



# 2026 Atlas

## Freedom and Prosperity Around the World

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 **Atlantic Council**

FREEDOM AND  
PROSPERITY CENTER

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# 2026 Atlas

Freedom and Prosperity  
Around the World



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# Foreword

## Making aid work in the new geopolitical era will be an uphill battle

- Short-term wins for aid can weaken state capacity and entrench dependency.
- Aid works where governments are committed, not just where poverty is highest.
- The technocratic era is over; aid is reverting to a geopolitical tool, not a neutral development instrument.

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The recent shift in the traditional donors' approach to development aid reflects aid's essential political nature, temporarily obscured during a technocratic period of aid in the late 1990s to mid-2010s. That era, enabled by unipolarity and globalization, has collapsed. The record of development aid in recent decades is mixed: It supported good deeds and sometimes supported transformation in countries with elite commitment to development, but it also held back the poorest countries where such commitment was absent. Without aligned incentives, aid prolongs the status quo. Today's multipolar configuration increasingly resembles the 1980s, when aid served primarily as a geopolitical instrument. This trajectory risks giving rogue governments and elites more space to prolong stagnation. Simply pleading for more financial resources for development is risky. Supporting change in the developing world must be based on deep understanding of global and local political economy, finding ways to cautiously support those governments genuinely committed to their populations while avoiding the provision of legitimacy to those who cherish the status quo for their own purposes. Creating space for this in the current global configuration will be an uphill battle for local civil society organizations, international NGOs, bilateral agencies, and multilateral organizations alike, even when they have the best of intentions.<sup>1</sup>

### Aid has always been political

Development aid has always been political.<sup>2</sup> The Marshall Plan rebuilt Europe not from pure altruism but to shore up postwar Western

<sup>1</sup> This paper expands on ideas first developed in Stefan Dercon, "Rethinking Aid in a Contested World," Working Paper No. 2301 (Kiel Institute, October 2025).

<sup>2</sup> This paper uses *aid* and *development aid* interchangeably and refers to what is defined as official development assistance by the OECD: support from governments directly or via multilateral bodies to promote economic development and welfare in developing countries in the form of grants or loans with advantageous financial terms.

influence. During the Cold War, aid allocations followed alliance politics and colonial legacies far more than poverty or governance. Even multilateral institutions responded more to historical ties and political loyalty than to need alone. Yet for a brief period from the late 1990s to the mid-2010s, this political nature seemed to fade. Aid appeared to drift toward a more technocratic model, ostensibly driven by development goals, poverty reduction, and measurable outcomes.

That period is over. Official development assistance from OECD countries is projected to fall by up to 25 percent from its 2023 peak, returning aid per capita to 1990 levels in real terms. More revealing than the decline in volume are the shallow political foundations. The elite coalitions that defended aid across foreign policy, security, and business establishments have fragmented. The global context that made technocratic aid possible has collapsed. What remains is a return to aid's political essence.

This paper argues that understanding this shift requires examining both the history of aid as a foreign policy tool and the political economy of how aid works in recipient countries. The recent technocratic period was an anomaly, made possible by specific geopolitical conditions: unipolarity, globalization, and broad elite consensus in donor countries. Those conditions no longer hold. Today's emerging multipolar configuration increasingly resembles the 1980s, when aid served primarily as an instrument of geopolitical competition. It is important to learn the lessons of what went well in aid for development in recent decades, but they must be applied in this new reality.

Unless aid actors recognize this reality and adapt, aid risks becoming a mechanism for prolonging the status quo rather than a lever for development.

### The anomalous technocratic period

Toward the turn of the century, an unusually permissive environment for aid emerged. The Cold War had ended, and the West faced no serious geopolitical rival. This was the age of unipolarity. Globalization was actively promoted. Countries like Bangladesh, China, India, and Indonesia used global integration to lift hundreds of millions out of poverty. Aid aligned with broader economic and political goals and was no longer seen as charity but as investment in the global liberal order.

Aid also took on a security dimension after 2001. Fragile states came under sharper focus, and aid was increasingly seen as a stabilization tool. These dynamics created rare alignment. Economic, military, and development interests converged. Between 1997 and 2023, the total of official development assistance nearly tripled in real terms.

More importantly, the nature of aid shifted. The United Nations' Millennium Development Goals (2000) and Sustainable Development Goals (2015) introduced a new narrative: aid framed not as a tool of national interest but as a shared response to global challenges. Evidence suggests that since the early 2000s, major donors began directing larger shares toward poorer countries. In 2000, just 17 percent of total aid was directed to low-income countries; by 2020, that share had risen to 36 percent.

Aid became more tightly focused on delivering measurable outcomes. New delivery mechanisms emerged: President's Emergency Plan for AIDS Relief (PEPFAR) for HIV/AIDS, the US Millennium Challenge Corporation, and new multilaterals like Gavi and the Global Fund. The outcome was a larger, more technocratic aid system focused on measurable outcomes and operational delivery.

This shift was a political recalibration. Coalitions in donor countries saw development spending as aligned with their own interests. But that alignment was made possible by a unique international moment—understanding that period

as an anomaly helps explain why that alignment has fractured.

### The 1980s return

By the early 2010s, the world of unipolarity and globalization was already under pressure. Limited growth in median incomes and job losses across OECD countries fed growing discontent. Globalization, particularly trade with China, was quickly blamed. Evidence shows the tangible effects of Chinese import competition on manufacturing jobs in the United States. Yet, the broader picture was more complex: In Germany, trade with Eastern Europe expanded manufacturing, and even in the United States, the impact on jobs from trade was far smaller than those from automation.

Still, perceptions outran evidence. Public sentiment framed China as a threat, reshaping Western foreign policy. Under the first Trump presidency and then the Biden administration, US foreign policy shifted decisively toward strategic competition. Europe and the UK followed suit. China became a rival challenging the Western-led order. This emerging multipolarity undermined the political foundations that positioned aid as complementary to broader foreign policy goals.

The parallels to the 1980s are striking. During the Cold War, aid served primarily as a pawn in geopolitical competition. Strategic objectives such as access to natural resources, military alliances, or vote alignment in multilateral institutions played defining roles. Aid was tied to political conditionality aimed at fostering liberal democracy, often in service of Cold War objectives and with limited success. The approach was selective: Western governments used aid to prop up authoritarian regimes like Mobutu's Zaire when strategically convenient. Economic reforms were pushed at speeds not politically feasible in richer economies, leading

to local contestation and endless policy reversals in developing countries.

Today's configuration shows similar patterns. China began playing a larger role in development finance, offering infrastructure loans with competitive terms and fewer conditions. Between 2008 and 2019, China's two main policy banks lent \$462 billion, nearly matching total World Bank lending. Migration concerns in response to the 2015 refugee crisis and climate change further complicated the political consensus.

The consensus that once underpinned aid has frayed. By 2025, aid per capita to developing countries has returned to 1990 levels in real terms. The share going to low-income countries has fallen from 36 percent in 2020 to 27 percent in 2022. With rapidly declining US support for multilateralism, the share channeled through multilaterals is expected to shrink. For the remaining amount, donor interests will play a more decisive role.

### Doing good vs. driving development

As seen from the point of view of recipient countries and their populations, aid's record in recent decades is genuinely mixed.

On economic growth, the literature suggests modest impacts: Aid contributes to growth but not by very much. The evidence base is stronger for narrowly defined interventions. For example, PEPFAR shows clear evidence of lives saved. Gavi demonstrates measurable success in vaccine delivery. Aid has yielded undeniable benefits. Lives have been saved, children educated, diseases prevented. These are real achievements. The geopolitical authorizing environment since the late 1990s, with unipolarity and globalization, created space for these achievements; it allowed aid to become more technocratic, focusing on actual need, with a stronger expectation of aid effectiveness.

Yet a deeper challenge emerged, not least in poorer countries, when donors took

responsibility for essential services. The result was a fundamental problem: Giving aid creates negative incentives that must be offset by significant positive impact just to break even. When donors fund high-return activities like vaccines or education, governments no longer need to raise taxes for those services, and they can be less concerned with delivering them. The distinction between doing good and driving development matters profoundly.

This plays out visibly in a setting like Nigeria. Despite having a GDP per capita similar to Ghana, Nigeria spends significantly less per person on health, and its infant mortality rate is more than twice as high. Yet by 2023, 44 percent of Nigeria's public health spending per capita came from aid; in Ghana, that figure was closer to 12 percent. In Malawi, before the abolition of USAID and the aid freeze in 2025, US spending on health care exceeded the Malawian government's total health budget by more than twofold. This level of dependence after 65 years of assistance points to design failure. Aid has done good in these countries—people have received health care who otherwise would not have, but it has not driven development.

The problem is structural. Donors' insistence on funding only the highest-return activities has measurable consequences. Doing good can become doing too much, crowding out local systems. When USAID cuts were announced in 2025, critical health services disappeared almost overnight in many countries. The sudden change showed that when donors prioritize short-run, visible results, there is little impetus for the harder work of building sustainable systems financed by the local governments. This creates a difficult reality: The more effective aid is at doing good in the short run, the more it may undermine development in the long run. The reason is that aid becomes part of the recipient country's political economy—it is never neutral.

### Why commitment matters

Development is not merely a technical puzzle, but a political choice as well. Over the past few decades, some countries managed to grow substantially: Bangladesh, China, Ethiopia, Ghana, India, Indonesia, and Vietnam. These countries share little in terms of political systems, state capacity, or colonial legacies. In fact, many appeared, broadly speaking, institutionally similar to countries where growth had stalled, like Nigeria, Malawi, Pakistan, or South Korea.

What made the difference was the presence of relatively stable elite coalitions committed to development: powerful political, business, civil society, military, media, and other leaders going beyond their own narrow interests to drive progress. This commitment was reflected in policy choices: backing sensible economic policies, ensuring public spending had a developmental tilt, and a willingness to learn and adjust. In less successful countries, such coalitions either never formed or formed with priorities centered on preserving power. Growth and development are politically disruptive. For many elites, choosing development is a gamble. Some coalitions have been willing to take that risk. Others prefer stasis.

Once aid enters this political context, it cannot be neutral. In countries where elites are committed to development, aid can work as intended, accelerating progress. This has been the experience in Bangladesh, Ethiopia, Ghana, parts of India, and Vietnam during key reform periods. In these settings, aid helped strengthen underlying systems.

But when governments do not allocate budgets toward development priorities, when bureaucracies only function as vehicles of patronage, when elites fail to build basic coalitions for stability, delivering visible results seems like the only option for donors. This is closer to the experience of Malawi, Nigeria, or South Sudan.

The need remains urgent, but the path out of aid dependency remains elusive. At worst, attempts to support locally owned systems amount to little because domestic political commitment is absent. At best, aid delivers short-run gains while tolerating long-run distortions, reinforcing the very incentives that make real development difficult.

Aid responding to need alone can inadvertently reinforce conditions that undermine development. Prioritizing saving lives today can weaken political incentives for building systems that save far more lives tomorrow. Even humanitarian aid may have negative effects, including undermining peace and stability. There is evidence that US food aid increases conflict in recipient countries. The point is not to abandon life-saving support, let alone aid, that delivers results for those in need, but to recognize the long-term risks when aid displaces domestic responsibility and entrenches dysfunctional politics.

#### Four key lessons from the past

Even if the geopolitical shifts had not materialized to the extent they now have, recent decades would have led to several key required shifts. First, development aid should become more selective, prioritizing countries that demonstrate genuine political commitment to development. Without a domestic coalition that owns and drives the reform agenda, large-scale sustainable progress will not happen. Multilateral banks function as cooperative banks, providing broadly equal access regardless of political incentives. In 2019-20, among the top borrowers from the World Bank's concessional lending window, the International Development Association, were Nigeria, Pakistan, and The Democratic Republic of the Congo, cases where neither sound economic policy nor elite commitment to development were obvious.

Second, aid should not respond to need alone. While morally compelling, need-based aid can inadvertently reinforce conditions that

undermine development. This means recognizing that the basis for sending aid to countries like Malawi or Nigeria in recent decades may not have been sufficient.

Third, the drive for short-term, measurable results must be balanced against risks of undermining long-term institutional development. Favoring interventions with clean evidence risks crowding out investments in longer-term system-building where impact is harder to measure. What looks effective on a spreadsheet may deepen aid dependency and make future progress harder to sustain.

Fourth, if political commitment is essential for progress, aid should support and strengthen those who are genuinely trying to drive change in the recipient countries. That means backing reformers with resources, ideas, and expertise, but also helping to build broad-based coalitions for development. One of aid's most useful roles may be de-risking reform. Real change creates winners and losers, and entrenched interests will push back. Aid can lower the cost of commitment, for example by crowding in other finance or helping to stabilize fragile transitions.

This is a far cry from the old model of aid conditionality, where donors imposed economic or political reform as a prerequisite for disbursement, a hallmark of the 1980s and 1990s. That model sought to impose commitment rather than support it, and history has shown that it often failed to deliver meaningful reform. The better approach is to support domestic processes and actors where commitment already exists.

#### The narrow scope for mutual interest

It is not clear these lessons will be learned; if anything they were barely absorbed in recent times. Instead, even in this period of more technocratic aid, there were mounting pressures for many aid donors in another direction: to spend aid in service of narrow donor interests. Recent

evidence explores whether such aid successfully delivers on donor objectives while still supporting recipients' development. The temptation is strong. China's growing presence had already reinforced the impulse to use aid as an instrument of strategic competition.

The evidence is sobering. Transactional aid such as vote-buying or tied procurement delivers modest donor-side returns but often at the expense of recipient outcomes. Countries occupying rotating UN Security Council seats receive more aid. The volume of food aid rises when donors are experiencing domestic agricultural surplus, serving farm lobbies as much as humanitarian goals. While China is criticized for tied aid, traditional donors are no different: Japan, the United States, and many European countries continue to make extensive use of tied aid, imposing significant efficiency costs on recipients.

Some instruments offer more potential for genuine mutual benefit if they are carefully designed. Trade facilitation can increase donor exports while supporting export-led growth that creates jobs and reduces poverty. Stabilization efforts may reduce violence, easing migration pressures. Targeted programs have reduced violence in conflict settings like Iraq and post-conflict Liberia when other strategies achieved little.

Migration control has become a prominent objective, but evidence that aid reduces migration is at best mixed. Pandemic preparedness offers obvious returns, yet the record there is uneven. Investments after the 2014-16 Ebola crisis offered limited value when COVID-19 struck, in part because preparedness plans tended to be influenza-specific. In summary, the scope for mutual interest aid to align with developmental incentives is narrow. Too often, confidence in aid instruments that reflect shared interests outpaces evidence of their success.

### The status quo trap beckons

If the current multipolar configuration takes hold as a new model reminiscent of the 1980s, with aid driven by geopolitical and donor interests, this would be bad news for development and those committed to providing aid with the best of intentions.

Despite the evidence presented in the previous section on the relative ineffectiveness of aid driven by transactional donor interests, this shift is bound to happen. For example, natural-resource-rich countries will get increased attention, not to help them diversify away from natural resources but to intensify their focus on it. This will likely yield deeply negative macroeconomic and political economy effects. Despite a boom in natural resource prices between 2004 and 2014, Africa's natural-resource-rich economies were significantly outperformed by African countries without resources in terms of growth in the last two decades and are now home to 62 percent of the world's extreme poor.

Behind this picture is elite capture: Those in power in natural-resource-rich economies—whether in politics, business, or the military—have few incentives to grow and diversify their economies, as they can control the use of rents from natural resource revenues to satisfy those that can keep them in power. At the same time, it can fuel conflict between elite groups over the control of these resources, making these economies more fragile. The apparent intensification of the geopolitical quest for oil and minerals, without much regard to the countries involved, must be seen as bad news for those who promote global development, without even considering the longer-term impacts of global warming on the developing world.

It is unlikely to be any better in non-resource-rich economies: With trade opportunities and global competitiveness undermined by new tariff and other measures provoked by

political hegemonic battles rather than mutual benefit, the countries, particularly in Africa, that failed to prosper during the earlier benign global trade environment will have fewer options. For example, generous trade preferences such as those enshrined in the US African Growth and Opportunity Act are unlikely to be as unilateral as before. Outward orientation in trade, a proven policy to sustain growth and lock in sensible economic policies, and a driver behind the faster growth of many developing countries in recent decades, may become less effective, leaving fewer options for fast growth. It will also undermine support for reform-minded coalitions, locking countries into inward-looking policies and increasing the scope for elite capture and the status quo.

### Between hope and illusion

What role can aid play in this new environment? It will have less funding to start with. Most resources in the aid system will still come from the same donors, but with shifting interests, how those resources can be used is changing rapidly. The push for more of the aid to align with donor interests, under the euphemism of mutual interest, will no doubt accelerate. Aid will no doubt be used as transactional soft power within domestic political realities and to try to bind friendly recipient governments. Aid conditionality may well reappear, but similar to the 1980s, it will be more focused on political aims than well-intentioned development or reform aims. The risk is clear: embedding the status quo in countries without development commitment while undermining local ownership in countries where there is development commitment.

However, there may still be scope for aid, building on the technocratic progress of the last few decades. Aid is nevertheless going to be more limited in its ambition and limit the lesson-learning from recent decades as suggested earlier. Aid

will be more linked to donor and geopolitical interests—not to local political commitment to growth and development. Aid will likely be less focused on transformational change; instead it will feed the status quo and at best aim to do good in response to need with a focus on short-term results, but not driving system change that may challenge the status quo. The hope that aid can be used to support systemic change may become an illusion.

Protecting the status quo naturally creates risks for well-intentioned development actors. Simply pleading for more financial resources for development without addressing underlying political economy dynamics risks entrenching the status quo further. Even worse, it could provide resources and legitimacy to actors with no genuine commitment to development where most of the need is.

### What next for aid?

The recent shift in traditional donors' approach to development aid reflects aid's essential political nature, which was temporarily obscured during the anomalous technocratic period of the late 1990s to mid-2010s. That period, enabled by unipolarity, globalization, and elite consensus in donor countries, allowed aid to appear driven primarily by development goals. Those conditions have collapsed. The current multipolar configuration increasingly resembles the 1980s, when aid principally served as a pawn in geopolitical games.

The record of development aid in recent decades is genuinely mixed. Aid has done good—lives saved, children educated, diseases prevented. In countries with elite commitment to development, aid sometimes supported transformation, helping to strengthen systems in Vietnam, parts of India, Ethiopia, Ghana, and Bangladesh during key reform periods. But aid also may well have held back the poorest countries that lacked such commitment. In places like Malawi, Nigeria, and South Sudan, decades of assistance created

dependency without driving sustainable development. Without alignment between aid and local political incentives for development, aid merely prolongs the status quo, whether by actively supporting it or legitimizing existing power by taking over its role.

The change in geopolitics is a major concern for anyone committed to development and growth, especially in the poorest countries. Geopolitical interests related to natural resources and political alliances will increasingly dominate donor relations with poorer countries. Rogue governments or elements with little interest in development will have more space to extend their hold on power and drive agendas in the interest of the few, prolonging stagnation, provided they can align with geopolitical interests, not dissimilar to the 1980s. Even well-intentioned governments will be pushed toward more transactional arrangements. The flow of aid may be reduced to direct responses to need and short-term results, and away from system building and a genuine drive for longer-term change in the poorest countries.

That outcome is contrary to what is needed: aid informed by a clear, strong understanding of the local political economy, with a goal of supporting governments with their citizens' best interests in mind, while refusing to grant

legitimacy to those who favor the status quo over domestic development. What is needed demands selectivity in terms of the countries supported and how aid is spent, balancing short-term results against long-term system building, and supporting domestic reformers and coalitions willing to challenge the status quo.

Embracing this approach in the current global configuration will be extremely difficult. Local civil society organizations in many countries operate in shrinking public spaces. International NGOs are increasingly constrained by donors' strategic priorities that may not align with local needs. Bilateral agencies are subject to political pressures that push them toward transactional, short-term decisions. Even multilateral organizations, despite their ostensibly developmental mandates, are not shielded from the political pressures exerted by their major shareholders. For all these actors, navigating the political economy realities while maintaining developmental effectiveness will be ever more difficult.

Simply pleading for more financial resources for development is not the answer. It is even risky. Only by acknowledging aid's political nature and working within that reality can aid remain a vital component of development rather than becoming part of the problem.

### **Stefan Dercon**

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# Overview

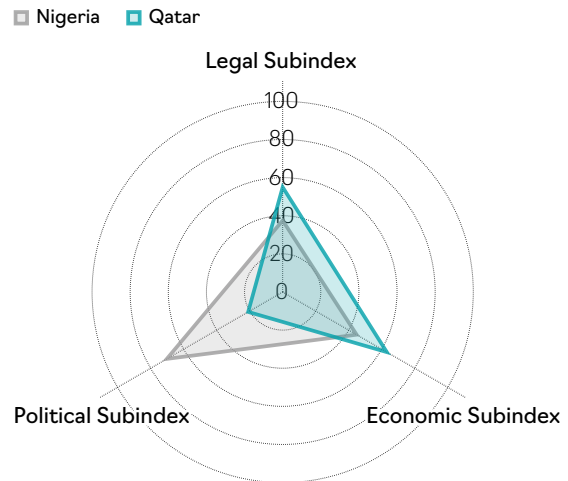
## Institutional architecture and prosperity: What lies beneath the aggregate score

- Countries with similar freedom scores can reflect fundamentally different institutional realities.
- the weakest pillar is the weakest link and matters most. Low performing institutions constrain prosperity regardless of how strong the other pillars are.
- Systems where all three institutional pillars are balanced support more inclusive and therefore more stable prosperity. Countries with imbalanced institutional pillars tend to widen income inequality and have worse minority outcomes.

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What does a country's freedom score actually tell you? We look at three institutional pillars of a country, the political, legal and economic institutions, and combine those three pillars into one Freedom Index (box 1). Together, they produce an aggregate score that tracks broadly with prosperity (table 1). However, the same overall freedom score can be assembled in fundamentally different ways. Nigeria and Qatar both sit around 50 on the 2024 Freedom Index, yet the relative strength of each of their three institutional pillars could hardly be more different. Nigeria leans on relatively stronger political institutions, while Qatar builds its freedom score on legal and economic institutions with political competition sharply curtailed (figure 1). Same total freedom score, fundamentally different institutional realities.

Figure 1. Nigeria and Qatar have similar aggregate Freedom Index scores but have different institutional foundations



Freedom and Prosperity Indexes, Atlantic Council (2025).

How strong each of those three pillars of political, economic, and legal institutions are for each country internally, and which are lagging as well as how wide the gap is between them, shapes each country's potential for prosperity. To examine this, the chapter constructs a typology of institutional

architectures based on the Freedom Index's three pillars, or subindexes, and traces how each institutional pillar connects to overall prosperity and to its individual components.

### Measuring institutional architecture: Imbalance and the weakest link

We construct two indicators to describe how a country's three institutional pillars, political, legal and economic, are configured internally.

The first is *institutional imbalance*: the gap between the highest- and lowest-performing pillar after adjusting the three subindexes to make them comparable. A large gap means those institutions are pulling in different directions; a small gap means they are more evenly matched. Countries above the global median are classified as Asymmetric; those below as Balanced.

The second is the standardized score of the lowest performing pillar, which we can call the *weakest link* indicator. This score is the institutional floor that constrains the entire system regardless of how strong the other two pillars are. Countries above the global median are classified as Strong; those below as Weak.

Why both the institutional imbalance and the weakest link measures? Because imbalance alone tells an incomplete story. Consider Costa Rica and Venezuela: Costa Rica has more variation across all three subindexes, but all three pillars sit at relatively high levels. Venezuela's subindexes are closely bunched—but around uniformly low levels. Dispersion without reference to the floor of the system is misleading. Both dimensions must be considered together.

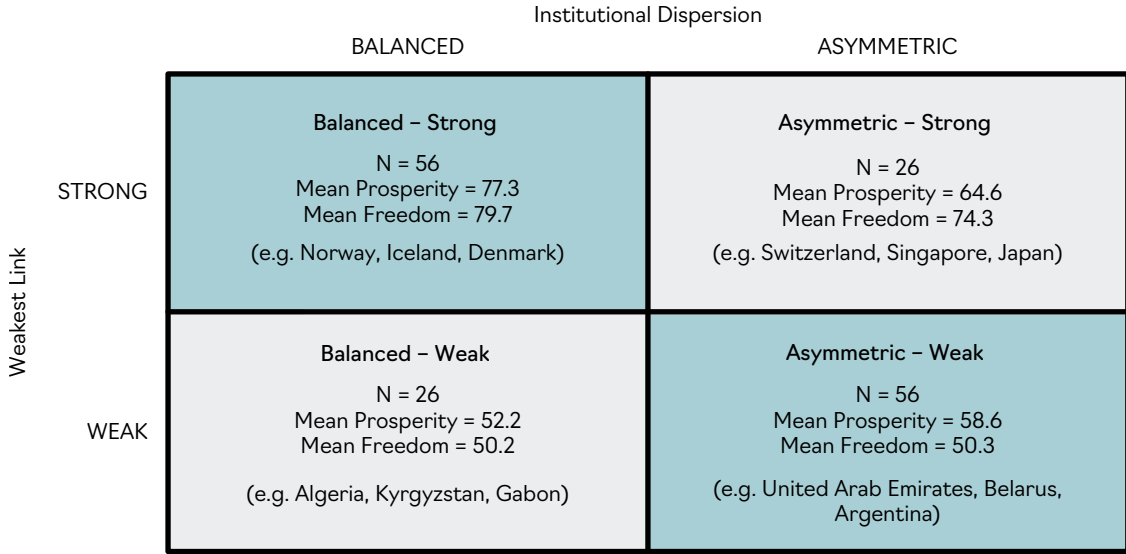
### Four types of institutional architecture

Combining the two measures—*imbalance* and *weakest-link*—the chapter categorizes each country into four institutional architectures (figure 2 and 3):

- **Balanced–Strong:** Low dispersion across three pillars; the poorest performing pillar (institutional floor) is above global average. Italy is an example, displaying comparatively even performance across political, legal, and economic institutions at a high level.
- **Asymmetric–Strong:** High dispersion across three pillars; institutional floor is above global average. Singapore illustrates this category. Despite ranking among the highest-income countries in the world and scoring strongly on legal and economic institutions, it does not fall into the Balanced–Strong category because political competition remains comparatively weaker.
- **Asymmetric–Weak:** High dispersion across all three pillars; institutional floor is below global average. Russia and China fall here, as do several Gulf monarchies including the UAE, Qatar, and Saudi Arabia. In most of these cases, the political subindex is the weakest pillar by a wide margin, while economic and legal institutions perform comparatively well.
- **Balanced–Weak:** Low dispersion across three pillars; institutional floor is below global average. Syria and Benin are representative cases: political, legal, and economic institutions are uniformly weak, producing a low institutional floor without pronounced asymmetries.

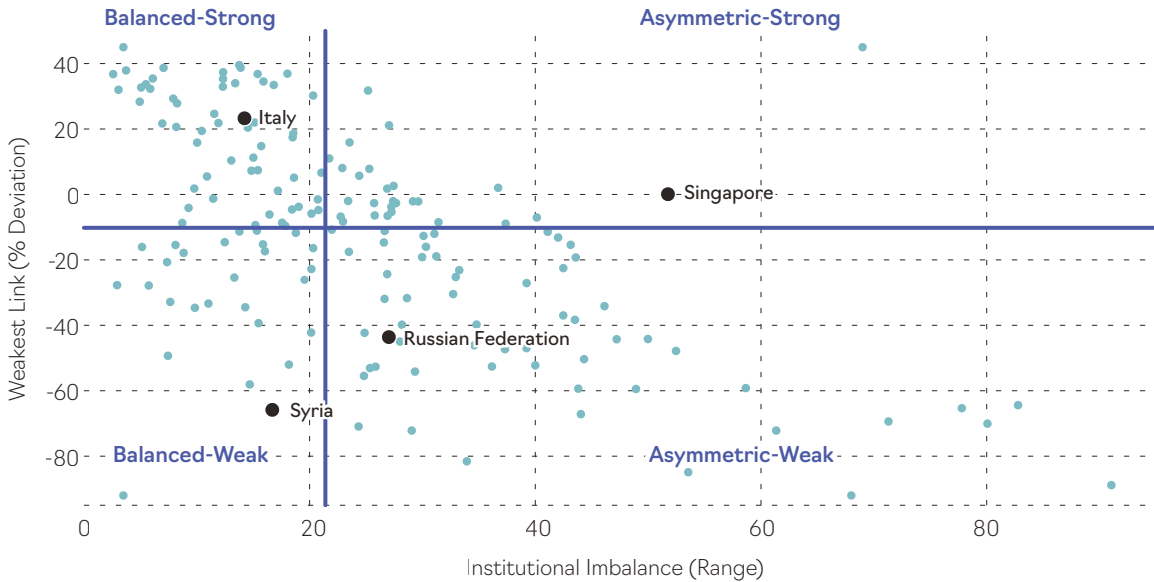
OVERVIEW

Figure 2. Freedom and Prosperity Indexes data reveal four distinct types of institutional architectures



Freedom and Prosperity Indexes, Atlantic Council (2025).

Figure 3. Countries cluster into two main types of institutional architecture—balanced-strong and asymmetric-weak



Freedom and Prosperity Indexes, Atlantic Council (2025).

**How institutional architectures relate to prosperity**

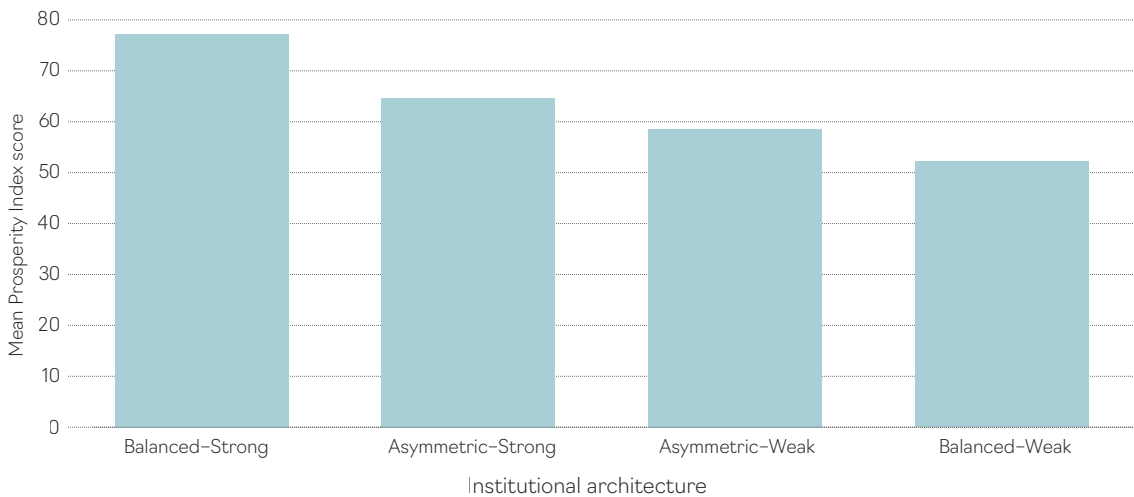
When average Prosperity Index scores are compared across the four types, the aggregate prosperity is ranked as: Balanced–Strong, Asymmetric–Strong, Asymmetric–Weak, and Balanced–Weak (figure 4).

This ranking is not simply about the strength of the strongest institutional pillar; it also reflects the importance of the institutional floor. The gap in the Prosperity Index score between Asymmetric–Strong and Asymmetric–Weak alone

is roughly six points, suggesting that minimum institutional performance is closely tied to aggregate prosperity outcomes.

One pattern worth highlighting: among countries with weak institutional floors, countries classified as Asymmetric–Weak outperform those classified as Balanced weak in terms of their average prosperity scores. This is in part a reflection of the Asymmetric–Weak group’s composition, where resource-rich Gulf monarchies with strong economic institutions lift the group’s prosperity average despite very weak political scores.

Figure 4. Balanced systems are linked to higher prosperity where institutions are strong, while more asymmetric structures tend to perform better in weaker institutional settings



Freedom and Prosperity Indexes, Atlantic Council (2025).

**Different architectures, different prosperity profiles**

The Prosperity Index captures both individual flourishing—income, education, and health—and shared prosperity—environmental quality, income equality, and minority inclusion.

The most analytically significant finding of the chapter is the differences in prosperity outcomes across institutional types. Income, education, and health broadly track the strength of the institutional floor. But distributive outcomes or shared/inclusive prosperity—income inequality and minority inclusion—follow a more differentiated

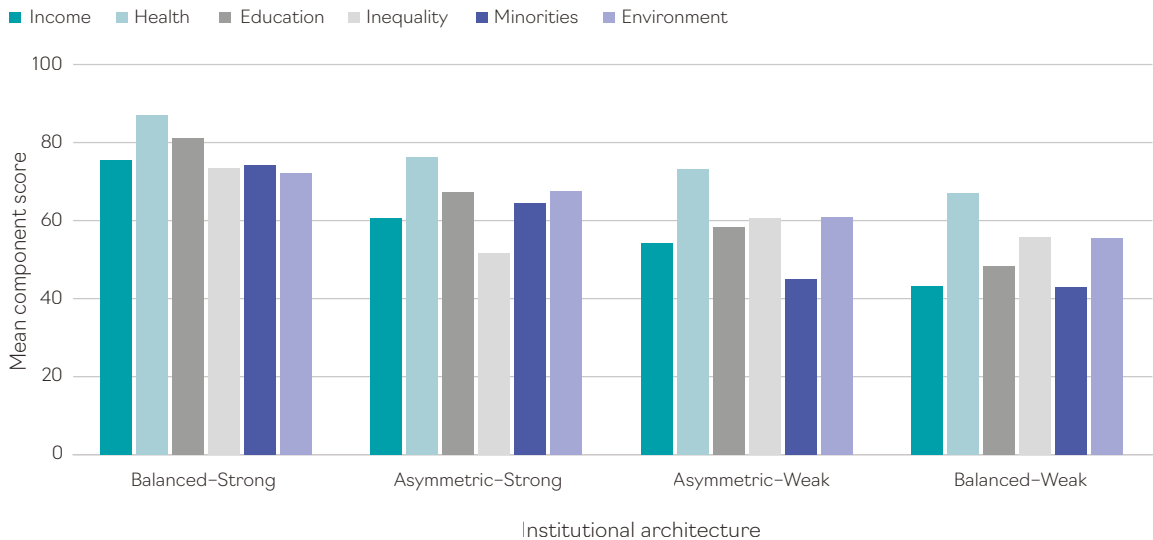
pattern that maps onto the shape of the institutional architecture itself (figure 5).

The contrast between Balanced-Strong and Asymmetric-Strong countries is particularly striking. Both groups achieve high average income and education scores. But Asymmetric-Strong countries perform markedly worse on income inequality—so much so that their average inequality score falls below even the Balanced-Weak group. Singapore illustrates this pattern: very high income and human capital, but high inequality relative to balanced high-income

democracies like Italy or Canada. The asymmetry in the institutional architecture corresponds to an asymmetry in how prosperity is distributed in the group (map 1).

Strong performance on two out of three institutional pillars is not the same as strong performance on all three. The model of building prosperity on legal and economic foundations while leaving political institutions comparatively weak comes with consequences—in particular, weaker outcomes on inequality, minority treatment, and inclusive growth.

Figure 5. Strong institutional architecture improves prosperity outcomes while imbalance undermines inclusion



Freedom and Prosperity Indexes, Atlantic Council (2025).

**Which pillar is the binding constraint?**

In Balanced-Weak countries, the rule of law (measured by the legal pillar) most commonly represents the binding constraint. Where the rule of law is weak, unpredictable, and fragile, prosperity outcomes are suppressed more uniformly—across income, education, and distribution alike. This group cannot compensate

through strength elsewhere, because there is no such strength.

In Asymmetric-Strong countries, the picture is more nuanced. Singapore represents the visible case where the political subindex is weakest. But most countries in this group actually have the economic subindex as their minimum pillar. South Africa, Costa Rica, and Peru are examples where legal and political institutions outperform

economic subindex in relative terms. In these cases, weaker economic institutions—marked by regulatory fragmentation, limited competition, or insider advantages—coexist with medium levels of income and strong legal and political frameworks, but are associated with less favorable inequality outcomes.

### What this means for reform

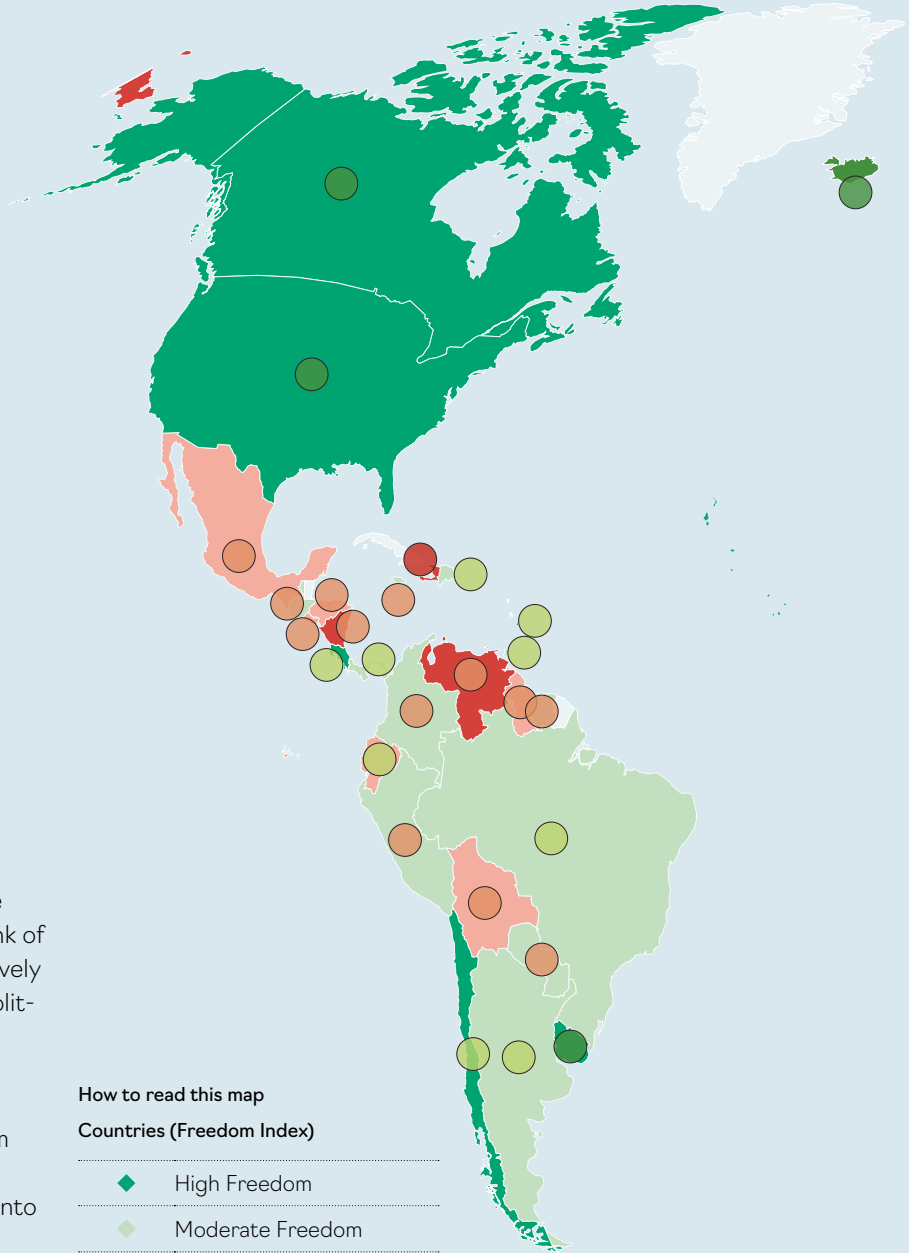
The chapter draws several practical implications from these findings. First, institutional reform must start with the weakest pillar, as countries with a weak institutional floor do not compensate for that weakness through strength elsewhere. Where legal systems are fragile, as in many Balanced-Weak countries, progress in economic or political domains is unlikely to translate into sustained improvements. Foundational investments

in the legal institutions, namely the rule of law, are preconditions for other reforms to take effect.

Second, where political institutions are weak, economic modernization alone will not generate inclusive prosperity. Asymmetric-Weak countries risk entrenching dual structure where countries reach respectable income levels, but lack of inclusion and distributive outcomes remain persistent.

The full Freedom and Prosperity Index dataset shows that broader freedom leads to greater prosperity (box 2). This chapter builds on that finding by showing that institutional architecture should shape reform priorities. The same reform package will not produce equivalent effects across different configurations. Diagnosing not just how strong institutions are, but how they are internally arranged, is a necessary step toward designing reforms that are both effective and durable.

**Map 1. Countries with higher levels of freedom tend to be more prosperous**



The **Freedom Index** is comprised of a bundle of institutions. We think of freedom comprehensively as a combination of political freedom (political subindex), the rule of law (legal subindex), and economic freedom (economic subindex). Countries are placed into four categories based on their scores: "High Freedom," "Moderate Freedom," "Low Freedom," and "Lowest Freedom."

**How to read this map**

**Countries (Freedom Index)**

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- ◆ High Freedom

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- ◆ Moderate Freedom

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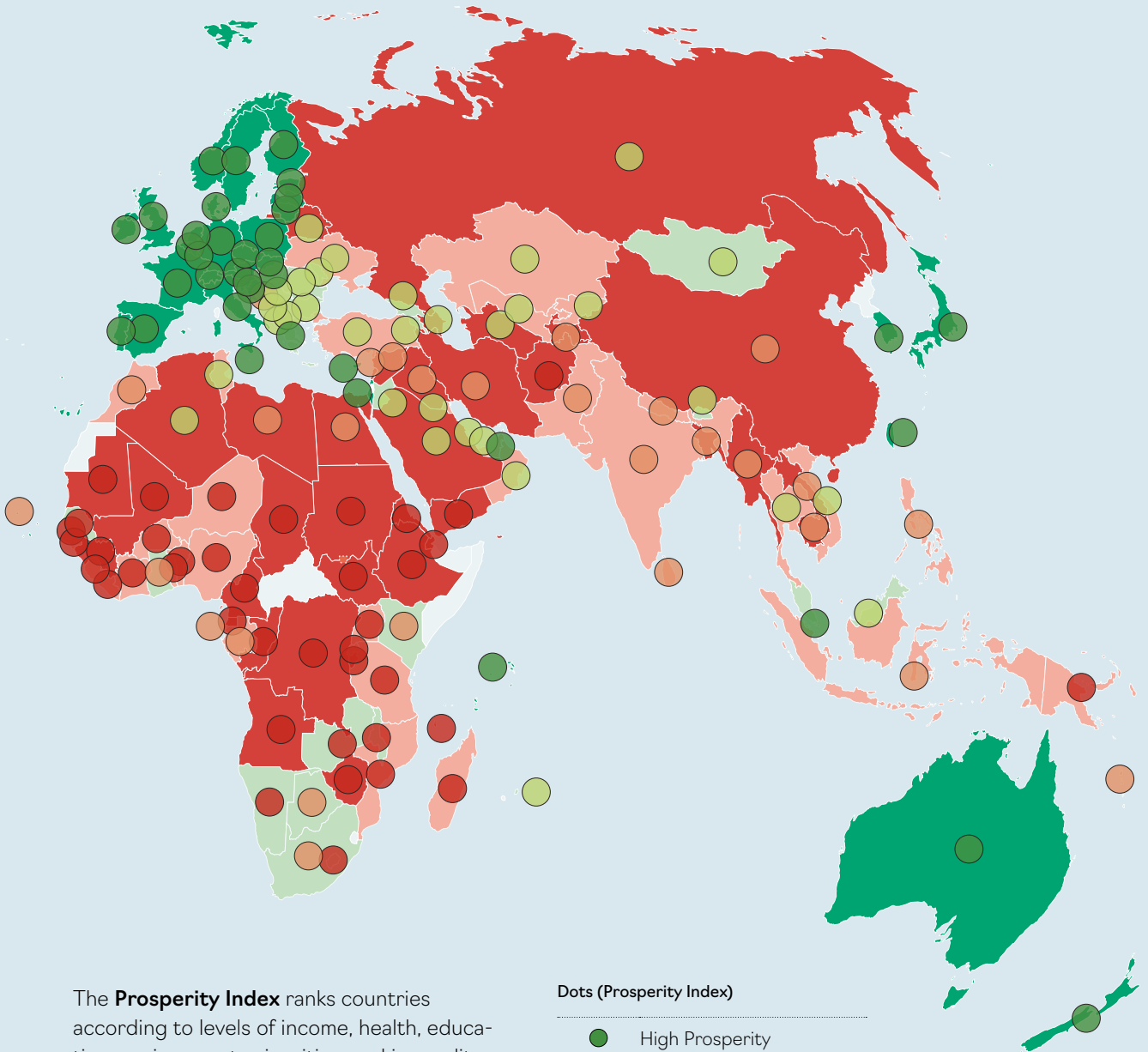
- ◆ Low Freedom

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- ◆ Lowest Freedom

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- ◆ No Data



The **Prosperity Index** ranks countries according to levels of income, health, education, environment, minorities, and inequality. Countries are placed into four categories based on their scores: "High Prosperity," "Moderate Prosperity," "Low Prosperity," and "Lowest Prosperity."

Dots (Prosperity Index)

- High Prosperity
- Moderate Prosperity
- Low Prosperity
- Lowest Prosperity

Table 1. Freedom and Prosperity rankings

Freedom			Prosperity		Freedom			Prosperity	
Rank	Index	Country	Rank	Index	Rank	Index	Country	Rank	Index
1	93.8	Denmark	3	90.0	42	76.1	Cape Verde	104	59.3
2	92.7	Luxembourg	11	87.3	43	75.2	Jamaica	86	65.7
3	91.6	Sweden	4	89.4	44	74.8	Greece	33	81.5
4	91.4	Switzerland	6	88.9	45	74.6	Mauritius	61	71.0
5	91.2	Ireland	5	89.1	46	73.2	Ghana	115	54.9
6	91.1	Finland	8	88.4	47	73.0	Brazil	70	68.8
7	90.3	Estonia	21	84.2	48	73.0	Sao Tome and Principe	107	58.2
8	90.2	Netherlands	9	88.1	49	72.7	Trinidad and Tobago	63	70.7
9	90.1	Australia	14	86.7	50	72.6	South Africa	119	54.6
10	89.9	New Zealand	15	85.9	51	72.6	Romania	43	76.5
11	89.7	Norway	1	91.6	52	72.5	Vanuatu	109	57.2
12	88.9	Germany	13	87.1	53	72.4	Bulgaria	54	73.8
13	88.2	Iceland	2	90.1	54	72.3	Panama	65	70.2
14	88.1	Belgium	7	88.7	55	72.0	Botswana	102	59.7
15	87.1	France	23	83.7	56	71.7	Hungary	39	79.0
16	86.6	Czech Republic	12	87.2	57	71.7	Albania	64	70.6
17	86.1	Austria	17	85.3	58	71.4	Namibia	133	49.2
18	85.9	Japan	24	83.6	59	71.3	Montenegro	53	74.2
19	85.8	United Kingdom	29	82.7	60	71.0	Bhutan	80	66.6
20	85.5	Canada	20	84.2	61	70.1	Moldova	51	74.6
21	85.3	Latvia	32	81.7	62	69.5	Colombia	95	63.1
22	85.1	United States of America	38	79.8	63	69.5	Senegal	126	51.2
23	84.9	Taiwan	28	82.7	64	69.3	Peru	85	65.8
24	84.6	Portugal	31	82.0	65	69.0	Dominican Republic	76	67.0
25	84.0	Spain	22	84.0	66	68.6	Malaysia	71	68.6
26	83.2	Singapore	18	84.7	67	68.4	Guatemala	113	55.0
27	83.1	Lithuania	27	82.8	68	68.3	Armenia	60	71.9
28	83.1	Chile	49	75.1	69	68.1	Argentina	42	76.6
29	82.9	Italy	30	82.6	70	68.1	Mongolia	82	66.4
30	81.8	Slovenia	10	87.9	71	67.7	Suriname	93	63.4
31	81.7	Costa Rica	48	75.2	72	67.5	Lesotho	149	45.9
32	80.7	Cyprus	19	84.3	73	67.4	North Macedonia	52	74.4
33	80.5	South Korea	26	83.1	74	67.2	Gambia	130	49.7
34	80.3	Poland	34	80.8	75	66.7	Georgia	47	75.5
35	80.3	Uruguay	40	79.0	76	66.7	Jordan	66	70.0
36	79.3	Malta	16	85.6	77	66.3	Malawi	147	46.2
37	78.3	Barbados	55	73.3	78	66.1	Kenya	121	53.9
38	77.5	Israel	37	79.9	79	66.1	Paraguay	97	62.7
39	77.4	Seychelles	41	76.9	80	65.7	Zambia	148	45.9
40	77.1	Slovakia	25	83.5	81	65.2	Bosnia and Herzegovina	87	64.4
41	76.7	Croatia	36	79.9	82	65.2	Serbia	57	72.8

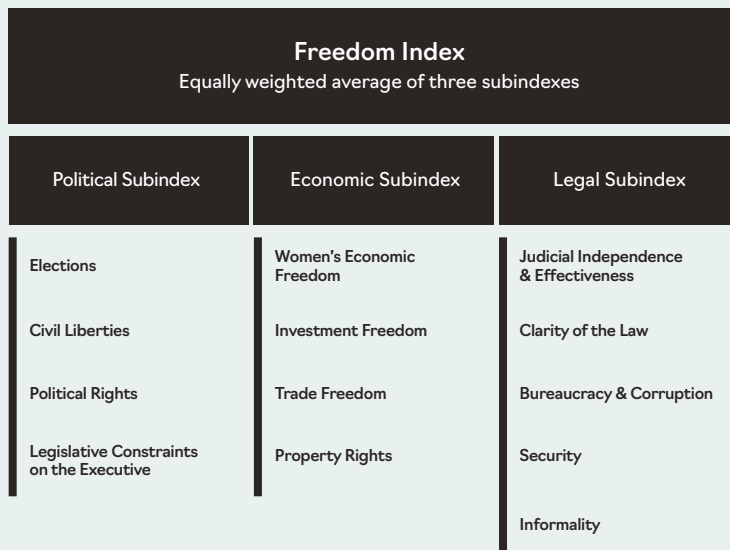
OVERVIEW

Freedom			Prosperity	
Rank	Index	Country	Rank	Index
83	65.1	Tanzania	136	48.1
84	64.9	Sierra Leone	142	46.7
85	64.4	Nepal	110	56.8
86	64.3	Ecuador	73	67.6
87	64.1	Kuwait	50	74.7
88	64.0	Indonesia	103	59.4
89	64.0	Thailand	72	67.9
90	64.0	Philippines	99	61.3
91	63.7	Honduras	112	55.2
92	63.5	Sri Lanka	105	59.2
93	63.3	Guyana	84	65.8
94	62.7	Morocco	96	63.1
95	61.7	India	111	55.6
96	61.6	Liberia	144	46.6
97	61.4	Papua New Guinea	134	48.5
98	60.9	Cote d'Ivoire	129	49.7
99	60.3	Benin	138	47.7
100	60.3	Mexico	83	65.9
101	56.5	Vietnam	74	67.3
102	56.1	Tunisia	75	67.2
103	55.9	Togo	127	50.4
104	55.8	Bolivia	89	64.3
105	55.6	Oman	56	72.8
106	55.4	Niger	160	42.0
107	55.3	United Arab Emirates	35	80.0
108	55.2	Kyrgyzstan	78	66.7
109	54.8	Gabon	91	63.8
110	54.7	Uganda	135	48.4
111	54.6	Kazakhstan	44	76.1
112	54.6	Madagascar	161	41.8
113	54.0	Turkey	79	66.6
114	53.5	Rwanda	145	46.5
115	53.4	El Salvador	100	60.4
116	53.4	Guinea-Bissau	143	46.7
117	52.7	Bahrain	68	69.4
118	52.7	Ukraine	59	71.9
119	52.1	Pakistan	122	53.1
120	52.0	Uzbekistan	81	66.5
121	51.7	Mozambique	162	41.6
122	50.8	Nigeria	141	46.8
123	50.3	Burkina Faso	146	46.2

Freedom			Prosperity	
Rank	Index	Country	Rank	Index
124	50.0	Mauritania	124	51.5
125	49.7	Qatar	45	76.0
126	48.8	Mali	159	42.2
127	48.1	Angola	128	50.4
128	48.0	Cameroon	132	49.3
129	47.4	Egypt	92	63.7
130	47.2	Laos	117	54.8
131	46.7	Djibouti	150	45.9
132	46.6	Azerbaijan	67	69.4
133	46.5	Lebanon	90	64.2
134	46.2	Comoros	139	47.2
135	45.7	Congo	131	49.6
136	43.7	Cambodia	116	54.9
137	43.7	Saudi Arabia	62	70.8
138	43.5	Algeria	69	69.3
139	43.5	D.R. of the Congo	156	43.1
140	43.5	Bangladesh	114	55.0
141	43.5	Haiti	157	43.0
142	43.1	Iraq	106	58.2
143	42.9	China	94	63.4
144	42.2	Guinea	153	44.4
145	42.1	Russian Federation	58	72.7
146	41.6	Zimbabwe	137	47.8
147	41.3	Ethiopia	140	47.2
148	40.8	Tajikistan	118	54.7
149	40.3	Chad	163	38.7
150	40.0	Burundi	155	43.6
151	39.4	Equatorial Guinea	125	51.3
152	39.1	South Sudan	164	32.6
153	38.5	Nicaragua	108	57.7
154	37.4	Belarus	46	75.5
155	35.1	Venezuela	98	62.4
156	35.0	Libya	101	60.0
157	33.6	Iran	88	64.3
158	29.2	Yemen	151	45.0
159	28.4	Sudan	154	43.9
160	28.4	Myanmar	123	52.8
161	27.0	Syria	120	54.3
162	24.4	Turkmenistan	77	67.0
163	23.2	Eritrea	158	42.5
164	16.9	Afghanistan	152	44.6

### Box 1. Freedom and Prosperity construction

The **Freedom Index** comprises three equally weighted subindexes. The legal subindex gauges a country's adherence to the rule of law. The political subindex assesses the institutional framework for selecting executive leaders and the limits on their power. The economic subindex measures the degree to which economic activity is guided by free and competitive markets. Countries are ranked according to the equally weighted average of these three subindexes, each of which is comprised of multiple components detailed in the Indexes website methodology section.



The **Prosperity Index** captures both average prosperity, through measures of purchasing power and human capital, and shared prosperity, through measures of environmental quality, income inequality, and the wellbeing of minority groups. Countries are scored and ranked according to the equally weighted average of six indicators, with original data sources listed online.



[Explore the Freedom and Prosperity Indexes](#) 

**Box 2. Key findings from the Freedom and Prosperity Indexes for the past thirty years of data****Freedom and prosperity move together.**

Across countries and over time, aggregate freedom is strongly associated with higher prosperity ( $\rho = 0.71$ ), indicating a consistent structural relationship rather than a context-specific pattern.

**The relationship is globally robust.**

The positive freedom–prosperity link holds across income levels, regions, and when accounting for outliers.

**All institutional pillars matter—but not equally.**

Political, economic, and legal subindex each correlate positively with the Prosperity Index, with stronger associations for legal ( $\rho = 0.77$ ) and economic ( $\rho = 0.73$ ) institutions, and a more moderate but still significant role for political institutions ( $\rho = 0.51$ ).

**Institutional change pays off over time.**

The effects of freedom on prosperity are not immediate but materialize over time. In the short run, the prosperity differential between countries moving towards or away from freedom is small, but over the medium to long run the divergence is substantial.

**Political freedom is in global retreat, posing a risk on future prosperity.**

Political freedom has declined worldwide for over a decade, across all regions and income groups. This entails a serious risk for economic growth and overall prosperity in the long run.

**There is a positive association between increases in political freedom and income levels.**

Democratizing countries see an average 8.8% increase in GDP per capita over twenty years compared with countries that remained autocratic.



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# East Asia & the Pacific

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# Philippines

When growth outpaces accountability: Volatility and institutional resilience in the Philippines

 Freedom Index

STATUS: Low freedom

SCORE: 64

RANK: 90/164

 Prosperity Index

STATUS: Low prosperity

SCORE: 61.3

RANK: 99/164

- In the Philippines, a highly centralized presidency means that changes in the style and incentives of individual presidents generate large swings in civil liberties and political rights.
- Over the past years, prosperity has outpaced political accountability. Economic growth has not consistently translated into stable public services or rights protection.
- Improvements in the information environment would allow elections to function more effectively as mechanisms of accountability, even within a personalized political system.

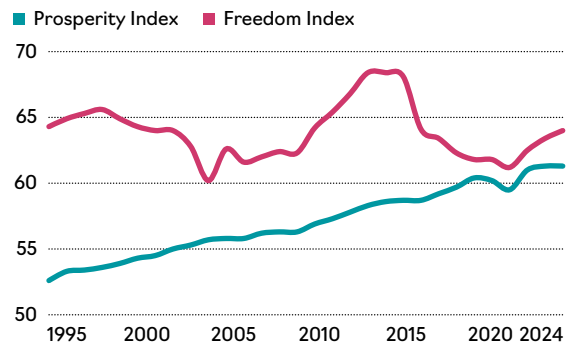
The Philippines' institutional development since the mid-1990s has been marked by sharp swings in governance and rights rather than steady consolidation. Each change in administration tends to shift the political climate, producing cycles of more liberal and more illiberal periods rather than a clear linear trend.

Cesi Cruz

*Associate Professor of Political Science and Economics*

University of Michigan

Figure 1. Despite stable gains in prosperity, the Philippines has experienced uneven swings in freedom over the last 30 years



Freedom and Prosperity Indexes, Atlantic Council (2025).

## Evolution of freedom

Since the mid-1990s, the institutional development of the Philippines has been characterized less by steady consolidation than by sharp swings in the quality of governance and rights. With almost every change in administration, the political climate shifts markedly, producing alternations between more liberal and more illiberal periods rather than a clear linear trend.

At the same time, the volatility captured in the Freedom Index does not reflect constitutional breakdowns. In a system designed to concentrate authority in the executive branch, changes in the presidents—rather than changes in formal rules—generate large changes in civil liberties and political rights.

Rodrigo Duterte's 2016 election marks the turning point in recent Philippine political history. The political subindex shows a sharp drop in the components measuring civil liberties, political rights, and legislative constraints on the executive. Duterte's "war on drugs" involved large-scale extrajudicial killings, often carried out by police or quasi-official actors, and a deliberate strategy of targeting critics and the media.

Judicial independence also declined markedly at the time. However, this was not the result of

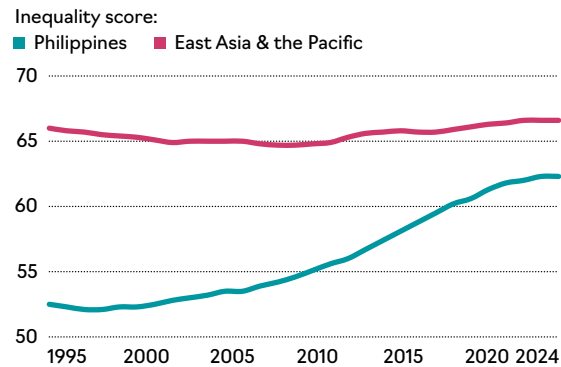
wholesale judicial capture or corruption—but rather the consequence of an aggressive president willing to push far beyond legal boundaries in a context where courts lacked the capacity, speed, and enforcement power to impose meaningful constraints.

The economic subindex shows a familiar pattern for a middle-income, globally integrated economy. Trade and investment freedom have gradually increased since the 1990s, reflecting tariff reductions and openness to foreign capital.

### Evolution of prosperity

The [Prosperity Index](#) for the Philippines tells a more optimistic and smoother story than the [Freedom Index](#). Despite political volatility, overall prosperity has risen steadily since the mid-1990s, with only the COVID-19 shock producing a clear dip. Income has grown and inequality has fallen over the past 30 years.

Figure 2. The Philippines has outpaced regional peers in inequality reduction in recent decades



Freedom and Prosperity Indexes, Atlantic Council (2025).

The evolution of real gross domestic product per capita describes the country's growth experience: modest but sustained expansion, punctuated by a deeper contraction than many of its peers during the pandemic. The distinctive feature of the Philippine growth model over this period is that much of the engine lies outside the country's

borders. Millions of overseas Filipino workers send remittances home, and these flows have grown dramatically. Remittances are central to the relatively strong decline in inequality over the last 30 years.

### The path forward

Economic growth in the Philippines has largely taken place in the absence of sustained political stability. The gap between rising prosperity and uneven freedom defines the task ahead: ensuring that economic progress deepens democratic accountability rather than reinforcing personalized and clientelistic politics.

A promising source of optimism lies with voters themselves. Citizens are not irreversibly locked into clientelistic politics: how voters evaluate candidates is responsive to the information environment in which electoral choices are made. Providing voters with clear, credible [information](#) about candidates' proposals can change the basis of electoral choice. These marginal shifts matter because they alter the incentives political elites face.

Economic development can reinforce this process. Rising education levels, expanding digital access, and broader media reach increase voters' capacity to process and act on political information. Supporting bureaucratic professionalism can make service delivery more predictable. These changes do not require a sudden transition away from personalistic politics. Rather, they reinforce institutional reliability within the existing system.

When voters reward performance and policy alignment—even imperfectly—they reshape the incentives of political elites. Over time, these shifts can narrow the scope for arbitrary governance and reduce the amplitude of political swings. Prosperity and accountability in the country need not evolve on separate tracks. Aligning them requires attention not only to institutions on paper, but to the incentives that shape how power is exercised in practice.

# Singapore

Singapore must shift from state-led expansion to productivity-led growth

## Freedom Index

STATUS: High freedom  
SCORE: 83.2

RANK: 26<sup>/164</sup>

## Prosperity Index

STATUS: High prosperity  
SCORE: 84.7

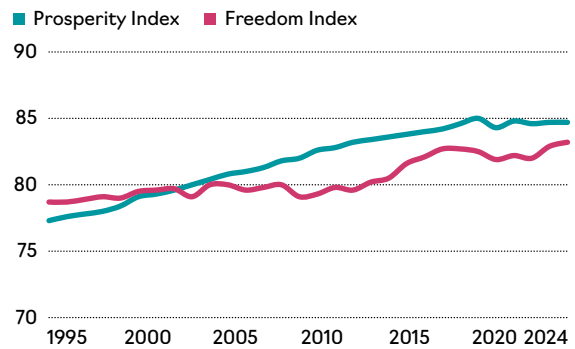
RANK: 18<sup>/164</sup>

- The “Singapore model” of a market economy under heavy government direction has led to strong headline numbers that obscure signs of significant stress.
- High land and housing costs, inequality, and low fertility rates suggest that everyday life feels precarious for many in one of the world’s richest cities.
- Singapore needs a new playbook—otherwise the model may start to look more like a warning.

Singapore’s rise from a free port to one of the world’s wealthiest city-states is often held up as a model of disciplined governance and economic ingenuity. Decades of strategic industrial policy, macroeconomic prudence, and targeted investment created rapid growth and a highly efficient state-economy nexus. Yet beneath the surface, the model has produced deep inequalities, constrained civic participation, and a heavy reliance on foreign labor and capital.

Linda Y.C. Lim  
*Professor Emerita of Corporate Strategy and International Business*  
University of Michigan

Figure 1. Singapore has improved on both the Freedom and Prosperity Indexes, though the overall trend requires deeper analysis



Freedom and Prosperity Indexes, Atlantic Council (2025).

## Evolution of freedom

What made Singapore’s post-independence development strategy distinctive was not just openness to trade and investment—it was also the degree to which the state integrated regulatory, proprietorial, and allocative power. The government planned land use, owned most of the land base, channeled compulsory savings, and exercised strategic ownership through sovereign wealth funds and government-linked companies. This tight coupling of state and market produced order and speed and made full use of a global economic environment that favored openness. At the same time, however, it embedded government discretion at the center of daily life.

The economic engine was an extensive growth model. Singapore incentivized multinationals to produce in the country, scaled public investment, and—critically—liberalized foreign labor inflows to keep costs predictable. That choice made sense when the priority was to build a platform economy quickly. It is less convincing as a path to future prosperity.

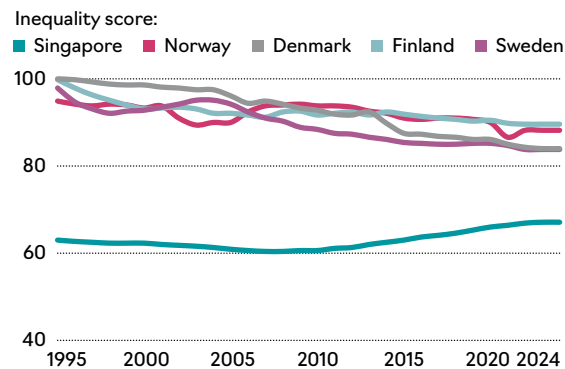
At the same time, constraints on expression reduce the diversity and depth of policy discussions. When dissent is costly and information selectively released, the system hears less

from those who see problems first: low-wage workers, squeezed middle-class families, independent researchers, and small firms facing rising costs.

### Evolution of prosperity

Singapore's achievements on headline income are undeniable. Gross domestic product per capita has tripled since 1990, placing the country among the richest in the world. The [Prosperity Index](#) also records the country's high levels of life expectancy and educational attainment. Singapore prioritizes external competitiveness, recycles surpluses into foreign assets, and leans on a managed exchange-rate regime to hold down imported inflation and to maintain credibility. The main questions behind the numbers are how broadly they translate to all social strata and whether the current model is sustainable in the long run.

Figure 2. Despite recent improvements in Singapore's inequality score, it ranks much lower than peers with comparative economic outcomes



Freedom and Prosperity Indexes, Atlantic Council (2025).

The [inequality](#) component of the Prosperity Index gives a visual answer to the first question. Compared to the Nordic European countries, Singapore has a much higher level of income inequality. Labor-market design is central to these outcomes. Liberal foreign-worker inflows have long

been used to match demand cycles, contain wage pressures, and deliver what has been referred to as "labor peace."

A dual structure persists. At one end, a sizeable segment of the economy depends on low-paying, physically demanding and risky jobs that do not lead to productivity ladders for residents. At the other end, inflows of professionals and executives meet genuine skills needs but also fuel demand for scarce urban resources and amenities, especially housing, raising costs and intensifying competition for positional goods and elite educational tracks. The structure widens the gap between those at the lower and upper ends of the economy without building domestic capability commensurate with the country's income level.

### The path forward

Singapore will not succeed in the next decade by doing more of what worked in the last half-century. Globalization is retrenching and great-power rivalry is intensifying with increased willingness to use economic pressure. Regional competitors combine improving infrastructure and skills with labor costs Singapore cannot match.

It is imperative to move decisively from extensive to intensive growth. That means closely linking firm survival to productivity improvement.

Land and housing policy must be reoriented to lower systemic costs and reduce dependence on asset inflation. The growth playbook should move from picking winners at scale to catalyzing broad-based experimentation by private actors. The priority should be to lower entry barriers and democratize access to data and infrastructure. Lastly, the political-legal setting must evolve in tandem with the economy. Separating government from ruling-party interests, strengthening checks on executive power, normalizing robust debate, and routinely publishing data would lower the implicit tax on civic initiative and improve policy through better feedback.



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# Europe

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# Italy

## Italy risks falling into a nationalist trap that threatens freedom and prosperity

### Freedom Index

STATUS: High freedom  
SCORE: 82.9

RANK: 29/164

### Prosperity Index

STATUS: High prosperity  
SCORE: 82.6

RANK: 30/164

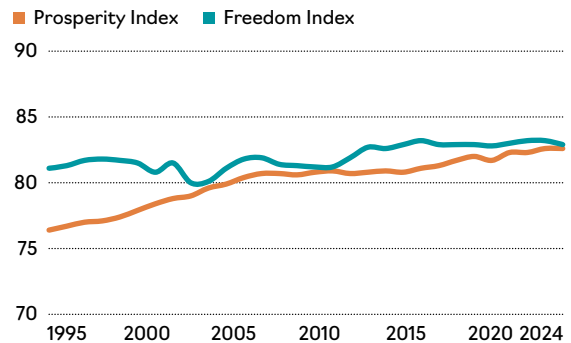
- Political and legal freedoms are high but threatened by moves to weaken executive oversight and judicial independence.
- Economic freedom is strong, but bureaucracy and fragmentation from populism and nationalism reduce market trust, investment, and innovation.
- Prosperity depends on freedom, debt levels, and inequality; high debt and disillusioned voters fuel populism and cycles of distrust.

If one focuses exclusively on aggregate indicators of institutional quality, Italy's political and economic evolution since the mid-1990s scores high. The country is consistently classified as a consolidated democracy with strong political rights and civil liberties, while measures of market orientation point to broadly open and competitive economic institutions.

Massimo Morelli  
*Professor of Political Science and Economics*  
Bocconi University

This piece was written in February 2026, prior to the referendum on March 22–23 2026.

Figure 1. Italy must protect institutional credibility and effectiveness to sustain its high freedom and prosperity



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of freedom

The Freedom Index places Italy among countries with strong democratic and market-oriented institutional frameworks. Yet these reassuring classifications coexist with chronic political instability and a sense that institutions do not function as intended.

Since the early 1990s, Italy has undergone a profound political transformation. This was accompanied by repeated electoral reforms, the emergence and disappearance of new political parties, a persistent pattern of short-lived governments, and fragmented policymaking.

The burden of adjustment has shifted to the administrative and judicial system. Today, bureaucracies are required to implement rules that are frequently amended and inconsistent; and courts need to interpret overlapping provisions with limited guidance. The result is legal ambiguity on investment, innovation, and firm growth.

Since the early 2000s, Italian politics has oscillated between technocratic solutions and populist reactions. Neither approach has proved fully successful. Technocratic governments have often stabilized short-term outcomes without addressing deeper institutional fragilities, while populist experiments have struggled

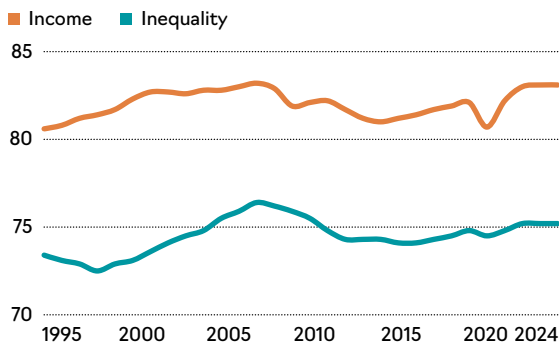
to translate political mandates into effective and predictable governance.

### Evolution of prosperity

Measured along many conventional dimensions, Italy remains a prosperous country. Income per capita is high by international standards, life expectancy is among the longest in the world, and access to education, health care. However, these relatively favorable aggregates mask important compositional shifts.

Although Italy remains a high-income country, its growth performance since the mid-1990s has been consistently weak. Over the past three decades, economic stagnation has become a defining feature of the Italian economy. Real GDP per capita has grown by less than 10 percent since the mid-1990s and labor productivity growth has been close to zero since the late 1990s.

Figure 2. Weak income growth and persistent inequality have deepened public dissatisfaction with Italy's institutions



Freedom and Prosperity Indexes, Atlantic Council (2025).

A central feature of Italy's stagnation is the persistent structure of its productive sector. Employment remains heavily concentrated in small firms, with businesses employing fewer than ten workers accounting for roughly half of total employment—far more than in France or Germany.

This is also reflected in investment, which is particularly weak in productivity-enhancing and

intangible assets such as software, organizational capital, and research and development.

Italy's weak growth performance has been accompanied by a gradual but persistent deterioration in distributional outcomes. Prolonged stagnation and repeated economic shocks disproportionately affect middle- and lower-middle-income groups whose welfare depends on stable employment and the returns to long-term investment in skills. This form of insecurity undermines trust in mainstream political actors and institutions, fueling support for alternatives that promise protection through exclusionary policies.

### The path forward

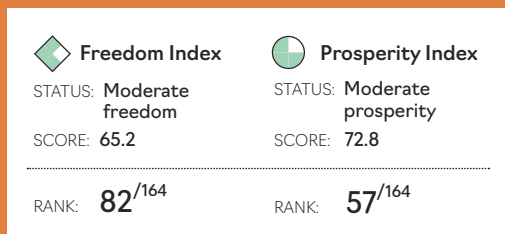
Italy's medium-term prospects are shaped by a small number of risks that revolve around institutional credibility, economic sustainability, and demographic pressure. The most immediate concern is politico-legal. A proposed constitutional reform of the judicial system, scheduled for a referendum vote in March, could introduce a new body—appointed in part by the political majority—with the authority to oversee and evaluate the actions of the judiciary. This could result in a shift in the balance of powers and introduce a clear risk to judicial independence.

A second risk concerns civil and political rights. Italy has exhibited a gap between strong formal guarantees and uneven lived experience. Recent developments suggest that this gap may narrow—in an unfavorable direction. If this trend continues, Italy risks moving from a situation in which dissatisfaction coexists with formally strong protections to one in which the erosion of rights is tangible.

The third challenge is economic and structural. Italy's traditional development model, centered on small, family-owned firms operating in established sectors, has become increasingly inadequate in an economy driven by innovation, scale, and intangible capital. A transition toward more dynamic and technologically intensive activities is necessary.

# Serbia

Serbia's future depends on rebuilding rule of law and EU credibility

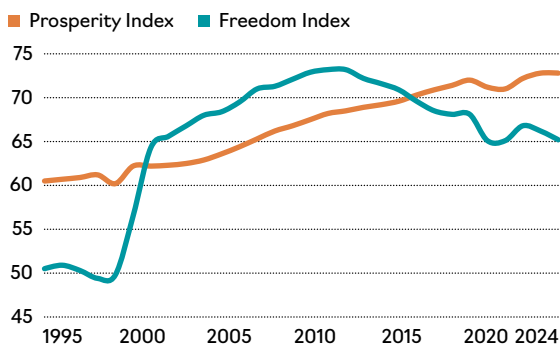


- Serbia's reform drive has lost steam, with corruption and political centralization eroding the rule of law and limiting growth.
- The student-led protests that began in late 2024 signal renewed civic pressure for fairer elections and stronger institutions.
- Restoring a credible path to EU accession would be the single most powerful external incentive for change.

Serbia's contemporary political environment is shaped by a long arc of post-conflict recovery and opening followed by a renewed centralization of political power. It now faces the dual challenge of restoring trust in its democratic institutions while preserving the economic openness that has underpinned its post-2000 prosperity.

Richard Grieveson  
Deputy Director  
Vienna Institute for International  
Economic Studies

Figure 1. Serbia's freedom and prosperity growth reinforced each other after 2000, but have decoupled since 2012



Freedom and Prosperity Indexes, Atlantic Council (2025).

## Evolution of freedom

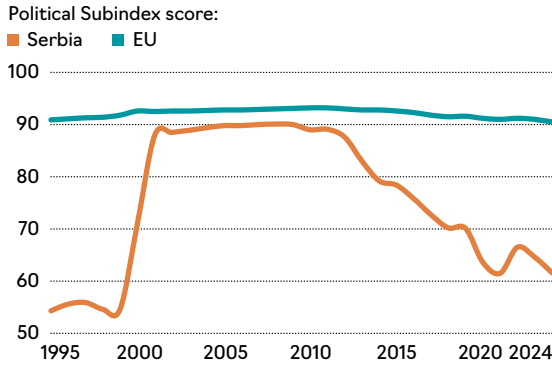
Serbia's freedom trajectory since 1995, according to the Freedom Index, falls into three distinct periods. The first is the dismal 1990s, defined by war, sanctions, and international isolation; institutions hollowed out, and the political sphere narrowed to the point of collapse. The second begins with the fall of Slobodan Milošević in 2000 and runs to roughly 2011, when the country reopened to the world and took the first steps toward European integration. The third starts around 2012, when the political environment tightened again and the gains of the previous decade began to erode.

Over the past thirteen years, the cumulative effect has been systemic: Corruption has eroded the rule of law and turned key institutions into instruments of incumbency. Elections remain formally competitive but are marked by recurrent irregularities that leave little chance for alternation. Ruling party-aligned media dominate the information space, public advertising is allocated opaquely, and the security services have targeted civil society organizations on dubious grounds.

Within the political subindex, the steepest, most persistent deterioration is in political rights—freedom of association and expression.

The contour is recognizable: After the 2000 break, political rights jump, remain broadly stable until the early 2010s, and then trace a clear decline.

Figure 2. Since 2012, the erosion of political freedom has pulled Serbia off its post-2000 convergence path toward the European Union



Freedom and Prosperity Indexes, Atlantic Council (2025).

The legal subindex tells a different story: It starts at a low point, followed by early reforms and then stasis. The first post-Milošević years saw the establishment of baseline prosecutorial and judicial reforms, but two hard problems persisted: a lack of genuine independence from the executive and the capacity to process cases in a timely, professional way.

### Evolution of prosperity

Serbia’s prosperity profile reflects the same three phases, but the translation from freedom to outcomes is neither automatic nor linear. In the early 2000s, as political freedoms opened and the economy reconnected to Europe, income per capita rose and the country began to narrow the gap with the regional average. Then the 2008–09 financial crisis hit Serbia, though not as hard as in many EU member states. The pandemic-era shock was similar.

The country’s resilience is tied to its growth model. For roughly a decade, net foreign direct investment (FDI) inflows have

run at about 6–7 percent of GDP, with sources increasingly diversified beyond the EU. China has become a leading investor, while Serbia has also plugged into German value chains in mid-tier manufacturing.

Recent domestic politics inject a new level of uncertainty into Serbia’s trajectory. The student-led protests that began in late 2024 have matured into a more organized political movement seeking early elections and a reform mandate. Any escalation will pose serious questions for Serbia’s democratic path.

### The path forward

Serbia’s way forward is not mysterious, but it will be hard. The growth model that delivered catch-up remains viable. But it is probably not going to deliver the same amount of growth in an increasingly fragmented global economy facing higher tariffs and a global slowdown in FDI. And preserving it now requires political and legal reforms that were postponed when the EU accession horizon receded.

The immediate priority is political. Elections must be not only formally competitive but substantively fair, with balanced media access and a clean separation between state resources and party campaigning. The second priority is legal. Serbia needs a judiciary that is both insulated and empowered.

Meanwhile, reenergizing the EU accession track would have effects well beyond Serbia’s borders. Because Belgrade sits at the center of the region’s unresolved files, building Serbian stability would lower regional tensions. A visible move from Belgrade to a more committed EU path would lower the political risk premium, unlock stalled dossiers, and revive the demonstration effect that powered reforms in earlier enlargement waves.





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# Latin America & the Caribbean

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# Colombia

Colombia needs a strong private sector—and renewed government institutions at the helm

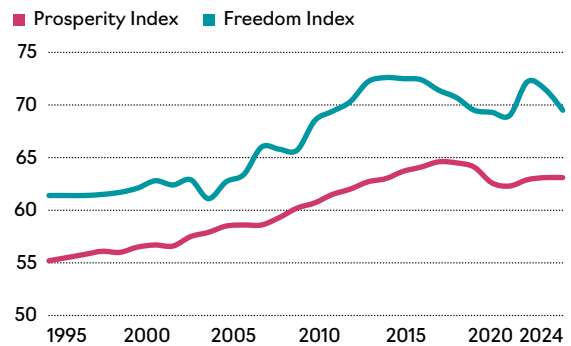
 Freedom Index	 Prosperity Index
STATUS: Moderate freedom	STATUS: Low prosperity
SCORE: 69.5	SCORE: 63.1
RANK: 62 <sup>/164</sup>	RANK: 95 <sup>/164</sup>

- The foundations of Colombia's 1991 constitution, including an autonomous central bank and fiscal discipline, have maintained macroeconomic stability despite political volatility.
- Corruption and the rise of illicit economies continue to erode governance and public trust, particularly in rural regions.
- Restoring fiscal discipline and consolidating territorial control are essential to transforming economic stability into long-term national security.

The current political environment in Colombia is marked by a confrontational atmosphere, which disrupts consensus-building efforts and creates conditions that decrease investment potential and cause institutional uncertainty. Colombia now confronts the dual challenge of building trust between government and markets and connecting its citizens with their representative institutions.

José Manuel Restrepo  
*President, Universidad EIA; Nonresident Senior Fellow, Adrienne Arsht Latin America Center, Atlantic Council*

Figure 1. In recent years Colombia has disrupted the strong freedom and prosperity gains it maintained for decades



Freedom and Prosperity Indexes, Atlantic Council (2025).

## Evolution of freedom

The 1991 constitution established institutional structures that form one of Colombia's most valuable assets. But legal systems cannot ensure freedom by themselves. Governance remains weak due to corruption, excessive regulations, and persistent informality and social inequalities. Over 55 percent of workers remain outside the formal economy, undermining tax collection and labor protections. Colombia needs to protect its democratic institutions while extending institutional benefits to formalize the excluded population.

The security situation represents the second vital point in Colombia's recent timeline. During the 1990s, the Colombian state faced three concurrent threats from drug cartels, guerrilla insurgents, and right-wing militias formed to combat guerrillas. The homicide rate rose and people fled. Business owners lost their local enterprises because municipal authority disappeared from vast sections of the country. By 2005, Colombia regained its administrative control and normalized daily activities. Companies prospered under fiscal discipline and macroeconomic stability.

The business environment in Colombia developed according to its political dynamics:

Institutional predictability and consistent rules produced the best investment conditions from mid-2010 through the 2020s. Since 2022, trust has diminished amid inconsistent policies, and economic strategy has lost cohesion as dialogue between government, business leaders, and academic experts has waned. Because freedom and prosperity depend on predictability, its loss is Colombia's most critical short-term institutional threat.

Figure 2. Rising informality since 2017 and increasing inequality since 2018 weaken the effectiveness of Colombia's political and economic institutions



Freedom and Prosperity Indexes, Atlantic Council (2025).

Colombia's democracy has shown more stability compared to regional peers, but over the past 10 years polarization has significantly increased. During that period, both cocaine cultivation and illegal mining activities expanded while violence shifted its operational patterns and power dynamics among different actors.

### Evolution of prosperity

Freedom and prosperity in Colombia have developed concurrently, although their progression has never been perfectly aligned. The nation's average per capita income tripled while poverty dropped by 20 percentage points and life expectancy increased by around ten years. After 2016, however, economic growth decreased and inequality sharply deteriorated.

The mass 2021 protests were triggered by discontent over a proposed tax reform and escalated amid violence, including clashes between police and demonstrators and allegedly infiltration of illegal networks. The unrest reflected deeper economic and social grievances, including rising inequality, inadequate public services, and the slow implementation of the 2016 peace accord.

### The path forward

Colombia is approaching a critical point. Thirty years of institutional advancement delivered stability alongside credibility, yet the country continues to struggle with social inequality, economic informality, and declining public trust.



Prosperity rests on stable public finances. Since implementing fiscal adjustments between 2020 and 2023, Colombia's public debt and the fiscal deficit have risen to levels high enough to make investors nervous. Colombia needs to expand the taxpayer base, make compliance easier, and restore the fiscal rules suspended in 2025. This would enhance market and public confidence.

Large rural areas of Colombia still live under alternative and illegal power systems that impose fear instead of upholding legal authority. Security improves only when people have access to opportunities to replace coercive systems. The practical and moral lesson that emerges is that prosperity requires peace, and peace demands governance from a state whose presence is felt.

Colombia's greatest challenge, however, springs not from fiscal concerns but from the political domain. The current political division has turned policy discussions into entrenched conflicts. Non-negotiables must be to protect the independence of the central bank and to maintain the autonomy of courts and oversight agencies. Once trust returns to citizens and government bodies, between investors and institutions, and among regions with their central authorities, Colombia will convert its practical liberty to enduring economic prosperity.

# Dominican Republic

The Dominican Republic must convert stability into productivity-led growth

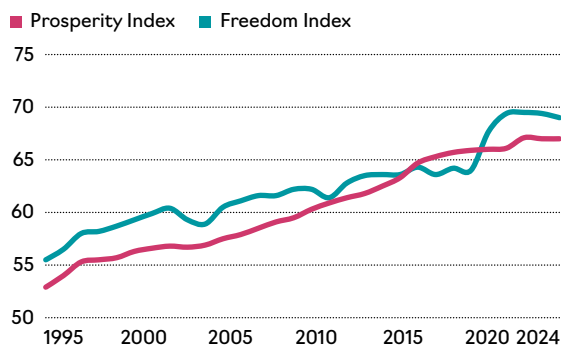
 Freedom Index	 Prosperity Index
STATUS: Moderate freedom	STATUS: Moderate prosperity
SCORE: 69	SCORE: 67
RANK: 65 <sup>/164</sup>	RANK: 76 <sup>/164</sup>

- Over the past three decades, the Dominican Republic has consolidated stable electoral competition and durable institutions.
- Institutional continuity enabled a successful transition from an agrarian base to a diversified, fast growing open economy.
- To escape the middle-income trap, the Dominican Republic must now confront deferred structural reforms.

The Dominican Republic's recent political history is defined less by rupture than by consolidation. Since the decisive elections of 1996, Dominican politics has been characterized by regular, competitive elections, peaceful alternation in power, and the absence of constitutional ruptures or electoral breakdowns.

Marino Auffant  
Nonresident Senior Fellow  
Scowcroft Center for Strategy  
and Security, Atlantic Council

Figure 1. The Dominican Republic's steady progress in both Freedom and Prosperity over the past decades positions it as a regional overperformer



Freedom and Prosperity Indexes, Atlantic Council (2025).

## Evolution of freedom

In a regional context marked by institutional volatility—coups, impeachments, constitutional rewrites, and contested elections—this continuity stands out. The country institutionalized electoral competition early and maintained it across political cycles—including long periods of single-party dominance—without sliding into electoral authoritarianism. Over time, this durability has produced predictability for investors, incremental strengthening of legal frameworks, and an environment in which political dissatisfaction is resolved through elections rather than systemic crisis.

From 2010 to 2020, the political rights component shows a gradual decline. This movement does not suggest a drift toward authoritarianism, but rather the accumulated effects of prolonged incumbency. The rebound in political rights after 2020 appears to reflect shifts in political tone and enforcement patterns more than sweeping institutional reform.

The economic subindex reinforces the broader picture of institutional continuity. Rather than reflecting abrupt policy shifts or ideological swings, the data points to a gradual expansion of economic freedom with consistent business-friendly policies.

## Evolution of prosperity

As a result of its institutional stability—and economic activity rooted in tourism, free trade zones, mining, construction, and services—the country has recorded the fastest GDP growth in Latin America in the last half-century, averaging approximately 5 percent annually.

Geographic proximity, preferential trade arrangements under DR-CAFTA, and long-standing commercial ties have made the United States the country's most important trading partner. The Dominican Republic exports free trade zone manufactures and traditional agricultural commodities, while importing energy, machinery, and consumer goods from the United States.

Inequality has improved over the past decade. At the same time, the decline in measured inequality masks emerging forms of segmentation that could become more consequential over time. High levels of informality continue to limit upward mobility for a large share of workers, constraining access to stable income trajectories and social protection.

These distributional patterns also shape how migration from Haiti features in the prosperity debate. While Haitian migrants and their descendants represent a substantial share of public spending on schooling and healthcare, mass deportations coexist with the massive use of undocumented labor in construction, agriculture, and services.

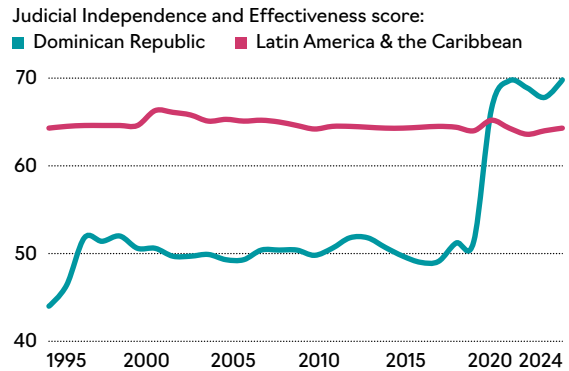
## The path forward

The Dominican Republic has already captured most of the gains associated with macroeconomic stability, openness, and sectoral diversification. What lies ahead is a more demanding transition toward productivity-driven growth. Persistently low educational quality, high informality, limited innovation capacity, and weak spillovers from export sectors continue to constrain productivity.

Institutionally, recent improvements in the rule of law and anti-corruption enforcement

have strengthened public trust and international credibility. However, the durability of these gains remains an open question.

Figure 2. Post-2020 gains have moved the country above the regional average on judicial independence and effectiveness, but consolidation remains incomplete



Freedom and Prosperity Indexes, Atlantic Council (2025).

Regionally, instability represents a more immediate and less controllable risk. The situation in Haiti has deteriorated to an unprecedented degree and persistent institutional collapse and humanitarian distress across the border generate security concerns, fiscal pressures, and diplomatic constraints.

A related risk stems from the very factors that have underpinned the Dominican Republic's success. Relative political stability, high port and airport connectivity, and deep integration into international trade and tourist networks also make the country an attractive transit and logistics hub for illicit activities, particularly drug trafficking and associated financial flows.

Finally, the political economy of reform will remain decisive. The Dominican political system continues to combine a strong presidency with a relatively weak legislature and a vibrant civil society capable of constraining government action. This configuration has been effective at preventing democratic backsliding and forcing accountability, but it has also made far-reaching structural reform difficult.



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# Middle East & North Africa

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# Syria

## Syria's post-Assad transition requires a rules-first reset

### Freedom Index

STATUS: Lowest freedom  
SCORE: 27

RANK: 161<sup>/164</sup>

### Prosperity Index

STATUS: Low prosperity  
SCORE: 54.3

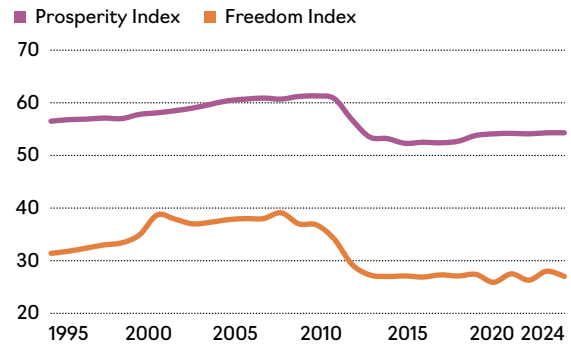
RANK: 120<sup>/164</sup>

- One year into its post-Assad transition, Syria needs a “rules-first” reset. Stabilization has kept the Syrian state functioning for a year—but endurance alone cannot define success.
- Rebuilding prosperity will depend on credible institutions, not reconstruction alone.
- Integrity of local governance, freedom of expression, and access to information—not early national elections—are the real measures of whether democracy is taking root.

More than a year after the collapse of the Assad regime, Syria stands at a crossroads. Infrastructure repairs and resumed state functions show early signs of recovery, but true progress depends on institutions, transparency, and accountability.

Ibrahim Al-Assil  
Senior Research Fellow  
Middle East Initiative, Harvard University  
Nonresident Senior Fellow  
Syria Project, Atlantic Council

Figure 1. Years of dictatorship and conflict eroded Syria's freedom and prosperity; reversing the decline requires building credible state institutions



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of freedom

The trajectory of Syria's freedom over the past quarter century can be understood as a story of three phases: an early period of managed optimism and limited reform; a second phase of tightening control and economic capture; and a third phase of comprehensive collapse in political, legal, and economic freedoms.

The first years of Bashar Assad's rule unfolded against nearly four decades of Ba'athist and Assad-led authoritarianism. The Ba'ath Party's 1963 coup had militarized politics and subordinated civilian institutions to a one-party state; Hafez al-Assad's 1970 intraparty coup then consolidated this system into personalist rule. Within this entrenched structure, Bashar Assad's accession in 2000 generated cautious hope, as many believed a younger leader might soften and modernize it.

Some Economic Subindex components—particularly trade freedom and property-rights protection—showed improvement, reflecting initial confidence in the language of reform and the introduction of a “social-market economy.” Yet the momentum soon faltered.

Investment Law No. 8 of 2007 briefly attracted foreign capital, but regime-adjacent conglomerates and the president's relatives soon moved

to dominate the very sectors opened by the law. In the following years, Syria's reform narrative hardened into a coerced-partnership economy.

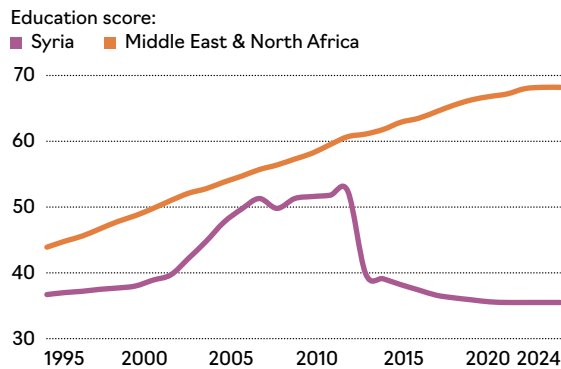
When protests began in 2011, early slogans denounced corruption and "the cousins," in reference to the president's extended family members and cronies, before calling for Assad's removal.

The 2011 uprising pushed Syria's long deterioration into a systemic collapse. The regime's decision to pursue a military solution removed any prospect of negotiated reform, triggering an immediate plunge in civil liberties, political participation, and legislative oversight from what was already a low baseline. As violence escalated, the rule of law quickly fell apart.

Across all three phases, Syria provides evidence that the erosion of freedom precedes crises. Economic and legal indicators were already falling by the mid-2000s, long before the uprising. Freedom did not collapse because of war; war revealed the cumulative effects of its earlier absence.

### Evolution of prosperity

Figure 2. Syria will require educational investments and reform to emulate its early 2000s growth



Freedom and Prosperity Indexes, Atlantic Council (2025).

The decline of prosperity in Syria mirrors the earlier erosion of freedom, and it follows the same three-phase rhythm: brief optimism, structural stagnation, and collapse. The data shows that

even before 2011, prosperity indicators were already plateauing, with income gains narrowing, education and health progress stalling, and inequality rising. War then amplified those hidden weaknesses into outright devastation.

The income component indicates a steep fall from 2011 onward, coinciding with the collapse of the Syrian currency, the destruction of infrastructure, and the disintegration of trade routes. Education—once one of Syria's equalizers—is now one of its deepest dividers. The early-2000s reforms that legalized private universities generated modest competition and raised standards from a low baseline—progress that is reflected in an uptick in the Education Index before 2011. The war erased those gains.

### The path forward

What Syria's contemporary experience teaches us is that periods of optimism can generate movement but also instability. The question now is whether the country can avoid the structural traps that undermined past reform efforts and contributed to systemic collapse.

To navigate this complexity, I propose a three-pronged framework: stabilization, economic consolidation, and democratization. These are not sequential steps but overlapping phases of state-building that unfold simultaneously. What matters is whether rules, institutions, and trust can come to replace coercion, discretion, and fear.

The real challenge, however, is to turn functionality into legitimacy. With roughly half the population displaced and infrastructure drastically degraded, national elections cannot anchor stability. What can anchor stability is a rules-first reset—predictable administration, impartial security provision, and credible remedies for everyday predation.

Syria's challenge, therefore, is dual: restoring the state's capacity while reconstructing a shared sense of belonging.

# Tunisia

## Tunisia needs both bread and freedom



Freedom Index

STATUS: Low freedom

SCORE: 56.1



Prosperity Index

STATUS: Moderate prosperity

SCORE: 67.2

RANK: 102<sup>/164</sup>

RANK: 75<sup>/164</sup>

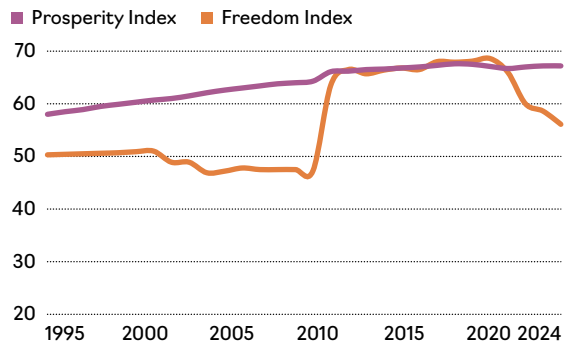
- Tunisia needs to strengthen democratic institutions, and ensure transparent governance and independent courts.
- New economic reforms are needed to break monopolistic market power, foster competition, and remove bureaucratic barriers.
- The Tunisian government must become more responsive and accountable to growing social and economic grievances to prevent further unrest and secure long-term stability.

Tunisia's trajectory over the past few decades is often described as a story of rupture: authoritarian stability gave way to a democratic opening in 2011, followed by a dramatic reversal a decade later. Tunisia's post-2011 leap was overwhelmingly political, while legal and economic changes were slower and more contested. This imbalance is central to understanding both the initial promise of Tunisia's democratic transition and the depth of popular disillusionment that later emerged.

Ameni Mehrez

Assistant Professor, College of William and Mary; Nonresident Fellow, Harvard Kennedy School's Middle East Initiative

Figure 1. The failure to translate 2011 freedom gains into material prosperity for the population helps explain recent democratic erosion



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of freedom

The presidency of Zine El Abidine Ben Ali (1987–2011) rested on institutional formalities and tight control. Tunisia held elections, maintained a parliament, and projected administrative capacity, but these mechanisms did not translate to meaningful competition or accountability. Political opposition was fragmented, repressed, or forced into exile, and civil society organizations operated under constant surveillance.

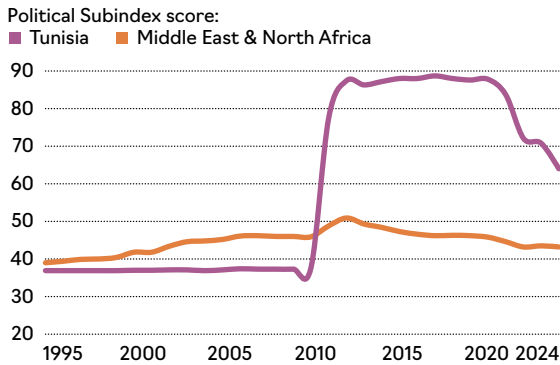
The pre-uprising period also explains why the 2011 revolution was propelled by the quest for dignity and fairness as much as for formal rights. Social grievances accumulated around the belief that opportunities were unequally distributed, corruption was distorting markets and access, and regional disparities had become entrenched.

The 2011 revolution marked a dramatic rupture in Tunisia's political trajectory. The collapse of the Ben Ali regime triggered an unprecedented expansion of political freedom. Elections became genuinely competitive, political parties proliferated, and civil and political rights were significantly expanded.

A growing gap between political openness and material outcomes contributed to widespread political disengagement. Voter turnout declined,

trust in political parties fell, and frustration with parliamentary politics intensified. The 2019 elections revealed the depth of this disillusionment and propelled Kais Saied to the presidency. In 2021, Saied dissolved parliament and re-centralized executive authority, moving Tunisia toward a new constitutional framework.

Figure 2. Tunisia's significant gains in political freedom post-revolution have been partially undone since Saied's rise to power in 2021



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of prosperity

Unlike political freedom, which experienced sharp discontinuities after 2011 and again after 2021, the Prosperity Index reveals a far more muted and gradual trajectory. Income captures this dynamic. Economic performance under the Ben Ali regime was often portrayed as strong by regional standards, yet this growth was unevenly distributed and heavily reliant on low-value-added sectors. Real income growth was modest, and job creation lagged behind demographic pressures.

In public debate, the revolution carried an implicit promise that political voice would translate into economic opportunity, especially for young people and marginalized regions. Nonetheless, the post-2011 period did not produce a decisive break with the previous pattern. Not only did the economy not show a clear acceleration in

income growth or improvements in labor market outcomes, but economic uncertainty actually increased in the wake of the revolution, as security concerns, declining tourism revenues, and fiscal pressures constrained growth.

Tunisia's prosperity trajectory helps explain why the freedom gains of 2011 proved politically vulnerable. The country achieved a rare political opening, but the material and social improvements that might have anchored that opening were incremental, uneven, and frequently interrupted by crisis. Tunisia's experience underscores a difficult but essential point: Freedom and prosperity reinforce each other only when political openness is matched by credible legal guarantees and a reform capacity that can translate inclusion and accountability into better economic and social outcomes.

### The path forward

The path forward requires Tunisia to balance economic reforms with political liberalization. Tunisia needs comprehensive economic reform that fundamentally addresses market structure. Breaking up concentrated market power and fostering competition in key sectors must be prioritized. Investment also needs to reach its potential. As a Mediterranean hub with attractive sectors, such as energy, tourism, and technology, Tunisia should nurture its private sector by encouraging domestic and foreign investment.

Energy remains underrepresented despite its vast potential. Tunisia possesses exceptional solar energy capacity due to long days and abundant sunlight, but it depends heavily on imported oil and gas. Yet economic reforms alone will prove insufficient without parallel political liberalization. Tunisia's economy cannot reach its potential in an environment where property rights remain uncertain, contracts are unreliably enforced, and regulatory decisions lack transparency. Strong state institutions that operate transparently and responsibly are prerequisites for sustained economic development.



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# South & Central Asia

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# Sri Lanka

## Sri Lanka must turn fragile gains into durable freedom and growth

### Freedom Index

STATUS: Low freedom  
SCORE: 63.5

RANK: 92<sup>/164</sup>

### Prosperity Index

STATUS: Low prosperity  
SCORE: 59.2

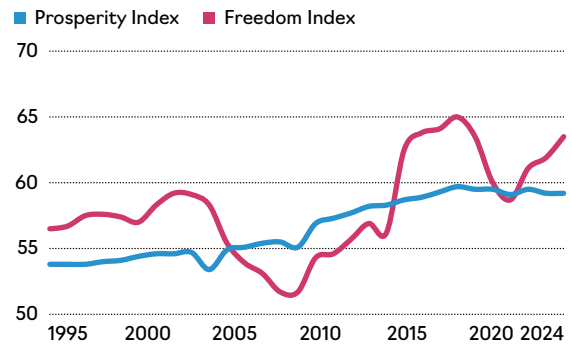
RANK: 105<sup>/164</sup>

- Sri Lanka's gains in political, legal, and economic freedom have repeatedly reversed due to weak institutions and leadership-dependent governance.
- Economic and social progress was undermined by policy instability, elite capture, and uneven distribution, leaving the country vulnerable to crises.
- Moving forward, sustainable growth requires durable institutions, professional governance, ethnic reconciliation, and broad-based reforms.

Sri Lanka entered the period covered by the Freedom and Prosperity Indexes with a paradoxical institutional profile. By the mid-1990s, it had already achieved levels of education, health, and basic social development that far exceeded what its income level would suggest. At the same time, its institutional framework was under severe strain—and an armed conflict, a highly centralized state, and recurrent policy reversals had already begun to erode confidence in governance.

Nishan de Mel  
*Executive Director*  
Verité Research

Figure 1. Prosperity levels in Sri Lanka have plateaued since 2017, while freedom has swung sharply over the past decades



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of freedom

Looking at the aggregate Freedom Index, Sri Lanka's trajectory is marked by volatility rather than steady progress. Freedom declined in the early 2000s, recovered strongly after the end of the armed conflict in 2009, improved further through much of the next decade, and then deteriorated again during the period of instability that followed.

The economic subindex illustrates this pattern clearly. From the late 1990s onward, Sri Lanka maintained a broadly liberal economic framework, with relatively open trade policies and a formal commitment to secure private property and market-based systems. This economic framework, however, was not adequately supported by a stable and predictable policy framework.

Women's economic freedom is one of the more stable indicators within the economic subindex. However, improvements in formal rights have not automatically been translated into commensurate labor market outcomes.

Political freedom exhibits an even more pronounced pattern of disruption and recovery. During the years of active conflict, the use of emergency powers was normalized, and democratic space was squeezed. While Political freedom

improved gradually in the years after the end of the conflict, more sharp twists and turns followed because of government changes and an attempted coup.

### Evolution of prosperity

Sri Lanka entered the 1990's with a level of prosperity well above the regional average. Over time, however, that initial advantage eroded because growth came with increased and without improvements in overall social infrastructure.

Since 1995, real income per capita rose steadily and was only shortly interrupted by the aftereffects of the East Asian economic crisis, internal armed conflict, and various shocks from natural disasters to global markets. However, this positive development relied heavily on domestic demand, government spending, and external borrowing, rather than on productivity gains or export expansion. By 2020 this path became unsustainable. In 2022, the debt crisis set back Sri Lanka's GDP by 10 percent.

The structure of Sri Lanka's growth helps explain this fragility. Over time, services became the dominant driver of economic activity, while agriculture remained at low productivity subsistence levels, industry expansion was narrowly focused, and the export basket remained remarkably static, dominated by garments, tea, and a small number of primary or low-value-added products. Tourism and worker remittances increasingly compensated for this weakness, providing foreign exchange and supporting consumption, but neither could substitute for a diversified and competitive tradable sector.

Health outcomes represent one of Sri Lanka's most enduring strengths. Life expectancy has remained high relative to income, reflecting long-standing public investment in universal healthcare and early successes in combating communicable diseases.

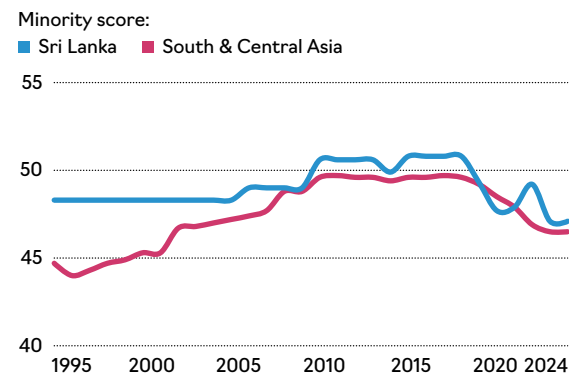
### The path forward

While the recent crisis exposed deep failures in governance, policy design, and implementation, it also generated a growing demand for competent, professional, and accountable government.

A central challenge for Sri Lanka is conceptual rather than technical. For decades, governance has been dominated by crisis management. Political instability, security threats, fiscal pressures, natural disasters, the pandemic, the debt and currency crisis, repeatedly forced governments into short-term, reactive decision-making. To avoid repeating this mistake, Sri Lanka needs to embed stabilization within a broader, domestically articulated development framework that aligns macroeconomic discipline with social recovery, institutional reform, and export growth.

Sri Lanka will also need a development strategy that confronts the country's unresolved national question: how to build a political community in which minorities feel not merely tolerated, but equal, secure, and able to belong without fear. Ethnic reconciliation must be an integral part of rebuilding legitimacy, reducing political volatility, and creating a stable social foundation.

Figure 2. Minority access to opportunities in Sri Lanka has slipped since 2018, underscoring the importance of inclusion for societal stability



Freedom and Prosperity Indexes, Atlantic Council (2025).



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# Sub-Saharan Africa

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# Benin

## Weakening democratic checks and regional insecurity put Benin's future at risk

### Freedom Index

STATUS: Low Freedom  
SCORE: 60.3

RANK: 99/164

### Prosperity Index

STATUS: Lowest prosperity  
SCORE: 47.7

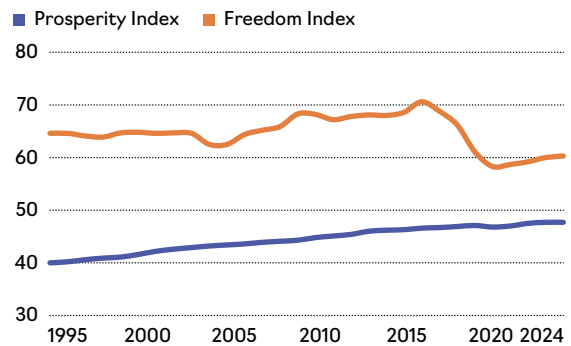
RANK: 138/164

- Benin's democratic progress has eroded sharply since 2016, with political rights declining under President Patrice Talon.
- Economic and social development remains slow and uneven, with persistent poverty and modest human development gains.
- Undeniable progress has been made in infrastructure and in promoting new economic sectors, but the concentration of political and economic power raises doubts about the lasting transformative effect of a decade of reforms.

Once celebrated for its democratic transition, Benin now faces a period of growing political centralization, insecurity, and social strain. Under President Patrice Talon, the country faces declining political freedoms, institutional fragility, modest socioeconomic progress despite infrastructure development and reforms expected to have positive effects in the medium and long term.

Gilles Olakounlé Yabi  
Founder and President  
West Africa Citizen Think Tank

Figure 1. Post-2016 centralization and insecurity drove a sharp freedom decline even as prosperity improved only gradually



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of freedom

For roughly two decades, Benin stood out in a region marked by recurrent political instability, authoritarian reversals, and military interventions. While economic and social challenges persisted, its institutional framework was widely seen as relatively robust. Elections were generally considered free and competitive; and civil and political rights were largely respected.

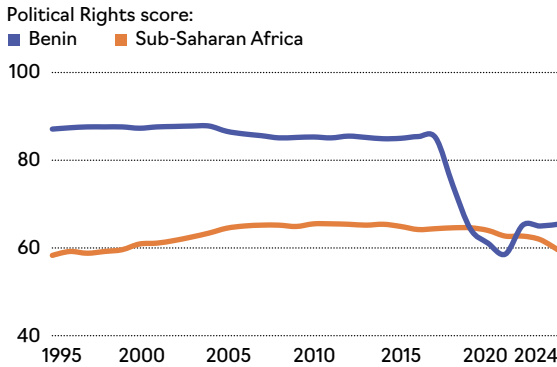
This trajectory changed markedly after 2016, with the election of Patrice Talon to the presidency and his rebalancing of power in favor of the executive. Reforms of the electoral code progressively narrowed the political field by introducing new requirements for party registration and participation.

Civil liberties and political rights have diverged. The civil liberties component remains relatively stable, reflecting the absence of generalized repression or a collapse of basic freedoms such as freedom of movement or physical integrity. By contrast, political rights have declined sharply, driven by the progressive restriction of the space for political organization, competition, and expression.

The legal subindex reflects a more complex and increasingly fragile trajectory. Historically,

Benin’s legal framework benefited from the constitutional architecture established in the early 1990s, in which the Constitutional Court played a central role as a guarantor of the rule of law and a key counterweight to executive power. Over the past decade, however, this equilibrium has been progressively undermined.

Figure 2. Once a regional benchmark, Benin’s political rights fell sharply after the rise of Talon, converging toward Sub-Saharan Africa levels



Freedom and Prosperity Indexes, Atlantic Council (2025).

### Evolution of prosperity

Changes in the Prosperity Index have been more gradual, shaped by long-term structural factors rather than abrupt political shifts. While Benin has made measurable progress in several dimensions of human development, it continues to rank among the least prosperous countries globally.

Income levels remain low, despite steady growth. Real GDP per capita increased gradually from the mid-1990s onward, supported by macro-economic stability, regional trade, and modest diversification. However, growth rates were insufficient to generate a decisive break with poverty. The country’s economic structure, heavily reliant on agriculture, informal services, and transit trade linked to neighboring economies, limited productivity gains, and income improvements translated only slowly into broader prosperity.

Education and health outcomes improved over time, but at a noticeably slower pace than in much of Sub-Saharan Africa. Mean and expected years of schooling increased gradually, and life expectancy at birth rose, reflecting expanded access to basic education and healthcare services. However, these gains consistently lagged behind regional averages. The bold economic and administrative reforms of recent years could have positive socioeconomic effects in the future, provided that political stability and security are not further compromised.

### The path forward

Benin is now entering a phase in which insecurity can no longer be treated as a peripheral or temporary phenomenon confined to its northern borders. Armed groups operating in the central Sahel are likely to continue probing the resilience of state authority. At the same time, the country just experienced its own failed coup attempt in December, when military elements attempted to topple the government.

This evolving security environment intersects with a deteriorating political and regional context. Relations with several neighboring countries have become increasingly strained, against a backdrop of diverging political trajectories and growing mistrust within West Africa.

Looking ahead, the country faces a choice that is often framed in misleading terms. The experience of the years preceding President Talon has fostered the perception that political freedom and effective development are inherently at odds, as if pluralism necessarily implied inefficiency and institutional paralysis. Yet this conclusion rests less on an excess of freedom than on the failure to consolidate capable public institutions, accountable political parties, and a professional state able to translate democratic competition into policy performance. Political openness and efficient development are not incompatible; they tend to reinforce one another when institutions function properly.

# Ghana

Delivering justice and jobs is the real test of Ghana's storied democracy

## Freedom Index

STATUS: Moderate freedom  
SCORE: 73.2

RANK: 46<sup>/164</sup>

## Prosperity Index

STATUS: Low prosperity  
SCORE: 54.9

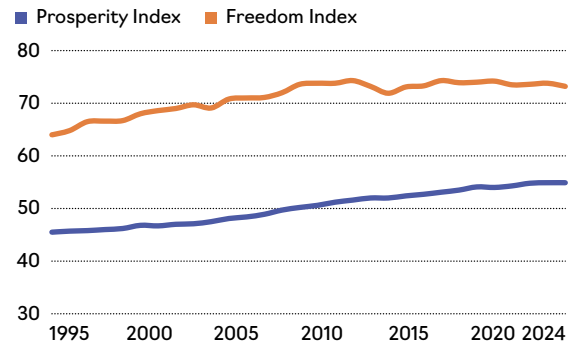
RANK: 115<sup>/164</sup>

- Civil society and independent media are the backbone of Ghana's democracy. Their role as watchdogs has strengthened the credibility of election outcomes.
- Judicial independence from executive influence remains fragile, with public trust in the judiciary dropping by 20 percentage points since 2011.
- Limited job prospects for Ghana's growing population of educated youth present a significant threat to its democratic consolidation.

Ghana's key achievement since the mid-1990s has been consolidating civic and political freedoms through a competitive political system where citizens, journalists, and civil society hold leaders accountable. This durability stems not from elite benevolence but from a strong civil society and resilient independent media.

Joseph Asunka  
CEO  
Afrobarometer

Figure 1. Ghana's limited prosperity gains over the past decades risk undermining its democratic accomplishments



Freedom and Prosperity Indexes, Atlantic Council (2025).

## Evolution of freedom

Ghana's signature achievement since the mid-1990s is the consolidation of civic and political freedoms and a competitive political order in which citizens, journalists, and civic organizations routinely hold leaders to account. The durability of this achievement is not a result of elite benevolence or political will but the product of a dense, independent civil society.

When governments test the boundaries of Ghana's civic space, the response is often swift and organized; this social infrastructure is the primary reason the country's civic and political freedoms have remained consistently strong for more than two decades. This context is reflected in the Freedom and Prosperity Indexes' political subindex for Ghana, which sits well above the economic and legal subindexes.

Ghana's core challenge in improving performance on the rule of law is the judiciary's structural vulnerability to executive influence. Survey data clearly show a deterioration of citizens' trust in the judicial system in the last 15 years, falling by 20 percentage points since 2011. Yet outside of high-stakes political cases, the courts tend to function competently and deliver justice with regularity.

The trajectory of women’s economic freedom stands out as a major structural improvement—and recent [Afrobarometer survey data](#) for Ghana show strong popular support for women to have equal rights to work as men. However, over a quarter of Ghanaians identify employers’ preference for hiring men as the top barrier to women’s advancement, ahead of childcare (17 percent) and skills gaps (16 percent).

### Evolution of prosperity

Ghana’s prosperity trajectory since the mid-2000s mirrors, in broad outline, the “Africa Rising” era: a period characterized by strong improvements in governance and economic growth, rising incomes, favorable terms of trade, and a growing middle class. Between 2005 and the mid-2010s, the [Prosperity Index](#) registered an upward trend, reflecting the robust growth in incomes and steady improvements in social indicators, even as inequality widened in the classic early-development pattern. Ghana rode this wave and, for several years, significantly outpaced the sub-Saharan Africa average.

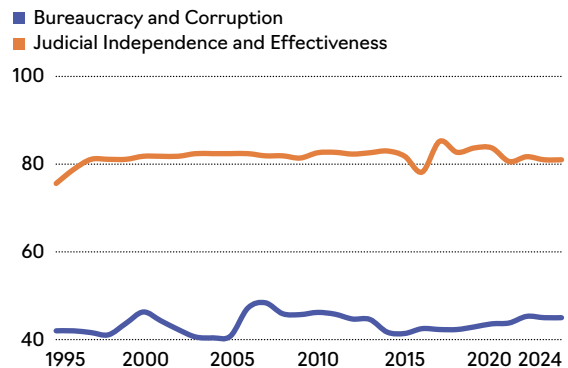
But rising debt-service pressures, coupled with a large budget deficit culminated in Ghana going in for IMF programs in 2015 and 2024. Ghana’s political freedoms do not automatically translate into disciplined fiscal management or sustained economic openness.

Education performance presents a more mixed picture—and the inequality component shows a rapid deterioration, especially from the year 2000. However, the composition of Ghana’s inequality is complex. It is not a rural-urban story; it is also generational. Large cohorts of better-educated youth, especially those under thirty-five, struggle to find formal employment at scale, while older cohorts, who are relatively less educated, hold on to existing jobs. The consequence is an age-skewed labor market that expands inequality even as education levels rise.

### The path forward

The economic, social, and political outlook of Ghana’s next decade will depend on the steadiness with which it improves core institutions and transforms its civic strength into predictable, broad-based gains. Moreover, [aligning reforms to citizens’ stated priorities](#)—jobs, public services, and integrity—can increase traction. The political foundations are relatively strong; the next important step is ensuring transparency and accountability mechanisms that guard the conduct of elections and also insulate the justice system from partisan distortion in high-stakes cases.

Figure 2. Uneven income growth and persistent inequality have limited Ghana’s ability to generate jobs for its increasingly educated youth



Freedom and Prosperity Indexes, Atlantic Council (2025).

Economic management is the second pillar. The political business cycles are familiar by now: A new government comes to power and starts out with prudent fiscal management that boosts confidence and attracts investment, often resulting in an increase in the [economic subindex](#). Then comes election time and fiscal indiscipline erodes confidence and investment freedom, triggering adjustment and decline. Breaking this cycle requires political commitment to enforce them consistently and minimize politically motivated borrowing and spending.

# Data sources

## Freedom Index

The Freedom Index is measured as an equally weighted average of three subindexes: economic, political, and legal; and each of these subindexes

are comprised of multiple components. Higher scores indicate better performance in the Freedom Index, subindex or component.

### Economic subindex

Economic subindex is measured as an equally weighted average of four components: property rights, trade freedom, investment freedom, and women's economic freedom. Higher scores indicate greater economic freedom.

#### Property rights

Higher scores indicate stronger protection and enforcement of property rights.

Source: [Fraser Institute](#).

#### Trade freedom

Higher scores indicate fewer barriers to international trade.

Source: [Fraser Institute](#).

#### Investment freedom

Higher scores indicate fewer restrictions on the movement of investment capital within and across national borders.

Source: [Heritage Foundation](#).

#### Women's economic freedom

Higher scores indicate greater equality in legislation between men and women throughout the duration of a woman's working life.

Source: [World Bank](#).

## Political subindex

The Political subindex is measured as an equally weighted average of four components: elections, civil liberties, political rights, and legislative constraints on the executive. It measures the institutions governing those holding executive political power and the limits and controls imposed on exercising this power. Higher scores indicate greater political freedom.

### Elections

Higher scores indicate more open, clean, and fair electoral processes with ample suffrage.

Source: [V-Dem](#).

### Civil liberties

Higher scores indicate greater protection of civil liberties.

Source: [V-Dem](#).

### Political rights

Higher scores indicate greater protection of freedom of association, expression, and access to independent information.

Source: [V-Dem](#).

### Legislative constraints on the executive

Higher scores indicate stronger legislative oversight of executive power.

Source: [V-Dem](#).

## Legal subindex

The Legal subindex is measured as the equally weighted average of five components: clarity of the law, judicial independence and effectiveness, bureaucracy and corruption, security, and informality. It measures the degree to which a country abides by the rule of law. It measures the degree to which a country abides by the rule of law, understood in purely formal terms as whether citizens and public officials are bound and abide by the law. Higher scores indicate stronger rule of law.

### Clarity of the law

Higher scores indicate laws that are clear, consistent, and predictably enforced.

Source: [V-Dem](#).

### Judicial independence and effectiveness

Higher scores indicate a more independent and effective judiciary that fairly enforces the law.

Source: [V-Dem](#).

### Bureaucracy and corruption

Higher scores indicate a more efficient bureaucracy and lower levels of corruption.

Source: [World Bank](#).

### Security

Higher scores indicate lower risk of politically motivated violence and instability.

Source: [World Bank](#).

### Informality

Higher scores indicate a larger share of economic activity operates in the formal sector.

Sources: [World Economics](#) (current-2000), [World Bank](#) (1999-1995).

# Prosperity Index

The Prosperity Index seeks to capture both individual prosperity (through average country levels of income, education, and health) and shared

prosperity (through environmental quality, income inequality, and the well-being of minority groups). Higher scores indicate greater prosperity.

## Income

Higher scores indicate higher real GDP per capita adjusted for purchasing power.

Source: [World Bank](#).

## Education

Higher scores indicate longer expected and average years of schooling.

Source: [United Nations](#).

## Health

Higher scores indicate longer life expectancy.

Source: [United Nations](#).

## Environment

Higher scores indicate lower emissions, fewer deaths from air pollution, and greater access to clean cooking technologies.

Sources: [The Global Carbon Budget 2024](#), [Institute for Health Metrics and Evaluation](#), [World Bank](#).

## Inequality


Higher scores indicate more equal income distribution across the population.

Source: [Standardized World Income Inequality Database](#).

## Minorities

Higher scores indicate better access to public services and opportunities for minority populations.

Source: [V-Dem](#).

[Read the full methodology and detailed components](#) 

## Limitations

The Freedom and Prosperity Indexes methodology is designed to be easily replicable and comparable across a global set of countries. When selecting sources for inclusion in the indexes, coverage has been a determining factor. Data were collected over the past year using the most recent information available, which means they might not reflect the latest political or economic developments and are, therefore, not meant to provide a real-time account of current events. We do, however, update the indexes to capture real-world changes on an annual basis. The objective is to provide standardized, cross-country measures to assess

the long-term impact of institutions on prosperity. As a result, our methodological and data choices prioritize comparability and consistency over sensitivity to short-term or highly context-specific developments. This entails a trade-off: in some cases, the indicators may be less well-suited to capturing unique political situations or real-time changes within individual countries. Given that there is an inherent tension between generalizable and specific knowledge, this study prioritizes the former and encourages other researchers to explain how our indexes illuminate or obscure country-specific dynamics.

## Acknowledgements

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[Read the full Atlas country analysis](#) 

[Explore the Freedom and Prosperity Indexes](#) 



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