



## Building A Better World:

# A New Global Development Strategy to End Extreme Poverty



INITIATIVE FOR GLOBAL DEVELOPMENT

Business leaders working to end poverty

## About the Initiative for Global Development

The Initiative for Global Development (IGD) is a nationwide alliance of private sector leaders who are working to make global poverty alleviation a high priority among national policymakers.

Our goal is to create a strong and coherent private sector voice urging leaders and policymakers to provide global leadership and raise awareness of the importance and urgency of global poverty elimination at the national and international level. We are uniting opinion leaders, key business and civic actors across the country to inspire action in support of eliminating extreme global poverty.

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*The IGD is coordinated by Global Partnerships ([www.globalpartnerships.org](http://www.globalpartnerships.org))*

**Building A Better World:  
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**A Policy Brief from the  
Initiative for Global Development  
January 2004**

*“A world in which some live in comfort and plenty, while half the human race lives on \$2 a day, is neither just or stable. Including all of the world’s poor in an expanding circle of development—and opportunity—is a moral imperative and one of the priorities of U.S. international policy.”*  
– *The National Security Strategy of the United States, September 2002*

## Who We Are

The Initiative for Global Development is an alliance of business and civic leaders that believes we have an historic opportunity to eliminate extreme global poverty<sup>1</sup> and, in so doing, create a safer, more humane and more prosperous world for all. Business and civic leaders have not typically engaged our country’s leadership on issues of global poverty. In this increasingly interdependent world, however, we are convinced that the interests of the United States – our own stability and economic health – are bound up with the fate of the world’s poor.

It is our conclusion, after hearing from a range of experts and polling our own membership, that extreme global poverty is at the root of many of the gravest challenges facing the world at present – from HIV/AIDS to terrorism, from environmental degradation to regional instability – and that its elimination is the single most important step we can take in realizing a better future for the United States and the world. *Relative* poverty will most likely never be eliminated, but it is within our reach to cut dramatically and even eliminate the number of people living in *extreme* poverty. We are people of action who want our government to seize this opportunity for leadership and lasting change for the benefit of all.

Our intent is to raise national awareness among business and civic leaders of the nature of global poverty and the importance – and feasibility – of eliminating the worst of it within our lifetime. We see an urgent need to chart a new course for vigorous U.S. leadership in today’s world. We seek bold initiatives that will move us steadily toward the goal of eliminating extreme poverty and will not be satisfied with incremental changes in policy or funding. We believe that with political will, inspired leadership, insightful policy and innovative ideas, the United States can galvanize the world community around this important issue.

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<sup>1</sup> “Extreme Poverty” is defined by the United Nations as the condition of people with income of less than \$1 a day. This number is estimated to be 1.2 billion people.

## Can Extreme Poverty Be Eliminated?

The simple answer is yes . . . and for far less cost than might be commonly assumed. While ending *relative* poverty is a much broader issue, the specific goal of ending *extreme* poverty is a realistic financial matter. As will be seen below, with a combined U.S. private and public sector financial commitment of less than \$20 billion, ending *extreme* poverty is within reach. It also will take U.S. leadership, but the good news is that leadership requires more vision and will than money. First and foremost, we must find the political will to take on this challenge and must recognize that an undertaking of this magnitude will take time. In addition, extreme poverty will only be eliminated if the United States uses the full force of its development policies – trade, assistance, investment, knowledge – as part of a comprehensive approach that is focused firmly on poverty reduction and if it recognizes it cannot and should not go it alone.

Why such optimism? The percentage of people living in extreme poverty has already been reduced, and many social and economic indicators show major improvements since the 1960s. Per capita income in developing countries nearly tripled between 1960 and the late 1990s; life expectancy has jumped from 46 to 65 years; birth rates have dropped dramatically in almost every developing country (from over 6 births per woman in the 1950s to 3.6 births), and are still declining. As a result, the world's population could be stabilized by the middle of this century at lower levels than previously projected. World food production has increased dramatically and many more countries are now capable of feeding themselves. Other indicators tell the same story.

## Eliminating Extreme Poverty is in Our Nation's Interest

The United States is a great and proud nation built on a set of inalienable rights – life, liberty and the pursuit of happiness. The values underlying those ideals – values of helping to relieve human suffering, helping others gain better lives through increased opportunity, promoting human rights, responsible governance, open political systems and free markets throughout the world – should be dominant drivers of our foreign policy. These values are indeed our best exports, and reflect what others admire the most about the United States.

Eliminating extreme poverty, however, is not just an ethical issue; it is also an issue that bears heavily on the economic and security interests of the United States and the world. At the beginning of the 21<sup>st</sup> century, we find ourselves living in a world that is considerably more precarious and more interconnected than that of earlier generations. If global extreme poverty persists, the United States and the international community will bear increasing costs due to persistent instability and regional conflicts, public health challenges, humanitarian crises and environmental degradation, as well as lost opportunities for economic growth.

Poverty, disease, debt, lack of quality education, rising population, and conflict put massive pressure on developing countries. The combination of these pressures can breed hopelessness, which at its worst can be fertile ground for terrorism, extremism and instability. In helping poor countries stave off these pressures, we can improve global security and promote economic growth. Providing hope and opportunity to the poor creates stability and prosperity not just for them, but for the world.

As business and civic leaders, we know that extreme poverty will never be eliminated without significant private investment and private sector initiative to spur economic growth and enable poor countries to move up the economic ladder. History has shown that participation in the global economy is the surest formula for economic success. For this to happen, however, governments must create environments where private investment and initiative can flourish and the benefits are shared throughout their societies. Even with its considerable wealth and power, our government cannot solve this problem alone. The elimination of extreme poverty around the world will require the coordination and cooperation of both developed and developing country governments, multilateral institutions, non-governmental organizations, and the critical participation of the private sector. What is sorely needed now is visionary leadership and focus. It is our belief that the United States is in a unique position to rally the world around this vital cause.

## U.S. Leadership Role

This paper outlines the Initiative's case for the critical role of U.S. leadership in eliminating extreme global poverty. It presents the key areas in which the United States can and must act. These include:

- **Investing in People:** Promoting Development Through Healthy, Educated People and Economic Opportunity
- **Investing in Countries:** Supporting Good Governance and Open Political and Economic Systems
- **Making Markets Work:** Opening the Global Marketplace to Poor Countries and Poor People
- **New Initiatives:** Encouraging Innovative Approaches and Public-Private Partnerships

The United States has the ability and the responsibility to use its unprecedented strength to spread opportunity to those who have yet to share in the advances benefiting much of the world at the turn of the 21<sup>st</sup> century. This responsibility falls on all of us, in government and the private sector alike.

## Urgent Need and Historic Opportunity

In the 21<sup>st</sup> century, the interests of rich and poor countries are being shaped by the forces of globalization. By creating new wealth, globalization has opened opportunities for progress that did not exist before, including the prospect of a more prosperous and just world. But the benefits of globalization have not been equitably spread, and are perceived in much of the developing world as doing more harm than good.

As a result of factors such as financial crises, political instability, geography, and lack of natural resources, extreme widespread poverty persists and has even increased in a number of countries. Developing countries are vulnerable not only to natural disasters and low prices for their primary commodities, but also to instability in the international financial system. In the last four decades, Sub-Saharan Africa has made virtually no progress against poverty. For half the world's population living on less than \$2 per day, the odds are grim, and the future bleak.

Extreme poverty is characterized by the absence of elements that make it possible to thrive rather than simply survive. People living in extreme poverty lack the basic skills and minimum capacities needed to control their own lives, much less take advantage of globalization. They are often illiterate and lack assets, such as land or capital, which would enable them to invest in their future. Hunger is a daily reality, and the majority of the world's poor suffers from at least one debilitating disease (such as malaria or HIV/AIDS), which diminishes their productivity and undermines their earning potential. They lack access to health services, adequate housing, clean water and sanitation.

### Poverty in Perspective:

If you had been born in Sub-Saharan Africa, your life expectancy today would be only 50 years, compared to 77 in the U.S.; your children would have a one in ten chance of dying before the age of five, compared to less than one in 100 in the U.S.; you might be one of the 85 percent of women in Burkina Faso who cannot read, compared to one of the 3 percent in the U.S. You might be one of the three million who die each year from HIV/AIDS, one of the three million who die each year of malaria, or one of the millions suffering from untreated but curable diseases. You are probably among the 1.5 billion people with no access to clean water. This is the face of extreme poverty.

Source: UNDP Human Development Report

Clearly, a more robust effort must be made to address this egregious and destabilizing imbalance in the world. New policies, concerted efforts, and bold commitments will be required in order to have a measurable and lasting impact.

The elimination of extreme poverty presents a challenge that rivals some of the greatest political and social advancement opportunities in history. The Civil Rights Movement in our own country embodied such a challenge, and meeting it required bold leadership and a willingness to persevere in the midst of wrenching controversy. Our unprecedented strength now gives us the historic opportunity to transform the lives of billions of people,

create a more enduring global stability and spur widespread economic growth. An earlier generation of Americans faced just such a challenge after World War II. They developed a bold vision of what the world should look like. And they created a broad political consensus, driven both by American interests and American values, that economic growth and the improved well-being of men, women and children everywhere was an important goal of American foreign policy.

The results are well known. The Marshall Plan helped to rebuild war-torn societies in Europe, and the United States helped to create an international economic system based on free markets and free trade. That vision included promoting progress in the developing world through large assistance programs and preferential treatment in successive rounds of trade liberalization. The benefits in terms of growth, prosperity, and the extension of freedom were great. The costs, both financial and political, were justified on the grounds of enhancing American security and furthering core American values. The challenge of eliminating extreme poverty is difficult, but not impossible. We know the causes and many of the solutions.

## International Consensus on Solutions to Poverty

Fortunately, there is broad consensus on strategies for development that promote growth and reduce poverty. Experts agree that investment in poor people, particularly poor women, through increased access to education, health, land and credit, is key to successful development. Measures that target poverty directly are even more effective when they involve the recipients in the decision making process. Promoting and supporting good governance, effective institutions, and the rule of law produce the necessary conditions for productivity growth, individual enterprise and poverty reduction. Economic growth is a major ingredient in reducing poverty, and trade liberalization and economic openness are key contributors to that growth.

As a reflection of the international consensus regarding the requirements for extreme poverty elimination, the United Nations has identified specific targets in the areas of education, health, economic opportunity and the environment termed the Millennium Development Goals (MDGs). We endorse the direction taken by the United Nations and have taken inspiration for some of our own policy recommendations from the goals outlined by the MDGs. While they are not a complete answer, we believe the MDGs can guide and inform future U.S. efforts.

Progress in alleviating extreme poverty will require the dedication of both rich and poor countries. Commitments by *developing* countries are essential. Governments and their constituents must make tough choices in balancing economic efficiency, political openness, social progress, and equity—all while protecting the environment. This will mean commitments to adopt growth-oriented economic policies, to cut wasteful expenditures, and to channel resources into direct human development efforts for poor people and poor areas. Programs that improve the health, education and economic opportunity of the

poorest citizens will not only prepare them to face the challenges of this rapidly changing world but will also contribute in the long-term to their countries' prosperity.

**Costs in Perspective** (annual expenditures in addition to current levels):

Cost to provide universal primary education = \$10-15 billion  
 Cost to provide universal access to water and sanitation = \$5-21 billion  
 Cost to meet the MDG health goals = \$20-25 billion  
 Total U.S. development assistance = \$10 billion

Source: The World Bank, Feb. 21, 2002

Commitments by *developed* countries also are essential to eliminating extreme poverty. Increased assistance targeted at human development is critical. Total development assistance from wealthy countries in 2001 amounted to \$51.4 billion, which is only half of the estimated amount necessary to achieve significant progress in extreme poverty elimination. An *additional* \$40-60 billion a year, for example, will be needed to meet the MDGs.<sup>2</sup>

## Recommendation for Eliminating Extreme Poverty: An Agenda for Action

This section lays out a strategy for eliminating extreme poverty. Over the next 12 months, the Initiative for Global Development is undertaking a range of advocacy and education activities directed at two key audiences. First, we will engage national policymakers in order to convey our goals and find support for our agenda to achieve the necessary changes in U.S. policy. Second, we will work with business and civic leaders in cities around the country in order to generate a strong and cohesive voice calling for U.S. leadership in poverty elimination. We will also promote and spotlight new ideas and partnerships coming out of the private sector that support this goal.

We recommend that the Administration and the Congress make the elimination of extreme poverty a major priority of U.S. policy. We will call for a formal policy statement to be issued to detail the Administration's plan for moving forward. A parallel declaration by Congress would also demonstrate leadership and help generate public support for a broader U.S. role in promoting global prosperity and security.

We will also call for an increase in government resources dedicated to the fight against extreme poverty. The United States is the largest aid donor in absolute terms but currently ranks last among all donors in the percent of its GNP devoted to development assistance. In terms of the national budget, the foreign aid budget is less than one percent, compared with 18 percent for military and defense programs, and seven percent for interest on debt. Even when we add the \$4.62 billion given for international affairs in 2002 by non-governmental sources in the United States, the gap between the need and financial

<sup>2</sup> The additional \$40-60 billion to meet the MDGs was estimated by the World Bank based on the costs of actions likely to achieve each goal and assumes that, with the exception of foreign aid, all other international exchanges continue as "business as usual." For example, the World Bank estimated the cost to achieve the health goals by identifying the specific inputs needed, such as vaccinations to reduce infant or maternal mortality and the costs of delivering these inputs. (The World Bank, Feb. 21, 2002)

resources given is great. Since the United States accounts for almost a third of the world economy, we should commit to a more proportionate share of the funding necessary to meet the need, with the ultimate goal of providing through public and private contributions up to a third of the additional \$40 to \$60 billion a year that will be required.

Finally, policymakers and the public need to take a long term perspective on eliminating extreme poverty. American development policies often have sought quick demonstrable results. Much progress has been made in improving human well-being in the last four decades but there is still much to be done, and our efforts must be robust, appropriate in scale, and patient—and transcend partisan politics and election cycles.

A coherent strategy that pursues fully the policies outlined in our agenda can make a measurable difference in the fight against global poverty. Trade alone cannot work. Aid alone is not enough. Foreign investment is important but insufficient. Healthy and educated people and stable rules-based governments are required for any policy to take hold and deliver real results on the ground. The interrelatedness of the policies is crucial to their success.

## Investing in People: Promoting Development Through Healthy, Educated People and Economic Opportunity

### **Recommendation 1:**

Programs that invest in health, education and economic opportunities for people living in extreme poverty should be enhanced both through additional resources and research. In response, these programs should become more efficient and utilize best practices from the public, non-profit and private sectors.

Development requires healthy, educated people who have the means to improve their lives and history has shown that governments that put people first have seen the strongest growth and greatest stability. The Initiative places the highest priority on strategies that invest in people and enable them to take advantage of opportunity. Efforts to promote education and health and programs that increase household income are key examples.

#### **Examples:**

Efforts promoting universal education, such as direct payments to parents or communities; support for the Global Fund to Fight AIDS, Tuberculosis and Malaria; improved access to health care; development of new vaccines and treatments for the diseases of the poor; promotion of microcredit lending programs; increased availability of skills training; and greater access to clean water and sanitation.

### *Investing in Education:*

Most development strategies and donor aid agencies agree that educating the world's children is the right and the smart thing to do. Right, because every child should be afforded the opportunity to learn the basic reading, writing, and arithmetic skills to at least

form a basis for broader self-education and self-advancement. Smart, because investing in human capital, often a poor country's most abundant resource, will yield high returns across all sectors of the economy.

There is no single solution to development, but education is a crosscutting and key element that fundamentally determines the prospects of individuals, communities, and nations. It is essential for economic growth, leading to increased income, productivity and self-reliance. Research has shown that education of girls improves health, employability, and reduces population stress. Basic education also works to promote civil society and stability, creating a citizenry that can effectively participate in decision-making and accountability structures and a work force that can compete in the globalized world economy.

The international community now is committed to providing a basic education for all children by 2015. The need is great. Approximately 113 million primary school age children currently are not in school and for those in school, the quality is often deplorable. In the very poorest countries, 40 percent of the children who enroll in primary school do not complete the first five years, the minimum required to achieve basic literacy.

Globally, most of the cost of education is born by governments, with the rest coming from private sources. The World Bank estimates that the cost of achieving universal primary education by 2015 is an *additional* \$10 to \$15 billion annually in international assistance.

### *Investing in Health:*

The absence of health services, like the absence of quality education, is a tremendous burden on poor people and poor countries. People suffering from hunger and disease, and the family members who care for them, cannot productively participate in the economy. HIV/AIDS, tuberculosis, and malaria are among the world's biggest killers, and all have their greatest impact on the poor. World Bank estimates suggest that tuberculosis costs the average patient three or four months of lost earnings, which can represent up to 30 percent of annual household income; malaria slows economic growth in Africa by about 1.3 percent a year; and when the prevalence of HIV/AIDS reaches eight percent – about where it is for 13 African countries today – the cost in growth is estimated at about one percent a year.

The Bush Administration and Congress approved a bold Emergency Plan for AIDS Relief, increasing by \$15 billion over the next five years resources to confront the AIDS epidemic in Africa and the Caribbean. The plan directs \$1 billion of these funds to the Global Fund to Fight AIDS, Tuberculosis and Malaria, a partnership between governments, civil society, the private sector and affected communities, created to dramatically increase resources to fight the three diseases. The United States is the largest investor in this Fund. Support for these two important programs is important, as is support for greater research and treatment for the range of health issues facing developing countries.

Access to efficient, responsive and sustainable water and sanitation services is critical to eliminating extreme poverty. The challenge is enormous: over one billion people still lack access to safe water, and nearly two billion lack adequate sanitation. The urgency is apparent: more than three million people die each year from preventable water-related disease. Overcoming disease, ensuring adequate nutrition, clean water and sanitation are fundamental steps to eliminating extreme poverty that can only be achieved through a partnership between rich and poor nations.

*Investing in Economic Opportunity for Individuals:*

With 2.8 billion people (nearly half the world's population) living on less than \$2 a day, the need to generate economic growth in poor countries is great. Programs that provide the necessary conditions to increase individual household income or to promote "bottom up development" are essential components of poverty alleviation.

Providing access to capital, job training, education in fundamental business principles, access to information, and basic legal rights can enhance a person's ability to generate his/her own economic means. The high percentage of self-employed people in developing countries provides an enormous pool of potential entrepreneurial talent. People in poverty who have income and savings are less vulnerable to emergencies such as disease and natural disasters. A significant "tipping point" occurs when poor people have enough discretionary income to move into the formal economy and impact the national income and society. Moving people above the poverty line and creating a middle class in poor countries creates a stabilizing force that has a multitude of economic and social benefits. From an economic perspective, investing in these opportunities for the poorest populations has greater risk, but the long-term return on investment is substantial.

Programs such as "microcredit" provide a small-scale, institutionalized credit system for loan capital to poor people who generally lack collateral and would not qualify for conventional bank lending. Borrowers use these loans to set up small businesses to generate income and pay back the loan, with worldwide repayment rates averaging 95 percent. Microcredit is efficient, requires little training, and has the potential of scaling up to reach a very large number of clients, as demonstrated by the fact that over 25 million people are being reached by these services today.

Studies have shown that microcredit has a dramatic effect on reducing levels of poverty. The World Bank found that extreme poverty was cut by more than 70 percent within five years among borrowers in Bangladesh who participated in the Grameen Bank microcredit program. Furthermore, microcredit has tremendous social and individual benefits for women, who make up the majority of the borrowers worldwide. Women who receive access to credit and their own economic means tend to invest the money in the family, have fewer children, and are healthier. Creating jobs and generating individual wealth for poor households is a sustainable, smart investment to eliminate extreme poverty.

## Investing in Countries: Supporting Good Governance and Open Political and Economic Systems

### Recommendation 2:

The United States should support good governance and the establishment of effective legal and political institutions within poor countries through its development assistance programs and international policies.

#### *What can government do?*

Good policies are not enough and markets cannot do everything. Government plays a crucial role in establishing the rules of the game and ensuring that they benefit all members of society, including the poor. Market economies work when investors have the information they need to make sound decisions as well as a reasonable certainty that the basic rules governing contracts and property rights will be followed. Good governance and rule of law

#### Examples:

Enhanced debt relief; efforts to build open societies; support for rule of law initiatives, including the establishment of property rights; support for underperforming countries; coordination of public and private aid delivery; and improved transparency of political aid.

are preconditions for lasting development and the elimination of extreme poverty. These include elements of accountability, political stability, government effectiveness (including effective public service delivery), rationalization of the regulatory burden, and control of corruption, all of which combine to create a stable environment for investment and equitable economic growth. While there is no simple solution, the promotion of open political systems and strong institutions is an essential component of development.

Past efforts to support civil society, establish property rights, empower local governance, increase voter participation, promote free and fair elections, and bring new voices to elected office have had significant impact in many countries. For example, 140 of the world's nearly 200 countries now hold multiparty elections, more than any time in history.<sup>3</sup>

It is important to remember that attaining open markets and open societies in industrial countries in the 19<sup>th</sup> and 20<sup>th</sup> centuries involved a great deal of conflict, some of which was violent. It required the establishment of the rule of law, competent and fair systems of justice, a constant battle against blatant corruption, respect for human rights as well as property rights, and the maintenance of law and order. It also required social policies (including safety nets) to protect and compensate those hurt by inevitable economic dislocation. Finally, it required governments that were willing and competent to initiate and manage change. The process was neither easy nor automatic.

<sup>3</sup> UNDP, "Human Development Report 2002"

States with all these attributes are rare, particularly in the poorer parts of the world. Building such capacities is vital for the elimination of extreme poverty; the key policy question is how to promote and support these capacities successfully.

### *Supporting the Good Performers:*

Priority should be given to the poorest countries and to countries that are “good performers” in terms of their commitment and capabilities to promote their own development. The Bush Administration’s Millennium Challenge Account (MCA) is a new program that recognizes that assistance is most likely to be effective in countries with good policies and institutions. It should be a useful program for attacking poverty in low-income countries that are good performers.

### *Strategies for Underperforming States:*

There will be other countries, however, that are “underperformers,” not qualifying for performance-based funds such as the MCA. The disintegration of states in the developing world, either because they are weak or coming out of conflict, poses a long-term challenge to U.S. policymakers and merits sustained investment and attention at the highest levels. For these countries, development assistance should be provided for programs aimed at enhancing governance, building civil society and meeting human development needs where possible.

The United States can work through non-governmental organizations and local programs when governments do not exhibit a commitment to poverty alleviation and can use its political influence to encourage progress in this arena.

## **Making Markets Work: Opening the Global Marketplace to Poor Countries and Poor People**

### **Recommendation 3:**

**The United States should support trade liberalization efforts that will benefit developing countries, recognizing the need to find a balance and engage on questions of economic dislocation, workers’ issues, and environmental sustainability.**

#### **Examples:**

Support for the Doha “Development” Round of the WTO; endorsement of the zero-tariff initiative designed to phase out trade-distorting tariffs; increased Trade Adjustment Assistance directed at job dislocation in the United States; and capacity building for developing countries in trade negotiations.

The global marketplace is evolving but large numbers of people are at present unable to participate. Liberalizing trade – increasing access to global markets – is a key lever for opening up closed societies and integrating poor countries into a more peaceful, inclusive world. And reducing trade barriers in agriculture could deliver the biggest returns. Most of the world’s poor – some 70 percent – live in rural areas and work in agriculture, and most of the world’s trade barriers protect agricultural production. Free trade

in agriculture would reduce global poverty by an estimated 200 million people, or about seven percent.<sup>4</sup>

The current “Doha Round” of multilateral trade negotiations of the World Trade Organization (WTO) is termed the “development” round because it recognizes the importance of including developing countries more fully in the world trading system. A Doha Round agreement that reduces trade barriers, especially in agriculture, could stimulate trade and raise incomes around the world. Enhanced trade could also increase developing country productivity and induce additional investment, potentially reducing poverty.

Trade does not take place in a vacuum, however, and efforts to expand trade liberalization will fail if they do not take into account the broader economic context, which includes concerns about workers and the environment. Liberalizing trade can expand the pie, but it also entails certain risks and uncertainties. The domestic politics of trade policy are difficult. We need policies that help people and communities manage the risks and access the opportunities. There will be considerable opposition here at home and elsewhere against trade liberalization if the legitimate concerns of those individuals, firms, and localities directly affected are not addressed. This means support for relocation and retraining, for education and lifetime learning, particularly investing in the industries of the future.

Domestic objections to opening markets to poor countries include concerns that free trade means a loss of jobs and that lower labor and environmental standards in poor countries are the primary basis of their competitive edge. These challenges are real. But the potential benefits of trade liberalization are huge, especially for the world’s poor. Leadership is essential in helping people understand that we must work to overcome the challenges, not simply erect or sustain trade barriers which both deny the benefits of expanded trade and fail to resolve the problems. An important goal of U.S. trade policy should be to seek real solutions for those challenges so everyone can share in the benefits of open trade and an expanding global economy.

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<sup>4</sup>The Center for Global Development’s Policy Brief, *Trading Up: Trade Policy and Global Poverty*, by William R. Cline, September 2003.

## New Initiatives: Encouraging Innovative Approaches and Public-Private Partnerships

### Recommendation 4:

The private sector should be a catalyst for new ideas and initiatives to eliminate extreme poverty, particularly those that combine the talents of the private, public and non-governmental sectors.

While it is incumbent upon government to create an environment that fosters growth and investment, the private sector can lead the way in showing how market forces and new technologies can revolutionize the lives of the poor. The most innovative solutions to poverty may come from the private sector and the application of sound business tactics.

#### Examples:

force to explore creative sources and applications of funds; investment in information systems to support and quantify international development efforts; support for appropriate technology transfer; promotion of the concept of adapting useful products for the “bottom of the pyramid”; harnessing social capital by supporting social entrepreneurs; and leveraging private funds for public benefit.

### *Private Sector-led Solutions:*

A wide range of inventive programs and dynamic partnerships have come out of the private sector in recent years and had a significant impact on global poverty. The Coca-Cola Company has embarked on research and development efforts to produce a drink to provide micronutrients to help prevent diseases of malnutrition such as anemia and blindness. Hewlett-Packard has partnered with international non-governmental organizations and the Grameen Bank in Bangladesh to provide HP products and services to bridge the digital divide. Pharmaceutical companies and biomedical institutes are, with the Bill & Melinda Gates Foundation, researching new drugs in partnership that could prevent diseases common in poor countries such as malaria, rotavirus, and even HIV/AIDS. Another idea from businesses is to create new financing for development and leverage private sector funds for social benefit. Private sector-led efforts, beyond philanthropic donations, could create long-term solutions and effective partnerships.

### *Application of Technology:*

The promotion of technology aimed at developing countries can help build a country’s information, communication and technology (ICT) infrastructure. This can directly help development efforts by making it possible to track and measure health delivery and other programs. ICT is an essential and powerful component to build economies and increase personal income, and when coupled with improvements in health and education, can transform societies. One example is a successful for-profit cellular telephone company in Bangladesh that has combined a widespread cellular telephone network with microcredit programs. Poor borrowers purchase cellular telephones through small loans, and make

a profit marketing phone time to unserved areas. In addition, appropriate technology transfer can allow countries to leapfrog the environmental degradation and negative health consequences the United States and Europe experienced during the Industrial Revolution.

### *New Business Models and Principles:*

Another approach that has gained credence in recent years is redesigning products for the “bottom of the pyramid”. This approach argues for companies to restructure their business models to direct efforts toward the three billion people living on less than \$2 a day as new consumers. Responsible market research is conducted to determine the most appropriate products to increase the well-being of the poor and to not create negative externalities. This requires a radical change in thinking, in pricing, product development, and possibly new measurements of profitability to include social and human investments. A number of businesses and non-profit organizations are exploring how to join in ventures that link the motivations and skills of both, and create a win-win situation for their respective goals. An example would be linking commercial banks with the microcredit industry, to provide loan capital for expansion. While it may not make sense for a commercial bank or venture fund to be involved with individual loan making, providing guarantee funds or lines of credit to successful, well-managed microcredit programs is a way to extend the reach and spread of the programs to millions more poor borrowers, and ensure a return on investment to the lender. Creating public-private partnerships and ventures can be one of the most powerful mechanisms to eliminate extreme poverty.

## **Conclusion**

The elimination of extreme global poverty will require a long-term commitment and must become a national priority. In the near-term, the Initiative for Global Development will advocate for changes in U.S. policy in line with the recommendations outlined here and will continue to build support for these proposals with policymakers and business and civic leaders across the country.

Over the long term, we will measure our success by the degree to which America’s role in the world places elimination of extreme poverty at the forefront, and by evidence of dramatic improvements in living standards in the world’s poorest countries. Such broad-based change will require significant engagement on the part of many diverse constituencies in our society. Our success will thus also rest on our ability to generate new voices and coalitions pushing for bold leadership and a historic shift in our relationship with the developing world.

The ultimate measure of success will be the reduction of extreme global poverty, not merely in percentage terms but in absolute numbers, and the creation of a more stable, just and prosperous future for all the world’s people.

# Initiative for Global Development

## History

Founded in Seattle by Bill Gates Sr., former U.S. Senator Daniel J. Evans, former EPA Administrator Bill Ruckelshaus, Global Partnerships CEO Bill Clapp, and former Chairman of the Joint Chiefs of Staff John Shalikashvili, IGD spent a year meeting with internationally prominent thought leaders to debate and discuss U.S. leadership priorities in the post-9/11 world. IGD members concluded that extreme global poverty is at the root of many of the gravest challenges facing the world at present - from HIV/AIDS to regional instability - and that its elimination is the single most important step we can take in realizing a better future for the United States and the world.

## What we do

IGD is building a strong alliance of business and civic leaders united in addressing extreme global poverty. Outreach in other cities in addition to Seattle began in 2004. These cities include Charlotte, Chicago, Houston, Indianapolis, Los Angeles, Minneapolis-St. Paul, New York City, Portland (Oregon), San Francisco and Tampa. Business and civic leaders within these cities will have the opportunity to join the national network of IGD leaders and create local activities to promote awareness. Prominent business and civic leaders outside of these 10 cities will also be recruited.

## Informing and empowering

Information sharing and collaboration are essential components of our organization. Members attend events with experts on international issues, participate in local and national media campaigns, and receive policy-briefing materials. These actions will create messages designed to win support from key elected officials for making the elimination of extreme global poverty a top national priority.

## Spreading the word

IGD will work with local and national media to enhance knowledge and understanding of the issue of global poverty and its connection to the United States' national security and economic interests.

## Our goal

Our goal is to create a strong and coherent private sector voice urging leaders and policymakers to provide global leadership and raise awareness of the importance and urgency of global poverty elimination at the national and international level. Our ultimate goal is the reduction of extreme global poverty and to improve the livelihood of those 1.2 billion people living on \$1 a day.

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**INITIATIVE FOR GLOBAL DEVELOPMENT**  
Business leaders working to end poverty