

LEGAL EMPOWERMENT LAUNCH PRESS RELEASE

As food crisis grows, report finds four billion people are excluded from the rule of law Commission on Legal Empowerment of the Poor makes a global call to make legal empowerment a key pillar of the anti-poverty agenda

New York, 3rd June 2008 – A new report launched today found that four billion people – the majority of the world’s people – are excluded from the rule of law. The report, by the Commission on Legal Empowerment of the Poor, a group co-chaired by former U.S. Secretary of State Madeleine K. Albright and Peruvian economist Hernando de Soto, called on governments, international institutions and civil society to make legal empowerment a top agenda item in the fight against global poverty. As the global food crisis wreaks havoc on nations across the globe, the new report proposes solutions that focus on the core of the problem.

“The current food crisis is a symptom of the problem. If poor farmers do not have title to their land, they can’t borrow against it, are unable to invest in improvements, and have less incentive to conserve the land’s value,” said Madeleine K. Albright, who co-chairs the independent Commission. *“A country benefits from a large group of farmers operating with the protection of law, growing food for the domestic market. Such a country will be less vulnerable to fluctuations in global prices and less dependent on the help of others.”*

The ground breaking report, ‘Making the Law Work for Everyone,’ finds that half the people in urban areas worldwide live in squatter settlements and work in the informal economy. Even larger numbers live in isolated rural areas with limited secure access to land and other resources. They operate outside the law by entering into informal labour contracts, running unregistered businesses, and often occupy land to which they have no formal rights.

In the Philippines, 65 percent of homes and businesses are unregistered, in Tanzania 90 percent.

In many countries the figure is over 80 percent. The informal economy accounts for over a third of the developing world’s economy.

“The law is not something that you invent in a university – the law is something that you discover. Poor people already have agreements among themselves, social contracts, and what you have to do is professionally standardize these contracts to create one legal system that everybody recognizes and respects.” said Hernando de Soto, Commission Co-chair

The report found that when the laws of society act as a barrier to the poor, then the idea of the law as a legitimate institution of democratic governance is injured. In contrast, by expanding legal protection, more citizens develop an increased stake in the maintenance of a peaceful social order and the stability of the local government. The Commission argues that strategies that expand legal empowerment to the poor have an impact not just on their opportunities to prosper but also on the broader issues of stability, peace and democratic governance.

“Governments exist to serve the needs of their citizens. Expanding the blanket of legal protection to the poor serves to strengthen - particularly in the eyes of the poor – the value and legitimacy of their government.” Co-chair, Hernando de Soto continued, *“The establishment of institutions that expand legal benefits to the poor that will reduce their vulnerability and insecurity while increasing their opportunities to prosper can be the difference between desperation and dignity for hundreds of millions of our fellow human beings.”*

The report found that no modern market economy

can function without law and power can only be legitimized by submitting to the law. It identifies four crucial pillars which must be central in national and international efforts aimed at the legal empowerment of the poor: access to justice and rule of law, property rights, labour rights, and 'business rights'.

- **Access to justice and rule of law** According to the report, legal recognition starts at birth. More than seven in ten children in the world's least developed countries do not have birth certificates or other registration documents. As they grow older, they live in homes, sell their labour and open small businesses, without formal papers or recourse to justice. Complicated laws and differing languages, combined with little or no legal assistance for the poor, can result in no recourse to justice. In India, for example, there are approximately 11 judges for every million people. More than 20 million legal cases are pending and some civil cases take more than 20 years to reach court. In the Phillipines, the average judge has a backlog of 1,479 cases.

- **Property rights** - To be fully productive, assets need to be formally recognized by a system that includes both individual and collective property rights and that recognizes customary rights. This requires that businesses' and properties' assets are valued and recorded in standard records, titles and contracts in order to protect households and businesses. Moveable and fixed property should be available to the poor to use as collateral to obtain credit, business loans and mortgages and thus benefit from its intrinsic economic power.

- **Labour rights** - Informal work accounts for over half of total employment in developing countries and as much as 90% in some South Asian and African countries. Giving workers secure labour rights encourages them – and their employers – to invest in new skills that enhance their productivity.

- **Business rights** - Obtaining a license, the first step to registering a business, is often blocked by bureaucratic 'red tape' and costly fees. A recent study of 12 Latin American countries by the Inter-American Development Bank found that only 8 of all enterprises are legally registered and that nearly 23 million businesses operate informally. Business owners cannot get formal bank loans, enforce contracts or expand beyond a personal network of familiar customers and partners. It is also difficult for owners to pass their companies to their children. Formalizing companies

enables ownership to pass from one generation to another. Formalization also allows arrangements such as limited liability companies, which help contain personal risk and shield assets.

The way forward:

Leaders from across society can champion policies and smooth the way to Legal Empowerment, according to the report, but change cannot happen without the active involvement of the poor. Pro-poor community associations, civil-society activists and local social action groups can also help defend poor people in court and expand their rights. Bundling service delivery can help cut costs and simplify procedures.

Legal empowerment can reenergize the human rights agenda and drive advances that would otherwise be out of reach. The Commission's report concedes that, "making poverty history cannot be accomplished through Legal Empowerment alone, but it is hard to see how it can be done without it." The Legal Empowerment agenda focuses on improving the internal dynamics of countries. By improving these internal dynamics and frameworks, the Commission's work serves as a complement to existing international aid efforts. Taken together, the legal empowerment agenda can assist nations in transforming debt forgiveness and aid into a realization of the Millennium Development Goals.

The Commission is comprised of 21 Commissioners and 16 Advisory Board member, including former heads of state and government, cabinet ministers, jurists, economic researchers, and other senior policymakers from the North, South, East and West. Over three years, the Commission conducted 22 national consultation processes with representatives from local governments, academia, civil society and grassroots movements and launched five technical working groups which submitted specialized reports.

For further information please call:

Shomwa Shamapande, Commission on Legal Empowerment of the Poor, in New York:
+1 212 906 6127 or (Mobile) +1 917 447-5752,
Shom.Shamapande@undp.org or visit <http://www.undp.org/legalempowerment/>.