The Ugandan Miracle of a Market-Driven Charity

In *[The Theory of Moral Sentiments]*, Adam Smith, the father of modern economics, describes the sympathetic nature of human beings in one short, brilliant, sentence:

> *How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.*

Charity is one of the multiple ways in which we channel our sympathetic instincts. Contributing to charitable causes shows we care for the well-being of our fellow humans. Caring, however, isn't enough. We need to ensure the money we give to charity actually helps those for whom it is intended.

The charitable work of Living Goods, a social enterprise aimed at improving health-care conditions in Uganda, Kenya, and Myanmar, has been recently assessed by four independent economists, and results are stunning. Between 2011 and 2013, Living Goods managed to reduce child mortality (children under five years of age) in Uganda's rural areas by 27 percent; infant mortality (under one year) by 33 percent; and neonatal mortality (under one month) by 28 percent.

Yet Living Goods isn't the typical charitable organization. It relies on market mechanisms to provide health care services in low-income areas. Living Goods trains local women between 18 and 45 to become community health promoters (CHPs). These community health promoters are then assigned to villages where they go door-to-door providing medical advice and selling health products at below market prices.

These products, which CHPs purchase directly from Living Goods, range from water purification tablets, vitamins, and oral rehydration salts to insecticide-treated bed nets, water filters, and solar lights. In a sense, Living Goods' business model resembles Avon's: a network of profit-motivated entrepreneurs providing people with goods and services on a door-to-door basis.

Living Goods' CHP program not only makes a difference when it comes to reducing child mortality, but it is also cost-effective. Two metrics are usually employed to analyze the effectiveness of health-care programs in relation to their cost: the average cost per death averted and the cost per life-year saved.

The first one analyzes that total cost of saving a life, which, in the case of the CHP program, amounts to $4,063. The second metric, the cost per life-year saved, divides the cost per death averted ($4,063) by the average life expectancy in the country (59.75 years). Estimates suggest that the cost per life-year saved by Living Goods in Uganda is $68, a low number when compared to similar CHP programs in Kenya ($82.)

Living Goods' success in improving the lives of those in developing countries contrasts starkly with other underperforming initiatives. One of these is the Millennium Villages Project, a United Nations development program aiming to enhance rural development in Sub-Saharan Africa. While the program lasted a decade, a 2018 reportshows it failed to meet its development goals.

The experience of Living Goods shows two things. First, it reveals the importance of not getting carried away by emotions when choosing a charity to support. Instead, some research should be done to make sure that donations are being put to good use. Using GiveWell or The Life You Can Save, are helpful options for those who don't have a lot of time to investigate various charities.

Second, the introduction of market mechanisms in non-profit organizations enhances the effectiveness of charity donations in improving the living standards of those who are in need. Given this, adapting Living Goods' business model to other nonprofits may help maximize the impact of each dollar spent on charity.

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