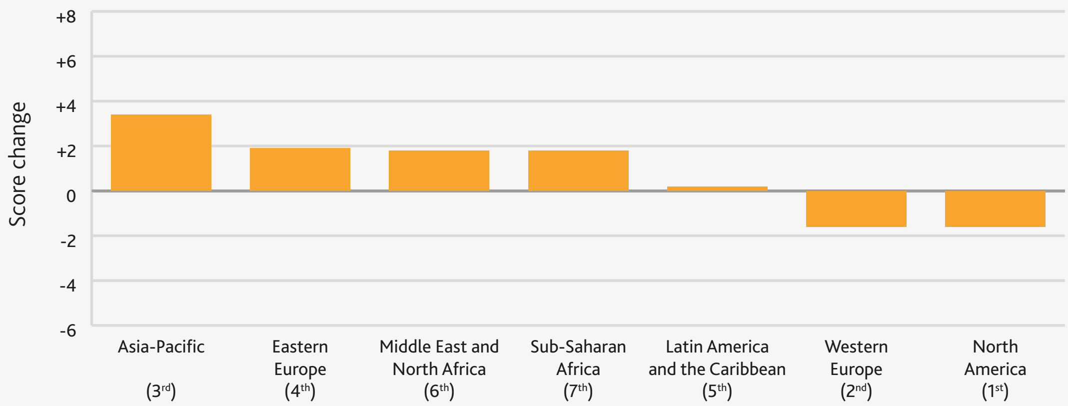


Weakest	
158	Libya
159	Guinea-Bissau
160	Haiti
161	Chad
162	Mauritania
163	Somalia
164	Yemen
165	Dem. Rep. Congo
166	Central African Rep.
167	Angola

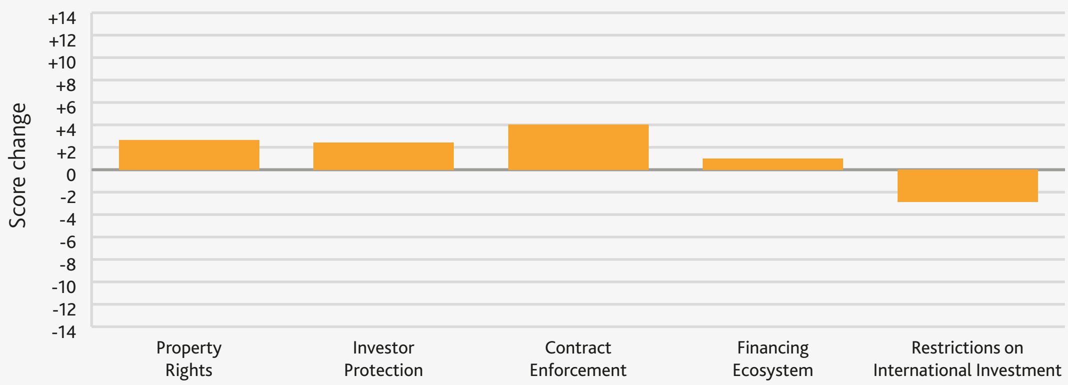
Investment Environment: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)

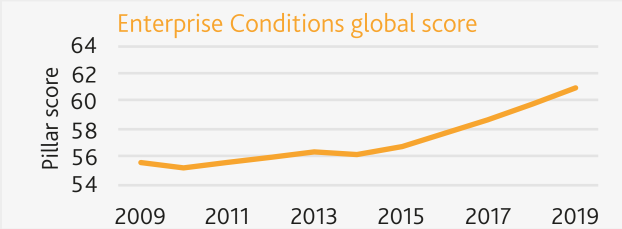


Score change 2009–2019, by element



Enterprise Conditions

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



ELEMENT (WEIGHT %)	INDICATORS
Domestic Market Contestability (35%) examines how open the market is to new participants, versus protection of the incumbents.	• *Market-based competition (BTI)* • *Anti-monopoly policy (BTI)* • *Extent of market dominance (WEF)*
Environment for Business Creation (30%) measures the legislative and policy driven factors that encourage entrepreneurialism.	• *Private companies are protected and permitted (BTI)* • *Ease of starting a business (WB-DB)* • *State of cluster development (WEF)* • *Labour skill a business constraint (WB-ES)* • *Availability of skilled workers (WEF)*
Burden of Regulation (25%) captures how much effort and time are required to comply with regulations, including tax regulations.	• *Burden of government regulation (WEF)* • *Time spent complying with regulations (WB-ES)* • *Number of tax payments (WB-DB)* • *Time spent filing taxes (WB-DB)* • *Burden of obtaining a building permit (WB-DB)* • *Building quality control index (WB-DB)*
Labour Market Flexibility (10%) measures how dynamic and flexible the workplace is for both employer and employee.	• *Cooperation in labour-employer relations (WEF)* • *Flexibility of hiring practices (WEF)* • *Redundancy costs (WEF)* • *Flexibility of employment contracts (WB-DB)* • *Flexibility of wage determination (WEF)*

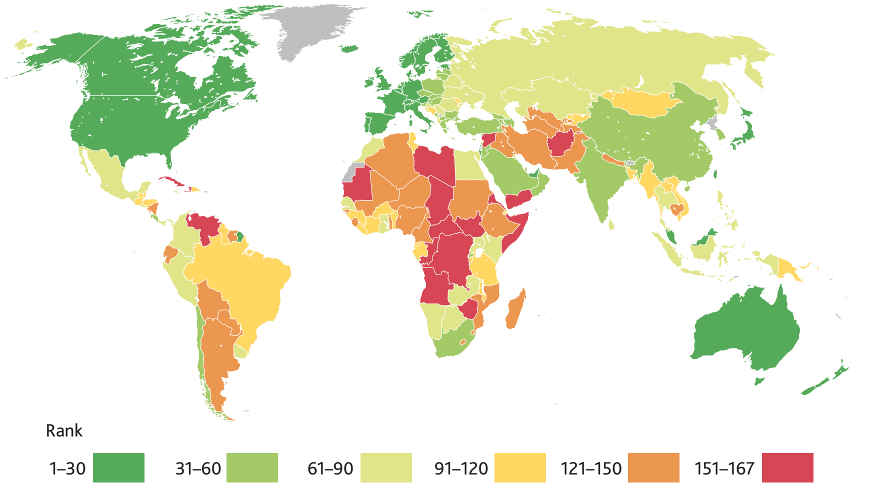
Offices in Kiev, Ukraine.

Reductions in the burden of regulation in Ukraine have made it significantly easier to start a business, with the number of tax payments required of a business dropping from 147 to just 5 per year since 2009.

Krysja/Shutterstock.com

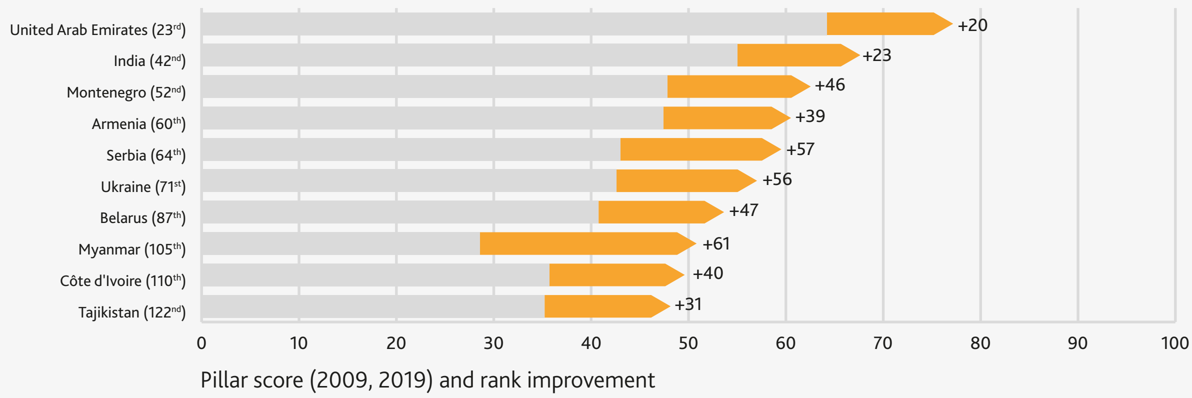
Enterprise Conditions 2019

Strongest	
Hong Kong	1
United States	2
Switzerland	3
Germany	4
Singapore	5
United Kingdom	6
Denmark	7
Netherlands	8
Norway	9
Ireland	10

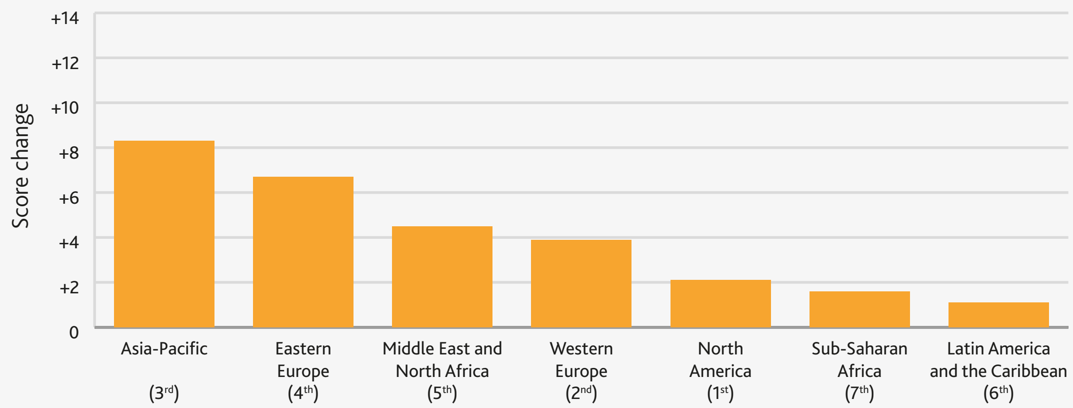


Weakest	
158	Eritrea
159	Syria
160	Angola
161	Libya
162	Yemen
163	Central African Rep.
164	Somalia
165	Chad
166	Haiti
167	Venezuela

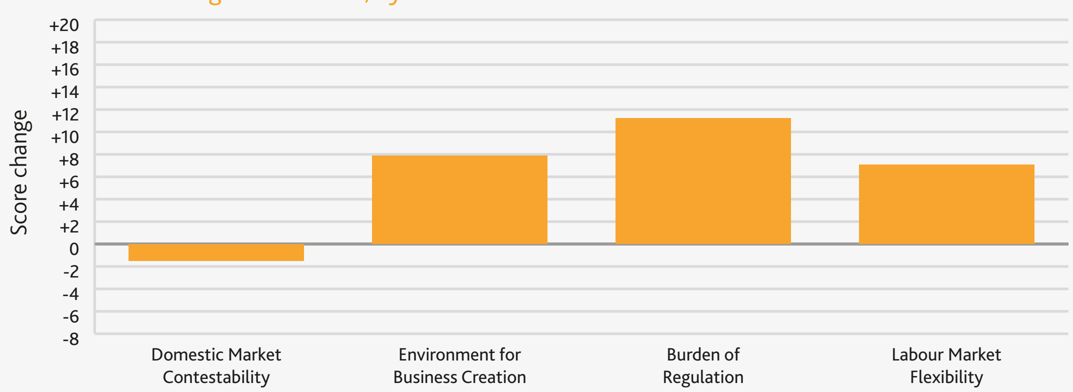
Enterprise Conditions: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)

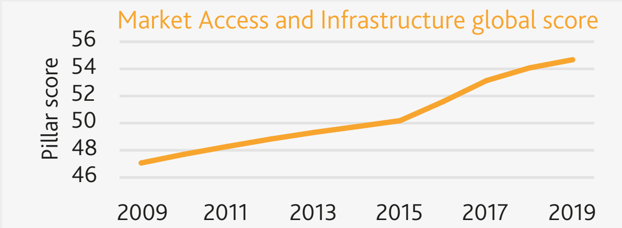


Score change 2009–2019, by element



Market Access and Infrastructure

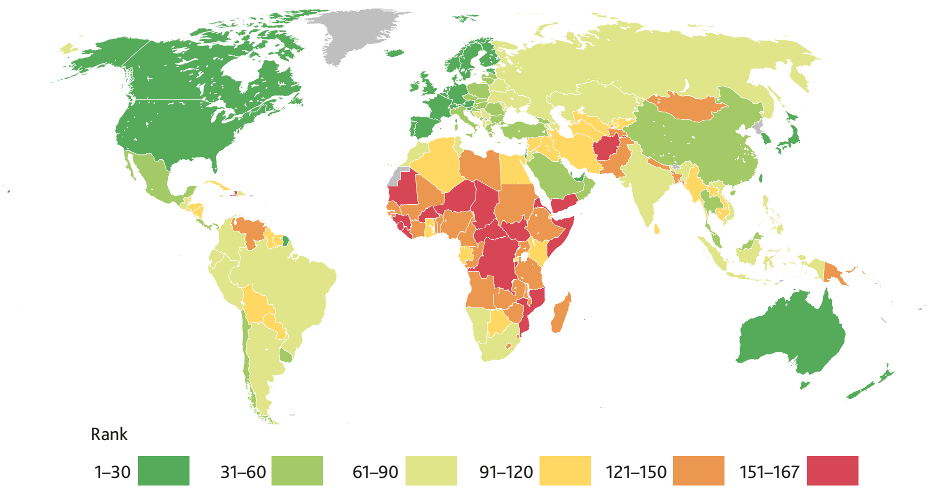
Market Access and Infrastructure measures the quality of the infrastructure (communications, transport, and resources) that enables trade, and the inhibitors on the flow of goods and services to and from a nation's trading partners. Where markets have sufficient infrastructure and few barriers to trade,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

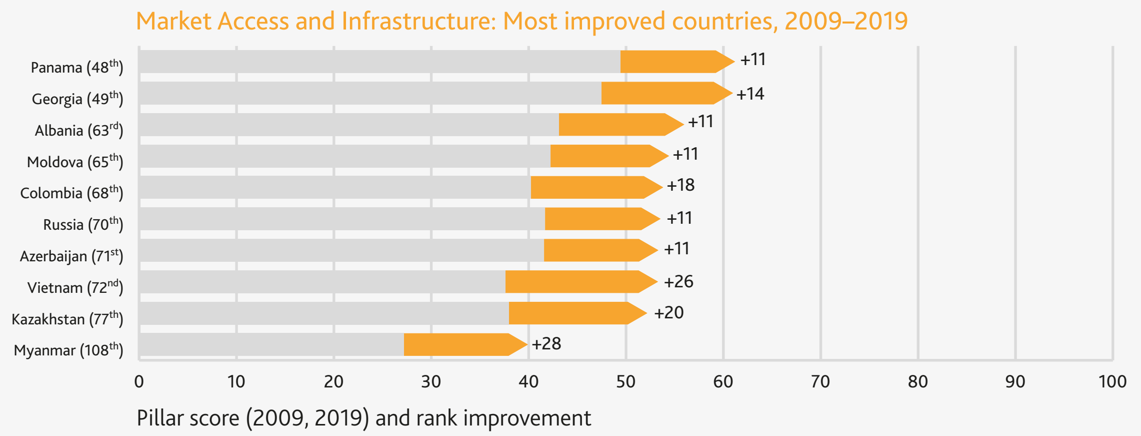


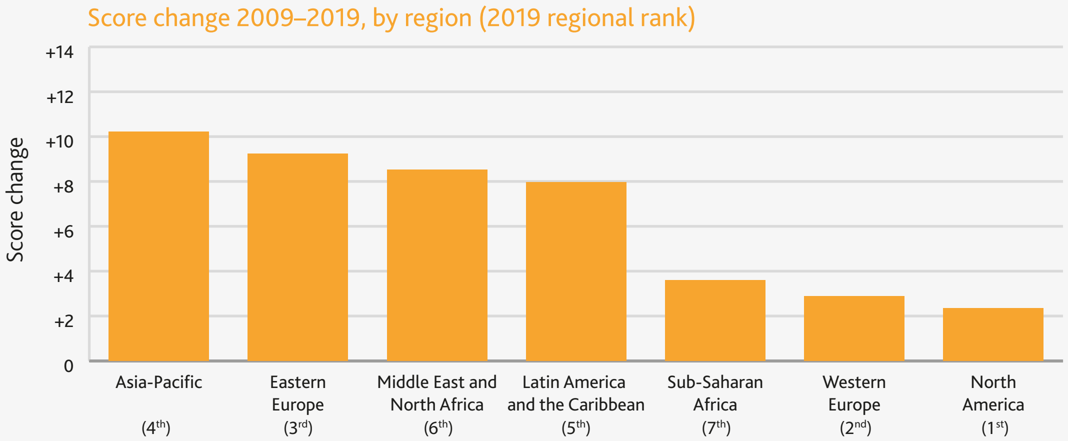
ELEMENT (WEIGHT %)	INDICATORS
Communications (25%) assesses the means of communication and how widespread access to communication is.	• *International internet bandwidth (ITU)* • *2G, 3G and 4G network coverage (GSMA)* • *Fixed broadband subscriptions (ITU)* • *Internet usage (ITU)*
Resources (20%) assesses the quality, reliability and affordability of the energy network in a country, as well as the access to and use of water resources.	• *Installed electric capacity (UNESD)* • *Ease of establishing an electricity connection (WB-DB)* • *Reliability of electricity supply (WB-DB)* • *Gross fixed water assets (IBNET)* • *Water production (IBNET)* • *Reliability of water supply (WEF)*
Transport (25%) assesses the ease and efficiency with how people and goods travel between and within countries. This is a measure of the quality, diversity and penetration of all forms of transport.	• *Logistics performance (WB-LPI)* • *Airport connectivity (WEF)* • *Efficiency of seaport services (WEF)* • *Liner shipping connectivity (UNCTAD)* • *Quality of roads (WEF)* • *Road density (FAO)* • *Rail density (UIC)*
Border Administration (5%) measures the time and administrative cost of a country's customs procedures.	• *Efficiency of customs clearance process (WB-LPI)* • *Time to comply with border regulations and procedures (WB-DB)* • *Cost to comply with border regulations and procedures (WB-DB)*
Open Market Scale (5%) measures the size of the market to which providers of goods and services have privileged access.	• *Domestic and international market access for goods (WTO)* • *Domestic and international market access for services (WTO)* • *Trade-weighted average tariff faced in destination markets (WEF)* • *Margin of preference in destination markets (WEF)*
Import Tariff Barriers (5%) assesses the fees associated with trading products and services across borders, raising an income for government and making foreign goods more expensive.	• *Share of imports free from tariff duties (WEF)* • *Average applied tariff rate (WEF)* • *Complexity of tariffs (WEF)*
Market Distortions (15%) captures how competitive markets are disrupted by subsidies, taxes and non-tariff barriers to trade. Evaluates the extent of market liberalisation of foreign trade, non-tariff barriers, and the distortive effects of taxes and subsidies.	• *Extent of liberalisation of foreign trade (BTI)* • *Prevalence of non-tariff barriers (WEF)* • *Non-tariff measures (UNCTAD)* • *Distortive effect of taxes and subsidies (WEF)* • *Energy subsidies (IMF)*

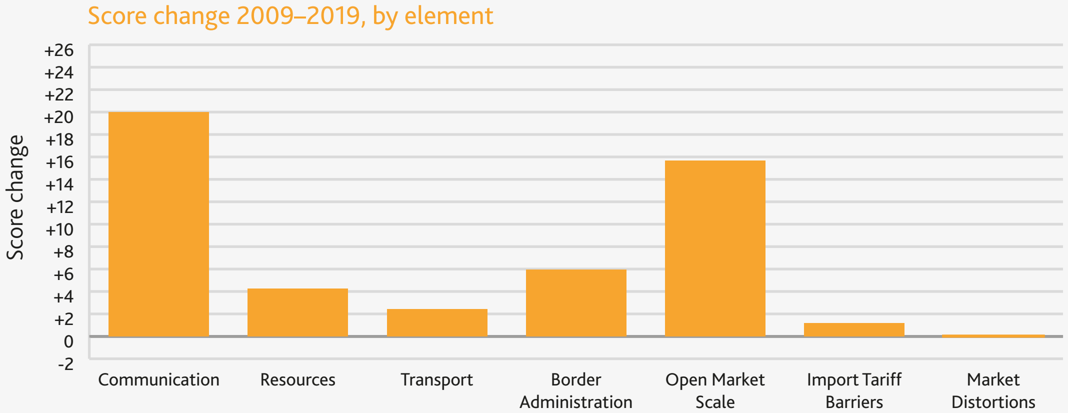
Market Access and Infrastructure 2019

Strongest			Weakest	
Singapore	1		158	Niger
Luxembourg	2		159	Mauritania
Hong Kong	3		160	Eritrea
Netherlands	4		161	Afghanistan
Sweden	5		162	Central African Rep.
United States	6		163	Yemen
Switzerland	7		164	Liberia
Denmark	8		165	Somalia
United Kingdom	9		166	Dem. Rep. Congo
Finland	10		167	Chad



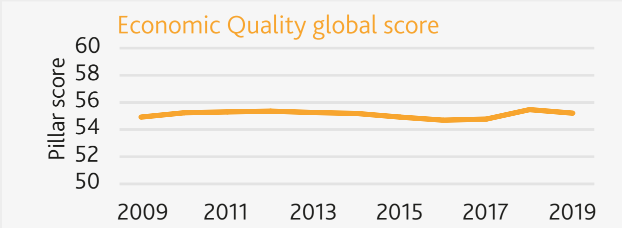






Economic Quality

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



ELEMENT (WEIGHT %)	INDICATORS
Fiscal Sustainability (25%) assesses the ability of a government to sustain its current spending, tax, and other policies in the medium-to-long-term.	• *Government budget balance (IMF-WEO)* • *Government debt (IMF)* • *Country credit rating (TE)* • *Country risk premium (AD)* • *Gross savings (WB-DI)*
Macroeconomic Stability (10%) measures two key elements of the economy – the GDP per capita growth rate, and the volatility of the inflation rate. Both are taken as a five-year trailing average.	• *GDP per capita growth (WB-DI)* • *Inflation volatility (IMF)*
Productivity and Competitiveness (30%) captures the efficiency with which inputs can be converted into outputs. Competition enhances productivity by forcing firms to innovate new ways to reduce cost and time constraints.	• *Labour productivity (ILO)* • *Economic complexity (ECI)* • *Export quality (IMF)* • *High-tech manufactured exports (UNCOM)*
Dynamism (15%) measures the churn of businesses – the number of new start-ups entering and failed firms exiting an economy.	• *New business density (WB-ES)* • *Patent applications (WIPO)* • *Capacity to attract talented people (WEF)*
Labour Force Engagement (20%) covers the intersection of demography and the workforce, including the rates of unemployment and gender ratios.	• *Labour force participation (ILO)* • *Female labour force participation (ILO)* • *Waged and salaried workers (ILO)* • *Unemployment (ILO)* • *Youth unemployment (ILO)*

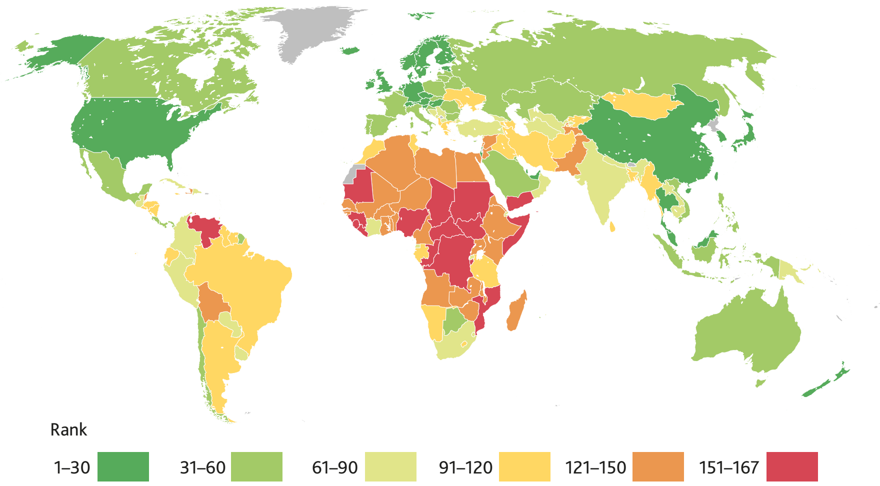
oneinchpunch/Shutterstock.com

A business meeting in the Middle East.

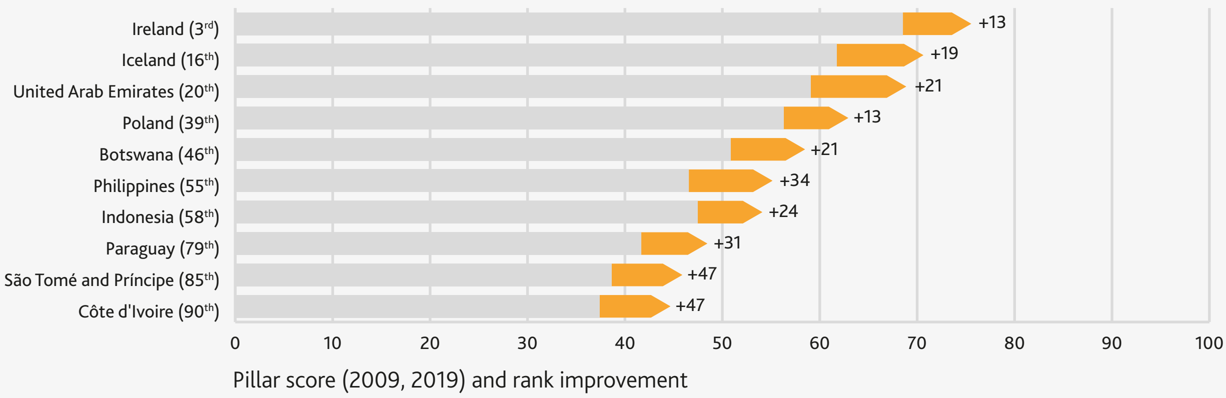
The United Arab Emirates ranks 1st for Dynamism, owing to having the highest rates of new business density and the most capacity to attract talented people of any country.

Economic Quality 2019

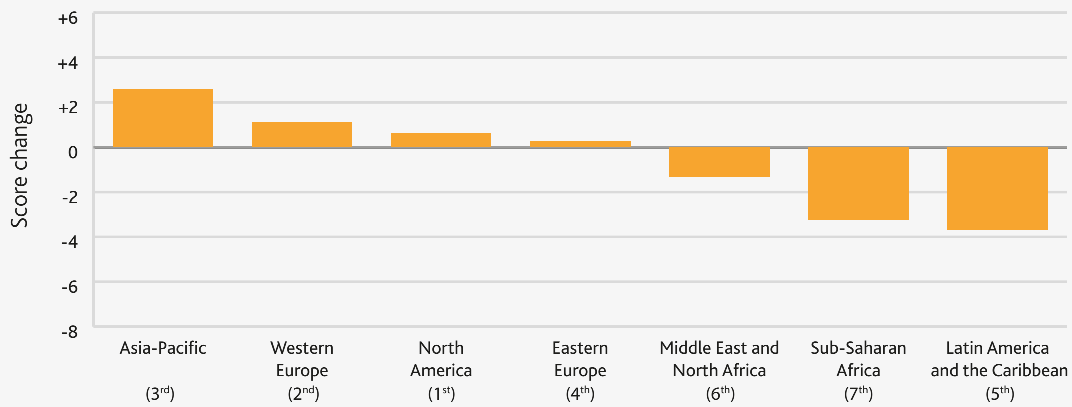
Strongest			Weakest	
Singapore	1		158	The Gambia
Switzerland	2		159	Burundi
Ireland	3		160	South Sudan
Sweden	4		161	Sierra Leone
Germany	5		162	Congo
Netherlands	6		163	Somalia
Luxembourg	7		164	Sudan
Denmark	8		165	Venezuela
Hong Kong	9		166	Mozambique
South Korea	10		167	Yemen



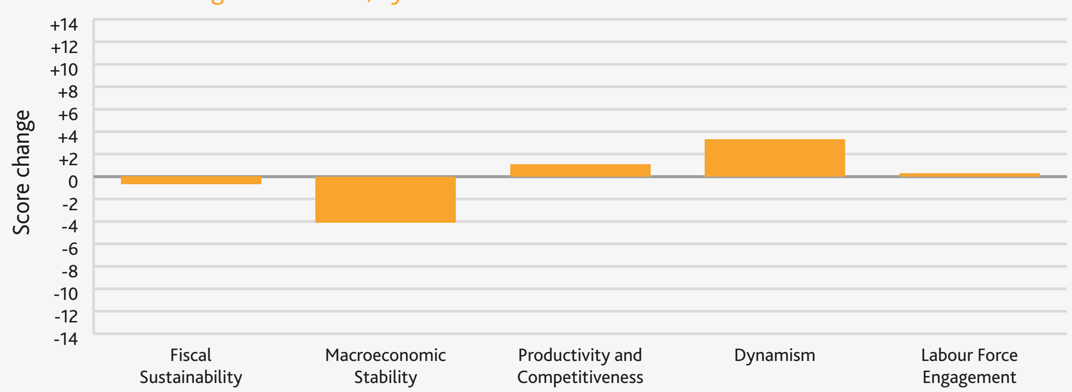
Economic Quality: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)



Score change 2009–2019, by element



Defining Empowered People

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

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

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

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

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

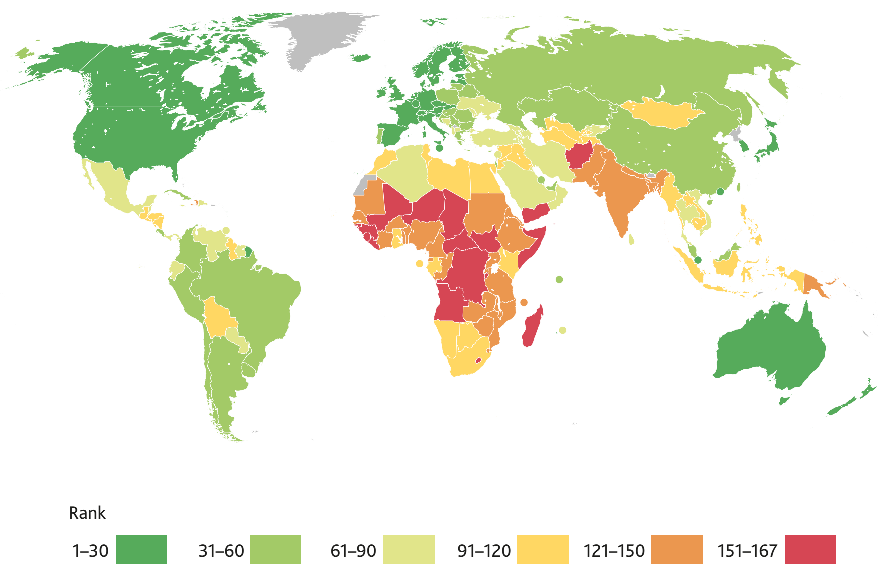
Education measures the enrolment, outcomes and quality of four stages of education (pre-primary, primary, secondary, and tertiary education) as well as the adult skills in the population. Education allows people to lead more fulfilling lives, and a better educated population is more able to contribute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

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

Empowered People 2019

Strongest

Sweden	1
Switzerland	2
Finland	3
Denmark	4
Norway	5
Austria	6
Japan	7
Iceland	8
Hong Kong	9
Canada	10



Weakest

158	Yemen
159	Burundi
160	Sierra Leone
161	Dem. Rep. Congo
162	Somalia
163	Afghanistan
164	Niger
165	Chad
166	South Sudan
167	Central African Rep.

A cyclist in Stockholm, Sweden.

Sweden improved 7 ranks on the Health pillar since 2009 to 15th, with life expectancy rising and mortality rates falling.

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Social wellbeing and the role of aid

The story of social wellbeing across the world is a positive one. Today, there are more than half a billion fewer people living under the World Bank's absolute poverty line of $1.90 per day than there were 10 years ago. Levels of health and education have also improved significantly.

These improvements seem to be occurring regardless of short-term changes within each country — such as deteriorations in macroeconomic stability or policies. While some of the improvement can be attributed to the impact of aid, the correlation is weak.

On the other hand, analysis of the Index shows that the strength of institutions has a stronger relationship than aid with social wellbeing in the long-term, and this points to where the greatest development leverage is likely to lie.

WHOLESALE IMPROVEMENT

These improvements across the Empowered People domain of the Prosperity Index are impressively widespread, verging on universal in some aspects. In both the Living Conditions and Education pillars, more than 85% of countries saw an improvement over the last 10 years. In 121 countries, the proportion of people with access to clean cooking fuels and technologies has increased, reaching 60% globally; the number of people with access to electricity has grown by over a billion during the same period.

Education systems are affording more people the opportunity to learn, with higher enrolment rates at each learning stage, and women are spending more years in school on average. The proportion of people completing tertiary education has increased in 100 countries and is approaching 50% globally, up from 33% in 2009.

Improvements in health have been even more prevalent, visible in more than 90% of countries. Preventative health interventions, such as vaccination programmes, are more widespread than they were a decade ago. Partially as a result of improved care systems, mortality has declined across age-groups, with life expectancy at the age of 60 continuing to increase, as well as a reduction in infant and maternal mortality rates. An additional 10 percent of births were attended by skilled staff in 2019 compared with 2009. Furthermore, people across the world are becoming more satisfied with the healthcare they are receiving.

This improvement in social wellbeing is much more geographically widespread than that seen in the other pillars of prosperity. The Market Access and Infrastructure pillar is the only other pillar that has exhibited such widespread improvement, due in large part to the rapid and ongoing improvements in communications infrastructure.

Only seven countries in the world experienced deteriorations in two or more of the Health, Education, and Living Conditions pillars. The two notable cases of broad decline are **Syria** (157th) and **Venezuela** (143rd); in both cases, a dramatic systems collapse has led to a deterioration in each of education, health, and living conditions.

INDEPENDENT PROGRESS

For most countries, progress in the Health, Education, and Living Conditions pillars is relatively independent of progress in the other pillars of the Index. Unlike the relationship between improving governance and economic quality, we find that health and education tend to improve irrespective of economic and institutional pillars. For example, though violent crime has become more prevalent and personal freedoms have been eroded in **Afghanistan** (163rd) over the last decade, approximately 24 million additional people have access to electricity. Likewise, though **Argentina** (59th) has seen a substantial decline in macroeconomic stability, infant mortality has fallen by a third, and 90% of children now enrol in secondary school, up from 80% in 2009.

We also find that the chance of progress in social wellbeing is independent of progress in economic wellbeing, as measured by productive capacity. Of the 80 countries that saw the greatest increase in productive capacity between 2007 and 2017, 8 saw a deterioration in living conditions; of the 80 that saw the least improvement, or indeed a decline in productive capacity, only seven saw a deterioration in living conditions. Similar patterns emerge across education and health. (See Table 1)

This trend is evident in countries such as **Mongolia** (87th); though its productive capacity has declined over the last 10 years, pre-primary enrolment rates have almost doubled to 84%. Similarly, while the

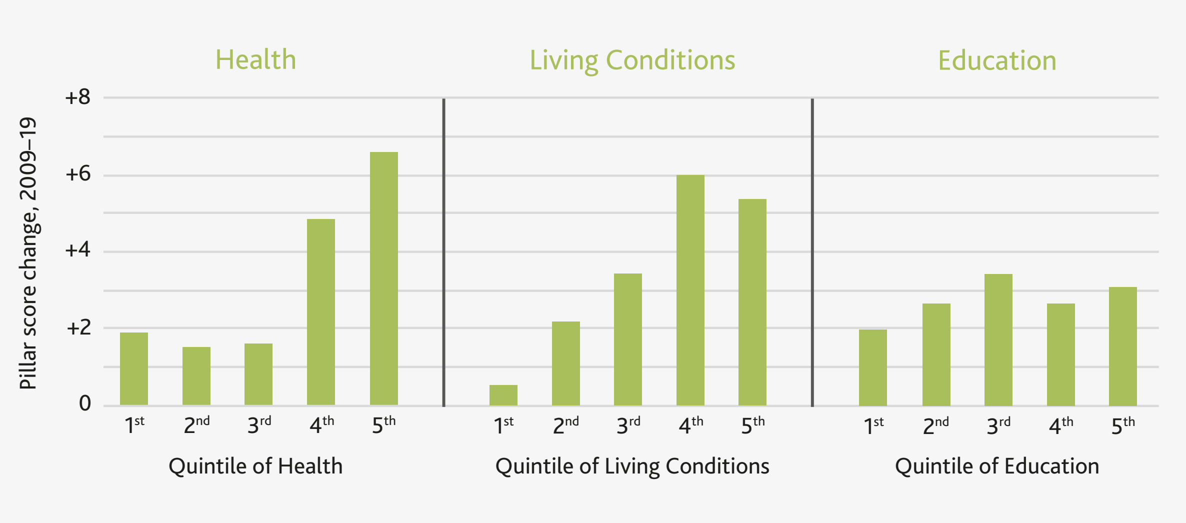
Table 1		Number of countries that declined: Health	Education	Living Conditions
Productive capacity	Top 50%	8	7	8
	Bottom 50%	5	10	7
Open Economies and Inclusive Societies	Top 50%	7	8	5
	Bottom 50%	10	14	10

STRONG CONVERGENCE

Underpinning this widespread improvement is a strong pattern of convergence within these three pillars. Over time, poorer-performing countries in each pillar are improving at a faster rate than the top-performers. This means that the gap between the best- and worst-performing countries is narrower now than it was in 2009. As illustrated in the below graphs, the convergence in the Health and Living Conditions pillars is strong, and slightly more modest in the Education pillar.

For example, where secondary school graduation rates in **Burkina Faso** (134th) increased from 12% to 46%, the average improvement in Western Europe was only 0.5% — with countries such as **Italy** (30th), **Portugal** (26th), and **Belgium** (22nd) actually registering declines.

This poses the question of why health, education, and living conditions are improving so persistently, especially among weaker performers, and even in countries where other aspects of prosperity are deteriorating. Why is progress in these aspects of prosperity apparently relatively immune to the impact of economic and institutional change?



Philippines' (84th) productive capacity has declined by an average of 2.8% per year since 2009, the proportion of births attended by skilled health staff has climbed from 62% to 84%, and maternal mortality is less prevalent.

THE DIRECTION OF AID

One thesis to explain this improvement and convergence is that aid is more prevalent in places where the need is greatest – and hence drives the improvement. Issues such as living condition, health and education are, and have been for some time, major focusses of Official Development Assistance (ODA). Between the turn of the millennium and the end of 2017, $1.4 trillion (constant 2017 USD) had been channelled into humanitarian and development efforts, much of which has been directed at living conditions, health, and education.

One explanation for the focus on these areas is that there is a direct and immediate potential for tangible improvement, sitting as they do at the nexus of humanitarian and developmental efforts. When we look at issues such as access to running water, healthcare systems, and the provision of materials for education, we are looking at factors that have explicit impact on human development.

Furthermore, this aid is usually directed towards countries with the greatest need. Those countries that have lower scores in the Education, Health, and Living Conditions pillars tend to get slightly more overall ODA per capita than those with higher scores. For instance, those countries in the lowest decile of education scores in 2009 received 23% more overall ODA per capita than countries in the 6th decile. For example, where **Guyana** (90th) received $140 per capita in ODA on average, **Liberia** (136th) received $172 per capita.

THE EDUCATION CONUNDRUM

Looking at more targeted ODA among lower performing countries, we see a counter-intuitive inverse relationship between educational need and education-specific ODA per capita. Countries in the 6th decile of educational need receive on average twice the amount of education-specific ODA per capita than those in the 10th decile. For example, though **Tunisia**'s and **South Sudan**'s education ranks in 2009 and 2011 respectively were 96th and 165th, Tunisia received twice the education-specific ODA per capita. In a similar vein, where **Suriname** (82nd) received $4.37 per capita of education-specific ODA, **Burundi** (150th for Education) received only $2.13 per capita. **Gabon** (99th for Education) received approximately $20 per capita of education-specific ODA — a higher rate than any country in the lowest decile of educational need.

However, across the full spectrum, this relationship is only modest and with many exceptions to the pattern; the amount of ODA that countries receive is only 24% related to their wealth levels, 17% related to education levels, 13% to health levels, and only 7% to living conditions levels.

We find that 10-year improvements in any of the health, education, and living conditions pillars are not well explained by the amount of ODA received by a particular country (especially when accounting for the underlying convergence pattern that we see). For example, though **Suriname** (82nd) receives over $100 per capita in ODA, it experienced a deterioration in the Education pillar. On the other hand, both **Bangladesh** (127th) and **Ecuador** (80th) receive less than $13 of ODA per capita and have experienced some of the most substantial improvements in education. While aid no doubt has a direct impact for the beneficiaries, on its own, it does not appear to be playing a game-changing role on a national scale in the short-term.

DRIVERS OF IMPROVEMENT

If aid is not playing the central role, the question remains: what is driving the convergence that we have observed? Within the bottom half of countries by GDP per capita, the level of expenditure on health varies. We find that for a given level of national income, health expenditure as a percentage of GDP correlates with performance on the Health pillar. **Honduras** (107th), for example, spends more money (as a proportion of GDP) on health than the average for these less-wealthy countries, and in turn has a much higher score in the Health pillar than one would expect.

We also see that where government administrations are more effective, education is stronger. Among the countries in the lower half of GDP rankings, government investment in education varies significantly, from 1.2% to 11.3% of GDP. For a given level of national income, education expenditure (as a percentage of GDP) positively correlates with a higher education score within the Index – more strongly than for health.

In many successfully developing countries, such as **Botswana** (76th), there has been deliberate engagement in exercising governance over the education system, even in an environment where aid funds were available. A further example of government engagement with the education system having a tangible impact is that of **Lesotho** (133rd), which has a relatively high education expenditure at 11.3%, and has an education score higher than would be expected for its low GDP per capita. In a similar vein, but at the other end of the spectrum, the **Central African Republic** (165th) spends only 1.29% of GDP on education, and is among the weakest countries at each stage of the education system.

These examples illustrate the broader pattern we have observed that stronger institutions are associated with better living conditions, health and education. At a national level, the relationship between institutions and people's lived experience is stronger than either ODA or GDP per capita.

CONCLUSION

We should celebrate the improvements in living conditions, health, and education around the world, and particularly in the weaker-performing countries. Despite the somewhat independent nature of the development of these pillars across nations, we should not regard them as outside the purview and responsibilities of national governments.

Official development assistance is directed towards those countries with greater social wellbeing needs, but it is more directed towards those countries with lower GDP per capita. However, in contrast to the observed relationship between institutional strength and the lived experience, the impact of ODA is not observed on a national scale. Therefore, greater focus from the international community on strengthening fragile institutions and building government effectiveness should be considered.

There are already signs of a shift in the focus of aid — in both donor and recipient countries — from symptomatic treatment to building capacity. The UK government's "Beyond Aid: The UK's strategic engagement in Africa" inquiry, USAID's "Journey to Self-Reliance", and the "Africa beyond aid" agenda spearheaded by Ghana's President Akufo-Addo highlight a convergence in ambitions that has a focus on "people as changemakers".[1,2,3,4]

This should not detract from the clear and tangible benefits in responding to humanitarian crises with aid, but, as Prosperity Index data suggests, it is more effective in the long term to work actively to develop institutional capacity. When considering investments in enhancing people's wellbeing, it is important to consider who is providing the resources (internal or ODA), what is it being directed towards (transformational change or more of the same), and most importantly how is the broader environment being improved to enhance the likelihood of success.

As countries develop the ability to improve living conditions, health, and education, it is of material benefit to engage in internally-driven change by developing institutions that allow countries to be self-sustainable – so they have the internal capacity and resources to drive improvements. Supporting and accelerating this internally-driven development of institutions can be a very powerful (and alternative) role for ODA.

Two school children in a classroom in Dhaka, Bangladesh.

Bangladesh (127th) receives less than $13 of ODA per capita, and has seen some of the most substantial improvements in education.

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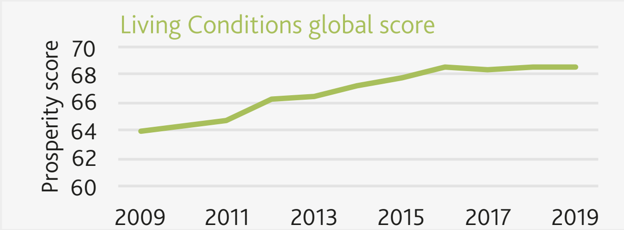
Living Conditions

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



ELEMENT (WEIGHT %)	INDICATORS
Material Resources (20%) measures the proportion of individuals with the minimum amount of resources that is necessary to survive and attain wellbeing. Reliability of income is captured here, as well as the resilience against economic shocks.	• *Poverty rate at national poverty lines (WB-DI)* • *Poverty rate at $1.90 a day (WB-DI)* • *Poverty rate at $3.20 a day (WB-DI)* • *Poverty rate at $5.50 a day (WB-DI)* • *Households with a refrigerator (GDL)* • *Ability to source emergency funds (WB-GFI)* • *Ability to live on household income (Gallup)*
Nutrition (20%) measures the availability, adequacy and diversity of food intake required for individuals to participate in society, ensure cognitive development, and avoid potentially long-term health impacts.	• *Availability of adequate food (Gallup)* • *Prevalence of undernourishment (FAO)* • *Prevalence of wasting in children under-5 (WB-DI)* • *Prevalence of stunting in children under-5 (WB-DI)*
Basic Services (10%) captures the access to, as well as the availability and quality of, the basic utility services necessary for human wellbeing.	• *Access to electricity (WB-DI)* • *Access to basic water services (JMP)* • *Access to piped water (JMP)* • *Access to basic sanitation services (JMP)* • *Unsafe water, sanitation or hygiene (IHME)*
Shelter (20%) reflects the quality of accommodation and the impact of the accommodation environment on the health of residents.	• *Availability of adequate shelter (Gallup)* • *Housing deprivation (OPHI)* • *Access to clean fuels and technologies for cooking (WB-DI)* • *Indoor air quality (IHME)*
Connectedness (15%) captures the extent to which individuals are able to participate in the normal activities in which citizens of a society engage, digitally and physically.	• *Access to a bank account (WB-GFI)* • *Use of digital payments (WB-GFI)* • *Access to a cellphone (GDL)* • *Rural access to roads (RAI)* • *Satisfaction with public transportation (Gallup)* • *Satisfaction with roads and highways (Gallup)*
Protection from Harm (15%) captures the safety of the environment that individuals live and work in; measuring injuries and accidental deaths from work-placed based activities and from natural disasters.	• *Death and injury from road traffic accidents (GBD)* • *Death and injury from forces of nature (IHME)* • *Unintentional death and injury (GBD)* • *Occupational mortality (ILO)*

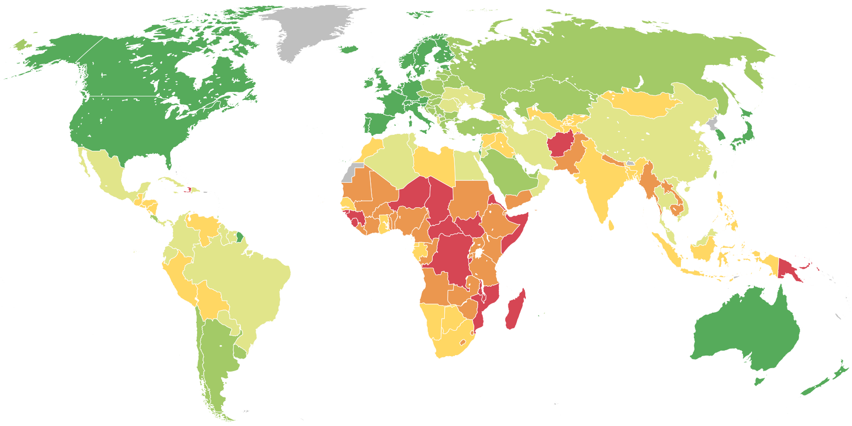
Bread factory in Ho Chi Minh City, Vietnam.

Vietnam is the most improved country for living conditions over the last decade. Those living on under $1.90 a day has reduced from 20% of the population to 2% since 2009 and the prevalence of undernourishment has fallen from 18% to 11%.

PhuongD.Nguyen/Shutterstock.com

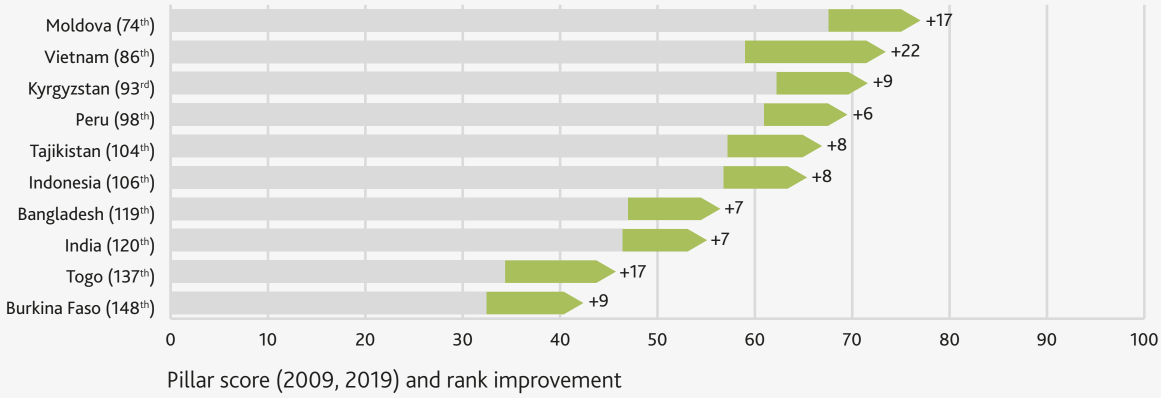
Living Conditions 2019

Strongest	
Denmark	1
Netherlands	2
Sweden	3
Switzerland	4
Germany	5
Finland	6
Norway	7
United Kingdom	8
Luxembourg	9
Singapore	10

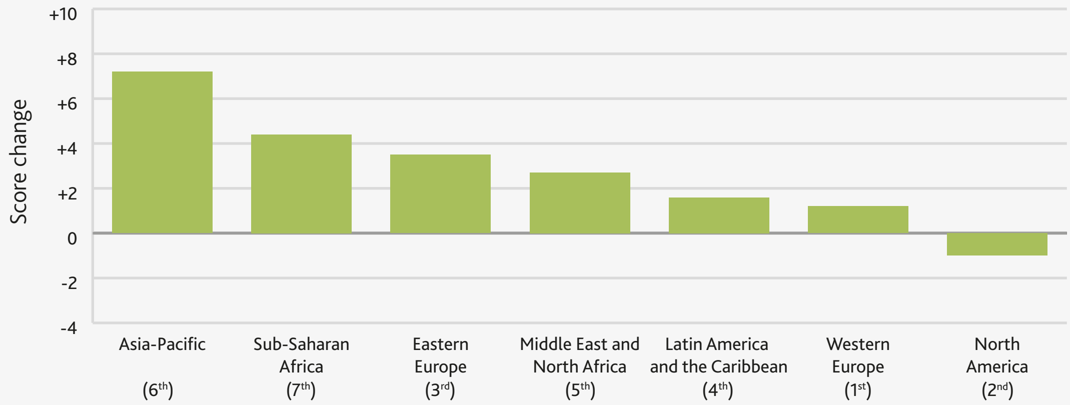


Weakest	
158	Guinea-Bissau
159	Sierra Leone
160	Papua New Guinea
161	Niger
162	Chad
163	Dem. Rep. Congo
164	Burundi
165	South Sudan
166	Madagascar
167	Central African Rep.

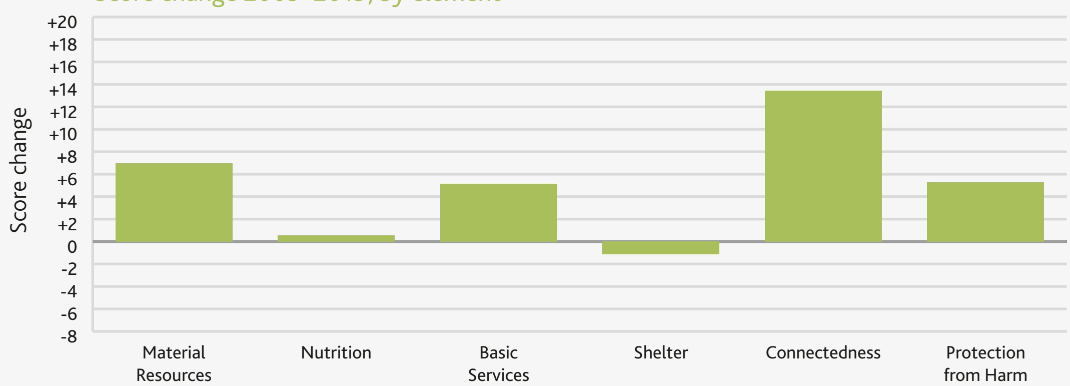
Living Conditions: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)

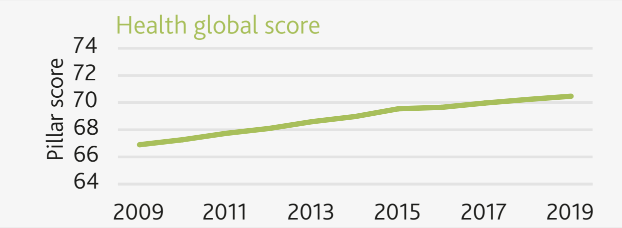


Score change 2009–2019, by element

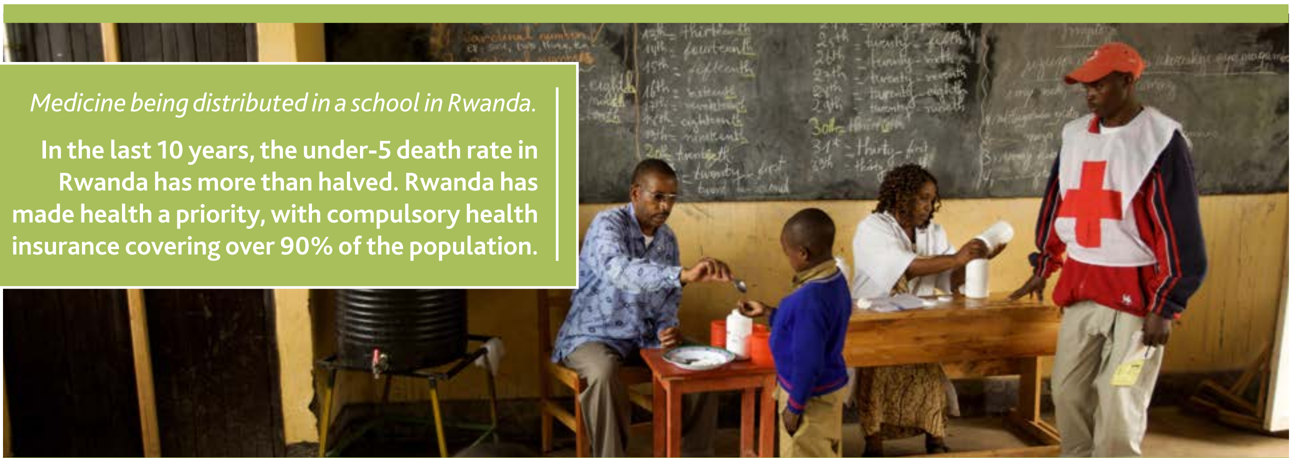


Health

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



ELEMENT (WEIGHT %)	INDICATORS
Behavioural Risk Factors (10%) assesses the set of lifestyle patterns moulded by a complex set of influences that increase the likelihood of developing disease, injury or illness, or of suffering from premature death.	• *Obesity (WHO-GDO)* • *Smoking (WHO)* • *Substance use disorders (GBD)*
Preventative Interventions (15%) measures the extent to which a health system prevents diseases, illnesses and other medical complications from occurring, to save many children and adults from an early death.	• *Diphtheria immunisation (WHO)* • *Measles immunisation (WHO)* • *Hepatitis immunisation (WHO)* • *Contraceptive prevalence (UNICEF)* • *Antenatal care coverage (UNICEF)* • *Existence of national screening programs (WHO)*
Care Systems (15%) assesses the ability of a health system to treat and cure diseases and illnesses, once they are present in the population.	• *Healthcare coverage (ILO)* • *Health facilities (WHO)* • *Health practitioners and staff (WHO)* • *Births attended by skilled health staff (UNICEF)* • *Tuberculosis treatment coverage (WHO)* • *Antiretroviral HIV therapy (UNAIDS)* • *Satisfaction with healthcare (Gallup)*
Mental Health (10%) captures the level and burden of mental illness on the living population. Mental health can have a significant impact on an individual's wellbeing and ability to participate effectively in the labour market.	• *Emotional wellbeing (Gallup)* • *Depressive disorders (GBD)* • *Suicide (WHO)*
Physical Health (20%) captures the level and burden of physical illness on the living population. Physical health can have a significant impact on an individual's wellbeing and ability to participate effectively in the labour market.	• *Physical pain (Gallup)* • *Health problems (Gallup)* • *Communicable diseases (GBD)* • *Non-communicable diseases (GBD)* • *Raised blood pressure (WHO)*
Longevity (30%) measures the mortality rate of a country's population through different stages of life.	• *Maternal mortality (WB-DI)* • *Under 5 mortality (WB-DI)* • *5-14 mortality (UN IGME)* • *15-60 mortality (WB-DI)* • *Life expectancy at 60 (WHO)*



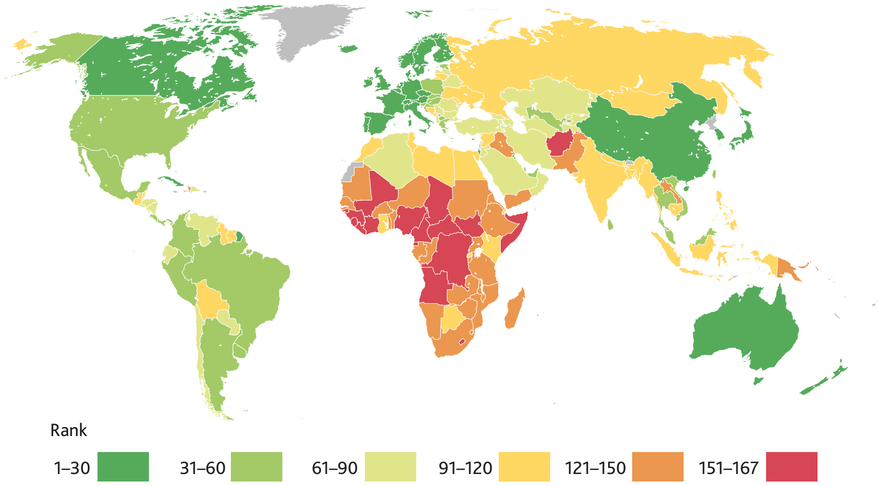
Medicine being distributed in a school in Rwanda.

In the last 10 years, the under-5 death rate in Rwanda has more than halved. Rwanda has made health a priority, with compulsory health insurance covering over 90% of the population.

Health 2019

Strongest

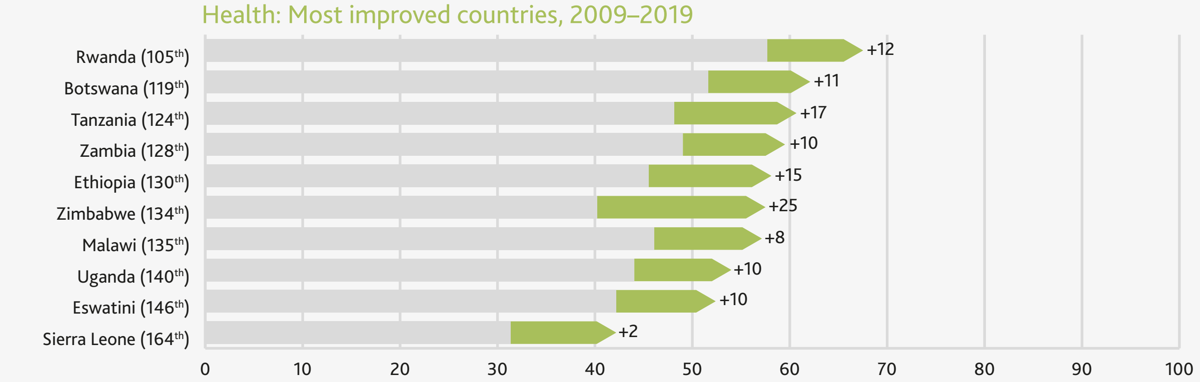
Singapore	1
Japan	2
Switzerland	3
South Korea	4
Norway	5
Hong Kong	6
Iceland	7
Denmark	8
Netherlands	9
Austria	10



Weakest

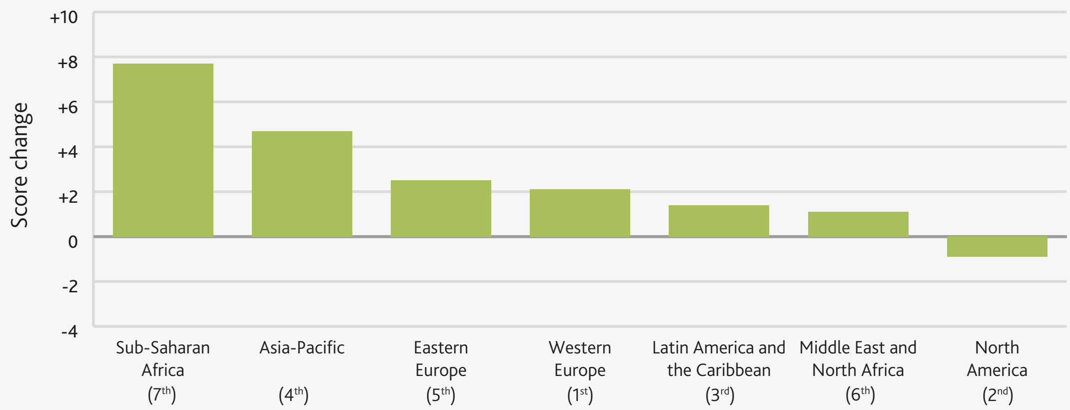
158	Cameroon
159	Equatorial Guinea
160	Liberia
161	Somalia
162	Nigeria
163	Lesotho
164	Sierra Leone
165	Central African Rep.
166	Chad
167	South Sudan

Health: Most improved countries, 2009–2019

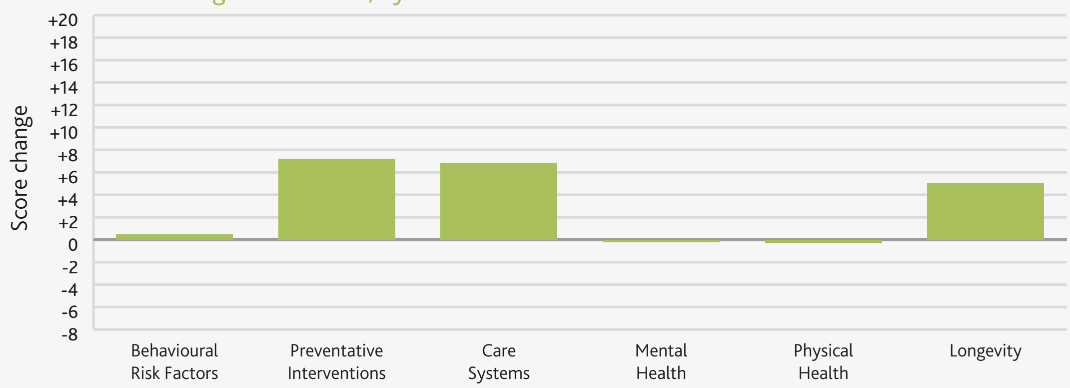


Pillar score (2009, 2019) and rank improvement

Score change 2009–2019, by region (2019 regional rank)

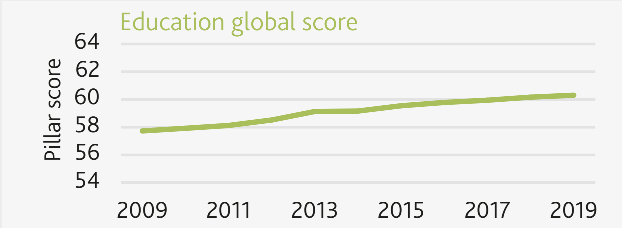


Score change 2009–2019, by element



Education

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



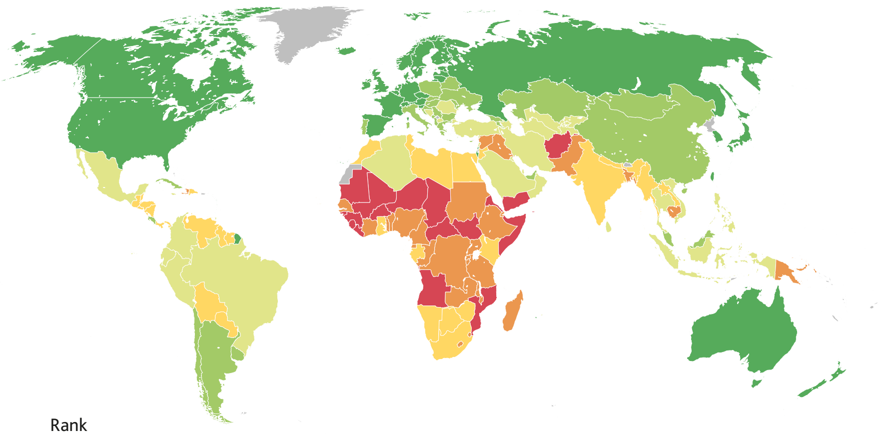
ELEMENT (WEIGHT %)	INDICATORS
Pre-primary Education (5%) supports the development of linguistic, cognitive, social and emotional skills.[5] Students who participate in pre-primary education are more likely to make it through secondary education and less likely to repeat grades.[6]	• *Pre-primary enrolment (UNESCO)*
Primary Education (20%) provides pupils the opportunity to develop their cognitive, social, emotional, cultural and physical skills, preparing them for their further school career. Most critically, this includes core literacy and numeracy skills.	• *Primary enrolment (UNESCO)* • *Primary completion (UNESCO)* • *Primary education quality (AltAng&Pat)*
Secondary Education (30%) More years of higher quality education has been shown to increase life outcomes in both economic and social terms. Beyond attending and completing school, obtaining good test scores are a strong indicator of cognitive ability and is a strong determinant of better economic performance of a country.[7]	• *Secondary school enrolment (UNESCO)* • *Lower-secondary completion (UNESCO)* • *Access to quality education (V-DEM)* • *Secondary education quality (AltAng&Pat)*
Tertiary Education (20%) Further education (including technical, vocational and university-level) is key to social and economic development through the creation of human capital and building of knowledge bases.	• *Tertiary enrolment (UNESCO)* • *Tertiary completion (UNESCO)* • *Average quality of higher education institutions (QS, TES)* • *Skillset of university graduates (WEF)* • *Quality of vocational training (WEF)*
Adult Skills (25%) Adults who are above a threshold level of education are far less likely to be disadvantaged in society and this will lead to better employment opportunities. Increased skills in the workplace are closely connected to productivity.	• *Adult literacy (UNESCO)* • *Education level of adult population (BL)* • *Women's average years in school (IHME)* • *Education inequality (Cas&Dom)* • *Digital skills among population (WEF)*

School bus in Ontario, Canada.

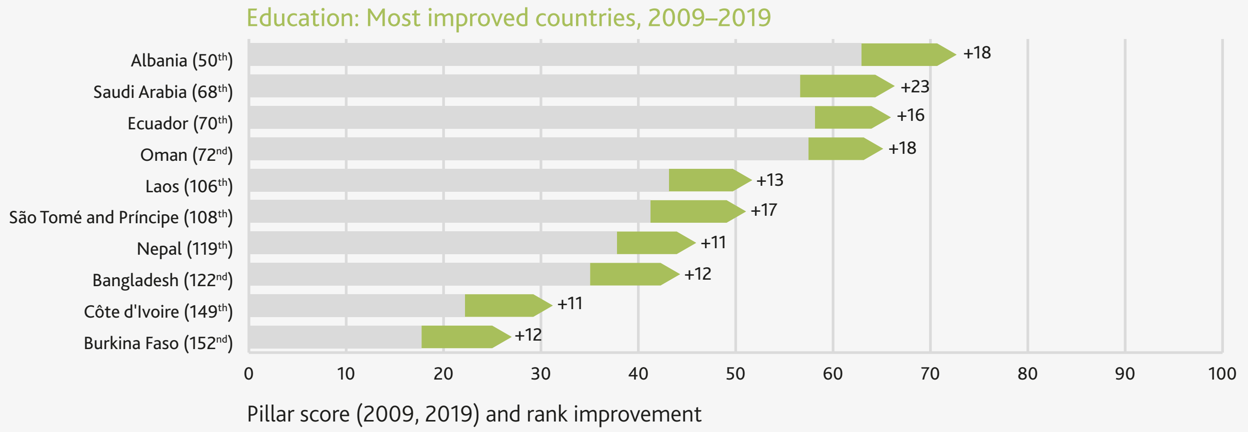
Improvements to enrolment and completion rates for primary education over the past decade has resulted in Canada taking the top rank for primary education. Canada ranks 5th overall for Education.

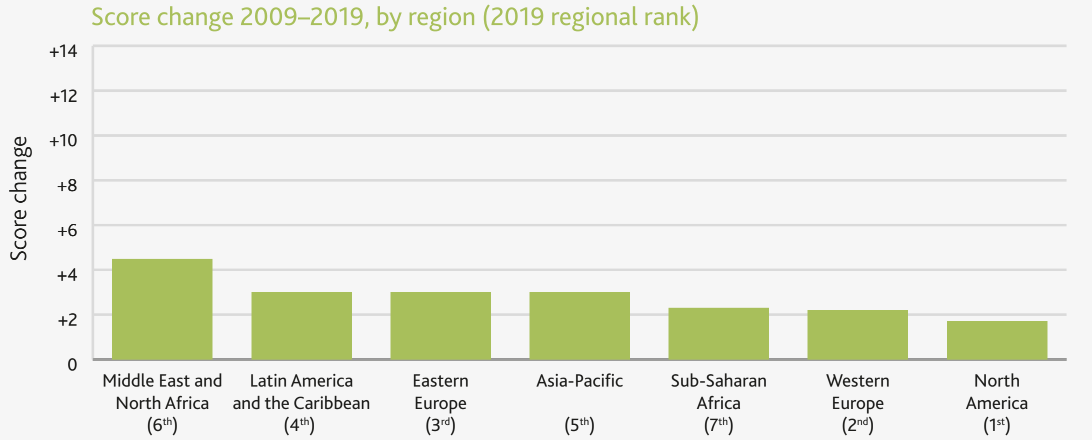
Education 2019

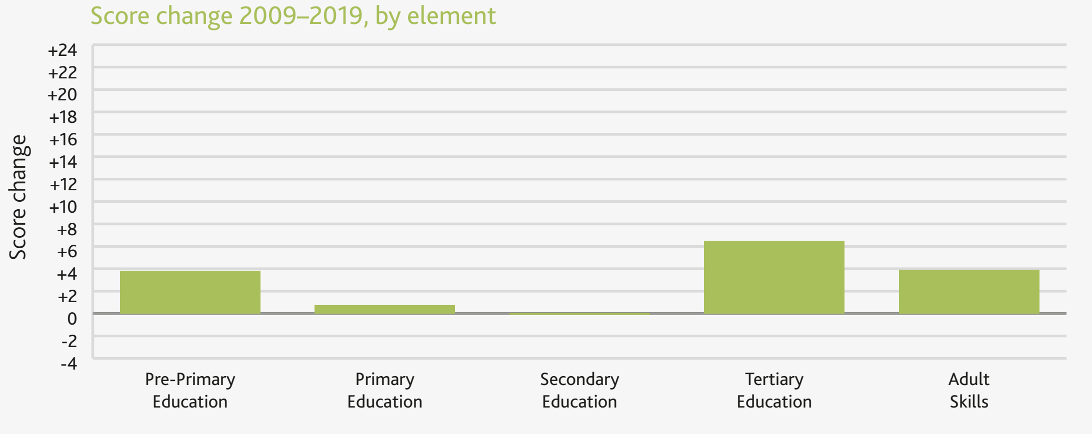
Strongest	
Singapore	1
South Korea	2
Denmark	3
Hong Kong	4
Canada	5
Finland	6
Japan	7
Netherlands	8
Australia	9
New Zealand	10



Weakest	
158	Eritrea
159	Somalia
160	Mauritania
161	Guinea-Bissau
162	Guinea
163	Mali
164	Central African Rep.
165	Chad
166	Niger
167	South Sudan

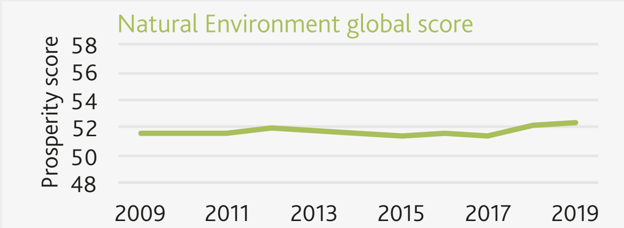






Natural Environment

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



ELEMENT (WEIGHT %)	INDICATORS
Emissions (15%) measures the level of emissions of greenhouse gas and other pollutants within a country. This captures the long-term effect of pressures on the atmosphere that a given country will have on the lived experience of future generations.	• *CO2 emissions (CDIAC)* • *SO2 emissions (EDGAR)* • *NOx emissions (EDGAR)* • *Black carbon emissions (EDGAR)* • *Methane emissions (EDGAR)*
Exposure to Air Pollution (15%) captures the level of emissions to which a country's population is physically exposed, and the effects this may have on their quality of life.	• *Exposure to fine particulate matter (EPI)* • *Health impact of air pollution (IHME)* • *Satisfaction with air quality (Gallup)*
Forest, Land and Soil (20%) assesses the quality of a country's land, forest and soil resources and the impact this may have on citizens' quality of life.	• *Forest area (FAO)* • *Flood occurrence (WRI)* • *Sustainable nitrogen management (Zhang&Davidson)*
Freshwater (20%) assesses the quality of a country's freshwater resources and the impact this may have on citizens' quality of life.	• *Renewable water resources (FAO)* • *Wastewater treatment (EPI)* • *Freshwater withdrawal (FAO)* • *Satisfaction with water quality (Gallup)*
Oceans (15%) measures the quality of a country's marine resources and the impact this may have on citizens' quality of life.	• *Overexploitation of fish stocks (EPI)* • *Stability of marine biodiversity (EPI)* • *Clean ocean water (OHI)*
Preservation Efforts (15%) captures the extent of efforts to preserve and sustain the environment for future generations, and public satisfaction with those efforts.	• *Terrestrial protected areas (WDPA)* • *Marine protected areas (WDPA)* • *Long term management of forest areas (FAO)* • *Protection for biodiverse areas (UNWCMC)* • *Pesticide regulation (EPI)* • *Satisfaction with preservation efforts (Gallup)*

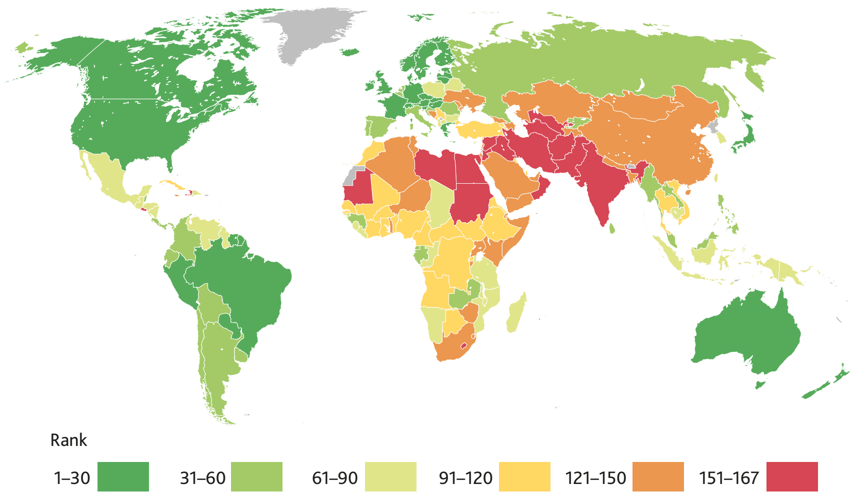
A family enjoying the countryside in Slovakia.

Slovakia ranks 12th on Natural Environment and is one of just 15 countries to have all of its forest area managed by a long-term plan.

iStock.com/Halfpoint

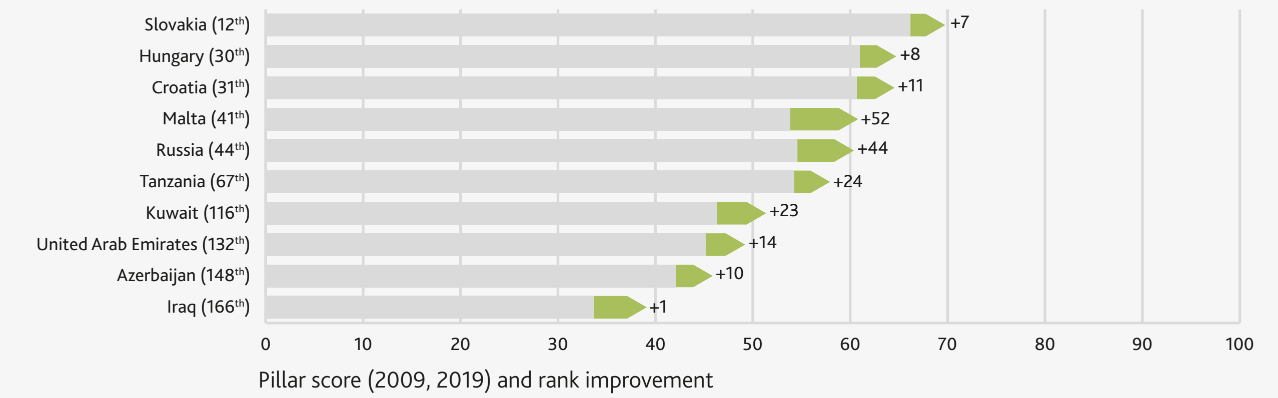
Natural Environment 2019

Strongest	
Sweden	1
Finland	2
Austria	3
Slovenia	4
Switzerland	5
New Zealand	6
Norway	7
Iceland	8
Luxembourg	9
Denmark	10

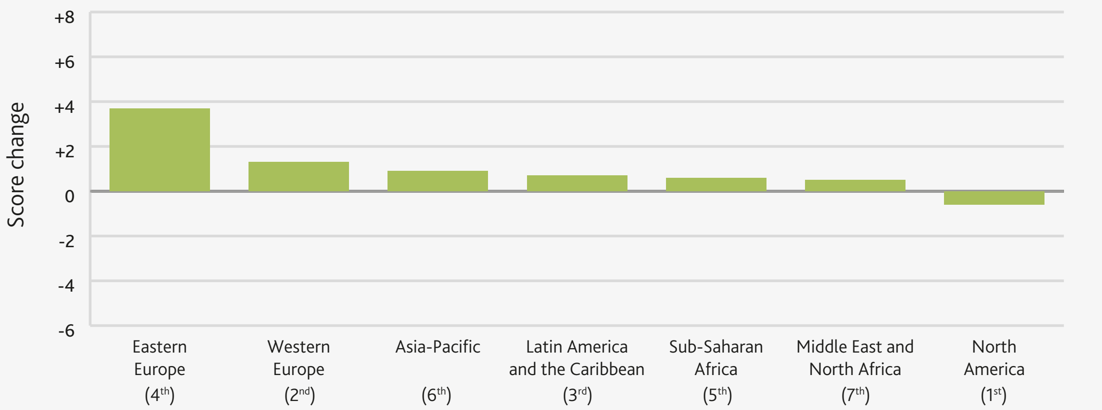


Weakest	
158	Syria
159	Lesotho
160	Uzbekistan
161	Afghanistan
162	Libya
163	Mauritania
164	India
165	Turkmenistan
166	Iraq
167	Pakistan

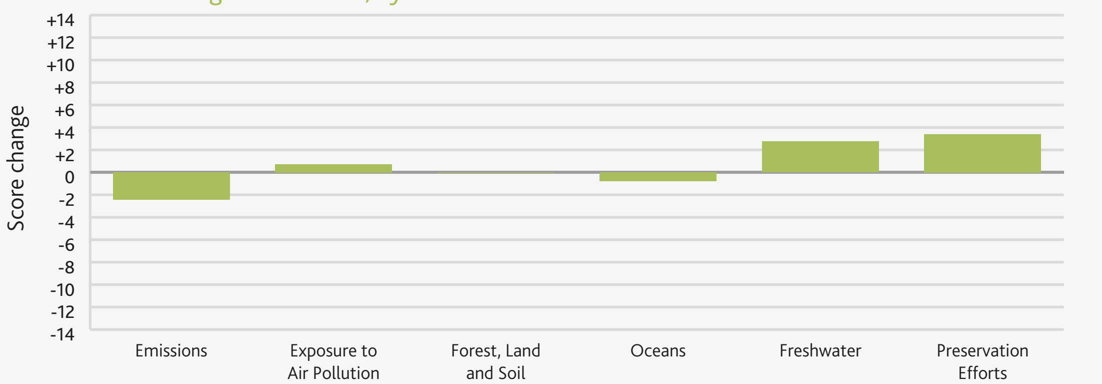
Natural Environment: Most improved countries, 2009–2019



Score change 2009–2019, by region (2019 regional rank)



Score change 2009–2019, by element



Methodology and Acknowledgements

Kzenon/Shutterstock.com

Methodology

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

To cover both economic and social wellbeing, the Prosperity Index faces the challenge of finding a meaningful measure of success at national level. We endeavour to create an Index that is methodologically sound. This is something that the Legatum Institute has sought to achieve with academic and analytical rigour over the past decade.

For the 2019 issue, the Prosperity Index has been improved following a year-long methodological review. We worked with more than 100 academics and experts around the world with particular expertise on each of the pillars of prosperity to develop an appropriate taxonomy of discrete elements and supporting indicators which, when combined, accurately capture prosperity in the world.

The review was carried out partly to ensure the Index was completely policy focussed, to best aid users to bring about the change required to create pathways from poverty to prosperity, and to strengthen the economic pillars.

This has resulted in moving from 9 to 12 pillars of prosperity being split into 65 discrete policy focussed elements, and grouped into three domains essential to prosperity — Inclusive Societies, Open Economies, and Empowered People. We used 294 different indicators from over 80 different data sources to construct the Index. For more information on the data sources and the methodology, please refer to the full methodology report published at www.prosperity.com.

Step by Step

1

Selecting the indicators

Having discussed and agreed the taxonomy with the experts for measuring prosperity across the world, organising the structure of the Prosperity Index into 12 pillars of prosperity underpinned by 65 policy focussed elements, we identified hundreds of data variables to underpin each element of prosperity.

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

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

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

2

Standardisation

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

Note on averages

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

3

Indicator and Element weights

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

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

4

Element and Pillar scores

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

The overall Prosperity Index score is determined by assigning an equal weight of 1 to all 12 pillars for each country, as each pillar is as important to prosperity as each other. The mean of the 12 pillar scores yields an overall prosperity score for each country. The overall prosperity rankings are based on this score.

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

Prosperity Index 2019

This is the 13th year of publishing the Prosperity Index. Our ambition for the Index is that it is the most effective data tool for political leaders, policymakers, business leaders, investors, philanthropists, media, and civil society to help set the agendas and implement strategies for social and economic development that will further create the pathways from poverty to prosperity for all nations. To help achieve this ambition, we keep the Index under regular review and make improvements when necessary.

In using the Prosperity Index with leaders and policymakers around the world, it became clear that some work was necessary to structure the Index in a policy-focussed way. It also became clear through our engagement with users that the Index needed to be strengthened to reflect more fully the economic aspects of prosperity.

Over the past year, therefore, with the help of guidance from external experts, we have reviewed and updated the Index. While we have strengthened the underpinning structure, the overall measure of prosperity remains unchanged. This is highlighted by the very high correlation between the country prosperity scores for the year 2018, arising from the previous and new measurement ($R^2 = 0.96$, see Figure 1). In addition, we see that the trend lines of global prosperity scores from 2009 to 2019 under both measures follows a similar trajectory, indicating consistency in measurement.

The result of the work over the past year is an improved, more policy focussed, Index that is a better transformative tool, which will more effectively deliver change and create the pathways from poverty to prosperity.

PROCESS FOR UPDATING THE INDEX

We have drawn upon the best external expertise to inform the development of the improved Index, establishing working groups comprising six to ten academics and experts for each of the pillars of prosperity. They helped us to further our understanding of each pillar, and to ground our work with their expertise.

Through a series of regular meetings with each of the working groups, we:

- Confirmed the full range of aspects (pillars) of prosperity that should be measured;
- Deconstructed each pillar into relevant policy areas that could be measured (elements);
- Identified and validated indicator selection for each element;
- Agreed upon the significance of each indicator and element to each pillar through weighting.

We are incredibly grateful to the 100+ members across all of the working groups, who continue to be an invaluable resource for our work. For a full list of working group members, please see page 88, or visit the prosperity website for a detailed biography of each member.

The following sections further explore the new features of the 2019 Prosperity Index and provide assessment of the changes from the previous Index.

NEW FEATURES OF THE 2019 INDEX

Three domains of prosperity

Our overarching goal in refining the Index has been to organise the facets of prosperity in a way that is intuitive and policy-focussed. We have done this at each structural level to ensure that the organisation of the Index remains coherent.

At the highest structural level, we organised the pillars of prosperity into three 'domains': 'Inclusive Societies', 'Open Economies', and 'Empowered People'. Each pillar of the Index links in some way to each other pillar, but these domains contain pillars which are most closely linked.

1. The Inclusive Societies domain contains pillars that capture the socio-political institutions (both formal and informal) of a nation, such as Governance and Personal Freedom;
2. The Open Economies domain contains the pillars representing the core aspects of the economy, such as Enterprise Conditions and Investment Environment;
3. The Empowered People domain contains pillars that represent people's direct social wellbeing, such as Health and Education.

Each of these domains has equal weighting, such that no domain is considered 'more important' than any other.

Improvements to the pillars of prosperity

This year's Prosperity Index contains 12 pillars, where previously there had been nine. In the previous Index, we had two pillars within the Open Economies domain: Business Environment and Economic Quality. We wanted to expand and strengthen this domain and, in consultation with the working groups, have expanded the Business Environment pillar into three pillars that measure three distinct facets of an economy's structure:

1. Market Access and Infrastructure – measuring the quality of the infrastructure that enables trade and the inhibitors on the flow of goods and services between businesses;

2. Investment Environment – measuring the extent to which investments are protected adequately and the extent to which domestic and international capital are available for investments;

3. Enterprise Conditions – measuring how easy it is for businesses to start, compete, and expand.

The set of conditions or personal circumstances that are required by people to attain wellbeing was a concept present in the previous Index, but had not been separately identified. The new Living Conditions pillar (in the Empowered People domain) measures the extent to which a reasonable quality of life extends to the whole population of a nation. This pillar also contains some indicators drawn from other pillars in the previous Index (e.g. the poverty rate indicators, which had been included in the Economic Quality pillar, and shelter indicators from the Safety and Security pillar).

We also reviewed and refreshed the other eight pillars of prosperity to ensure they were more policy-focussed. For more details about the pillars of prosperity, their elements, and the indicators contained within them, please refer to the Pillar Profiles section on page 34.

Constructing the elements of prosperity

We constructed a taxonomy of 'elements' with input from our working groups for each of the 12 pillars to ensure the Index is relevant to policymakers and others. Within the Index, there are 65 elements, each of which has been designed to reflect a discrete policy area that policymakers and others can influence. This in turn enables actionable insight to be generated from the Index to help drive policy and other initiatives.

Some examples of elements include:

- Violent Crime (Safety and Security pillar) – assesses the level to which violent domestic crime affects the citizens of a country (useful for enforcement organisations to direct resources and establish the necessary policy response);
- Burden of Regulation (Enterprise Conditions pillar) – measures how much effort and time is required to comply with regulations (useful for governments and regulatory bodies to balance the need for protection versus burden of compliance);
- Tertiary Education (Education pillar) – further education is key to social and economic development through the creation of human capital and the building of knowledge bases (useful for higher educational institutions to direct resources and necessary programmes).

With the introduction of these elements as the core policy concepts determining prosperity, the component indicators can be seen as a set of proxy measures. Each element is composed of between one and eight indicators, resulting in a total of 294 indicators in the updated Index. We have deliberately introduced a degree of redundancy, preferring multiple measurements to capture a balanced perspective of each element. For a full list of indicators, and a comparison to the previous set of indicators, please see the methodology document, available at www.li.com.

Increased country coverage

Our aim is that the Prosperity Index covers as much of the world as possible. The previous Index represented 149 countries, covering 96.7% of the world's population). This year, we have expanded our coverage to 167 countries, containing 99.4% of the world's population, resulting in a more geographically comprehensive Index.

The main constraint for country inclusion is the availability and reliability of indicator data. We have included all countries where at least 50% of the 294 indicators within the Index was based on actual data, as reported by source organisations, as opposed to imputed data. This has resulted in the following 18 new countries and territories being added to the Index for this year:

Bosnia and Herzegovina; Cabo Verde; Cuba; Equatorial Guinea; Eritrea; Guinea-Bissau; Haiti; Myanmar; Papua New Guinea; São Tomé and Príncipe; Seychelles; Somalia; South Sudan; Syria; Taiwan, China; The Gambia; Turkmenistan and Uzbekistan.

We were unable to include the Democratic People's Republic of Korea or Western Sahara due to insufficient data.

IMPACT OF CARRYING OUT THE REVIEW

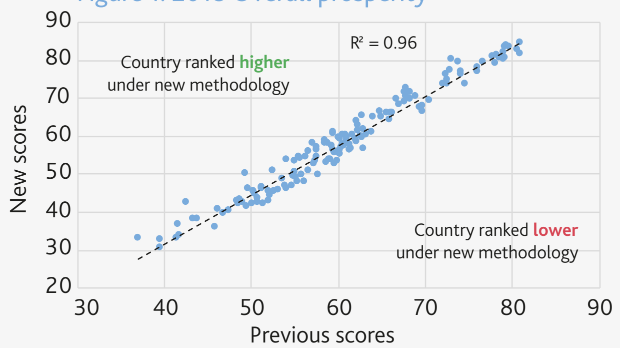
Impact on the measurement of prosperity at a country level

As we carried out the review, we were conscious of creating an Index that produced different results than the previous Index. Therefore, we assessed the impact of the changes in the final stage of our review. Despite including four new pillars, eight revised pillars, and almost three times as many indicators, the overall results from the new Index are in fact very similar to the previous Index at both a country level and at a global level over time.

This analysis helps confirm that the new Index is fundamentally the same measure of prosperity. In practical terms, the new methodology has enabled prosperity to be described in much finer and more relevant detail than before, without altering measurements of historic global prosperity. It has, in effect, become a tool that better enables a more targeted policy response.

Figure 1 compares the overall 2018 prosperity scores for the 149 countries represented in the previous Prosperity Index and the new Prosperity Index.

Figure 1: 2018 Overall prosperity



The chart shows that there have been some small changes to the rankings of countries due to the methodological update, but the strength of relationship between the two methodological approaches is very strong (R^2 = 0.96). This strong relationship between the global prosperity scores calculated by the previous and new methodologies holds true even when looking at historical data.

CONCLUSION

The Prosperity Index has been refined and improved over the past 13 years, helping to ensure that the measurement of prosperity is clearly articulated. The focus of the improvements made to the Index this year were not to redefine the measurement of prosperity, but rather to ensure that the Index becomes even more useful to political leaders, policymakers, business leaders, investors, philanthropists, media and civil society; to be a transformational tool that helps set the policy agendas of nations around the world that helps further create the pathways from poverty to prosperity for all individuals.

Table of sources

Report abbreviation	Source full name	Web address
AD	Aswath Damodaran	http://pages.stern.nyu.edu/~adamodar/New_Home_Page/data.html
AltAng&Pat	Altinok, N., N. Angrist and H.A. Patrinos. 2018. "Global data set on education quality (1965-2015)."	http://documents.worldbank.org/curated/en/706141516721172989/Global-data-set-on-education-quality-1965-2015
BL	Barro and Lee dataset	http://www.barrolee.com/
BTI	Bertelsmann Stiftung Transformation Index	https://www.bti-project.org/en/home/
Cas&Dom	Castello-Climent and Domenech (2012)	https://ideas.repec.org/p/iei/wpaper/1201.html
CDIAC	Carbon Dioxide Information Analysis Center	https://cdiac.ess-dive.lbl.gov/
Chinn-Ito	Chinn-Ito Index	http://web.pdx.edu/~ito/Chinn-Ito_website.htm
CIRIGHTS	CIRIGHTS Dataset	https://docs.google.com/document/d/1ZxuitRNKpTcEpwi_1p8u0IRnib7ggtK-F9TQcf_jbmo0/edit
CSP	Center for Systemic Peace	https://www.systemicpeace.org/
ECI	Economic Complexity Index	https://oec.world/en/rankings/country/eci/
EDGAR	Emissions Database for Global Atmospheric Research	https://www.eea.europa.eu/themes/air/links/data-sources/emission-database-for-global-atmospheric
EPI	Yale and Columbia Universities (Environmental Performance Index)	https://epi.envirocenter.yale.edu/
FAO	Food and Agriculture Organisation	http://www.fao.org/home/en/
FH	Freedom House	https://freedomhouse.org/
FI	Fraser Institute	https://www.fraserinstitute.org/
Gallup	Gallup	https://www.gallup.com/home.aspx
GBD	Global Burden of Disease study	http://www.healthdata.org/gbd
GDL	Global Data Lab	https://globaldatalab.org/
GSI	Global Slavery Index	https://www.globalslaveryindex.org/
GSMA	Groupe Spéciale Mobile Association	https://www.gsma.com/
GTD	Global Terrorism Database	https://www.start.umd.edu/gtd/
IBNET	International Benchmarking Network for Water and Sanitation Utilities	https://www.ib-net.org/
IBP	International Budget Partnership	https://www.internationalbudget.org/
IDEA	International Institute for Democracy and Electoral Assistance	https://www.idea.int/
IDMC	Internal Displacement Monitoring Center	http://www.internal-displacement.org/
IHME	Institute for Health Metrics and Evaluation	http://www.healthdata.org/
ILGA	International Lesbian, Gay, Bisexual, Trans and Intersex Association	https://ilga.org/
ILO	International Labour Organisation	https://www.ilo.org/global/lang--en/index.htm
IMF	International Monetary Fund	https://www.imf.org/external/index.htm
IMF-FAS	International Monetary Fund Financial Access Survey	https://data.imf.org
IMF-WEO	International Monetary Fund World Economic Outlook	https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/index.aspx
ITU	International Telecommunications Union	https://www.itu.int/en/Pages/default.aspx
IVS&Bar	Integrated Values Survey, Afrobarometer, Arab Barometer, and Latinobarómetro	http://www.worldvaluessurvey.org/wvs.jsp; https://europeanvaluesstudy.eu/; http://www.afrobarometer.org/; https://www.arabbarometer.org/; http://www.latinobarometro.org/lat.jsp

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

Acknowledgements

The Prosperity Index Team

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Unless otherwise stated, all data is from the 2019 Legatum Prosperity Index™.

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

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