

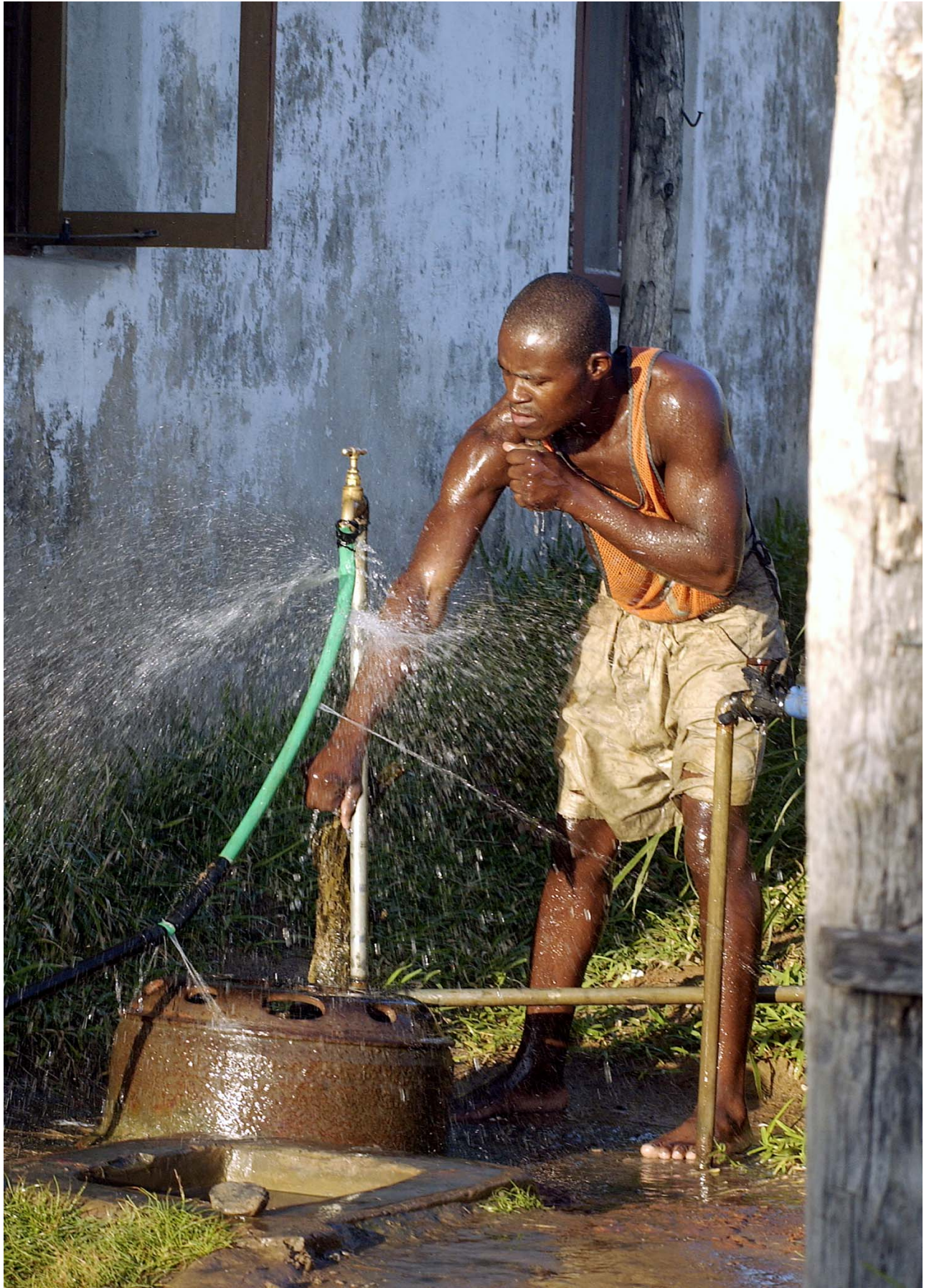
*DON'T GO IT ALONE: America's Interest in International Cooperation*

# Poverty: Combating the Global Crisis



*By John W. Sewell*





The **Better World Campaign** works to strengthen the relationship between the United States and the United Nations through outreach, communications, and advocacy. We encourage U.S. leadership to enhance the UN's ability to carry out its invaluable international work on behalf of peace, progress, freedom, and justice. In these efforts, we engage policy makers, the media, and the American public to increase awareness of and support for the United Nations. To learn more, visit [www.betterworldcampaign.org](http://www.betterworldcampaign.org).

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*Executive Summary***Poverty: Combating the Global Crisis**

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Promoting international economic growth and improving people's quality of life have long stood as pillars of American foreign policy. Unfortunately, nearly half of the world's population does not share the benefits of growing global prosperity as almost 3 billion people are living in poverty and earning less than \$2 a day. The next U.S. Administration should make eliminating absolute poverty a top-line priority and should work with the rest of the world to combat it immediately and effectively.

Because poverty is a global problem, it will ultimately require a global solution. As the world's largest and most influential economy, the U.S. has a unique opportunity to join the international fight against poverty. Eliminating poverty not only is a moral imperative, but also advances American economic, political, and national security interests, and could significantly improve our international reputation.

To effectively combat global poverty, the next president should concentrate on certain key areas:

- **Investing in Open Political and Economic Systems.** Countries with market economies and democratic political systems consistently diminish poverty, enjoy greater freedom, and are less prone to violent conflict. By promoting democratic institutions and good governance, the U.S. will encourage the growth of the stable and prosperous market economies that limit poverty most efficiently.
- **Promoting Education for All.** Education has been proven to greatly improve individuals' economic productivity and social activity, thereby planting the seeds for development and democracy in poorer countries. The next Administration should take the lead in international efforts to enroll millions more children in schools and eventually achieve universal education.
- **Improving Health Systems and Disease Prevention.** The large number of rapidly emerging infectious diseases directly contributes to global poverty, harms economic productivity, and severely threatens American and international security. Fighting disease will require cooperation with the rest of the world, concerted investment in health care infrastructure, and the provision of vaccines.
- **Opening Space in the Global Marketplace for Poor Countries and Poor People.** Equitable trade liberalization, when paired with investment in domestic development initiatives, can greatly reduce the crippling effects of poverty on the ability of developing countries to participate in the international trading system.

A framework for the U.S. to mount a coordinated attack on global poverty already exists in the form of the UN's Millennium Development Goals (MDGs), the eight development targets agreed upon by 152 governments in 2000 and endorsed by Presidents Clinton and Bush. To fully commit to the goal of ending global poverty, the next Administration should take the following steps:

- **Make ending poverty one of the top foreign policy priorities and reaffirm U.S. support for the MDGs.**
- **Name a new senior official as Coordinator for Ending Poverty.**
- **Establish a committee of deputies of all the agencies that have programs relevant to the goal of ending poverty.**
- **Replace USAID with an independent agency with a broad poverty mandate.**
- **Give this new agency the authority to appoint the Executive Director to the World Bank and represent the U.S. at the UN development agencies.**
- **Establish a “Poverty and Development Account” in the International Affairs budget.**
- **Fully engage the private sector organizations that play a crucial role in promoting development.**

The fight against poverty has made significant progress in the past half century, but much still remains to be done. By applying the many important lessons learned over the past decades about development policies, the U.S. can take advantage of this historic opportunity to lead the fight to fully eliminate the scourge of global poverty.

The next Administration will have an opportunity to set a new agenda for American foreign policy. Among the early foreign policy priorities the next president takes up should be to help create opportunities for the nearly three billion human beings—or one-half of the world’s population—who live in poverty, subsisting on less than \$2 a day. Absolute poverty can be eliminated, but achieving that goal will require a major shift in U.S. policies and budgets in order to make the fight against global poverty a national priority.

The existence of global poverty is morally wrong. Moreover, if global poverty continues to persist, the costs to American economic, political, and security interests will grow exponentially, as will its impacts on individual Americans. Eliminating poverty is not just an issue of values and ethics; it is critical to our national security interests.

There also are political benefits that will flow from giving poverty priority. A considerable constituency for ending poverty already exists among the public, in Congress, and around the world. Giving poverty priority would be a major step in restoring this country’s international reputation, which has been badly eroded.

Taking on the fight against poverty is affordable despite current budget constraints. U.S. leadership, including working through multilateral organizations can set agendas and leverage funds from other governments, international organizations, and private institutions.

“In the long run, market economies and democratic political systems produce societies that are both prosperous and free.”



## Clear Benefits to Ending Poverty: A New Policy Agenda

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American efforts against global poverty are currently lost in an array of programs and country allocations that have little to do with ending poverty. If the goal of eliminating poverty is to be taken seriously, existing policies and programs need to be radically transformed and streamlined, while budgets need to be dramatically increased. Currently, U.S. global development policies and programs are implemented by 12 departments, 25 different agencies, and almost 60 government offices. Increased coordination is sorely needed for the fight against poverty to be effective. Legislation under active consideration, called “The Global Poverty Act” (H.R. 1302), seeks to bring greater coherence to U.S. development policy by integrating foreign aid programs with U.S. trade policy, debt cancellation, and public–private partnerships.

Furthermore, most of the countries now receiving American aid are not poor countries. In fact, less than 30 percent of U.S. aid goes to the poorest countries. Above all, the United States needs both an overall strategy to address global poverty and the ability to mobilize the relevant skills and capacities that are dispersed throughout the U.S. government, the international community, and the private sector.

Finally, changes should also include more focus on increasing the U.S. share of multilateral funding as a means of leveraging U.S. dollars. For example, the UN Fund for Children (UNICEF) typically leverages one dollar into ten in the field. Similarly, American support for the World Bank and its regional partners is more than matched by other providers, including better-off developing countries and private companies.

“U.S. global development policies and programs are implemented by 12 departments, 25 different agencies, and almost 60 government offices.”

## Investing in Open Political and Economic Systems

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Over the last several decades, specific programs such as building civil society, empowering local governance, increasing voter participation, promoting free and fair elections, and bringing new voices to elected offices have brought considerable political progress in many countries. For example, 121 of the world’s nearly 200 countries now are considered to be electoral democracies, according to Freedom House.

In the long run, market economies and democratic political systems produce societies that are both prosperous and free. However, states with these capacities are not necessarily in great supply, particularly in the poorer parts of the world.

Many of these new democracies are still “works-in-progress”—no longer authoritarian, but are also not yet established liberal democracies. The benefits derived from stable and free societies are realized only by established market democracies. The history of Europe and the United States in the 19th and 20th



centuries should remind policymakers that achieving stable open markets and open societies was neither easy nor automatic. Indeed, the social welfare state was created specifically to deal with the social costs of unfettered market forces. History shows democratization can be reversed, as it was in the 1930s. There are already signs in Latin America and elsewhere of growing disillusionment with tough economic reforms that have not produced the promised outcomes in terms of economic growth, job creation, or poverty alleviation.

Although poverty by itself does not cause conflicts, it is the poorest countries—particularly those with stagnant or declining economies and a dependence on exports of raw materials—that seem to be most prone to violent conflict. Conversely, rapidly developing countries suffer fewer violent conflicts than less-developed ones.

“Although poverty by itself does not cause conflicts, it is the poorest countries that seem to be most prone to violent conflict.”

In order to function, markets need competent governments to provide the proper legal and judicial frameworks to curtail market excesses. Creating these frameworks requires the establishment of the rule of law, competent and fair systems of justice, an end to blatant corruption, respect for human rights, and the maintenance of law and order. It also requires social policies to protect and compensate those hurt by inevitable economic dislocation. Finally, economic and political openness requires governments that are willing and competent to initiate and manage change.

Investments made in democracy promotion and good governance programs through the U.S. Agency for International Development (USAID), The National Endowment for Democracy, and U.S. investments in multilateral organizations have helped promote the rule of law in developing countries. For instance, the work of the UN Development Programme promotes democracy and good governance, and the specialized work of the UN Electoral Commission monitors and supports elections in burgeoning democratic states.

## Promoting Education for All

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Health and education are not only human rights, they are also vital to enabling men and women to participate in and contribute to economic and social activity. The cross-cutting impact of education makes it critical to the prospects of individuals, communities, and nations. Studies show that each additional year of primary and secondary schooling leads to a 10 to 20 percent increase in an individual's wages. Increasing access to education for women and girls improves their health and employability, and has a well-established relationship with declines in birth rates. The UN Educational, Scientific and Cultural Organization (UNESCO) and the UN Development Fund for Women (UNIFEM) already have frameworks for improvement in these areas, and increased investment in these and other multilateral agencies can help expand and improve the progress that has already been made. Basic education also works to promote democracy and stability, creating a citizenry that can participate more effectively in decision-making and holding governments accountable.



In 2000, governments committed themselves to a renewed international effort—Education for All—to provide universal basic education. This effort is embedded in the UN Millennium Development Goals and is led by a partnership of UN agencies and the World Bank. Because of this effort, progress is being made and 66 developing countries are on track to achieve the goal of universal education. There is room for expansion of these efforts, however, as 89 other nations are lagging behind. Approximately 77 million primary-school age children are not currently in school and 264 million children who should be in secondary school are not enrolled.

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. Continued and increased funding for these programs can further the goal of universal education and plant the seeds for more development and democracy in the future.

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Considerable support for meeting the Education for All goals already exists. Bipartisan legislation was introduced in Congress in 2004 and 2007 to fund efforts toward the goal, starting with \$1 billion in funding for fiscal year 2008 and working toward a goal of \$3 billion by fiscal year 2012. A coalition of nongovernmental organizations (NGOs) has been formed to increase support for basic education worldwide and they are specifically working to see this legislation enacted. The next Administration should take a leadership role in the international Education for All effort and increase its financing of basic education programs, both bilaterally and through multilateral agencies such as UNICEF and UNESCO.

## Improving Health Systems and Disease Prevention

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The world's massive health problems, many of which are linked to global poverty, directly affect American interests. Since 1973, at least 30 previously unknown diseases—such as HIV/AIDS, Hepatitis C, Ebola, severe acute respiratory syndrome (SARS), and now avian influenza—have emerged, most of them in the developing world. In addition, new drug-resistant strains of tuberculosis and malaria are now appearing in the United States. The National Intelligence Council's 2000 report, *The Global Infectious Disease Threat and Its Implications for the United States*, concludes that “new and reemerging infectious diseases will pose a rising global health threat and will complicate U.S. and global security over the next 20 years.”

Poverty and health have a reciprocal relationship. Healthy people are more economically productive, and economically productive people typically have the resources to address their health problems more effectively. Addressing global poverty and creating effective public health institutions in developing countries are essential to creating this virtuous cycle.

The economic burden of epidemics such as tuberculosis, malaria, and HIV/AIDS on families and communities is enormous, particularly in developing countries. Tuberculosis costs the average patient

three or four months of lost earnings per year. Malaria slows economic growth in Africa by about 1.3 percent per year. And when the prevalence of HIV/AIDS in a country reaches eight percent—a level now surpassed by a number of African countries—the cost in economic growth is estimated at about one percent per year.

Conversely, the economic payoff of improving health can be dramatic. One study estimated that increasing a country's average life expectancy at birth by one year can raise that country's per capita gross national product (GNP) by four percent.

The Bush Administration has made significant progress in increasing funding for HIV/AIDS programs through the President's Emergency Plan for AIDS Relief (PEPFAR) and for malaria through the President's Malaria Initiative. The next Administration should continue this trend and adopt a global health agenda that includes:

- **Increasing support for the Global Fund to Fight AIDS, Tuberculosis and Malaria**, a partnership between governments, foundations, civil society, the private sector, and affected communities. Investment in the Global Fund to Fight AIDS, Tuberculosis and Malaria can help keep the costs associated with fighting these diseases and their economic effects from falling entirely on American shoulders.
- **Supporting organizations such as the World Health Organization and UNICEF for building health care institutions in poor countries.** One of the major obstacles to improving the health of poor people is the lack of effective health care systems in many developing countries. Without such institutions, outside interventions can only go so far. These institutions also can help identify the next new or reemerging infectious disease that is bound to appear.
- **Joining the International Health Partnership**, which aims to improve the way that international agencies, donors, and poor countries work together to develop and implement health plans, creating and improving health services for poor people and ultimately saving more lives. U.S. participation in this initiative, launched in September 2007, could further help build national health systems in some of the poorest countries in the world.
- **Helping ensure that poor people have access to vaccines now available to address major diseases in the developing countries.** In 2002, 2.1 million people died from vaccine-preventable diseases, such as diphtheria, tetanus, pertussis, tuberculosis, measles, and polio.
- **Stimulating the development of vaccines for diseases for which none now exist.** Five million people die each year from malaria, HIV, and tuberculosis because no vaccines are available. Currently, less than 10 percent of global health research and development is focused on diseases that affect 90 percent of the world's population.
- **Increasing funding for reproductive health services.** U.S. investments in reproductive health could help provide access to contraception and essential maternal and child care.

## Opening Space in the Global Marketplace for Poor Countries and Poor People

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Trade is an important strategic arena because it can play a critical role in expanding the number of prospering, stable, democratic states. With the right domestic policies, trade can be an important engine for the growth of developing countries, providing reforming countries with resources needed to address poverty and other problems. Global poverty, however, cripples the ability of developing countries to participate and compete in the international trading system, further isolating them from economic opportunity and undermining global security.

The impact of trade liberalization on growth and poverty is now at the center of a highly contentious policy debate. The evidence shows that trade liberalization has a favorable impact on growth when a country has the right policies and institutions in place. But the link between liberalization and poverty varies, largely depending on how the benefits of growth are shared.

Helping to create competent governments and improving health and education are critical to ensuring that trade liberalization benefits poor people. But too often both trade and development are treated by policymakers in isolation. If trade liberalization is to benefit the poor, development agencies will need to help countries adopt policies and institutions, and increase their capacities to ensure that the benefits of trade are shared with those who need it most.

High priority should be given to the current global trade negotiations, originally launched in 2001 to respond to the interests of the developing world. If agreement cannot be reached, Europe and the United States should agree on immediate free access for all exports from the poorest countries (those that are either eligible for the Heavily Indebted Poor Countries Initiative, or are in sub-Saharan Africa, or can otherwise be classified as least developed). The impact of such access on U.S. and European markets would be minimal, while the potential impact on growth and poverty reduction in poor countries could be sizable and immediate.

The next Administration also should take the lead in broadening trade capacity-building programs to make sure that trade policies and development policies are mutually supportive.

Improving labor rights also should be a priority for the next Administration. There is widespread international agreement on the International Labour Organization's (ILO) core labor standards, including elimination of forced and child labor, equal opportunity and non-discrimination, and freedom of association and collective bargaining. Unfortunately, the United States has ratified only two of these conventions. The next Administration should submit the remaining conventions to the Senate for ratification and offer increased support for the programs of the ILO.



“Basic education also works to promote democracy and stability, creating a citizenry that can participate more effectively in decision-making and holding governments accountable.”



## Make Ending Poverty the Main Goal of U.S. Development Aid

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The overriding goal of U.S. development aid should be to eliminate poverty and achieve all eight of the UN's Millennium Development Goals (MDGs). To this end, poverty alleviation—not short-term geopolitical considerations—must become the main aim of development aid.

Increased aid will not end poverty on its own. But aid remains important, particularly for poorer countries that lack both the skills and resources to deal with their own poverty problems. However, development aid is a scarce resource—too important to dilute by trying to serve a variety of political purposes.

An innovative and important framework for a coordinated attack on global poverty already exists, although it is not being implemented with anywhere close to sufficient urgency. This framework is codified in the MDGs agreed to in 2000 by 152 governments and reaffirmed in September 2005 by the UN General Assembly. These goals have been endorsed by the two previous administrations and have been embraced in many countries, including our traditional allies.

The goals should be seen as targets, which will be achieved by different countries on different time frames. They are, in effect, a compact between rich and poor countries for reorienting and improving the ways in which countries promote development.

### **The Millennium Development Goals:**

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1. Halve the number of people living in extreme poverty and suffering from hunger
2. Achieve universal primary education
3. Promote gender equality in primary and secondary education
4. Reduce the deaths of children under five by two-thirds
5. Reduce by three-quarters the number of maternal deaths
6. Halt and then reverse the spread of HIV/AIDS, malaria, and other diseases
7. Reverse the loss of environmental resources
8. Create a global partnership for development

It is essential to separate aid for development from funding to promote other foreign policy interests by creating a “poverty and development account” in the budget. Funding to support other policy goals—

fighting terrorism, promoting Middle East peace, or cutting drug production—can be judged and evaluated on its own grounds. The creation of a separate budget for anti-poverty efforts would not only emphasize the importance of eliminating poverty, but would also insulate development programs somewhat from the dictates of geopolitical concerns by forcing a clear justification for programs driven solely by political goals.

## Providing Resources to Show U.S. Commitment

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If the United States is serious about eliminating poverty, a significant increase is needed over and above current development budgets that are dominated by policy goals other than poverty. The United States still remains the largest aid donor in the world in absolute terms, but ranks next to last among all other donors in the percentage of its national wealth devoted to development assistance.

The next Administration should commit to a major increase in aid specifically targeted to helping countries achieve the MDGs. An international benchmark accepted by all donors except the United States is that countries should provide 0.7 percent of their wealth for development assistance. A number of aid donors have pledged increases in an effort to reach that goal over the next several years. In 2005, the United States contributed only 0.22 percent of its wealth for official development assistance, and much of it went to better-off developing countries.

With active leadership, it is possible to garner public support for tackling the challenges of ending poverty. Many Americans believe that as much as 20 percent of the federal budget is sent abroad as foreign aid. In reality, the foreign aid budget is less than 1 percent of the total federal budget, compared with 18 percent for military and defense programs, a fact that shocks most Americans when they hear it. In recent years, Americans have supported both debt cancellation for the poorest countries and greatly increased support for addressing HIV/AIDS. Ending poverty serves to promote American interests, security, and values—the real question is whether we can afford not to provide support to reach that goal.

## Important Progress is Being Made

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Significant skepticism exists about whether it is possible to end absolute poverty. Keep in mind that considerable progress has been made over the past half century in diminishing the incidence of poverty. In fact, the percentage of people living in extreme poverty has already been reduced. A measurable number of countries—notably India and China—have seen large drops in the number of people living in absolute poverty. While in 1990, 29 percent of the world's population lived on less than \$1 a day, by 2003 that share had fallen to just over 19 percent.

Furthermore, all social and economic indicators show major improvements since the 1960s. Life expectancy has jumped from 46 to 65 years and average birth rates have dropped dramatically in almost every country, from over 6 births per woman in the 1950s to 2.6 births in 2004, and are still declining. The world's population is also likely to stabilize by the middle of this century at significantly lower levels than previously



projected. World food production has also increased dramatically, and many more countries are now capable of feeding themselves. For instance, India has quadrupled food production.

Despite these achievements, much remains to be done. Mass poverty still persists in a number of countries and has even increased in sub-Saharan Africa and parts of Latin America as a result of factors such as financial crises, political instability, bad governance, lack of natural resources, and geography. Developing countries remain vulnerable to natural disasters, lower prices for their primary commodities, and instability in the international financial system. Most noticeably, sub-Saharan Africa has made virtually no progress against poverty.

Eliminating poverty must not be viewed as a short-term goal. Luckily, a great deal has been learned over the last decades about development policies that do diminish poverty, including these important lessons:

- There is no “one-size-fits-all” development model. Countries that have succeeded in speeding economic growth and diminishing poverty—such as India and China—have used a mix of policies designed to fit their own circumstances and politics.
- Liberalized trade and economic openness generally have a beneficial impact on growth.
- While economic growth is important for its own sake, it will not eliminate poverty by itself. Equitable distribution of the gains from growth, including those from trade, is essential.
- Investment in poor people and particularly poor women is critical, and if done correctly, enhances economic growth. Such investments include increased access to education and health, equitable access to productive assets (credit and land), and measures to support small-scale rural and urban enterprises. In addition, people must have a voice in the development decisions that affect their lives.
- Good governance and democracy are important goals in their own right, and can also help to promote growth and eliminate poverty. Aid only helps to promote development in countries that have good governance and that promote market-oriented policies.
- Conflict, while not directly caused by poverty and lack of development, not only results in high human costs but also makes the solution to other problems much more difficult.

## Recommendations for Action

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There are a series of steps that could be carried out immediately once the next president takes office. However, it will be essential to consult with key legislators—both authorizers and appropriators—to get support for a new policy on poverty elimination. Congress has been deeply involved in various aspects of development policy and a number of Members have considerable interest in ending global poverty. Their support will be of great help in removing some of the earmarks, conditions, and many reporting requirements that cripple the efficiency of the aid programs.

Within its first several months, the next Administration should:

- **Make ending poverty one of the top foreign policy priorities and reaffirm U.S. support for the MDGs, the framework agreed upon by both developing and developed countries.**
- **Name a new senior official in the White House as Coordinator for Ending Poverty.**
- **Establish a committee of deputies of all the agencies that have programs relevant to the goal of ending poverty.** (Currently more than 50 government agencies have development-related programs.)
- **Replace USAID with an independent agency with a broad poverty mandate and appoint an individual of national reputation and development background to head the agency.** Give that person a mandate to this agency's capabilities for both determining policy for and implementation of the poverty program.
- **Delegate authority for the appointment of the Executive Director to the World Bank and the regional development banks to the new agency** and transfer to it the authority to represent the United States at the UN development agencies.
- **Establish a "Poverty and Development Account" in the International Affairs budget.**
- **Call a White House Conference to engage fully the foundations, corporations, and voluntary organizations that now are significant actors in promoting development.** Many of the capabilities needed to cut global poverty are not in the government at all, but in the private sector—in universities, foundations, NGOs, and corporations.

## A Historic Opportunity

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An earlier generation of Americans faced a daunting challenge after World War II. Having experienced the Great Depression and two global wars, they developed a bold vision of what the world should look like. Driven by American interests and American values, they created a broad political consensus that international economic growth and the improved well-being of men, women, and children were important goals of American foreign policy. This political consensus was mirrored by a social compact in the United States and other industrial countries that generated strong political support for a foreign policy that was designed to promote long-term American interests. The benefits in terms of growth, prosperity, and the extension of freedom have been great. And the costs, both financial and political, were justified on the grounds of enhancing American security and furthering core American values.

Today we need a response of similar magnitude, vision, and statesmanship. The world has signed on to the MDGs, but the United States must invest a great deal more in achieving them and furthering the principles that led to their creation well beyond 2015. The challenge of this century is to ensure that the benefits of a growing global economy are broadly shared, so that the international system and institutions work well not only for those in rich countries but also for the majority of the world's people.



## About the Author

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John W. Sewell is a Senior Scholar at the Woodrow Wilson International Center for Scholars. His current research analyses how globalization has affected the American national interests in the developing world and the changes in U.S. development policy that are needed to deal with the challenges of the 21st Century. He has recently published a Wilson Center policy paper entitled *The Realpolitik of Ending Poverty: An Action Plan for American Foreign Policy*.

Sewell is the former President of the Overseas Development Council (ODC). He has written extensively on globalization and development issues and on American foreign, and advises several projects dealing with reform of the international finance and trade architecture.

He serves as Chair the Board of New Rules for Global Finance, an NGO working on reform of the international financial institutions. For many years, he served on the Board of Director of The International Center for Research on Women, including as Vice Chairman. He also is a member of the advisory board of *Global Governance*.



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