



Doing Development Differently

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As Harvard development expert Lant Pritchett says, ‘There are no poor people. There are people living in poor places’. This is demonstrated by the fact that when poor people relocate to countries where they have economic rights—property rights, access to a transparent legal system, protection from corruption, minimal barriers to entry—they prosper.

The story of top-down government to government ‘development assistance’ being at best ineffective, and at worst, exacerbating civil war and famine, is as old as the hills. (Of course, that didn’t stop 2016 being the biggest spending year on record for foreign aid globally). Whilst criticism of foreign aid has been comprehensive, an alternative practical approach for the economically literate has been lacking.

The Atlas Foundation’s *Doing Development Differently*, a program launched in October, promises to change that. It differs from the foreign aid status quo because it helps local organisations expand the economic rights of the poor. It does this by chipping away at the margins of bad institutions like onerous business regulation. New research supported by Atlas, on which the



program is based, has found that even minor improvements in bad institutions in developing countries makes a significant difference to large numbers of people.

Doing Development Differently aims to improve the economic rights of poor people by assisting Atlas' network of 480 independent local think tanks in 96 countries in campaigning for those rights. Sometimes through grants, but also through support and capacity building, *Doing Development Differently* works with this network to secure property rights, reduce regulation and cut back on corruption.

DOING DEVELOPMENT DIFFERENTLY

One example of a project being assisted by *Doing Development Differently* is the Khaya Lam (My House) Land Reform project run by the Free Market Foundation in South Africa. It converts the insecure property rights held by millions of black South Africans as a hangover from Apartheid to secure freehold title.

So far Khaya Lam has processed hundreds of titles, unlocking USD 4.5 million in dead capital. It has also provided a blueprint for the titling of the homes of the 5 to 7 million South Africans who still live in Apartheid-era socialist housing.

People can't flourish in an environment where it is difficult to start a business. A key focus of many of the organisations in Atlas' network is reducing business regulation. In December 2016, the Samriddhi Foundation in Nepal successfully campaigned to reduce the time it takes to register a domestic business down from several days to a maximum of 30 hours. Businesses funded by foreign investments had the registration period reduced from weeks down to seven days.

Ukraine has stagnated for years under rampant corruption. The Ukrainian Economic Freedoms Foundation (UEFF) fights to reform the judicial system, streamline bureaucratic obstacles to business activity, inform taxpayers about deductions and protect them from arbitrary tax hikes, and promote transparency for government expenditures.

The UEFF contributed to the abolition of 22 business permission procedures including the license for catching fish in internal waters, the quality certificate for fishing ships and obligatory registration for certain types of fertilizers. The removal of the fertilizer registration effectively dismantled a de-facto Russian monopoly on local fertilizer that was costing businesses USD 300 million per year in direct costs. As a result of the change, EU fertilizers can be imported into Ukraine without prior registration—a process which previously averaged 500 days.

WHAT'S DIFFERENT THIS TIME?

This development approach is very different to the foreign aid status quo. Government foreign aid agencies generally treat the symptoms of poverty by making cash transfers to developing country governments in the hope they will improve service delivery. For example, inferior crop yields in Pakistan are addressed by the World Bank by helping the government improve Research and Development dissemination or funding subsidised finance to farmers.

What this fails to comprehend is that authoritarian and corrupt governments in the developing world are generally the cause of poverty. Market and entrepreneur-friendly institutions are the key to overcoming it and that this is best achieved by local organisations, rather than outsiders.

None of the economic theory behind *Doing Development Differently* is new. New development economists have long preached the absolute importance of economic, political and legal institutions in predicating growth. Where *Doing Development Differently* makes strides is in providing a framework for the application of these ideas in practice.

A core component of *Doing Development Differently* is benchmarking change to the World Bank's *Ease of Doing Business Index*. The World Bank produces this index annually, covering most nations in the world and evaluating things like regulation, corruption, property rights and the judicial system. These measures are then used to create an overall picture of how well a nation protects the economic rights of its citizens.

Recent research supported by Atlas has discovered that improving a nation's Ease of Doing Business score by 5 points reduces the rate of poverty in that country by 1 percentage point. This gives the think tanks within Atlas' network a quantifiable target to structure their activities around. Whilst Atlas have long-supported their network of think tanks in developing countries, this new benchmarking process enables them to quantify the impact they are having much more effectively.

This is connected to another core element of *Doing Development Differently*—marginality. Many of the conservative and libertarian persuasion have understandably balked at attempts to instigate economic growth in the developing world, arguing that the requisite fundamental institutional change is fraught with difficulties. Indeed, this argument has been a major hurdle to the development of an economic rights-based poverty alleviation strategy.

Doing Development Differently has sought to mitigate this attitude by pointing out that even small improvements in economic rights at the margin can improve the livelihoods of vast numbers of people in the developing world. Whilst reforming an entire justice system is a gargantuan undertaking, chipping away at minor business regulations is not only more straightforward, but can also benefit huge numbers of people.

For example, last year the Centre for Civil Society in India successfully campaigned for the elimination of minimum capital requirements for new business registration. These regulations disproportionately impacted the poor due to the obvious difficulty those living in extreme poverty have in accumulating capital. The removal of this one piece of red tape translates to 321,000 people lifting themselves out of poverty.

This incremental approach is also in sharp contrast to the top-down foreign aid status quo which, along with the differences mentioned earlier, seeks to fix everything and everyone all at the same time.



Finally, *Doing Development Differently* is a co-ordinated approach. As mentioned earlier, an economic freedom-based development strategy has not been forthcoming despite new development economics and new institutional economics having been around for decades. Those few organisations that have taken the rights-based approach have largely operated independently of each other with little co-ordination.

Doing Development Differently provides that co-ordination for dozens of organisations around the world. Crucially, it links freedom-minded philanthropists with local NGOs by providing assurances that any organisation within the network is taking a rights-based approach to poverty alleviation.

Of course, all this is not to say that more traditional forms of charity are a waste of time. It just confronts the reality that no country can move from being poor to prosperous without its citizens enjoying the free exercise of economic rights.

A NOTE OF CAUTION

If there was one note of caution regarding *Doing Development Differently* it would be that Atlas and its network would do well to remember that written rules are only worth anything if they are followed. The ability of new institutional arrangements to take hold where they are implemented is a concept known as 'institutional stickiness' by new institutional economists. Removing a costly regulation doesn't mean much if an official or policeman can visit your market stall at any time and demand bribes.

The culture of low-level corruption that directly affects the poor is pervasive in many developing countries. Developing strategies to deal with this will undoubtedly emerge as an area of future work for the organisations involved with programs such as *Doing Development Differently*.

Nonetheless, *Doing Development Differently* is an important step forward for anyone who is cognisant of the centrality of institutions and rights to poverty alleviation. It promises to go some way to filling the gap between the significant economic literature on this reality, and the absence of a practical methodology for organisations and philanthropists to go with it.

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