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THE ESCAPE FROM POVERTY: FORGING A NEW DEAL BETWEEN THE DEVELOPED AND DEVELOPING WORLD



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GOAL OVERVIEW

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The Escape From Poverty

At the same time that globalization promises to benefit the lives of hundreds of millions, the rise in global poverty poses a dire threat to that promise and undermines every effort to build a more integrated world. On a planet rife with tensions—between power and powerlessness; between democracy and authoritarianism; between cutting-edge technology and grotesque deprivation—we have the opportunity and the obligation to act.

Indeed, our future depends on the result. By some measures, certainly, our world is more united than in the past. By others, it has never been more divided. Global poverty is a wedge separating one half of the world from the other. Three of the world's six billion people live on less than two dollars per day, and more than a billion survive on less than half that amount. An estimated 115 million children are not in school, and 40 million people are suffering from AIDS. More than 50 countries are poorer today than they were in 1990.

Against this backdrop, the disparity between rich and poor is obviously increasing. The world's ten wealthiest nations, which constitute only 14 percent of the world's population, are more than 75 times richer than the ten poorest and account for 75% of global GDP.

Without a serious course correction, the world in 2025 will likely be even more divided and dangerous. The gap between rich and poor will inevitably increase. The HIV/AIDS pandemic and other health crises will undermine economies already burdened by the combination of a dramatic youth bulge and a shrinking jobs market. The world's poorest countries will grow less able to utilize the new technologies that might lead to increased productivity. Governments will face increased

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pressure from their citizens, but will be ill-equipped to meet expectations. Conflict will increase; weak states will grow weaker; more states will fail. Fragmentation will erode the potential gains of globalization, paving the way for a host of transnational threats, and undermining the credibility of the values we cherish.

But there are fragile grounds for optimism. In the face of these daunting challenges, the world has witnessed a referendum of sorts on global poverty, resulting in a broad-based commitment to bring new resources and approaches to bear:

- The developing world has seen unprecedented gains in democratization, improved governance, and economic reforms that provide the foundation for defeating poverty.
- In country after country, local non-governmental organizations have emerged as the backbone of a vibrant civil society by capitalizing on the dynamism of poor communities to deliver social services and generate wealth.
- In 2000, the United Nations and its members committed themselves to halve poverty by the year 2015, and mounted an ambitious campaign to meet that goal.
- A growing number of governments in the developing world have committed to pro-development policies, and the world's wealthiest nations have pledged to increase aid, trade and investment, laying the groundwork for a new partnership.
- At the G8 Summit in July, the world's wealthiest countries endorsed a plan to increase development aid spending by \$48 billion per year by 2010 and pledged to cancel 100% of the debts owed by some poor countries to the World Bank, IMF and African Development Bank.
- As foreign direct investment in the developing world has increased, the private sector has taken on strategies of corporate responsibility, building philanthropic programs into business models, and launching new initiatives aimed at fighting HIV and AIDS.
- Private philanthropy has grown in scope and focus, expanding investments in institutional capacity and tapping the creativity of the market through the creation of social venture funds.
- Ordinary men and women around the world have made clear their support: the tsunami disaster triggered contributions by the citizens of both developed and developing nations, while over two billion people participated in Live8 events in the weeks and months preceding this summer's G8 summit.

Of course, enormous challenges remain. Despite dramatic increases in public and private development assistance, aid levels remain well below the increase of \$90 billion by 2010 that the UN and World Bank predict is necessary to meet the Millennium Development Goals. Although trade generates a larger share of GDP than ever before, and levels have expanded significantly over the past decade, global trade has yet to yield sustainable benefits for a majority of the world's poorest countries. Low-income countries account for only three cents of every dollar generated through exports in the international trading system, and the world's poorest countries particularly in Africa—have seen their share of global trade decline over the

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last 25 years. Similarly, less than one percent of the total global flow of foreign direct investment is going to the world's least developed countries.

Finally, the policies that shape the developing world's engagement in the global trading system pose a daunting challenge. New initiatives launched by the United States and Europe have opened the door to increased trade, but challenges remain acute. Global trade in agriculture—which provides a livelihood for the majority of the world's poor—is marred by sharp divisions over the role of subsidies provided by the developed world.

Resolution of this single dispute could prove critical to fueling economic development and paving the way for a new agreement in the Doha Development Round of trade talks. Failure could undermine the ability of the developing world's agricultural producers to engage fully in the global market and lead to an impasse in global trade negotiations. That would serve no one's interest in either the developed or developing worlds.

Obviously, the fight against global poverty is a moral imperative, and fundamental to the values we hold dear. But our own interests also compel us to manage globalization so that it leads not to fragmentation, but to a more balanced global integration that provides benefits to all participants, including better economies and governments. To succeed, we must move beyond an aid framework based on charity toward a model that fights poverty by truly releasing the productive capacity of the world's poor.

This is a framework of investment in—not charity toward—the poor. It expects returns on that investment in multiple ways. The poor become our partners in every sense: suppliers of our goods, consumers of our products, conveyors of important local knowledge, investors in our projects, and champions of the democratic ideals we cherish. It is also a model that holds development financing—whether public or private—accountable for achieving these social returns.

Combined, the three sessions on global poverty will focus on how best to marry our policies and resources to the dynamism of poor communities and the innovation of the market.