

# World Poverty Issues & Japan's Contribution

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This article presents an overview on the present situation of poverty in developing countries and the international community's response to poverty reduction, and then discusses what the Japanese government has done so far and should do henceforth to reduce poverty in the world through its official development assistance (ODA), being provided primarily through the Japan International Cooperation Agency (JICA).

## 1. What Is Poverty?

According to the report "*Voices of the Poor*" released by the World Bank in 2000, poverty means not only the lack of resources for basic welfare, including clothing, food and housing, but also the followings: (1) vulnerability to natural and human disasters due to the absence of physical, human, social and environmental assets, (2) limited access or lack of access to such essential infrastructure as transport, energy, water and sanitation, (3) insufficient access to such public services as health care, medical treatment and education, (4) exposure to exploitation by others due to the inability to maintain self-assertion, exercise basic human rights and sustain independence, and (5) the inability to preserve own cultural identity and fully participate in community life which a person belongs to.

Amartya Sen has gone a step further than the conventional concept of poverty – a state of being economically poor – and defines poverty as the lack of an individual's basic ability, which restricts the freedom to

choose an opportunity for a meaningful life; that is, the deprivation of the freedom and ability to complete a normal span of life, read and write, participate in social and economic activities, and exercise political rights.

As noted above, poverty is a multifaceted concept. However, when international cooperation or assistance is discussed, attention is paid to the aspect of income and expenditure for convenience' sake, and people who live on less than \$1 a day in terms of 1993 prices are defined as being "absolutely poor" (revised upward to \$1.25 a day in 2008).

## 2. Current State of Poverty

Based upon the above definition, the number of absolutely poor people worldwide in 1990 was estimated at 1.25 billion, accounting for 28% of the world population. The United Nations' Millennium Development Goals (MDGs) envisage halving this poverty rate by 2015. According to an interim report announced by the United Nations in July 2007, the world's poor population was about 980 million as of 2004, with the poverty rate at 19%. This indicates that mankind has scored a measure of success in the reduction of poverty, considering that poor people in the world numbered about 1.5 billion in 1981. It now appears likely that the MDGs will be achieved in 2015 with the poverty rate down to 10%. In spite of this expected achievement, more than 600 million people will still be left in a state of absolute poverty.

The *table* shows the regional comparison of poverty rates between 1990 and 2004. Notable improvement has been seen in East Asia and Southeast Asia. South Asia has also achieved a certain extent of success in attacking poverty even though its rate is still high. The poverty rate in sub-Saharan Africa remains very high although small improvement has been observed. In Latin America and the Caribbean, the poverty rate is low, but scarcely has any improvement been seen. By contrast, the poverty rate in West Asia has displayed an uptrend. As for the MDGs, South Asia seems likely to attain the target of halving the poverty rate by 2015, but the same is considered difficult in sub-Saharan Africa.

South Asia, sub-Saharan Africa and East Asia (especially China) together accounted for almost all of the world's absolutely poor population in 2004. As of 2002, meanwhile, India headed the list of countries with a high ratio of poor people living on less than \$1 a day, followed by China, Nigeria, Bangladesh, Pakistan, Tanzania, Brazil, Ethiopia, the Philippines and Madagascar in that order.

Moreover, exceeding the poverty threshold of \$1 a day does not automatically ensure a stable and decent life. There is a great danger that disasters, conflicts, runaway inflation, family members' sickness and unavoidable ceremonial occasions could necessitate an enormous amount of expenditures, easily pushing people into a "trap of poverty" below the poverty line. In fact, as of 2002, a whopping 2.5 billion people were living on less than \$2 a day in developing countries. Indeed, we have witnessed no end of new factors that could nullify what has

TABLE

### Ratio of people living on less than \$1 a day (%)

Regions	1990	2004
Sub-Saharan Africa	46.8	41.1
South Asia	41.1	29.5
East Asia	33.0	9.9
Latin America & Caribbean	10.3	8.7
Southeast Asia	20.8	6.8
West Asia	1.6	3.8
North Africa	2.6	1.4
European transition economies*	less than 0.1	0.7
Commonwealth of Independent States	0.5	0.6
Developing countries as a whole	31.6	19.2
World as a whole	27.9	19.0

Note: \* Central/East European countries & some former Soviet Union states except CIS members

Source: Millennium Development Goals Report, United Nations, 2007

so far been achieved by poverty-reducing efforts, as instanced by climate change, the skyrocketing of food and crude oil prices in 2008 and the global recession triggered by the financial crisis of the United States, and more and more may emerge in the near future.

If we take a look at an aspect of economic disparity, people who rank among the lowest 20% bracket in income or expenditure accounted for 3.9% of the national income/expenditure of the developing countries as a whole in 2004, down from 4.6% in 1990. The deterioration has been notable in East Asia and the former Soviet Union, while inequality gaps are especially wide in the Latin American/Caribbean region and sub-Saharan Africa. Countries with high Gini coefficients (indicating wide income gaps) plus a population of more than 20 million include Brazil, Mexico, South Africa and Colombia. The reduction of absolute poverty is related to the economic advancement of people below the poverty threshold, whereas the rectification of relative poverty or inequality is a matter of distribution of wealth. These two aspects are complexly intertwined with each other.

### 3. International Efforts to Reduce Poverty

Since the international community began development assistance to developing countries in the 1960s, poverty reduction has been its central theme. There was a time when the shortage of funds and technology was regarded as the cause of poverty in developing countries and it was deemed possible to get developing countries onto a track of growth and to reduce poverty by means of the “Big Push” policy of injecting huge quantities of funds and techniques from outside.

In the 1970s, there emerged the idea of “Basic Human Needs” (BHN), calling for the effective delivery to the poor of not only food and nourishment – the minimum necessity of human beings – but also such fundamental social services as medical/health care, hygiene and elementary education. Then in the 1980s, the idea and policy of “Structural Adjustment” for promoting the public sector’s fiscal discipline, deregulation, price liberalization, privatization and decentralization became a mainstream from the standpoint that the weakness of developing countries’ economic structure and international competitiveness is ascribable to their governments’ excessive intervention and control in the private sector as well as fiscal laxity. Consequently, it became an important topic how such a policy would adversely affect the poor and whether or not a smaller government would be able to foster the enhancement of the market force.

Later, other ideas were presented successively through the 1990s – “Sustainable Development,” based on an awareness of the global environmental problem, which would satisfy the needs of the present generations within the limit of not impairing the ability of future generations to satisfy their needs; “Human Security,” which would protect pivotal activities vital to human life from diverse threats and enable all people to bring their freedom and potential into full play; “Participatory Development,” which would ensure the effective reduction of poverty through the participation of wide-ranging stakeholders including the poor; “Selective Assistance,” based on an idea that “Good Governance” (such as through democratization, accountability/transparency, the rule of law, the capability of the public sector, the elimination of graft and corruption, and restraint on excessive military spending) is indispensable as a prerequisite to a desirable policy to fully ensure the effectiveness of foreign assistance, which would ensure that assistance has to give priority to developing countries satisfying requirements for such “Good Governance”; a “Comprehensive Development Framework” (CDF), which would require an all-inclusive and systematic study on politics, economy, society, and others so as

to attack poverty; and a “Poverty Reduction Strategy Paper” (PRSP) as a diagnosis and therapy for a particular developing country to efficiently and effectively reduce poverty based on the “CDF.”

During the 2000s, there emerged a dominant tendency to consider that poverty would be effectively reduced not only through “Aid Coordination and Harmonization,” envisaging the thorough assurance of consistency in assistance by various aid-donor countries and organizations, the avoidance of the possibility of “Fungibility” (aid transfer to unintended sectors), the reduction of transaction costs associated with foreign aid, the assurance of transparency and the strengthening of developing countries’ “Ownership,” but also through the “Unification of Aid Modalities,” which represents an extreme form of “Aid Coordination and Harmonization.”

At the same time, the poverty-reducing effect and role of economic growth through infrastructure development were given renewed attention, while the concepts of “Quality of Growth” and “Inclusive Growth” were emphasized in consideration of the diverse and deep impact of “Globalization” on the poor. Among the ideas engaging attention of late are business by the poor and “micro-finance” services which support such business, and “social business” that regards the poor as a huge market.

It may be true that the above-mentioned ideas and trends, centering on international organizations and developed countries’ aid-giving agencies, have served not only to give a boost to developing countries’ efforts for poverty reduction, but also to heighten mankind’s wisdom in the sphere of development assistance to those countries. Nonetheless, we must admit that various problems confronting the daily lives of the poor in developing countries have tended to be arbitrarily trifled by many “top-heavy” and “often substituted” novel ideas that are presented and discussed in places utterly different from the living environment of the poor.

### 4. Japan’s Contribution through ODA

Japan ranked first in the provision of ODA in terms of net disbursement for about 10 years since 1989. As for the geographical distribution of Japan’s bilateral ODA comprising technical cooperation, financial grants and yen credits (in terms of net disbursement), Asia accounted for 98% in 1970, 71% in 1980, 59% in 1990, 55% in 2000 and 54% in 2003. Thus, Asia’s share, although on a gradual decline, always exceeded 50%. In 2004, however, it fell short of a half for the first time, and in 2006 the position of the No.1 regional recipient was taken over by Africa. In terms of gross disbursement, however, Asia still accounts for a large proportion mainly through yen credits. Within Asia, the share of South Asia, including India, has recently increased, but conventionally East and Southeast Asian countries have been the main recipients of Japanese assistance.

That is, Japan’s ODA has been funneled mainly to those regions which have turned out to be the most successful in the reduction of poverty, contributing primarily to fostering human resources and improving infrastructure. Concurrently, Japan has been the biggest aid-donor country for those East and Southeast Asian countries. Moreover, Japan’s assistance has been targeted clearly at the poor in the recipient countries for the most part. All of these facts, nonetheless, cannot necessarily be considered to constitute the clear-cut evidence that the contents and modalities of Japanese assistance have been the most effective for attacking poverty in developing countries because the proportion of foreign assistance in the development budgets of these countries has been 20% or so at most. Besides, numerous other factors conducive to promoting economic growth and

poverty reduction are conceivable. They include initial conditions in aid-recipient countries related to human resources and various social equalities/inequalities, their adopted economic and social policies, the trends of private investments both within and from outside the countries, their political system and structure as well as the quality of leaders and public administration, traditional social capital, the maturity of civic societies, and the existence/absence of conflicts. Nevertheless, there is no gainsaying that Japanese assistance has been “harmonious” with the process of reducing poverty rates in East and Southeast Asian countries, to say the least. Needless to say, we should not forget a number of issues that remain to be addressed, such as the existence of the still large number of absolutely poor people and a growing degree of domestic economic and social disparities.

### 5. Basic Idea of Japanese ODA on Poverty Reduction

Japan has responded to poverty reduction by means of ODA from an independent and unbiased standpoint on a case-by-case basis, while paying due heed to the prevalent way of thinking in the international community. The idea of attaching importance to economic growth through the “Big Push” policy has continued to form the basis of technical and financial cooperation, while the main objective of financial grants has all along been to satisfy the “BHN.” Moreover, yen credits have been one of the primary sources of co-financing for “Structural Adjustment,” promoted by the World Bank and others. Especially in Asia, meanwhile, Japan has sometimes presented opinions of its own concerning the appropriateness of policy conditions attached to structural adjustment loans by international lending organizations.

Japan has made positive commitments to environmental protection and “Sustainable Development,” while the idea of “Human Security” may be considered to represent a viewpoint introduced into actual operations on the ground by dint of Japan’s initiative. It has been quite a long time since the idea of “Participatory Development” was adopted in regard to Japan’s technical cooperation for “Capacity Development” and yen credits for wide-ranging anti-poverty interventions. JICA, when providing technical cooperation, for example, has paid due attention to individual persons’ basic capabilities from various angles, such as an economic aspect, a human resource aspect, response to outside shocks, and political, social and cultural aspects. At the same time, it has been endeavoring to improve economic, social and institutional environments in diverse senses as a prerequisite to poverty reduction by empowering individuals, who are surrounded by those environments.

It is not that the idea of “Selective Assistance,” based on the assessment of “Governance,” is strictly applied to Japan’s aid policy and implementation. However, that idea is partially reflected in the Japanese government’s “ODA Charter” and others. Projects and programs assisted by Japan’s ODA can never be determined and implemented without relation to the respective recipient countries’ “PRSP.” Japan has actively participated in “Aid Coordination and Harmonization,” but has made certain explicit reservations on the “Unification of Aid Modalities” for fear that it would hinder the diversity of development needs and responses to them in a wide range of developing countries. Even in those days, when other donor countries and agencies made light of the importance and urgency of infrastructure development by the public sector in developing countries, Japan alone pushed ahead with the improvement of infrastructure services, such as transport, energy, water and sanitation, as

public goods by using yen credits and financial grants in combination with technical cooperation. Japan has also accumulated experience and kept up research on the role of infrastructure in reducing poverty indirectly through the growth of a national economy as a whole and directly by targeting the poor. Moreover, numerous activities of “micro-finance” have received Japan’s ODA. Of late, ways have been explored to link up ODA with private-sector business for corporate social responsibility (CSR) and the “Base of Pyramid” (BOP) business.

### 6. Japan’s Future Direction of Fighting Poverty

Japan’s ODA, which has contributed to a noteworthy success in poverty reduction in East and Southeast Asia, is now shifting its major operations to South Asia and Africa. What should Japan do from now on by utilizing ODA to help solve the poverty problem in the world? Japan, whenever providing ODA, has always attached importance to a relationship of mutually learning from each other “on an equal footing” while respecting the wishes and policies of developing countries, rather than a “give/given” aid relationship and a “preaching/preached” relationship on development policy.

I believe that concerning assistance to developing countries, Japan, while fully maintaining the above-mentioned equal-footing stance, should steer its future discussions and aid operations in line with the following key principles: (1) not only to help as many more poor people as possible adapt to and benefit from “Globalization” and thereby extricate them out of poverty, but also to pay greater attention to such aspects as the rectification of social and economic inequalities, which may be brought about by “Globalization,” and the realization of worldwide justice and fairness; (2) to tackle “Global Issues” that could seriously impact poor people, such as climate change, energy/food prices and infectious diseases; (3) to enhance the effectiveness of global poverty reduction in combination with assistance to developing countries by such newly rising countries as China and India; (4) to provide developing countries striving to reduce poverty with such assistance so as to respect and promote the diversity and advantages/strong points of those countries and societies (rather than pointing out their shortcomings); (5) to build up cooperative relationships between Japan’s own prefectures, cities, towns and civic societies and developing countries’ local entities and societies in regard to common issues; and (6) not only to seek poverty reduction through the above-mentioned activities, but also to enable as many more developing countries as possible to reach the status of “Graduation” as soon as possible from outside assistance.

In this context, it should never be forgotten that although poverty reduction is a common goal throughout the world, the way to achieve that goal must always be in conformity with the respective countries’ and societies’ diverse value systems.

The data in this article are based on the Atlas of Global Development, published by HarperCollins with the World Bank, 2007; the Millennium Development Goals Report, the United Nations, 2007; the Global Data Monitoring Information System, the Millennium Development Goals, the World Bank Group, 2004; and the White Paper on Official Development Assistance (ODA), the Ministry of Foreign Affairs of Japan, 2008. **J.S.**

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