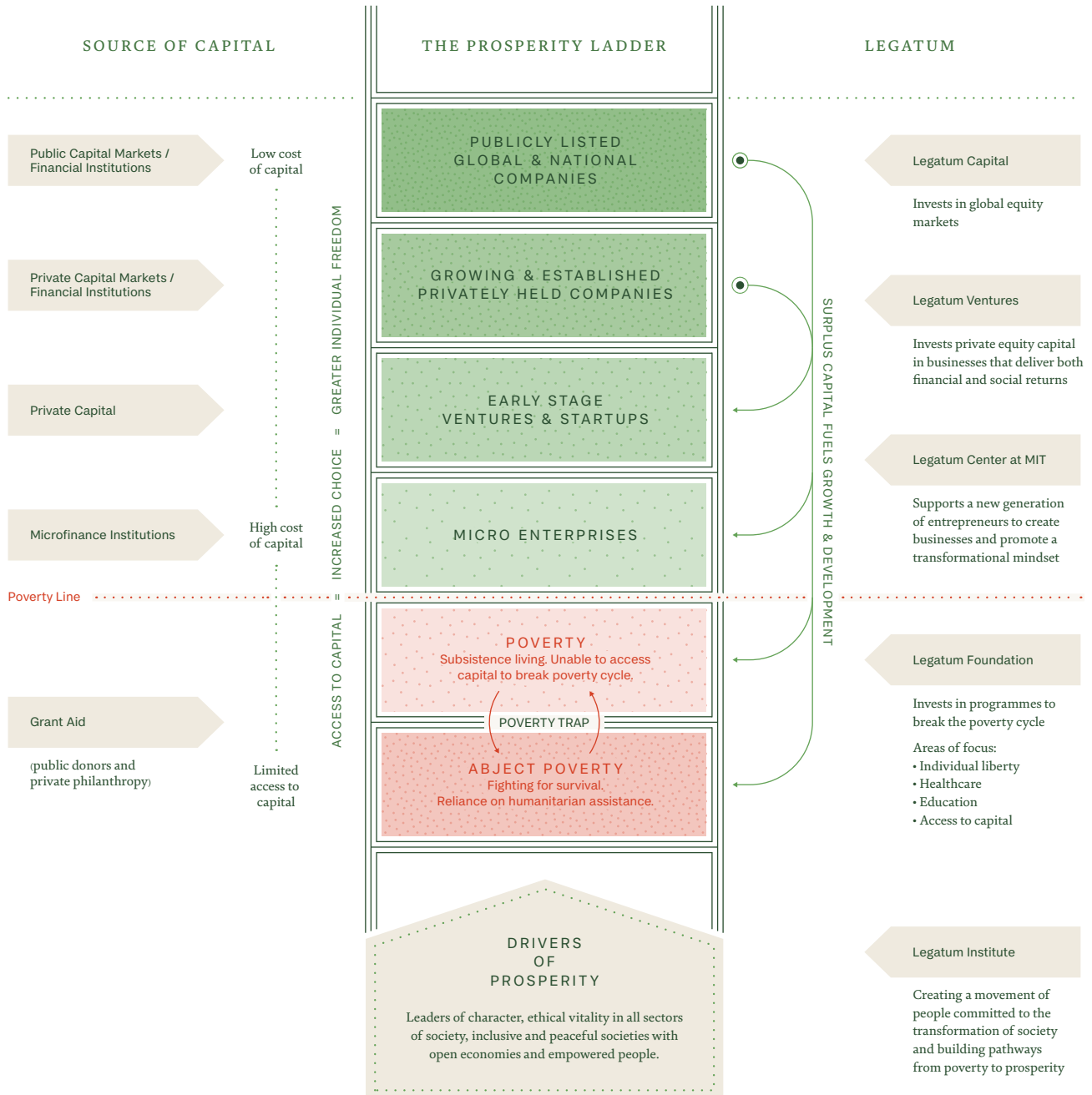


The Legatum Prosperity Ladder™

Business is Development



Please see the next page for further details

“The rung of a ladder was never meant to rest upon, but only to hold a man’s foot long enough to enable him to put the other somewhat higher”

THOMAS HUXLEY

A model for Capital Allocation

The Prosperity Ladder is a simple framework illustrating how we allocate financial, intellectual and human capital in order to promote our broader Mission of helping others prosper.

No society functions without access to capital, which is essential for development and prosperity.

At the bottom of the ladder are hundreds of millions of people around the world who live below the poverty line and are caught in subsistence living, who are unable to generate surplus capital, improve their skills through education or access credit.

Well-directed aid (public and private) can provide the capital required to break this cycle and provide the means for progress. The Legatum Foundation invests capital at the bottom of the ladder to provide an opportunity for people to better their own circumstances.

We believe that aid plays an important but *limited* role in development. Communities grow through economic opportunity which comes about through an alchemy of good governance, cultural transformation, education and an enabling business environment.

We therefore allocate capital from our Foundation carefully to avoid crowding out private capital in order to assist beneficiaries to help themselves.

As markets and societies become increasingly developed, surplus capital is created, reducing financing costs and improving access to credit and equity. This enables households to invest in housing and education, and entrepreneurs to start and grow businesses. This in turn fuels the growth of larger enterprises, helping to create jobs, providing consumers with better access to services, increasing competition, improving the legal and regulatory environment and delivering many other social benefits.

In addition, in vibrant free markets, surplus capital generated at the top of the ladder is recycled as seed capital to support new entrepreneurial ventures and as philanthropic grant aid to help those beneath the poverty line.

This virtuous circle is the reason we use the phrase *business is development*, as business is the most effective vehicle for creating social transformation and prosperity.