

# Making the Law Work for Everyone



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to develop modern economies. Making institutions and rules work for the broader public good is at the heart of this agenda.

Effective and inclusive laws, enforced through well-functioning institutions, bring a host of economic benefits that are so fundamental that they are often forgotten. They make transactions easier and cheaper. They foster predictability, security, and trust. They make enforceable long-term contracts between strangers possible. That, in turn, permits a greater specialisation and division of labour, economies of scale, long-distance trade, and essential financial functions such as credit and insurance. Such features mark the difference between a rudimentary economy with a simple pattern of production and exchange and a vastly more complex and productive developed economy. Well-designed and fairly implemented laws can also promote competition, investment, and innovation. What matters is not so much regulation or deregulation *per se*, but the quality of laws, regulations, and institutions.

Equity – by which we mean equality of protection and opportunity – requires that the poor have the necessary security and a fair chance to participate in the formal economy. But so does efficiency: if the poor are unable to make the most of their talents, growth suffers. Bright ideas and profitable investments go untapped, poverty becomes entrenched, people's potential is wasted, and economic growth slows.<sup>53</sup>

Following a strike by Bogotá's public-cleaning and waste-management service in the mid-1990s, the local government asked rag pickers to help. Heeding the city's call, they disposed of more than 700 tonnes of waste daily. Spotting a business opportunity, they organized themselves into the *Asociacion de Recicladores de Bogotá (ARB)*, an association of 25 waste-pickers' co-ops. But when the contract to provide solid waste-management services was subsequently put out to competitive tender, government legislation and the terms of the tender barred them from competing for it. Helped by pro bono lawyers, ARB demanded a constitutional review of this unfair provision and a writ of protection of human rights. Colombia's Constitutional Court accepted their arguments and granted them affirmative action for their inclusion in competitive bidding processes connected to waste management.

Source: Ruiz-Restrepo 2007

Legal empowerment can make a difference in development. But it is not a panacea. Sound macroeconomic conditions also matter, as does openness to trade and foreign investment. Investment in education, training, infrastructure, and essential services is vital. Underpinned by legal empowerment, all of these will promote broad-based growth and poverty reduction.

### The benefits of access to justice and the rule of law

To reap the full benefits of allocating property rights, defining employment relationships, and legally registering enterprises, rights must be enforceable and functioning institutions must implement them. While measuring the economic value of access to justice is notoriously difficult,