

Legatum Prosperity Index™

**Prosperity and Wellbeing
The case of Mozambique and Tanzania**

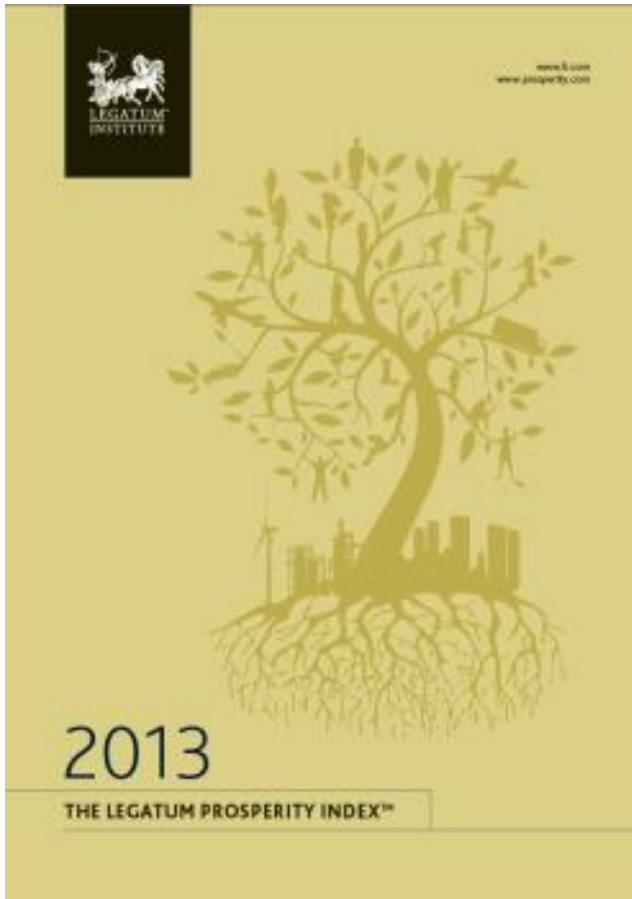
**Nathan Gamester
Programme Director, Legatum Prosperity Index
Solène Dengler
Policy Analyst, Legatum Prosperity Index**

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Outline

- The Legatum Prosperity Index™ and its contribution to the literature on wellbeing
- The 2013 “Insight on Africa: special report”
- Comparison of two African countries using the Prosperity Index: Mozambique and Tanzania
- Mozambique and Tanzania: Africa rising vs. Africa declining
- Conclusion

2013 Legatum Prosperity Index™



- 142 countries
- 96% of the world's population
- 99% of global GDP
- 8 sub-indices, equally weighted



ECONOMY



ENTREPRENEURSHIP
& OPPORTUNITY



GOVERNANCE



EDUCATION



HEALTH



SAFETY &
SECURITY



PERSONAL
FREEDOM



SOCIAL CAPITAL

Contribution to the literature on wellbeing

- The only global measurement of prosperity **based on both income and wellbeing**
- 200 variables identified in the academic literature
- The final 89 variables were selected according to their global coverage and by using regression analysis to determine a significant relationship with wealth and wellbeing
- Use of secondary data retrieved from global databases (Gallup World Poll, World Bank, World Health Organisation and Freedom House)



Insight on Africa – special report

2012		2013									
COUNTRY	OVERALL 2012 PROSPERITY RANK	OVERALL 2013 PROSPERITY RANK	COUNTRY	ECONOMY	ENTREPRENEURSHIP & OPPORTUNITY	GOVERNANCE	EDUCATION	HEALTH	SAFETY & SECURITY	PERSONAL FREEDOM	SOCIAL CAPITAL
Botswana	1	1	Botswana	10	3	1	4	7	5	5	24
Morocco	2	2	South Africa	6	1	4	3	8	16	16	7
South Africa	3	3	Morocco	1	4	6	8	4	13	22	17
Tunisia	4	4	Tunisia	7	2	12	2	1	2	32	34
Namibia	5	5	Namibia	11	7	2	6	13	9	3	22
Ghana	6	6	Algeria	3	6	17	1	2	18	35	19
Ghana	7	7	Ghana	27	9	5	10	5	4	15	26
Mali	8	8	Senegal	9	17	10	20	10	11	6	18
Malawi	9	9	Rwanda	17	10	3	12	6	10	25	30
Egypt	10	10	Zambia	13	12	13	11	31	23	9	5
Tanzania	11	11	Egypt	12	5	18	5	3	22	38	16
Zambia	12	12	Niger	5	35	9	35	11	6	7	14
Rwanda	13	13	Mali	25	23	21	36	20	3	10	1
Burkina Faso	14	14	Burkina Faso	18	22	11	28	23	8	4	21
Niger	15	15	Benin	30	28	8	17	12	1	1	36
Cameroon	16	16	Uganda	15	13	19	16	24	33	20	4
Kenya	17	17	Cameroon	8	16	28	13	22	15	21	25
Uganda	18	18	Kenya	31	8	20	14	15	28	24	9
Senegal	19	19	Tanzania	19	20	16	18	21	21	28	2
Benin	20	20	Congo (Republic)	2	19	31	9	25	14	19	32
Congo (Republic)	21	21	Malawi	32	26	7	15	9	20	23	23
Djibouti	22	22	Djibouti	29	31	14	29	14	7	26	15
Mauritania	23	23	Mozambique	16	15	15	25	32	19	12	27
Nigeria	24	24	Nigeria	20	14	29	24	19	34	27	6
Mozambique	25	25	Zimbabwe	24	21	38	7	18	32	30	8
Sudan	26	26	Mauritania	33	18	30	26	16	12	33	11
Côte d'Ivoire	27	27	Ethiopia	26	32	24	21	27	29	14	29
Guinea	28	28	Liberia	38	27	27	32	33	26	11	10
Sierra Leone	29	29	Sudan	21	11	33	23	17	36	37	3
Angola	30	30	Sierra Leone	34	30	22	33	37	27	8	12
Liberia	31	31	Cote d'Ivoire	4	25	34	34	30	31	2	33
Ethiopia	32	32	Angola	22	24	32	27	28	30	36	20
Zimbabwe	33	33	Guinea	35	34	35	31	29	24	17	31
Togo	34	34	Togo	36	29	26	19	26	17	18	38
Burundi	35	35	Burundi	37	33	23	22	34	25	29	35
Chad	36	36	Congo (DR)	23	37	36	30	35	38	34	13
Congo (DR)	37	37	Central African Republic	28	38	25	38	36	35	13	37
Central African Republic	38	38	Chad	14	36	37	37	38	37	31	28

- Based on two years of prosperity rankings (38 countries) and five years of comparable data (22 of these 38 countries)
- Investigated five key topics (changing demographics, corruption and business...) across the continent using data from the Prosperity Index and external data

Focus on Mozambique and Tanzania

	Mozambique	Tanzania
Size of the country	801,590 km ²	945,203 km ²
Population (World Bank)	25 m	48 m
Location	South-East coast	South-East coast
GDP p.c. (World Bank)	565 current US \$	609 current US \$
Average growth rate 2007-2012 (African Economic Outlook, AfDB 2013)	7%	7%
HDI (UNDP)	0.327	0.476
Colonial past	Portuguese	German and English
Resources	Gas	Gas and oil
Economy	Mostly agrarian	Mostly agrarian
Political regime (Democracy Index, The Economist Intelligence Unit 2012)	Hybrid regime	Hybrid regime
Conflict	1977-1992 civil war	Uganda-Tanzania war 1978-79
Economic communities	SADC (Southern African Development Community)	EAC (East African Community)

The two countries have a number of similarities when looking at classic indicators

Comparing the two countries using the Prosperity Index

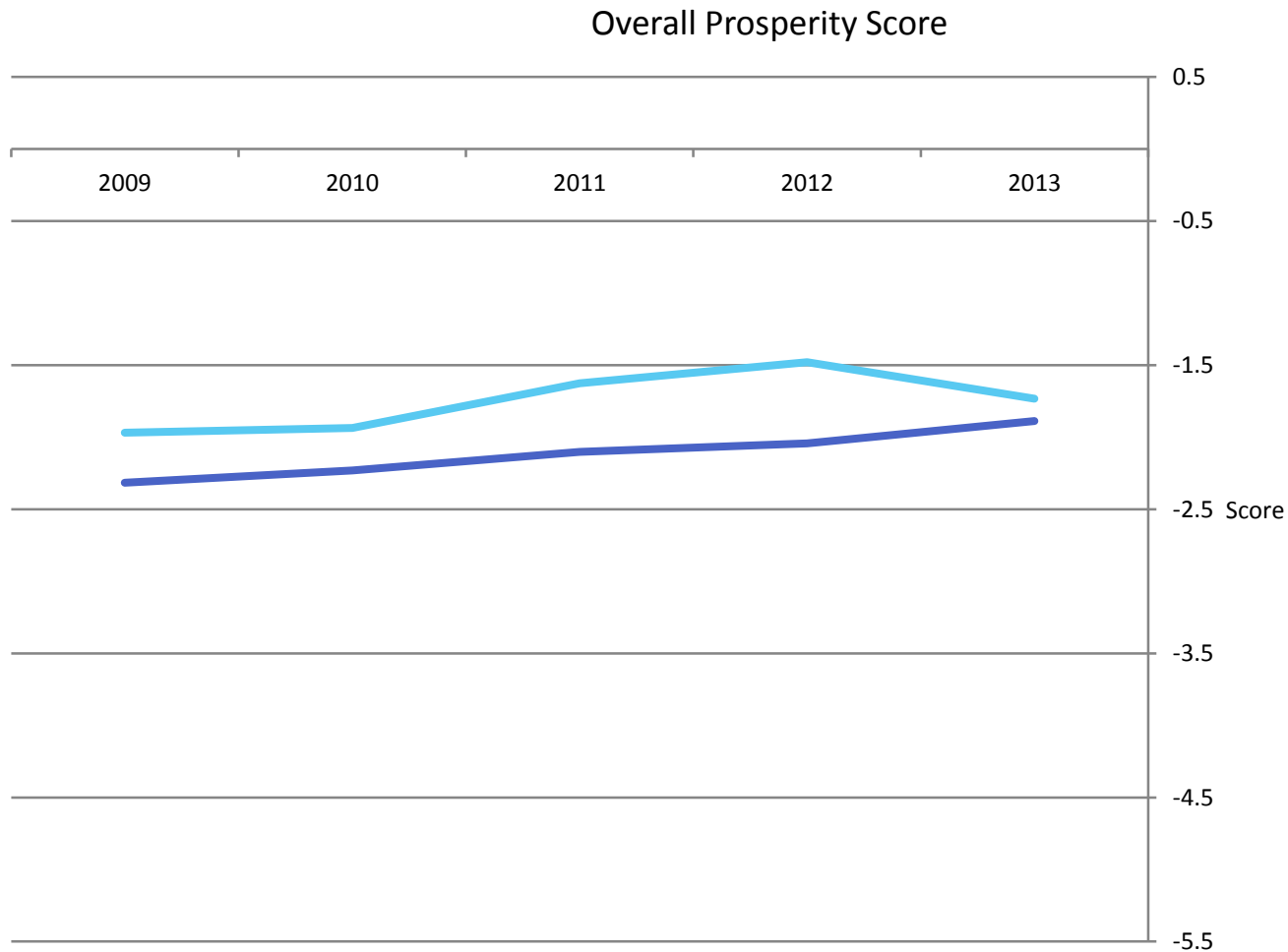
Tanzania	Overall Prosperity	Economy	Entrepreneurship & Opportunity	Governance	Education	Health	Safety & Security	Personal Freedom	Social Capital
2013 Prosperity Index rankings	117/142 (19/38*)	111 (19)	121 (20)	102 (16)	119 (18)	123 (21)	115 (21)	116 (28)	49 (2)

*this ranking is for the 38 African countries in the Prosperity Index

Mozambique	Overall Prosperity	Economy	Entrepreneurship & Opportunity	Governance	Education	Health	Safety & Security	Personal Freedom	Social Capital
2013 Prosperity Index rankings	121 (23/38)	106 (16)	115 (15)	94 (15)	127 (25)	135 (32)	111 (19)	63 (12)	117 (27)

- **Social Capital in Tanzania**: Reported social support (83%), trust in others (26%), donations and helping strangers (50%) are above the African and world average. Nyerere's legacy has been described as a main factor for high social cohesion in Tanzania (Putterman 1995, Mulenga 2001, Ibhawoh and Dibua 2003).
- **Personal Freedom in Mozambique**: mainly due to a high tolerance for immigrants (77%) compared for example to the neighbouring South Africa (56%). One of the reasons could be low experienced job competition with foreigners (Crush and Pendleton 2004).

5 year trends in prosperity

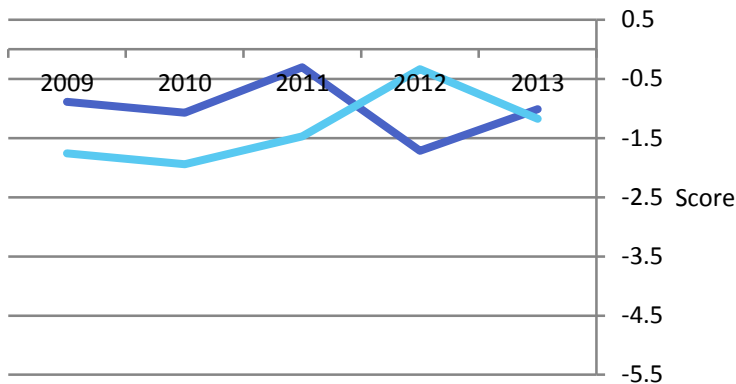


A steady improvement in prosperity in Mozambique

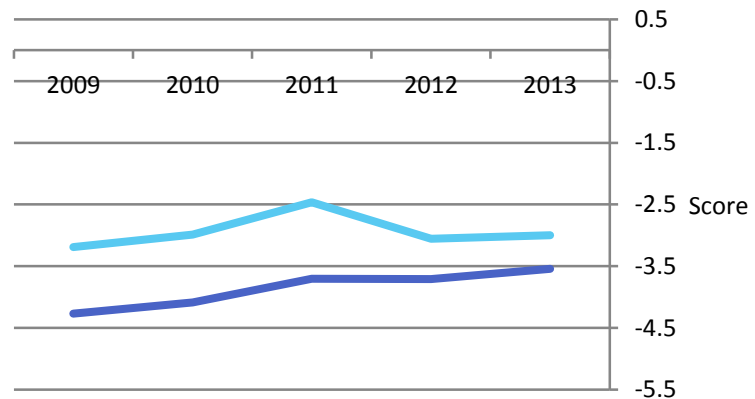
A drop in Tanzanian prosperity since 2012

Trends in the eight sub-indices

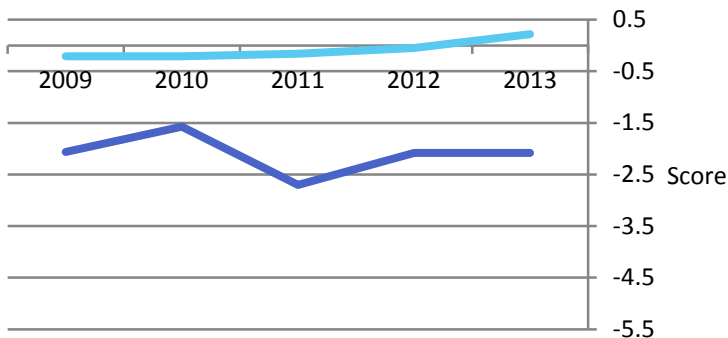
Economy sub-index



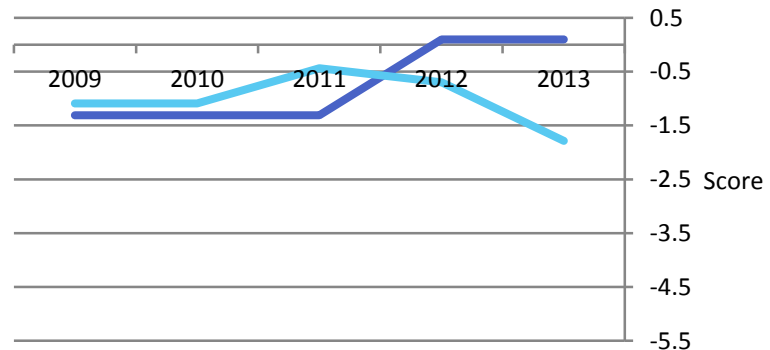
Education sub-index



Social Capital sub-index



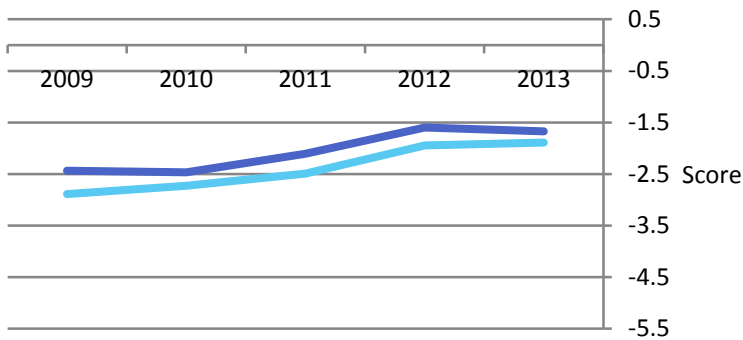
Personal Freedom sub-index



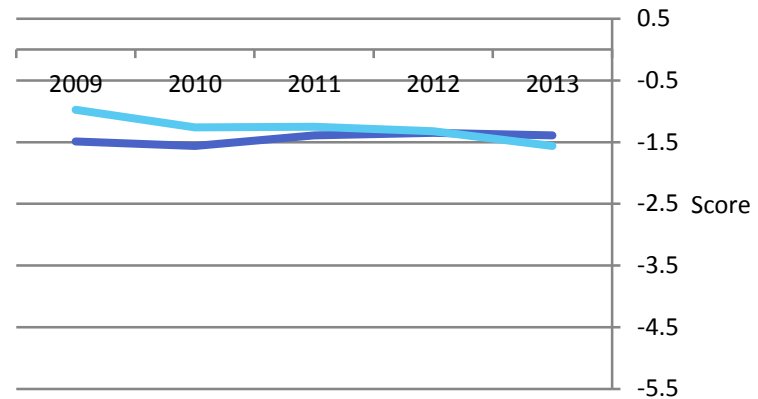
Diverging trends: Tanzania has improved in Economy and Social Capital while Mozambique has improved in Education and Personal Freedom

Trends in the eight sub-indices

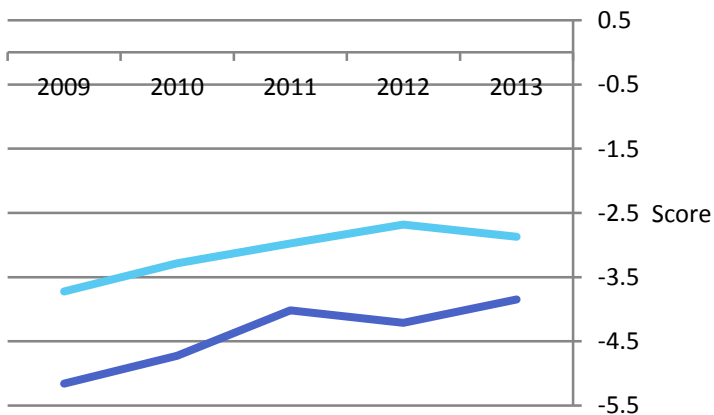
Entrepreneurship & Opportunity sub-index



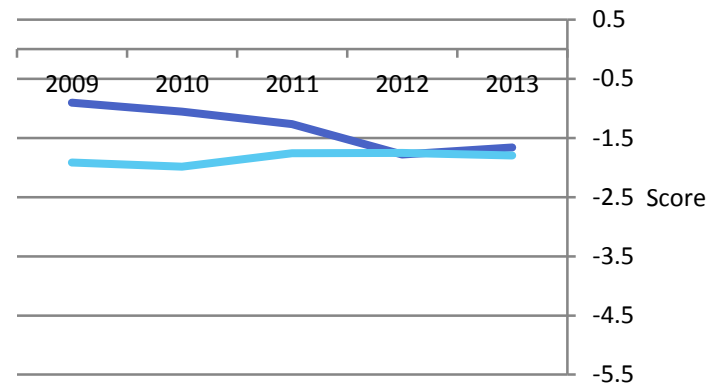
Governance sub-index



Health sub-index



Safety and Security sub-index



Positive trends in Health and Entrepreneurship and Opportunity

Slow progress in Governance and Safety and Security

The decline in Governance in Tanzania

- Government effectiveness, rule of law and separation of powers have worsened (Prosperity Index data).
- Confidence in the judiciary has declined from 54% to 41% between 2010 and 2013.
- Confidence in the government decreased from 54% to 42%.
- 13% less people are satisfied with efforts to address poverty.
- Perceptions of corruption have decreased by 3% but remain high at 88% in 2013.
- This is in line with numerous reports and articles (Policy Forum 2012, Neureiter 2012, Hermitage 2013) describing the lack of progress on governance reforms for a more equal distribution of the benefits from natural resource extraction. They also describe rising use of coercion against the opposition, journalists and public protests.

The worrying trend in Safety and Security in Mozambique

- Reported property stolen increased from 29% to 31% between 2010 and 2013 (Prosperity Index data).
- The percentage of people feeling safe walking at night decreased by 10% to 42%.
- The number of refugees and demographic pressures increased.
- This is coupled with recent rising tensions between the ruling FRELIMO party and RENAMO which triggered the devastating civil war in the past; criminalisation of the state and the rise of criminal networks described as a main challenge already in 2002 (Gastrow and Mosse 2002).
- Possible relation to the low score on social capital, i.e. the lack of “reconciled identities” (Errante 1999) combined with a lack of sufficient efforts to prevent crime and violence especially amongst marginalised youth and displaced people within the country (Reisman and Lala 2012).

The challenge of managing natural resources

- Recent discoveries of natural gas and oil in both countries
- High growth rates in the past decade but lack of tangible benefits in terms of poverty reduction (Ahearne 2013, Mutch 2013).
- Good governance and serious reforms to address group grievances are essential in these two countries to avoid rising discontent and violence as happened in the Niger Delta.
- Instability is not only a threat to socio-economic development but will also discourage long term investment that is much needed to avoid the natural resource curse.

Conclusion

- The Legatum Prosperity Index™ allows for the comparison of countries and the analysis of trends in a more holistic manner than just looking at economic growth
- Possible shortfalls of the Index, particularly in the African context, is the lack of a variable relating to natural resource wealth
- Analysis of Prosperity Index data shows a mixed picture for Mozambique and Tanzania
- Positive picture: high scores in Personal Freedom (Mozambique) and Social Capital (Tanzania) as well as positive trends in Health and Entrepreneurship and Opportunity
- Negative picture: downward trends in Governance (Tanzania) and Safety and Security (Mozambique) are worrying in particular given the well-known risk of a natural resource curse

All our data and the rankings are available for free use online:

www.prosperity.com

Thank you

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