

Awakening Assets for the Next Four Billion

Digital "Challenge Offers" To Poor Communities

Introduction

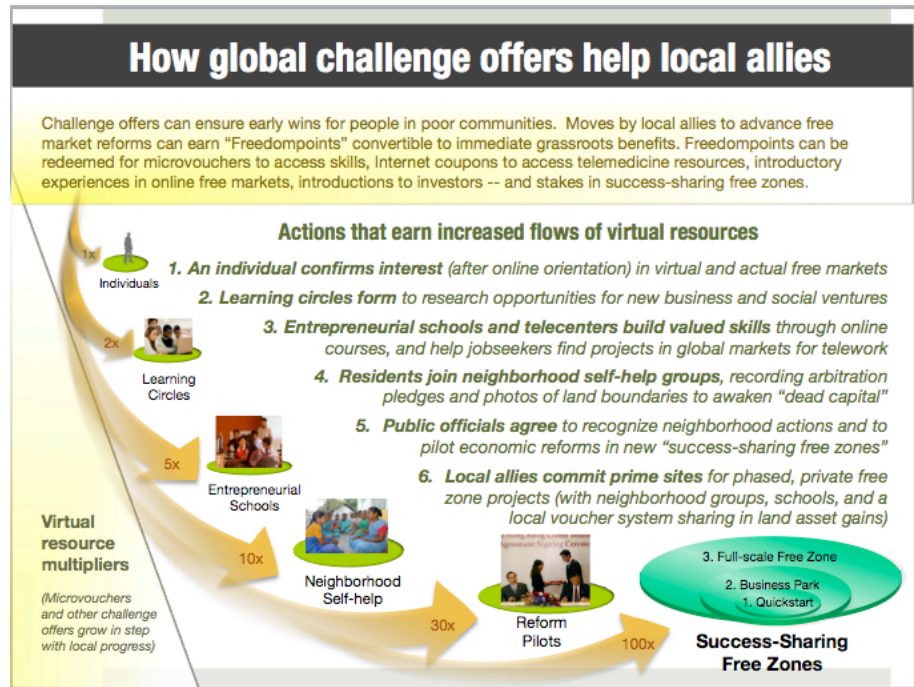
An opportunity exists to extend free market reforms around the world on a success-sharing basis. "Challenge offers" of virtual resources can provide near-term benefits for poor areas that embark on reforms, in ways that awaken assets for the sustainability of local and global good causes.

Background

Around the world, concerns have been rising over the performance of public institutions. Poverty, disease and instability have spread in many parts of the world with failing and failed states. In response, liberalizers have attempted to work through formal institutions to remove barriers that hold back social and business entrepreneurs. Yet such efforts often have been deflected or blocked.

Prospects are now brightening for grassroots implementation of market-based reforms. New "virtual catalysts" for systemic change are at hand.

Virtual communities and online free markets are now able to establish partnerships that deliver online resources for change in actual policies and institutional practices around the world. The changes can bring lasting benefits to billions of people now impoverished by statism.



To appreciate the new potential for these partnerships, one can view relationships between three realms of human action in a multilevel manner. The following layers of action are now operating without much beneficial influence or exchange across their boundaries:

- 1) **Virtual communities and online free markets** constitute a new, fast-growing "top" layer, open to social and business entrepreneurs of all size from around the world;

- 2) **State-regulated, often heavily-burdened formal societies** comprise a middle layer (some parts of which are becoming freer with introduction of free economic zones and transparency-enhancing eGovernment systems); and
- 3) **A huge, largely free market "informal society"** exists at the bottom layer, where billions of people today find refuge from predations and public sector dysfunctions in their countries.

Openworld sees the fast-growing global virtual society as a new base for partnerships to spread skills and create jobs, advance needed reforms, and awaken assets in the middle (formal) layer as well as in the informal society at the base. These relationships can especially benefit those who have been poorly served at present by flaws of formal, politicized formal institutions or by gaps in the self-help systems of the informal sector.

Opportunity

An opportunity exists for online free markets/virtual communities to link directly with individuals in less-free areas, including large numbers of people who are now living in poor neighborhoods and conflict-torn regions.

These new links can introduce essentially immediate learning and job-creating opportunities in small, catalytic ways that spark virtuous cycles of liberalization and asset creation at grassroots levels. The links can be designed to reward transformation of economic policies and public institutions in the middle layer as well as the informal sector.

The emergence of online micropayment systems makes it possible to connect tens of millions of people - and in the coming decade, billions of people - around the world with new opportunities. Such payment systems are now spreading through cell phones and through the Internet (including Paypal and e-Gold).

In consequence, the virtual "top layer" can now extend opportunities to those who have lacked access to them in the past. The new opportunities include:

- *microvouchers* for access to eLearning/certification and eHealthcare resources;
- *contracts* with freelancers in a spectrum of "remote services" tasks (including secretarial work, graphic design, online tutoring, translations, web site development, and even video monitoring services for home security);
- *microfinance* for grassroots entrepreneurs (such as through www.kiva.org);
- *technical assistance and downloadable toolkits* to help business and social ventures identify new markets and opportunities to awaken dormant assets; and
- *microdonations* to community self-help groups.

These direct links can bring new skills, jobs and revenues to individuals now living in impoverished areas around the world that have lagged despite the hundreds of billions of dollars spent annually by national and international public institutions.

Virtual opportunities for learning and work can be introduced rapidly and affordably for residents in these areas. Moreover, the value of these offers can be made proportional to moves by self-organizing groups to awaken dormant assets by reducing present policy and institutional barriers that hold back business and social enterprise.

Strategy

At its heart, Openworld's strategy is to introduce new partnerships between the top (virtual) and bottom (informal) realms of human endeavor in ways that speed their mutual growth, as well as their attractiveness as an alternative for those in heavily-burdened formal sector economies.

In the self-organizing top layer - which includes digital philanthropies as well as eBay-style markets for remote services - microvouchers for eLearning and eHealthcare offer perhaps the most immediate, powerful and replicable catalysts for triggering grassroots breakthroughs.

1) How microvouchers can increase individual opportunity

Digital philanthropy offered in the form of Paypal/e-gold microvouchers offers a way for many individuals in poor areas to quickly access new language, business and technical learning resources online and begin to build skills that are valued in global free markets.

Individuals who gain and spread such skills — and who further do reputation-building microprojects for local/global good causes (such as translating/transcribing pro-freedom materials) — can earn visibility among those investors and telework providers in the top layer virtual economy who are prepared to offer microinvestments and compensated telework projects.

This can help in establishing a new "extended order", in Nobel Laureate F.A. Hayek's words, of small/new entrepreneurs around the world who feel a fundamental connection with the values of free markets and civil society. (A small first step towards this can be seen in the preview of a new online work-study forum in an Openworld-designed virtual business incubator for Eastern European freelancers at www.virtualmarketopener.com).

2) How microvouchers can reward self-organizing grassroots initiatives

These new benefits from the emerging global virtual economy can also help in directly rewarding communities that move to create or expand free markets and free institutions.

"Challenge offer" packages of microvouchers and microfinance can reward neighborhoods and entire communities, in cases where residents act to improve conditions at specific sites for social and business entrepreneurs.

The value of the catalytic microvouchers/microfinance challenge grant package can be raised in cases where:

- most or all residents of an area share data with private land registries (cell phone cameras can record boundaries, as well as commitments by neighbors to arbitrate disputes); and
- a majority of residents in the area also join self-help groups to meet shortfalls in vital public services. Covenant-based neighborhood associations offer an especially enduring way for residents to sustain such services.

3) How microvouchers can catalyze actual policy reform

Further benefits can be added to spur deeper reforms in the middle layer where state failures have held back growth. Microvouchers and other digital challenge grant offers can rise to transforming levels for residents of poor areas, once local authorities agree to:

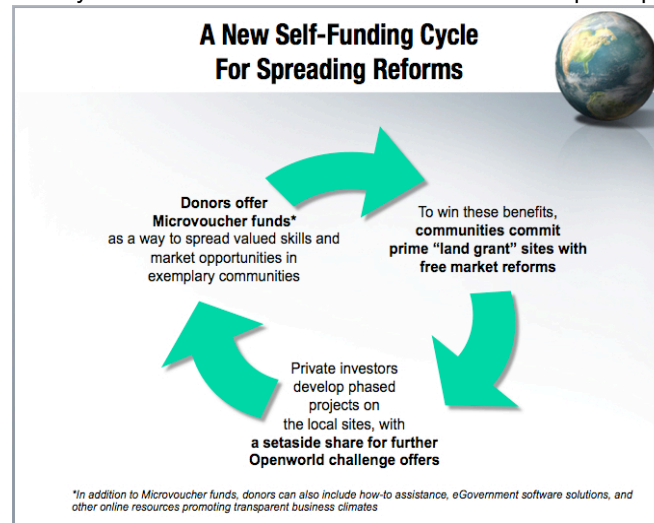
- *officially recognize neighborhood-documented private land registries* and offer tax discounts for neighborhoods in proportion to their self-provision of agreed local services;

- *introduce world-class business climates through eGovernment pilot projects* such as those proposed by the Openworld Institute (www.openworldinstitute.org);
- *implement Singapore-style “flexi-wage” systems* that lift public sector employee salaries in step with economic growth rates (this last feature defines the new “all-share” variant of the open world zone success-sharing concept); and
- *privatize government-owned lands* near such neighborhoods, via competitive tenders for open world zone development (many private zone developments exist world-wide, including Freeport, Bahamas and ZonAmerica in Uruguay). Such privatizations can be done in ways that create “land grant” endowments for the local microvoucher programs to continue and expand.

For these (initially small) zones of concentrated free market reform to scale up, Openworld's strategy is to align incentives of local and global private stakeholders as beneficiaries of the 5x-30x land value gains that typically happen when world-class conditions are introduced for economic growth in troubled regions.

Local workers, entrepreneurs, and good causes active in the initial phase of each zone, in our view, can be vested as stakeholders under “build-operate-transfer” (BOT) concession agreements with private free zone developers. Their stakeholdings would be in the land and infrastructure assets developed in the second phase of the zone.

Incoming workers and others who are active in the second phase of zone growth, in turn, can be vested as stakeholders in the third phase of zone expansion, and so forth. By this means, the initially limited area of each free zone can scale up to approach or surpass Hong Kong, Dubai, and



Singapore in size. Moreover, by reserving a small, setaside stakeholding interest in each zone development venture for future Openworld challenge offers, a new self-funding system to spread free market reforms can be established.

Many who are now eking out a living at the “base of the pyramid” (in C.K. Prahalad’s words) can thereby enjoy direct and indirect uplift from new virtuous cycles of asset creation. And the new zones will put pressure on surrounding polities — much as did China’s Special Economic Zones in the early 1980s — to liberalize as well.

At some point, a Hanseatic League-like system of agreements for harmonizing trade and investment flows may emerge among these new centers of economic growth, and spread into the remaining constrained areas of the world economy. Singapore and Dubai have already begun to form joint ventures in China and India for free zone development.

As all of this unfolds, immense new markets can open for market-sensitive global corporations and for donors and foundations interested in the spread of self-organizing and self-confident free societies.

Open Issues

Although technology now enables affordable communications, challenges remain over how best to catalyze change. Open issues include:

- how microvouchers and other digital donations can best assist entrepreneurial schools and eLearning/eHealthcare offerings by private Internet centers in poor communities;
- how areas with limited web access, literacy, and/or global language proficiencies can explore free market opportunities via multimedia orientations (in local languages) distributed on preloaded donated computers and/or cell phone memory cards; and
- how a global network of free market-oriented foundations and corporate donors might coordinate offers of digital donations to reward self-help initiatives and policy reforms to awaken dormant assets.

Next Steps

Openworld welcomes inputs from prospective implementing partners in resolving these issues and in shaping global challenge offers that spark creation of free zones and free institutions. Your ideas and other assistance will be appreciated to put our shared values into action.