
Chapter 1 Overview of Poverty

1-1 Actual Situation of Poverty and Importance of Poverty Reduction

Development assistance efforts over the past half-century or more have been carried out with the aims of development and poverty reduction. There have been many remarkable successes, such as a decline in infant mortality rates, an increase in school attendance rates and an improvement in the average income levels. For instance, in the past 40 years the infant mortality rate in developing countries has declined by more than 50%¹ and school attendance rates for primary education rose to 84% in 1998².

Poverty is still a major issue and inequality still remains. There is a strong relationship between terrorism, other problems and poverty. Poverty reduction is therefore, a major development issue.

However, poverty is still a major issue that remains unresolved. For example, the number of people living on less than US\$2 a day rose to 2.8 billion in 1999 and among them some 1.2 billion were living on less than US\$1 a day³. In low-income countries, one in five children dies before reaching the age of five and half of all children are malnourished⁴. Even now, 180 million children do not attend school and 97% of those children live in developing countries⁵. Many people become poor as a result of economic crisis, the HIV/AIDS epidemic and conflicts.

Actual conditions of poverty differ by country or region. For that reason, conditions are actually worsening in some countries or regions, even though global indicators are improving. Regional and national disparities are not actually improving and the gap between the richest 20 countries and the 20 poorest countries has doubled over the past 40 years⁶. Among the 73 countries for which there is data (equivalent to 80% of the world population), 48 have seen an increase in inequality since the 1950s. A much larger figure than the nine that have seen inequality fall⁷. In addition, ethnic and gender disparities still exist.

Poverty is closely related to other development issues such as the environment and conflicts. This relationship creates a vicious cycle in which poverty brings about destruction of the environment – and the worsening environmental conditions, exacerbate poverty. Poverty is also stated to have

¹ World Bank (2001) p. v

² UNDP (2002a) p. 21

³ *ibid.* p.17

⁴ World Bank (2001) p.3

⁵ UNDP(2002) p.21

⁶ World Bank (2001) p.3

⁷ *ibid.*

become a breeding ground for terrorists and the relationship between poverty and terrorism has received more attention since the terrorist attacks that occurred in the United States in September of 2001.

In light of the seriousness of poverty and its relationship with other issues, there is a growing international awareness towards poverty reduction as a major issue for development assistance and activities on poverty reduction are increasing. (Trends in International Assistance are discussed in 1-3.)

1-2 Definition of Poverty

There is much debate about the definition of poverty and no uniform international standard exists. Two major approaches include that of **income poverty**, which focuses on income and consumption and **capability poverty**, which focuses on deprivation of capabilities⁸. In recent years, the latter view that incorporates the multidimensionality of poverty has become the mainstream. DAC Guidelines on Poverty Reduction (2001) states that ‘poverty denotes people’s exclusion from socially adequate living standards and it encompasses a range of deprivations.’ The dimensions of poverty cover aspects of five capabilities listed in Table 1-1.

Core Dimensions of Poverty Reduction

Table 1-1 Core Dimensions of Poverty Reduction

Political Capabilities	Political capabilities include human rights, a voice and some influence over public policies and political priorities.
Socio-cultural Capabilities	The ability to participate as a valued member of a community. They refer to social status, dignity and other cultural conditions for belonging to a society.
Economic Capabilities	The ability to earn an income, to consume and to have assets.
Human Capabilities	Human capabilities are based on health, education, nutrition, clean water and shelter.
Protective Capabilities	Protective capabilities enable people to withstand economic and external shocks.

Source: OECD/DAC (2001) DAC Guidelines on Poverty Reduction

JICA’s definition of poverty:

A condition in which people are deprived of their opportunities to develop capabilities required to lead a basic human life and are being left out of society and development processes.

Following the DAC Guidelines, JICA defines poverty as a condition in which “People are deprived of their opportunities to develop capabilities required to lead a basic human life and are being excluded from society and the development processes.” This definition also holds that the above-mentioned five capabilities are an absolute necessity for leading a basic human life and for participating in society⁹.

In addition, in order to clearly place “the poor” as the object of assistance, “**the poor**” generally refers to “**people living below the poverty line**”¹⁰.” As

⁸ Based on the views of Amartya Sen, the UNDP focuses on capabilities when creating the Human Development Report: HDR.

⁹ JICA (2002h) p.10

¹⁰ The poverty line represents the minimum essential income or expenditure for survival. Poverty lines are established depending on the situation of an individual country and, therefore, vary by country.

JICA's definition of the poor:
People living below the poverty line.

poverty is a multidimensional issue that is related to the five capabilities, it is very difficult to study all of its dimensions and then to identify the poor specifically. However, there is generally a high correlation between income levels and such things as education, healthcare, political and social participation and the ability to cope with external shocks. It is, therefore, practical to think of the poor from the standpoint of income level. That said, as great differences exist between the actual conditions of countries and regions in terms of the factors causing poverty and its background in actual conditions, it is essential to study countries and regions on an individual basis to determine specific poverty lines. Also, when definitions of poverty exist in a country or region, they should be given consideration.

1-3 Trends in International Assistance

Historically, poverty reduction has been recognized as a major goal in development cooperation. Starting in the 1970s, there was an increase in approaches that focused on the fulfillment of the Basic Human Needs (BHN) of the poor. In the 1980s, the Structural Adjustment Program (SAP) was criticized as having dealt a blow to the poor and in particular, since 1990, many aid organizations have been emphasizing poverty reduction as an important development issue with objectives toward poverty reduction being raised at international conferences. The following is an overview of major trends in international assistance on poverty reduction since 1990 (Table 1-2).

In the 1980s, despite structural adjustments and other development assistance that had been carried out till that time, poverty worsened in many developing countries. Latin America fell into a serious debt crisis, poverty in the Sub-Saharan Africa worsened and debt ballooned so far as to make it difficult for countries to even maintain their economies. Criticism broke out against structural adjustment, which conditioned market liberalization reforms and interest in the issue of poverty grew in the 1990s as a result of reviewing these structural adjustments.

Table 1-2 Trends in Poverty Reduction Assistance

Year	International Trend	Japan Trend (JICA)
1950-60s	Centralized government-led planned economies were the mainstream Increased inefficiency, growth of NIES in Asia	
1970-80s	<ul style="list-style-type: none"> • Expansion of the BHN approach • Neo-classical approach that emphasized market liberalization became the mainstream, implementation of structural adjustment programs Increased number of poor, accumulating debt Increased criticism towards structural adjustment	
1990	May: UNDP began publishing the Human Development Report and developed the concept of Human Development June: World Development Report: Poverty	July: JICA, Study Group Report (Poverty)
1992		June: Official Development Assistance Charter (ODA Charter)
1994		March: JICA Guidebook on Poverty Issues
1995	March: World Summit for Social Development (Copenhagen)	
1996	May: Shaping the 21st Century: The Contribution of Development Co-operation (DAC New Development Strategy) September: IMF and World Bank announced HIPC Initiative at the Annual Meetings	
1998		March: JICA, Study Report "The OECD/DAC's New Development Strategy"
1999	January: James D. Wolfensohn, President of The World Bank introduced Comprehensive Development Framework (CDF) June: Agreement on Expanded HIPC Initiative at the Cologne Summit September: Endorsement at joint committee meeting of IMF and World Bank to require developing countries to formulate PRSP as a pre-requisite for debt relief	August: Medium-Term Policy on Official Development Assistance (Medium-Term Policy on ODA) September: JICA, Basic Study for Establishing JICA Guidelines on Poverty Reduction October: JICA, External Thematic Advisory Committee – Poverty Reduction (name changed to Issue-specific Advisory Committee on Poverty Reduction from FY2001)
2000	August: World Development Report – Attacking Poverty September: Agreement on Millennium Development Goals (MDGs) at UN Millennium Summit	
2001	May: DAC Guidelines on Poverty Reduction <i>September 11 Terrorist Attacks in the United States</i> November: WTO Doha Ministerial Conference	April: JICA, Study Report "Rethinking Poverty Reduction: PRSP and JICA"
2002	March: International Conference on Financing for Development, Monterrey, Mexico August–September: World Summit on Sustainable Development (WSSD) held in Johannesburg	September: JICA Thematic Guidelines: Poverty Reduction
2003		June: JICA, Approaches for Systematic Planning of Development Projects: Poverty Reduction August: Revision of ODA Charter

1990

- Poverty becomes a theme in the World Development Report
- UNDP publishes Human Development Report

1995

World Summit for Social Development

1996

DAC New Development Strategy

1996

HIPC Initiative
1999 Expanded HIPC Initiative

1999

- Comprehensive Development Framework (CDF)
- Poverty Reduction Strategy Paper PRSP

In 1990, the World Bank raised the theme of poverty in its **World Development Report (WDR)** and stated that promoting growth in labor-intensive industries and providing healthcare and education services to the poor were viable strategies for poverty reduction.

Also in 1990, the United Nations Development Program (UNDP) started to publish its **Human Development Report (HDR)** based on the concept of Human Development¹¹. The UNDP presented **Human Development Index (HDI)** in the Report that were calculated based on life expectancy at birth, adult literacy rate, combined primary, secondary and tertiary gross enrolment ratio, GDP per capita and calling for the need to consider indicators on capabilities.

In March 1995, the World Summit for Social Development was held in Copenhagen, Denmark. At the summit, the governments reached a consensus on the need to put people at the center of development and to eradicate absolute poverty by a target date to be set by each country was committed. This was the first time that the goal of poverty reduction was declared at the international level.

Following on the momentum of the Summit, the strategy “**Shaping the 21st Century: The Contribution of Development Co-operation**” (**DAC New Development Strategy**) was adopted at a high level meeting of the DAC of the OECD in May of 1996¹². The Strategy introduced International Development Goals (IDGs) to be achieved by the year 2015. Such as, halving the proportion of people living in extreme poverty from that in 1990, providing universal primary education in all countries and reducing the mortality rates for infants and children under the age of five to one-third of the 1990 level. To achieve the goals in the Strategy, the DAC advocated the importance of local ownership, partnerships between local actors and external partners such as donors and a results-oriented approach. The views here continue to be important even to the present.

In addition, the **HIPC Initiative**, a plan for debt relief to Heavily Indebted Poor Countries (HIPCs) geared towards poor countries, particularly in Africa, was endorsed in September of 1996 at the Annual Meetings of the IMF and the World Bank. At the Cologne Summit in June of 1999, target countries were increased, debt relief amounts were raised and the timing of relief was advanced to create the Enhanced HIPC Initiative.

In January of 1999, James Wolfensohn, President of the World Bank, introduced the **Comprehensive Development Framework (CDF)**. This is a holistic approach to poverty reduction and balances macroeconomics with structural, human, and physical development needs. The CDF advocates: a holistic long-term strategy, strong country ownership of the development

¹¹ Human Development is based on Amartya Sen’s capability concept and focuses on the expansion of human choices as a development objective.

¹² Japan played a key role in the preparation of the DAC New Development Strategy.

agenda, effective partnerships and a transparent focus on development outcomes.

This view was even further defined in the **Poverty Reduction Strategy Paper (PRSP)**. At the Annual Meetings of the World Bank Group and the IMF (September 1999), it was agreed that the preparation of PRSP should provide the basis of all World Bank and IMF concessional lending and for debt relief under the Enhanced HIPC Initiative. PRSPs are three-year economic and social development plans focusing on poverty reduction that are prepared by the governments of developing countries through a participatory process involving the donors and civil society. Cooperation between actors is gained through the formulation and implementation of PRSPs, with the aim of carrying out comprehensive efforts on reducing poverty in a country.

The year 2000 saw international interest in poverty reduction increase greatly. Once again, the World Bank focused on the theme of poverty in its World Development Report and emphasized the importance of opportunity, empowerment and security in reducing poverty.

In September of the same year, 189 countries participated in the United Nations Summit (called the Millennium Summit) and adopted the **Millennium Development Goals (MDGs)** (See Box 1-1) based on the existing internationally agreed development goals. MDGs are even more comprehensive than the IDGs adopted in the DAC New Development Strategy and the MDGs stress on the importance of cooperation with the private sector.

In April 2001, a high level meeting of the **DAC adopted the DAC Guidelines on Poverty Reduction** that take into account the multidimensionality of poverty covering the five capabilities. DAC member governments confirmed their resolve to address poverty reduction in cooperation with developing countries and other partners (international organizations, NGOs and the private sector). In addition, the guidelines call for increased policy coherence towards poverty reduction in OECD countries' various policies that influence development.

The November 2001, **WTO Doha Ministerial Conference** recognized that the promotion of trade and investment was an important factor in poverty reduction in the least developed countries (LDCs). Further, it was agreed to enhance technical assistance for LDCs and to improve market access for LDC products¹³.

At the **International Conference on Financing for Development held in Monterrey**, Mexico in March 2002, the goals of eradicating poverty, sustainable economic growth and the promotion of sustainable development were reaffirmed as shared global objectives. The conference also pledged cooperation between developed and developing countries towards the achievement of the MDGs. The conference stated that to mobilize development

2000

- World Development Report: Attacking Poverty
- Millennium Development Goals adopted at the Millennium Summit

2001

- DAC Guidelines on Poverty Reduction
- WTO Doha Ministerial Conference

2002

- The International Conference on Financing for Development (Monterrey)
- World Summit on Sustainable Development (WSSD)

¹³ The results of this conference were followed by the Fifth WTO Ministerial Conference held in Cancun, Mexico in September 2003.

Box 1-1 Millennium Development Goals**Goal 1 Eradicate extreme poverty and hunger**

Target 1 Halve the proportion of people living on less than a dollar a day by 2015.

Target 2 Halve the proportion of people suffering from hunger by 2015.

Goal 2 Achieve universal primary education

Target 3 Ensure that all boys and girls complete primary school by 2015.

Goal 3 Promote gender equality and empower women

Target 4 Eliminate gender disparities in primary and secondary education by 2005 and at all levels by 2015.

Goal 4 Reduce child mortality

Target 5 Reduce by two thirds the mortality rate among children under five by 2015.

Goal 5 Improve maternal health

Target 6 Reduce by three-quarters the ratio of women dying at childbirth by 2015.

Goal 6 Combat HIV/AIDS, malaria and other diseases

Target 7 Halt and begin to reverse the spread of HIV/AIDS by 2015.

Target 8 Halt and begin to reverse the incidence of malaria and other major diseases by 2015.

Goal 7 Ensure environmental sustainability

Target 9 Integrate the principles of sustainable development into country policies and strategies. Halt and reverse the loss of environmental resources.

Target 10 By 2015: reduce by half the proportion of people without sustainable access to safe drinking water.

Target 11 By 2020; achieve significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 Develop a global partnership for development

Target 12 Develop further an open, rule-based, predictable and non-discriminatory trading and financial system.

Target 13 Address the least developed countries' special needs.

Target 14 Address the special needs of landlocked and small island developing states.

Target 15 Deal comprehensively with developing countries' debt problems through national and international measures in order to make debt reduction sustainable in the long term.

Target 16 In cooperation with developing countries, develop and implement strategies for decent and productive work for the youth.

Target 17 In cooperation with pharmaceutical companies; provide access to affordable and essential drugs in developing countries.

Target 18 In cooperation with the private sector; make available the benefits of new technologies, especially information and communication technologies.

Source: United Nations Development Programme – Millennium Development Goals (<http://www.undp.org/mdg/>)

funds, it was important not only to provide assistance, but also to make comprehensive efforts such as, promoting trade and investment, reducing debt and improving trade policies in developed countries (such as eliminating agricultural subsidies). It also reaffirmed the urgent need to enhance governance on the part of developing countries for the promotion of sustainable development that utilized development funding¹⁴.

The **World Summit on Sustainable Development (WSSD)**, convened in Johannesburg, South Africa from August to September of 2002, adopted a plan of implementation based on the Millennium Development Goals.

In this way, the **Millennium Development Goals have become shared international goals**, efforts toward their realization are progressing and the number of aid organizations that have poverty reduction as a major development theme continues to increase. In addition, **the importance of comprehensive approaches such as economic and social development and enhancing governance to support the two have been emphasized**. It has been recognized that **the partnership of a wide range of actors including developing governments, donors, the private sector and communities are indispensable** for comprehensive efforts.

International Goals:
 Millennium
 Development Goals
Poverty Reduction
Strategies:
 Comprehensive
 efforts including
 public-private
 partnership from a
 wide range of actors
 from developing and
 developed countries

1-4 Trends in Japan's Assistance

(1) Government's Activities

Although Japan has recognized poverty reduction as a major theme in development assistance, that recognition has not led to the formulation of specific strategies for poverty reduction.

The **Official Development Assistance Charter (ODA Charter)** published in 1992 maintains that from a humanitarian perspective, poverty conditions in developing countries cannot be overlooked and states the principle of supporting self-help efforts on the part of developing countries in improving these conditions.

The **Medium-Term Policy on Official Development Assistance (Medium-Term Policy on ODA)** was formulated in 1999 based on the ODA Charter and indicated Japan's basic views and important themes for ODA for the next five-year period. In keeping with the views and goals of the DAC New Development Strategy, the Medium-Term Policy on ODA aims to support self-help efforts on the part of developing countries and has taken up poverty measures as its foremost priority. The Medium-Term Policy on ODA states that measures against poverty must provide for fair distribution of the benefits of economic growth and cooperation that directly help the poor.

In 2003, the ODA Charter was revised. The new ODA Charter also states

1992
 Official Development
 Assistance Charter
 (ODA Charter)

1999
 Medium-Term Policy
 on Official
 Development
 Assistance (Medium-
 Term Policy on
 ODA)

¹⁴ First Research and Development Division, Institute for International Cooperation, Japan International Cooperation Agency (JICA) (2002)

2003
Revision of the ODA
Charter

that poverty reduction is a key development goal. Therefore, Japan will accord high priority in providing assistance towards poverty reduction.

Japan has introduced a number of initiatives at summits and other international conferences and has indicated its proactive stance towards the issue of poverty reduction. (e.g. Infectious Diseases Initiative at the G8 Kyushu-Okinawa Summit in 2000 and the announcement of the Basic Education for Growth Initiative (BEGIN) at the World Summit on Sustainable Development in 2002.)

(2) JICA's Activities

Since the 1990s, JICA has carried out studies and a variety of other activities on the issue of poverty.

JICA published its *Study Group Report (Poverty)* in 1990 and made it more useful from a practical perspective by creating the *JICA Guidebook on Poverty Issues* in 1994. Following the 1996 DAC New Development Strategy, JICA published the Study Report *The OECD/DAC's New Development Strategy* in 1998. To formulate guidelines based on that report, JICA conducted a study and published the report *Basic Study Report on Establishing Guidelines on Poverty Reduction* in 1999. In the same year, JICA established the External Thematic Advisory Committee: Poverty Reduction¹⁵ for advice from outside experts on the issue of poverty reduction.

In 2001, JICA published a Study Report entitled *Rethinking Poverty Reduction: PRSP and JICA* to participate in the aid trends surrounding PRSP and considered ways of responding to the new aid trends represented by PRSP. In 2002, JICA formulated the *Thematic Guidelines on Poverty Reduction* and indicated its views on future poverty reduction efforts. In 2003, JICA published *Approaches for Systematic Planning of Development Projects: Poverty Reduction* in order to formulate specific projects based on the "Thematic Guidelines." (This report is the outcome of such work.)

In FY2001, 19.9% of all JICA projects were related to poverty reduction¹⁶.

JICA's activities:
1990 *Study Group Report (Poverty)*
1994 *JICA Guidebook on Poverty Issues*
1998 *Study Report The OECD/DAC's New Development Strategy*
1999 *JICA Basic Study Report on Establishing Guidelines on Poverty Reduction*
External Thematic Advisory Committee: Poverty Reduction
2001 *Study Report Rethinking Poverty Reduction: PRSP and JICA*
2002 *Thematic Guidelines on Poverty Reduction*
2003 *Approaches for Systematic Planning of Development Projects: Poverty Reduction*

¹⁵ The name of the committee was changed from FY2001 to Issue-specific Advisory Committee on Poverty Reduction. The chairman is Hideki Esho, Professor, Faculty of Economics, Hosei University.

¹⁶ In JICA, "poverty-related project" is defined as the project in which the poor are the major beneficiaries. Points of consideration in counting FY2001 activities related to poverty reduction are as follows: 1) Assistance to physically or mentally disabled, minorities, tenant farmers, aboriginal people, refugees and internally-displaced people, people living with HIV/AIDS, street children, female headed households and the elderly are included from the standpoint of supporting people who are in vulnerable groups. 2) Assistance to discharged soldiers is not included in the poverty projects, but other reconstruction assistance and conflict-prevention assistance is considered on a case-by-case basis. 3) As assistance measures on infectious diseases (such as tuberculosis, polio, filarial and measles), chronic diarrhea, respiratory disease, leprosy, Chagas' disease, parasites and arsenic poisoning often target the poor. They are, therefore, included. 4) The construction of hospitals and school facilities and the provision of equipment to hospitals and school are in principle included when they are assistance in rural areas and are not included when they are assistance in urban areas.

