

Poverty Reduction — Supporting the Development of Essential Capabilities of the Poor



Of the eight Millennium Development Goals (MDGs), relevant goals are shown in color.

The proportion of the poor in developing countries as a whole has declined from 41.7% in 1990 to 25.7% in 2005 due in part to economic development in Asia. Nonetheless, nearly half of the population in Sub-Saharan Africa still suffers from extreme poverty. Moreover, recent increases in food prices and financial crises have led to fears that an increasing number of people will fall into poverty.

In order to promote JICA's vision of "inclusive and dynamic development," JICA identifies "reducing poverty through equitable growth" as one of its four strategies. JICA extends assistance for human resources development, capacity building, improvement of policies and institutions, and the development of social and economic infrastructure in developing countries.

Overview of Issue

Poverty is an issue that cannot be ignored from the perspective of "human security," as outlined in the Japanese ODA Charter. The number of people living in poverty on less than US\$1.25 per person a day is estimated at over 1.4 billion worldwide.

In addition, natural disasters, environmental destruction and other factors make it difficult to continue traditional means of livelihood. This means some people are extremely vulnerable to poverty. Problems such as disease, unemployment, lack of education and social discrimination each impact the other. Once a person falls into this vicious cycle, the situation becomes even more serious, as the original problems lead to other problems and a person cannot escape from this cycle easily. This is sometimes referred to as the "deprivation trap" and has become an urgent issue when tackling poverty reduction. Neglecting poverty and vulnerability may widen the gap between the rich and poor and intensify competition over resources, causing instability in society.

In recent years, the notion that poverty is the state in which the following five capabilities are lacking has become dominant: Ability to ensure stable and sustainable livelihood (1. economic capability); Ability to be healthy, receive basic education, and live in a sanitary environment (2. human capability); Ability to cope with various "threats" which threaten peoples' lives (3. protective capability); and Ability to participate in a society in which people's dignity as humans and their culture and customs are respected (4. political capability, (5. socio-cultural capability).

JICA Activities

In order to advance equitable growth and sustainable poverty reduction, JICA will strive

to enable each and every person in poverty to escape from it by reinforcing five capabilities and supporting the development of an environment in which these capabilities may be manifested. Specifically, JICA both: 1) carries out "poverty measures" to directly assist the poor; as well as 2) makes "poverty considerations," by incorporating creative approaches into projects in order to improve the circumstances of the poor by maximizing the projects' benefits to the poor.

To this end, JICA gathers information on where and what kind of people suffer from poverty (targeting) and accumulates methods that are effective for poverty reduction. In addition, regarding methods that have been attracting attention in recent years, JICA furthers concerned-persons' understanding through trainings and study meetings. The goal is to enable



Local residents help build community roads (Timor-Leste)

The construction of nearby community roads allows people to visit clinics, schools, markets and other places with ease. In addition, since the residents themselves took part in building these roads, the project helped increase their self-reliance as well as their commitment to maintaining the community roads.

the poor who are living on an unstable income to be able to make stable expenditures every month on items such as health care, education, and food. These meetings cover topics such as “microfinance,” which provides savings services and very small loans; “conditional cash transfers (CCT),” in which a government redistributes income by directly providing cash or

cash equivalents to individuals or households on the condition that they are qualified and fulfill certain obligations; and “labor-based technology (LBT),” which can generate short-term employment for the poor.

Case Study

Initiatives for Microfinance (Capability Enhancement Training)

Promote a Broad Understanding of Microfinance

About 2.5 billion working-age people in the world do not have access to formal financial services. This is a serious impediment to achieving sustainable economic growth. JICA supports microfinance through Technical Cooperation and Loan Aid in order to contribute to poverty reduction by providing access to financial services.

Financial inclusion, which has been attracting much attention recently, refers to providing access to high-quality and affordable financial services to everyone, including the poor. Activities are under way worldwide to achieve financial inclusion. Microfinance is viewed as an effective tool for assisting the poor to become economically self-reliant by giving them access to financial services.

JICA has incorporated microfinance in its projects for rural development, forest protection and other purposes. JICA also provides financial assistance for financial services for the poor through government and other public-sector financial institutions.

Microfinance has been used to achieve progress in developing countries but is still a newly emerging field that is rapidly growing. As a result, there is an urgent need to train people who can conduct microfinance projects based on an understanding of the latest developments in this field.

JICA held a Capability Enhancement Training – Microfinance Course in February 2012 for Technical Cooperation experts and others who want to play a part in poverty reduction in developing countries in the future. Participants studied the theory of microfinance and case studies, acquiring knowledge and technologies that are vital to using microfinance to supply aid. Giving participants a better understanding of the microfinance program of JICA was another objective of this training. Overall, this training course had 10 major themes.

- (1) Poverty reduction and microfinance
- (2) The transition of microfinance and international trends
- (3) Benefits and issues of microfinance
- (4) Services and markets of microfinance
- (5) Legal framework for microfinance
- (6) Operation and management of microfinance organizations

- (7) Roles of governments, donors and the private-sector in microfinance
- (8) Evaluation methods for microfinance
- (9) Component-type microfinance
- (10) Case studies at JICA and other organizations

The subjects of the course include basic theories about microfinance and case studies. They also include new measures that utilize IT such as mobile banking. In addition, participants studied how to measure the social performance of microfinance, consumer protection and other topics of international interest. The curriculum was structured to increase the understanding of all items that must be considered when starting and operating a microfinance project at project sites. Furthermore, participants in the training program assumed the viewpoints of the microfinance organization and its customers to practice how to determine customers' needs and develop loan products. The course had practice sessions for financial analysis of microfinance organizations and the preparation of business plans that can achieve financial sustainability as a financial institution while meeting the social goal of contributing to poverty reduction. To give participants a broad perspective on this subject, a prominent individual in the field of microfinance research, donors, individuals from NGOs that support

microfinance organizations, and other people served as instructors.

There were many positive responses from participants. One said the event had a well-organized curriculum that gave everyone a good understanding of issues involving microfinance. Another remarked that he had viewed microfinance as similar to aid but now understands the importance of sustainability as finance. Another participant said that the training course gave him a comprehensive understanding of JICA's microfinance activities.

JICA plans to continue to conduct this microfinance training program.



Microfinance in Djibouti (Photo by Osamu Funao)