

Freedom, Good Governance and Social Capital Drive Prosperity in Sub-Saharan Africa

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Newly published global Prosperity Index finds that improved governance in Sub-Saharan Africa results in higher levels of national prosperity

Legatum Institute's 2010 Prosperity Index, published today, presents a broad view of wealth, happiness and prospects for the future of 110 countries, captured in eight sub-indexes from personal freedom to the economy. Covering over 90% of the world's population, the Prosperity Index stands out in reinforcing the idea that material wealth alone does not make for a happy society. Happy citizens are produced as much by democracy, freedom, social cohesion and entrepreneurial opportunity as they are by a growing economy.

While many Sub-Saharan countries sit in the bottom 15 of the Prosperity Index, there are strong reasons for optimism in Sub-Saharan Africa: Botswana, South Africa and Namibia are bucking the trend, ranking 57th, 66th, and 71st respectively, alongside middle-income countries such as Mexico, Russia and Indonesia. These three Southern African countries have continued their rise up the rankings – Botswana rose two places in this year's Index; South Africa and Namibia climbed one and three places respectively – and could provide the model for an African road to prosperity.

The common factor is that they all score highly on the Governance sub-index, which assesses the degree to which a nation's government is effective and accountable; its elections are fair; political participation is high; and rule of law is maintained. On this sub-index Botswana ranks 25th, South Africa 40th and Namibia 44th. Low levels of corruption have enabled these economies to grow and have created an environment of civic participation, leading to higher levels of income, wellbeing and public confidence.

Poor scores for health and education bring the region down in the overall Index as most Sub-Saharan nations rank among the bottom 20 nations on these two measures – all perform worse than the world average.

The drivers of Sub-Saharan prosperity lie in the categories of personal freedom, good governance and social capital. The Index shows that the most successful African countries owe their success to radical improvements in the quality of their governance, particularly in establishing confidence in the military and in the judicial system.

Somewhat paradoxically, social capital is at its highest in nations on the brink of becoming failed states: Sudan, for example, ranks 21st, globally on the Social Capital sub-index.. However, this can be explained because the Index measures subjective wellbeing, which includes factors such as civil society, social trust, and community engagement, all of which are able to thrive in nations where the state comes up short in other fundamental responsibilities.

The Legatum Prosperity Index is the world's only global assessment of wealth and wellbeing. It uses a holistic definition of prosperity, which includes factors ranging from economic growth to health and education, to personal freedom and governance, said Dr. Ashley Lenihan, Senior Fellow at the Legatum Institute.

Prosperity Index Rankings: Sub-Saharan Africa

Prosperity Index Rank Country

57 Botswana

66 South Africa
71 Namibia
90 Ghana
93 Mali
94 Senegal
97 Tanzania
98 Rwanda
99 Uganda
100 Sudan
101 Zambia
102 Cameroon
103 Mozambique
104 Kenya
106 Nigeria
107 Ethiopia
108 Central African Republic
110 Zimbabwe

For media inquiries, please contact Nick Wood of Media Intelligence Partners Ltd on 07889 617003 or 0203 008 8146 or Alistair Thompson on 07970 162225 or 0203 008 8145.

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Notes to editors:

Legatum Institute's Prosperity Index 2010 is a global index that starts with a holistic definition of prosperity that includes material wealth and quality of life. Using rigorous research and in-depth analysis the index divides prosperity up into eight equally weighted Sub-Indexes, issues a score for each category and produces an average which is used for a country's final Prosperity Index ranking.

Breaking down the research into sub-categories enables the research team to look at each country in-depth and discover prosperity trends.

The sub-categories are:

1. Economy – Which factors in a nation's economy lead to higher levels of per capita income? Which economic conditions promote confidence and lead to higher levels of wellbeing?

2. Entrepreneurship & Opportunity What are the characteristics of a society that encourage citizens to be entrepreneurial, risk-taking, and seek opportunities that lead to higher levels of income and wellbeing?
3. Governance What are the government institutions and types of government functions that lead to growth in per capita income and higher levels of wellbeing?
4. Education Which aspects of an educational system contribute to growth in per capita income through their contribution to human capital, and which elements in a learning environment lead to higher levels of wellbeing?
5. Health What are the health-related factors in a society that are necessary for higher levels of per capita income and wellbeing?
6. Safety & Security How does the personal safety of citizens and the national security of a nation create conditions for growth in per capita income and higher levels of wellbeing?
7. Personal Freedom In what way does the guaranteed right to speak, assemble, think, and worship also promote higher levels of income and wellbeing?
8. Social Capital. What kinds of social networks, relationships, and institutions lead to higher levels of wellbeing and economic productivity?

Each of the sub-indexes provides us with two important analyses: first, an economic assessment and second, an assessment of a country's subjective wellbeing, or happiness.

Most people would intuitively agree that prosperity is not just about money but also about quality of life. The Prosperity Index is the first global index that provides an empirical basis for this belief. As well as being interested in how a country promotes economic development and growth the Prosperity Index also seeks to find out how subjective measures, such as how citizens feel about their own lives and their prospects for the future, affect a country's economic growth. It finds that successful countries enjoy a virtuous cycle of economic liberty and growth, political freedom and good governance, and enterprising and happy citizens, which mutually reinforce each other on the path to prosperity.

Rather than replicating other measurements that rank countries by their actual levels of wealth, life satisfaction, or development, the Prosperity Index produces rankings based on the foundations of prosperity. These are the factors that help drive economic growth or produce happy citizens in a given country.

Methodology

The 2010 Prosperity Index used the Gallup World Poll Service © and Gallup World Poll Data to gather an accurate picture of public opinion of prosperity in each of the 110 countries surveyed.

The 2010 Prosperity Index also used the assistance of Oxford Analytica, an independent consultancy that has for 30 years provided authoritative analysis of geopolitical events.

The 2010 Prosperity Index utilised other helpful indexes such as the Wall Street Journal/Heritage Foundation Index of Economic Freedom, the World Economic Forum's Global Competitiveness Index, the Global Peace Index, the World Bank Governance Indicators, the Human Development Index and the Freedom House Freedom in the World Report.

The Prosperity Index identifies 89 variables that are linked to higher levels of income and wellbeing and categorises them into eight sub-indexes, each of which is considered to be a fundamental pillar of prosperity. While each country's path to prosperity is varied, decades of established theoretical

and empirical research on economic growth and wellbeing have identified some common themes.

The 2009 Prosperity Index featured nine sub-indexes, two of which (essentially) measured income and wellbeing dimensions of governance. Due to limitation in data availability, the other seven sub-indexes only measured how each sub-index related to either income or wellbeing.

For the 2010 Index, due to increased data availability, Legatum Institute were able to include additional variables that enabled each sub-index to include both income and wellbeing dimensions. However, with the 2010 Prosperity Index, a comparison of the previous year's Index is included. So that there can be an apples to apples comparison, there is a chart using the 2010 methodology to reproduce rankings for 2009.

About the Legatum Institute

The Prosperity Index is the signature annual report of the Legatum Institute and is central to our ongoing inquiry into the nature of prosperity and pathways of successful countries. The Legatum Institute is a London-based global think tank that promotes political, economic, and individual liberty around the globe, with a special focus on developing and transitioning countries.

The 2010 Legatum Prosperity Index is based on statistical analysis of more than 40 years of data for more than 100 countries worldwide, produced and supervised by the Legatum Institute, with input from the research consultancy Oxford Analytica, Gallup World Poll Service © and a panel of respected academic advisors in the fields of economics, history, development, sociology, and political science.

Further information about the Legatum Institute and the 2010 Prosperity Index can be found at: www.li.com and www.prosperity.com