

**Thematic Guidelines on
Poverty Reduction**

February 2011

**Japan International Cooperation Agency
Public Policy Department/Poverty Reduction Task Force**

Introduction

The JICA Thematic Guidelines on Poverty Reduction formulated in September 2002 was revised recently. The revised version reconsidered the new JICA's direction of cooperation for poverty reduction, such as including the concept of "human security," and recently invigorated discussions about pro-poor economic growth and poverty reduction according to both the policies of the new ODA Charter of Japan that was announced in 2003 and the Medium-term Policy on ODA in 2005. We would be pleased if these guidelines could help to provide assistance in poverty reduction through effective utilization of JICA's three modalities of assistance, namely loan assistance, grant aid and technical cooperation.

These JICA Thematic Guidelines on Poverty Reduction were prepared with a view to streamlining the actual situation on poverty reduction as well as the trends, approaches and methods of assistance on poverty reduction, and to show the direction that JICA should take based on these streamlined ideas. We expect these guidelines to provide basic information and knowledge for the stakeholders concerned about poverty reduction, as well as to help in appraising, planning, implementing, and monitoring/evaluating of JICA projects.

In addition, we are also attempting to promote JICA's basic idea on poverty reduction by releasing these guidelines through JICA's Knowledge Site.

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Chapter 1 Overview of Poverty

1–1 Actual situation of poverty

Development assistance has been provided for more than half a century now, and though its focus has changed from age to age, its aim has always been for economic development and poverty reduction in developing countries. The international approach towards poverty issues has been enhanced especially since the 1990s, with many development assistance agencies, both bilateral and multilateral organizations, regarding poverty as their top priority issue, and in 2000, Millennium Development Goals (MDGs)¹, which are closely related to poverty reduction, being set. As a result, some significant achievements can be confirmed in terms of income poverty, life expectancy, and primary school enrollment. For example, using as a standard the poverty line income of 1.25 USD per person per day², which is one of the indicators used for MDGs, the percentage of the population of absolute poor who live on income below that line in developing countries in total declined from 41.7% in 1990 to 25.7% in 2005. It is believed that the MDG target of “Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day” is achievable³. In addition, primary school enrollment increased to 88% as of 2006, and it is also highly probable that the MDG target of “Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling” can be achieved⁴.

However, poverty is a serious problem that has yet to be solved. Although the poverty rate is showing a downward trend, it is estimated that people living on less than 1.25 USD per day account for more than 1.4 billion as of 2005⁵. The situation is serious not only from the perspective of income poverty but also when viewed through health indicators. To give an example, although the mortality rate of children under age five in developing countries decreased from 103 to 80 per 1,000 live births from 1990 to 2006, the declining pace is slow, and the prospect of achieving the MDG target, namely to “Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate”

¹189 member states, including 147 heads of state who participated in the United Nations Millennium Summit, held in New York in September 2000, adopted the United Nations Millennium Declaration as the goal for the international community in the 21st century. The Millennium Declaration gives the major issues of peace and security, development and poverty, environment, human rights and good governance, and special needs of Africa, and outlines the clear direction for the role of the United Nations in the 21st century. The Millennium Development Goals integrated the United Nations Millennium Declaration and International Development Goals that were adopted in major international conferences and summits held in 1990s into a single, common framework. Refer to the Exhibit for the goals and targets to be achieved by 2015.

²The poverty line used in MDGs was set at an income of 1.00 USD per person per day until 2007. However, it was changed to 1.25 USD per person per day in 2008.

³United Nations (2008a), p.6

⁴*ibid.*, pp.12-13

⁵United Nations (2008b), p.2

doesn't allow for any optimism⁶. The nourishment of children under five, which is one of the indicators measuring the situation of hunger, is also not improving dramatically. More than 140 million children are underweight as of 2006, and the achievement of the MDG target to “Halve, between 1990 and 2015, the proportion of people who suffer from hunger” is in danger⁷.

The realities of poverty differ greatly by country, region and group. For example, poverty reduction in Sub-Saharan Africa and Southern Asia is notably slower than in other regions, and although the poverty rate is barely declining, the number of people in absolute poverty is increasing⁸. International and internal inequalities are also widening. Economic disparity between the 20 richest countries and the 20 poorest has doubled in the past 40 years⁹. Among the 73 countries with comparable data (accounting for 80% of the world population), there are 48 countries wherein inequality grew after the 1950s, largely exceeding the number of countries wherein inequality reduced, which was nine¹⁰. Inequalities between ethnic groups and gender also still exist.

Figure 1-1 Changes in poverty rate

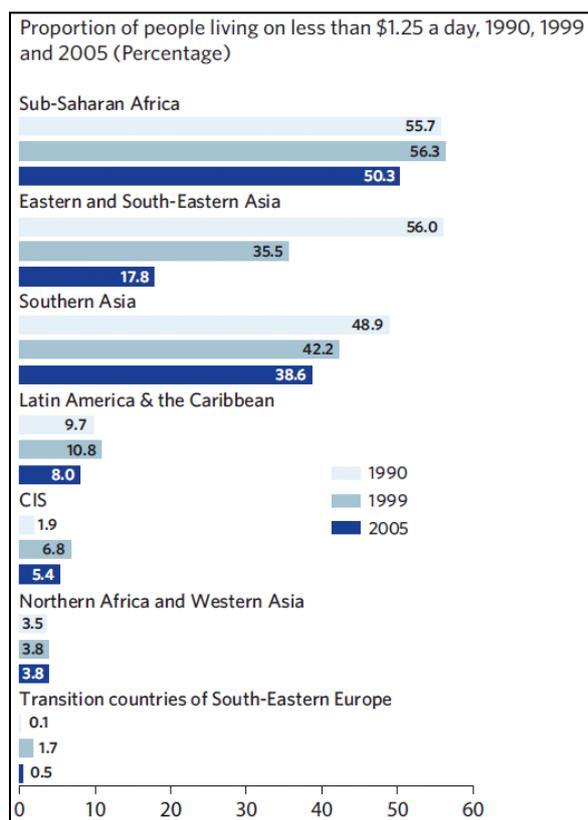
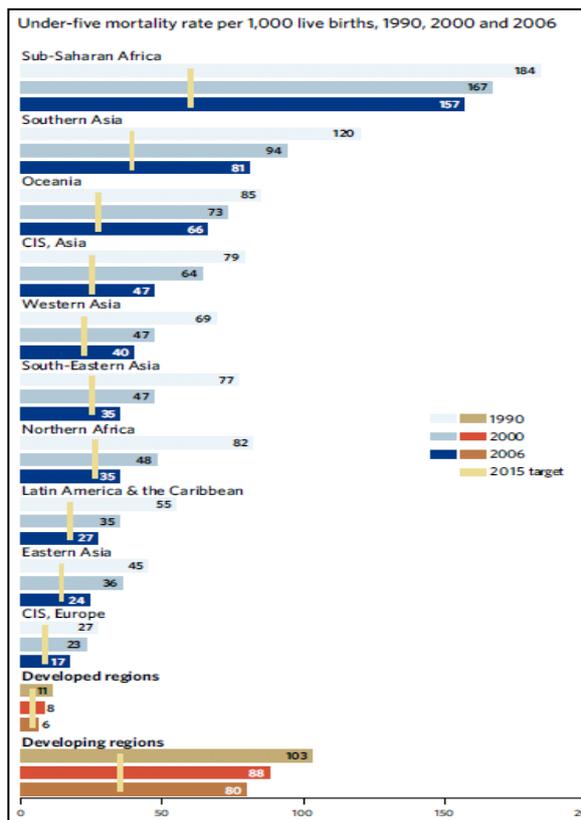


Figure 1-2 Changes in the mortality rate of children under 5



⁶United Nations (2008a), p.20

⁷*ibid.*, pp.10-11

⁸Estimated figures based on the standard of 1.25 USD per day were unavailable. However, it is reported that by setting the income of 1.08 USD per day as a poverty line, the population living on income less than that increased by about 100 million in Sub-Saharan Africa, and by 20 million in Southern Asia, from 1990 to 2005. United Nations (2008a), Addendum

⁹World Bank (2001), p.3

¹⁰*ibid.*

Source: United Nations (2008a)

Although considered to be subsiding, the recent rise in food/energy prices had seriously affected the poor in developing countries. While soaring food prices enriched the lives of some people who had been producing food more than the amount privately consumed, there were negative effects of price hikes for the majority of the poor without such surplus production capacity. Also, a rise in the prices of fertilizers and pesticides that resulted from the concurrent soaring oil price put a heavy strain on the poor. In addition, for the poor those do not produce food for their own consumption, the rise in food prices seriously impacted their way of life, making it hard for them to obtain their own food. As of the first half of 2008, it is estimated that 100 million people will newly slide into absolute poverty because of the rise in food prices¹¹.

In addition, it seems that the financial crisis that started in the United States in 2007 is beginning to have serious effects on developing countries against the backdrop of economic globalization. There is concern that poverty may deteriorate rapidly. Under the continuous stagnation of world economy¹², foreign investments and overseas remittance decreased in developing countries. Demands for exported products and tourism are also decreasing¹³. Financing for developing countries in the international financial market is becoming more difficult due to cutbacks in lending, and there are also concerns that the amount of aid from developed countries may also be reduced¹⁴. This situation may rapidly slow down economic growth in developing countries, which used to be progressing steadily, and increase pressure on the financial situation. As a result, emerging new poor is highly probable in addition to the poor at present who are impoverished even further. In fact, there are estimates that 46 million people have newly fallen into poverty with incomes of less than 1.25 USD per day before the end of 2009, or that 0.2 million to 0.4 million infants will die every year from 2009 to 2015, adding up to 1.4 million to 2.8 million in total, because of the financial crisis¹⁵. There are risks that these problems may endanger the achievement of MDGs that had been considered to be achievable within the due date before the financial crisis. Also, as in the case of the Asian economic crisis in the past, there are also concerns that economic influences bring about social instability and political turmoil.

1—2 Recognition and definition of poverty

A variety of discussions are being held over the recognition and definition of poverty, without an

¹¹United Nations (2008b), p.2

¹²IMF forecasts the world economic growth rate for 2009 as minus 1.3%. IMF (2009b), p.1

¹³IMF (2009a), p.vii

¹⁴*ibid.*

¹⁵World Bank (2009a), p.1 and World Bank (2009b), p.1

international consensus. Major approaches to poverty include income poverty, which focuses on income and consumption, and ideas focused on individual capability.

Income poverty is defined as a situation in which people “lack the purchasing power to obtain the goods necessary to fulfill basic needs.”¹⁶ It then sets the income or expenditure level necessary to purchase minimum necessities for living as the “poverty line”¹⁷ and defines the population living on income/expenditure level below that line as the absolute poor¹⁸. However, it has been pointed out that this concept of income poverty has limitations. For example, there is a risk that the concept may simplify the idea of poverty, which is multi-perspective in its nature, that the difference and diversity of people below the poverty line are being degraded, and that the understanding of poverty peculiar to the history and values of the community or the group cannot be considered¹⁹. Based on such criticisms, some opinions point out the necessity of considering the “poverty breadth,” “poverty depth” and “poverty duration (chronic/transient poverty)” when understanding poverty²⁰.

On the other hand, discussions on poverty focusing on “capability” have been advocated by Amartya Sen. Sen advocates that wealth and income are merely ways of fulfilling the level of well-being, and that it is necessary to directly question the “functioning” of human beings, namely “being” and “doing” when discussing poverty²¹. Based on this, Sen provides the idea of “capability” as a concept that combines the aggregation of functioning that an individual may realize under a certain environment, and the freedom of selecting a group of functioning (way of living) among them²². From this perspective, development can be considered a process of increasing the options concerning living and the freedom of selecting options, in other words the “capability.” In contrast, poverty can be understood as a situation wherein a person faces difficulty in basic functioning because options and freedom are extremely limited. Sen also refers to the relationship between poverty and differentiation, or discrimination/social exclusion, based on the belief that “capability” is closely related to the conditions of society and social relationships²³.

¹⁶Refer to Lipton and Ravallion (1993) for the details of income poverty.

¹⁷There are various ideas of poverty lines, including 1 USD per person per day, which had been used by the World Bank and MDGs as the world’s common scale, and 1.25 USD per person per day (purchasing power parity). Separate from these, there are also poverty lines set originally in each country. It is desirable to refer to both of these poverty lines in order to grasp the situation of absolute poverty.

¹⁸Absolute poverty refers to the situation wherein a person cannot reach the minimum living standards. The standards are usually understood based on income and consumption. On the other hand, relative poverty is a concept showing that a person is poorer than the majority of a certain society, and is related to the imbalance and the degree of inequalities of the society.

¹⁹Refer to Chambers (1997), Agarwal (1994), and Jodha (1988) for these criticisms.

²⁰Thomas (2000), p. 4

²¹Dreze and Sen (1989), p.15

²²Sen (1993), p.31

²³Sen (1981, 1992). Discrimination and social exclusion increase the seriousness of poverty by depriving individuals or groups of access (entitlement) to various resources and opportunities or limiting their access. Refer to de Haan (1998) for the perspective regarding social rejection as the root cause of poverty.

Based on such discussions, it is becoming a mainstream understanding that poverty is defined not only from economic and material aspects but in a multi-dimensional manner, and also poverty is recognized in relation with various abilities and capability of the poor. For example, the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) announced the “DAC Guidelines on Poverty Reduction” in 2001. These guidelines define poverty as a “situation lacking economic, human, protective, political and socio-cultural capabilities” (refer to Table 1-1 for the aspects of each capability).

Table 1-1 Five capabilities in the DAC Guidelines on Poverty Reduction

Economic Capabilities	The ability to earn an income, to consume and to have assets, which are all key to food security, material well-being and social status. These aspects are often raised by poor people, along with secure access to productive financial and physical resources: land, implements and animals, forests and fishing waters, credit and decent employment.
Human Capabilities	Based on health, education, nutrition, clean water and shelter. These are core elements of well-being as well as crucial means to improving livelihoods. Disease and illiteracy are barriers to productive work, and thus to economic and other capabilities for poverty reduction. Reading and writing facilitate communication with others, which is crucial in social and political participation. Education, especially for girls, is considered the single most effective means for defeating poverty and some of its major causal factors, for example illness—in particular AIDS—and excessive fertility.
Protective Capabilities	They enable people to withstand economic and external shocks. Thus, they are important for preventing poverty. Insecurity and vulnerability are crucial dimensions of poverty with strong links to all other dimensions. Poor people indicate that hunger and food insecurity are core concerns along with other risks, like illness, crime, war and destitution. To a large extent, poverty is experienced intermittently in response to seasonal variations and external shocks—natural disasters, economic crises and violent conflicts. Dynamic concepts are needed because people move in and out of poverty. Today's poor are only partly the same people as yesterday's or tomorrow's. Some are chronically poor or inherit their poverty; others are in temporary or transient poverty.
Political Capabilities	They include human rights, a voice and some influence over public policies and political priorities. Deprivation of basic political freedoms or human rights is a major aspect of poverty. This includes arbitrary, unjust and even violent action by the police or other public authorities that is a serious concern of poor people. Powerlessness aggravates other dimensions of poverty. The politically weak have neither a voice in policy reforms nor secure access to resources required to rise out of poverty.
Socio-cultural Capabilities	They include human rights, a voice and some influence over public policies and political priorities. Deprivation of basic political freedoms or human rights is a major aspect of poverty. This includes arbitrary, unjust and even violent action by the police or other public authorities

	that is a serious concern of poor people. Powerlessness aggravates other dimensions of poverty. The politically weak have neither a voice in policy reforms nor secure access to resources required to rise out of poverty.
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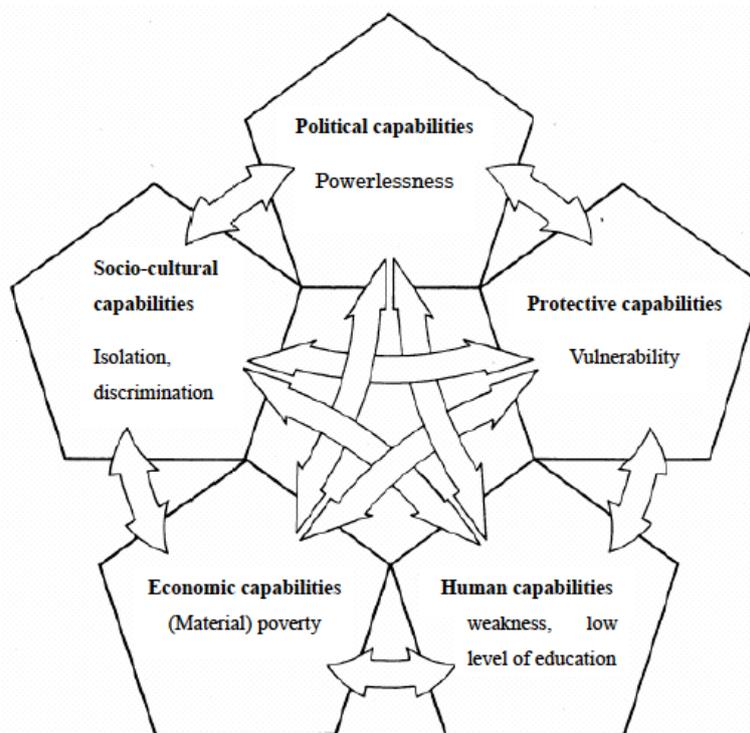
Source: OECD/DAC (2001)

The Guidelines also call attention to the fact that poverty means lack of one or some of these five capabilities, but also negatively interacts within these capabilities to form a deprivation trap and the vicious cycle of poverty, making it difficult for people to get out. The deprivation trap can be explained as shown in Figure 1-3 below, for example as follows: physical poverty faced by the poor causes illness and a lower education level, which in turn results in the reduction of labor productivity and social isolation, lack of political and bargaining abilities, and vulnerability to changes in environment. As a result of such vulnerability, it becomes extremely difficult for people in poverty to take risks to improve their situation and get out of the trap.

The Guidelines also point out that poverty can often be attributed to the environment and social structures surrounding the poor, and that the identification and analysis of various factors that influence the aspects of each capability will lead to effective poverty reduction.

The aspects of the poor people's "lack" or "shortage" and the poor as "the given" or "the helped" of aid were being emphasized in the past. However, the recent discussions on participatory development and social business²⁴ are starting to produce a new acknowledgment regarding the poor as partners and driving forces for development and business. In the recent discussions, knowledge and abilities of the poor, as well as the importance to focus on their primary roles in development, come to be emphasized.

²⁴ As for participatory development and social business, refer to 3-3 Specific Examples of Poverty Reduction Tools of these Guidelines.

Figure 1-3 Deprivation Trap

Source: Prepared based on Chambers (1995) and OECD/DAC (2001).

1-3 Trend of international aid

1-3-1 World Summit for Social Development

The paradigm of international development assistance shifted largely in the 1990s. The Copenhagen Declaration that was adopted in the World Summit for Social Development held in Denmark in 1995 regards poverty reduction, employment and social integration as inseparable development issues, and called for the reformation of international development assistance. The details of the declaration are summarized in the ten commitments²⁵, and it can be said that the multi-dimensional perspective of understanding poverty was shared in the international community for the first time.

²⁵ (1) Creating an economic, political, social, cultural and legal environment that will enable people to achieve social development; (2) Eradicating poverty in the world through national actions and international cooperation; (3) Promoting the goal of full employment as a basic priority of economic and social policies, and enabling all men and women to attain secure and sustainable livelihoods through freely chosen productive employment and work; (4) Promoting social integration based on the participation of all people; (5) Promoting full respect for human dignity and achieving equality and equity between women and men; (6) Attaining access to quality education, physical and mental health and primary health care; (7) Accelerating the economic, social and human resource development of Africa and the least developed countries; (8) Ensuring that structural adjustment programs include eradicating poverty, promoting full and productive employment, and enhancing social integration as its goals; (9) Increasing significantly and/or utilizing more efficiently the resources allocated to social development; and (10) Strengthening the framework for international, regional and sub-regional cooperation for social development.

1-3-2 From the new DAC Strategies for Development to MDGs and PRSP

Following the World Summit for Social Development, the paradigm shift in international development assistance accelerated in the late 1990s. In 1996, a new development strategy by OECD/DAC, called “Shaping the 21st Century; the Contribution of Development Co-operation,” was announced under the initiative of the Japanese government. In 1998, the Comprehensive Development Framework (CDF), which looks at approaches by various aid agencies and donors, was advocated by the World Bank. In addition, during the Cologne Summit in 1998, initiative offering debt relief to heavily indebted poor countries (HIPC) was agreed upon. As conditions for applying an initiative of debt relief on the HIPC, the World Bank and the International Monetary Fund (IMF) requires developing countries to formulate the Poverty Reduction Strategy Paper (PRSP). PRSP is prepared through participation of various stakeholders, under the ownership of the government of the developing country, and provides a three-year economic/social development plan that comprehends prioritized development issues of the country, focusing on poverty reduction and measures to solve such issues²⁶. In 2000, MDGs were summarized under the initiative of the UN, and eight specific goals were given to be achieved by the international community by 2015.

1-3-3 Aid effectiveness

In the 1990s, in accordance with the end of the Cold War, the resource flow of development assistance decreased, because the developed countries lost one of their major political incentives to assist them, and because many of the developed countries needed to address the problem of reducing structural fiscal deficits at home at the same time. With the “aid fatigue” in developed countries becoming dominant, critical and fundamental review on the traditional international development assistance started to gain momentum in the late 1990s, so as to respond to the deterioration of the situation of absolute poverty. As can be seen in PRSP and sector program approaches, aid approaches taken in the late 1990s and after have the characteristic that theories, aid modalities and procedures are all mutually connected and closely linked to each other. In particular, General Budget Support was actively discussed after 2000 as a new aid modality that was started experimentally in the context of aid coordination, in contrast to the project-type, or in-kind assistance that directly provides expertise, commodities and capital under the individually-set goals. General Budget Support is to input funds into the general account of the government aiming for attaining a comprehensive solution, based on the poverty reduction strategies of the developing countries, such as PRSP, mainly to Sub-Saharan African countries wherein the poverty is particularly severe and

²⁶ As of April 2009, PSRP is formulated in 67 countries (including Interim PRSPs). Among them, 29 countries revised their first three-year PRSPs. Regarding the tendency of their content, the first-generation PRSPs were social sector-oriented, while the revised PRSPs have more flexibility in mid- and long-term national development strategies of each country. For instance, the Comprehensive Poverty Reduction and Growth Strategy of Vietnam is strongly growth-oriented, while PRSP in countries that have experienced conflict, such as Liberia, gives peace-building as one of its priority issues.

with higher ratios of aid in the entire national budget²⁷.

1-3-4 Activation of discussions on economic growth and poverty reduction

Growth and poverty reduction are already discussed in *Redistribution with Growth* (1974) by Hollis B. Chenery et al, and in the *World Development Report* (1990) by the World Bank. While an experimental study on the contribution of economic growth to poverty reduction progressed in the 1990s, it also became clear that economic growth is a required—albeit insufficient—condition of poverty reduction²⁸. In such context, discussions on pro-poor growth became active. Pro-poor growth, or inclusive growth, is understood to be an “economic growth that may contribute to poverty reduction” in general. In specific, it is often defined as the result of poverty reduction of the same or larger scale as the growth rate of the entire economy²⁹. It has been pointed out that in order to realize pro-poor growth, it is important to consider the initial condition, the content of growth (quality and pattern) and policies to diffuse the outcome of growth in the poor (pro-poor policies)³⁰. However, a consensus has yet to be reached on what should be regarded as a pro-poor policy³¹.

With discussions on economic growth and poverty reduction being activated, the Network on Poverty Reduction (POVNET) introduced in 1998 as the subsidiary organization of OECD/DAC reviewed the discussions that were previously implemented mainly on the issue of social sectors. In 2002, “economic growth and poverty reduction” were positioned as the major issues to be addressed by the POVNET. In 2003, task teams were established for (i) infrastructure, (ii) agriculture and (iii) private sector development. In 2006, “Guidelines for the Utilization of Infrastructure for Poverty Reduction” were summarized by the Infrastructure Task Team. These Guidelines showed the direction of reinforcing assistance towards the improvement of infrastructures by DAC member states in order to raise the contribution of infrastructure in economic growth and poverty reduction. They showed that infrastructure improves labor productivity and reduces costs for production and transaction, and as a result activates the economic activities of assisted countries and contributes to growth that is essential for poverty reduction. They also streamlined and provided some points when

²⁷ The joint evaluation on general budget support for seven countries implemented in 2006 under the initiative of OECD/DAC, confirmed that, although there are differences in the outcomes of each country, general budget support is appropriate for additional assistance measures in terms of the effectiveness, efficiency and sustainability of assistance, and it was confirmed that service delivery in health and education sectors in particular was improved thanks to the general budget support. On the other hand, as for the evaluation of general budget support in terms of poverty reduction, no clear contribution in income poverty and empowerment was confirmed in most of the seven countries. It was also pointed out that general budget support is vulnerable as a countermeasure for risks, including political risks. However, there are problems such as the underdevelopment of poverty statistics in developing countries and the technical difficulty in identifying the causal relationship between the effect of poverty reduction and the input of general budget support. Also refer to 3-3-1 PRSC of these Guidelines.

²⁸ JICA(2003b), p.39

²⁹ GRIPS Development Forum (2002)

³⁰ *Ibid.*

³¹ The “improvement of legal and institutional governance,” “improvement in access to social and economic capital for the poor” and the “stabilization of macro economy” are policies that are considered to promote growth and contribute to poverty reduction. JICA (2003a), p.55

providing infrastructure-improvement assistance into four Guiding Principles, namely: (i) Use partner country-led frameworks, (ii) Enhance infrastructure's impact on the poor not only by increasing the supply but also by ensuring that the infrastructure benefits them, (iii) sustainability of services provided through the infrastructure, including cost recovery and maintenance factors, and (iv) Increase infrastructure financing and use all financial resources efficiently³².

In addition, such discussions also impacted the development plans of and assistance for African countries. That is, the content of development strategy has been changing from social sector-oriented development aiming exclusively at poverty reduction to that focusing on economic development. Viewing PRSPs, which have been required in many Sub-Saharan African countries since 1999, while the first PRSPs prioritized social sectors such as education and health, the second PRSPs give higher priorities on economic growth. The Second PRSP of Tanzania (2005), the Second PSRP of Senegal (2006), and the Second PRSP of Ethiopia (2005/2006) are some of the examples³³.

1-3-5 Human security

The concept of "human security" was first suggested in the *Human Development Reports 1994* by the United Nations Development Program (UNDP). With the establishment of the Commission on Human Security composed of intellectuals in 2001, as a response to calls from the Japanese government, the importance of human security further came to be widely understood among the international community³⁴.

Human security and poverty reduction are closely related³⁵. The idea of human security is defined as follows: "The advance of globalization causes an increase in various cross-border dangers and exposes many people in developing countries to civil war, disasters, poverty, and other humanitarian threats. The concept of human security places individual human beings at its core, seeking to protect them from fear and want: fear of such threats as conflict, terrorism, disaster, environmental destruction, and infectious disease, and want in the face of poverty and in social services and infrastructure. By building up people's abilities to address these issues themselves, this approach aims to build societies in which they can live with dignity." The concept of human security provided the new perspective of "focusing on the situation wherein the security of people and society is under threat because of causes beyond their own control, and on the 'risk of facing the downturn of the situation (downside risks),' and considering the causes that poverty (want) deteriorates and vulnerability hinders human development." There are different causes of risks, such as the large-scale and extraordinary threats, (external shocks,) that rapidly enlarge people's fear and wants,

³² Organization for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) (2005), pp.13-29

³³ OHNO Izumi (2009), p.1

³⁴ The Commission on Human Security defines "human security" as "to protect the vital core of all human lives in ways that enhance human freedoms and human fulfillment."

³⁵ Japan International Development Organization (2005)

including conflict and natural disaster, and threats that are embedded in the ordinary lives of the people, such as illness, unhealthy and unhygienic living conditions and social exclusion. These risks further deteriorate people's poverty.

In order to protect people from threats and risks, it will be necessary to combine two approaches, namely the empowerment, which means enabling people to cope with threat by themselves, and the protection of people by the government and the international community. It is also important to maintain the idea of risk management, which is to prevent/alleviate risks or increase the abilities to cope with risks, in order to reduce people's vulnerability.

1-3-6 Tokyo International Conference on African Development (TICAD)

In 1993, when increased assistance funds for the former socialist countries following the end of the Cold War and "aid fatigue" by developed countries were raising concerns that the problems of Africa were becoming a peripheral issue, the Tokyo International Conference on African Development (TICAD) was held under the initiative of the Japanese government. In its first conference, the Tokyo Declaration was adopted, and it agreed on political and economic reforms, economic development through activities of the private sector, regional cooperation and integration, and utilizing aid experience in Asia for African development. Thereafter, TICAD is being held every five years as an occasion to appeal the importance of development in Africa to the international community. In the TICAD II held in 1998, approaches such as poverty reduction and integration into the global economy was adopted as the Tokyo Agenda for Action, and the necessity to set specific objectives and goals in major areas such as human development (education, health), economic development (private sector development, agricultural development), governance, conflict prevention and peace building was emphasized. In TICAD III held in 2003, it was affirmed that the New Partnership for Africa's Development (NEPAD) proposed by the African Union (AU) was supported by TICAD and that TICAD has been continuously engaged in promoting tasks.

In TICAD IV, held in May 2008, under the grand goal of cooperating "Towards a Vibrant Africa," the Yokohama Declaration and the Yokohama Action Plan were adopted. The themes of the Declaration and Action Plan were "Boosting economic growth in Africa", "Ensuring human security", and "Addressing environmental issues/climate change". A framework to jointly monitor the progress of the plan is already operating. On the other hand, there are concerns that the financial crisis that started in 2007 is deteriorating the real economy of Sub-Saharan Africa, with a decrease in exports/direct investments/overseas remittance/tourists, decline of the price of primary products, and slow down the advancement of TICAD IV. In particular, because vulnerable groups and social sectors were badly affected in many countries by the rise of food prices, measures such as subsidies and price control were introduced. There are also problems such as the shortage of pharmaceutical stocks emerging. The TICAD IV Ministerial Follow-up Meeting held in March 2009 also calls the

international community to continue their cooperation so that assistance towards Africa will not diminish because of the worldwide economic and financial crisis, in order to achieve MDGs by 2015.

1-4 Trend of aid by Japan

The Japanese government advocates the implementation of ODA by adopting the perspective of “human security” in its New ODA Charter (2003). In addition, the New Medium-Term ODA Policy (2005) defined human security as “focusing on individual people and building societies in which everyone can live with dignity by protecting and empowering individuals and communities that are exposed to actual or potential threats,” and positioned it as a perspective to be incorporated in a cross-cutting manner in development assistance. Under such philosophy, the Japanese government made poverty reduction one of the four priority issues of ODA, together with sustainable growth, addressing global issues and peace-building. It then clarified its attitude to tackle poverty reduction through four approaches, namely: (i) cross-cutting assistance that is tailored to the stages of development, (ii) direct assistance to the poor, (iii) assistance to reduce poverty through economic growth and (iv) assistance for institutions and policies to reduce poverty.

After the integration of its assistance modalities, namely Loan Assistance and part of Grant Aid as JICA’s “tools” in October 2008, JICA set the new vision “Inclusive and Dynamic Development,” and held up the concept of “reducing poverty through equitable growth” as one of its four missions. Through this integration, a unified system to provide assistance with the organic combination of technical cooperation, loan assistance and grant aid was established to allow an even more comprehensive approach toward achieving poverty reduction.

Because Japanese development assistance had been traditionally focusing on Asia, the country’s priority on development assistance toward the least developed countries (LDC) mainly in Africa had been relatively low. However, considering the seriousness of the problems Africa is facing, including poverty and conflict, Japan has now been holding TICAD every five years since 1993. In TICAD IV held in 2008, it was announced that ODA for Africa will be doubled by 2012, and Japan is reinforcing its aid toward African countries³⁶.

³⁶ The total amount of bilateral ODA of Japan to Africa (based on total expenditure) increased from 950 million USD (11.1% of the total ODA) in FY1998 to 1,700 million USD (29.4% of the total ODA) in FY2007. Ministry of Foreign Affairs (2008b)

Chapter 2 Direction of Cooperation by JICA

2-1 Importance of JICA's cooperation in poverty reduction

Entering the 21st century, the trend of trying to realize the world wherein basic human needs is satisfied for all people is becoming stronger than ever. The idea of “capability approach,” which has been the focus of recent discussions on poverty, aims to expand a range of choices and individual freedom to enable one to choose whatever way of life one desires, by correcting discrimination and social exclusion, and providing an adequate social environment.

In addition, “human security,” which Japan advocates as its ODA philosophy, is the idea of freeing people from “fear” and “want”, and calling for the establishment of a society wherein people can live their lives with dignity. “Fear” and “want” are something like two sides of the same coin. For example, if a problem of “want,” in other words, the prevailing poverty, remains unsolved, it would be a factor for widening inequalities and escalating competition for resources, which may then trigger conflicts that put people in “fear” in the future. On the other hand, it is also highly probable that the present “fear” of conflict will cause “want” in the future. In this regard, the prevalence of “fear” can be understood to be a factor in increasing the downside risk of throwing people into problem of “want.” Therefore, it is difficult to fundamentally solve either poverty or conflict unless both problems of “want” and “fear” are tackled together. This inter-linkage can also be found between poverty and other “fear” related to human security, such as climate change, natural disaster, economic shock, and disease epidemics. It shows how the approaches for poverty reduction are important for realizing human security.

Furthermore, JICA set the new vision of “Inclusive and Dynamic Development” to enable all people, regardless of gender, social stratum, social class, ethnic group or clan, to participate and benefit from development. This vision aims to help all the poor people rise out of poverty by ensuring economic, social and political stability through capacity development of a country as a whole, and narrowing regional and social inequalities through shared growth. Such capacity development of a developing country is expected to, in turn, stimulate the activities of civil societies and private sectors, promote further development of the country, and realize poverty reduction in a continuous and accelerated manner.

2-2 Definition of poverty and purpose of cooperation in poverty reduction

As mentioned in “2-1. Importance of JICA's cooperation in poverty reduction” above, recognizing the importance of “capabilities” and “human security” in fulfilling oneself and based on the understanding that poverty is closely linked to discrimination and social exclusion, JICA defines

poverty as: “a condition where the people are deprived of opportunities to manifest their capabilities to have the basic human life, and in addition, where the people are excluded from the society and development process.” Paying attention to the multi-dimensional nature of poverty and according to the “DAC Guidelines on Poverty Reduction” announced in 2001, JICA regards capabilities that are necessary for a basic life and participation in society as being comprised of five types of capabilities: economic, human, protective, political and socio-cultural capabilities³⁷.

Based on this definition, **the purpose of JICA’s cooperation in poverty reduction is to raise people out of poverty by strengthening economic, human, protective, political and socio-cultural abilities that impoverished people have, and to create an environment wherein people can manifest such capabilities.** Those who are “excluded from society or the development process” as in JICA’s definition of poverty, in other words the vulnerable, are not necessarily the same as the poor. However, because the former tends to form the latter, the term “the poor” in these Guidelines will hereinafter mean both poor people and the vulnerable population.

2-3 Conceptual framework

This section aims to clarify JICA’s conceptual framework of poverty reduction by first looking at the environmental settings surrounding not necessarily just the poor but the people in developing countries in general, such as the economic infrastructure that serves as the foundation of macro economic stability and sustainable and equitable economic growth, as well as the political system, social security and order, as a premise for poverty reduction. Then, JICA’s ideas about poverty reduction project will be explained.

2-3-1 Situation of environmental settings required for poverty reduction

In order to approach the problem of poverty reduction effectively, it is not enough to merely target the poor or poor regions of the country and respond to problems specific to these people. Without improvements in the overall social settings of developing countries, poverty could not be alleviated on a continuous basis. Also, not only domestic conditions of the developing country, but also international politics and economics may have a large impact on the poor in this era of globalization. It is still fresh in people’s memories that the global financial crisis and the economic recession that was triggered by the subprime loan problem in the United States are seriously affecting the lives of the poor in developing countries—groups who inherently have nothing to do with the cause of the crisis. However, in this section we focus on domestic situation of the developing country and provide several examples to explain the “importance of creating social settings conducive to poverty

³⁷ Five capabilities according to the DAC Guidelines on Poverty Reduction, as explained in Table 1-1. Refer to p.7 of these Guidelines.

reduction.”

With regard to the natural environment, no one would deny that clean air and water should be preserved. Air and water pollution are harmful to the health of people living in slums, and contamination of seas, rivers and lakes damage the livelihood of people engaged in small-scale fisheries. If severe floods and droughts happen more frequently due to climate change, poor people whose livelihoods depend on a primarily fragile natural environment will experience further impoverishment. On the other hand, efforts to preserve the natural environment, including biodiversity, may sometimes conflict with the livelihoods, needs and interests of poor people. Thus, it is necessary to create a mechanism that could establish a win-win relationship between environment preservation and poverty reduction.

As for social aspects, it is necessary for the society to be stable and free of war or conflict, and for public security to be maintained to ensure a safe society. Conflict or deterioration of public security hinders living conditions and all economic activities, and it harshly hits the lives of poor people, who are in vulnerable situations. Therefore, social stability and security will help poor people above all. On the other hand, there are possibilities that public priority is for regions populated by people who are better off in security maintenance over other regions. Or there is a danger that poor people are regarded as nests of antigovernment activities and crimes, and thus security operations by police infringe the human rights of poor people or destroy their livelihood³⁸.

To promote political/social participation by poor people, a democratic political system is desired in general. However, it is still unclear whether a democratic political system would contribute to consolidating social stability, whether poverty reduction policies that reflect public opinions including even those in the minority that lost the election are adopted and implemented, or whether highly predictably economic policies for entrepreneurs will be taken. The existence of free mass media serves an important role in deterring corruption and injustice, and in defending the rights of vulnerable groups, including the poor. However, the extent to which the media can influence the state cannot be easily judged.

Macro economic stability is the basic premise for poverty reduction. Inflation increases food and energy prices, strikes the lives of the poor, who have smaller savings, and devalues the very limited savings that they have. If there is no expansion of production and spending through a sustainable

³⁸ National defense is not the target of JICA's assistance. However, the army is sometimes expected to serve an important role in absorbing employment and calming the frustrations of young people, or to lead the technical innovation for equipments and others. However, there is a possibility that a large defense budget would result in a smaller budget for infrastructure necessary for economic development, and a smaller budget for poverty reduction/social welfare.

economic growth, employment does not increase, sales of agricultural and other products that bolster the livelihood of the poor people does not grow, and revenue that fund infrastructure development, social policies and measures to fight poverty does not increase. Under a globalized economy, the boom and bust of the international market economy influence the domestic economy by increasing or decreasing exports from a developing country, remittance by migrant workers to their home country, or tourism revenue. These changes have a strong impact not only on ordinary people but also on the poor. If developing countries' import taxes on agricultural products are reduced, the exchange rate is appreciated, or agricultural subsidies are increased in exporting countries, there becomes a huge influx of inexpensive agricultural products from overseas, and the income of farmers, including the poor, is severely damaged.

The construction of a trunk road network, which will be the backbone of the entire country, activates transportation of people nationwide regardless of wealth, and contributes to streamlining the transition and logistics. The travel time in long-distance buses for poor people and in private cars for wealthy groups is shortened, and the trip would become comfortable and convenient for both. Thanks to the road network system, goods are distributed faster and cheaper throughout the country. Efficient logistics also stimulates private sector's activities by reducing cost and scaling up the size of the economy, which in turn increases employment opportunities and income. An increase in tax revenues from companies enriches the budgets of central and local governments. These benefits can be enjoyed by all people, whether they are impoverished or not. Development of a road network that closely ties people's economic activities is the premise for poverty reduction. Construction of power plants and major transmission lines to supply electricity throughout the country also produces various effects for the public good.

As seen above, social stability, a democratic political system, stable macro economy and development of infrastructure have positive impacts on many people. However, the degrees of such impacts differ according to the situation, including people's income levels and regional features, in other words "whether the person is deprived of opportunities to display one's capabilities for basic living, or is excluded from society or the development process." Thus, such an environmental improvement, targeted to people in general, is an indispensable condition for reducing poverty, but is not a sufficient condition.

For example, if the constructed main roads are far from the areas where most of the poor reside, benefit from it is limited to the non-poor. Even if domestic and foreign private investments are encouraged with lower distribution costs, it is highly probable that company sites would be limited to areas along the main roads; so there is also a limited possibility that poor people will be given equal opportunities to be employed by such companies.

Therefore, as will be explained in “2-3-2. Type of poverty projects,” it is strongly required for JICA to be actively involved in both poverty-focused/poverty-integrated projects. Even if the entire economic growth involves the poor, the growth rate might not be the same among the population, depending on whether the growth is pro-poor or not, or whether in urban or rural regions. Also, even if the same growth rate is achieved, it would be difficult to prevent the widening of existing economic/regional inequalities unless political consideration is made, because different groups and regions all have different initial conditions. Excessive inequalities sow the seeds of discontent, impair social stability, and halt economic growth. That means that increasing inequality has the risk of destabilizing the social settings that are the premise of poverty reduction. Therefore, in addition to the implementation of poverty-focused projects, the poverty-integrated projects will not only be “creative measures” to benefit the poor in the course of project implementation, but may contribute to achieving sustainable economic growth and political stabilization in developing countries.

2-3-2 Types of poverty projects: “poverty-focused projects” and “poverty-integrated projects”

JICA considers the positive and negative impacts that the project has on the poor population, and if there is a risk of harming them, measures should be taken to rectify such negative effects. JICA therefore primarily defines projects that target poor people as the main beneficiary or projects that do not specifically target the poor but include schemes to increase the benefits of the poor as “Poverty Projects.” Among Poverty Projects, **projects targeting areas with high poverty incidents, or regions designated by the government as poor areas in parallel with or separate from the poverty rate, as well as groups regarded as the vulnerable are defined as “poverty-focused projects.”** In order to implement “poverty-focused projects” targeted to poor people/area/groups, focusing on capacity development, the “targeting” of the object of assistance will be essential. If targeting is inappropriate, input resources will be consumed inefficiently even if there are good intentions to enhance poverty reduction. Specific approaches for poverty-focused projects will be discussed in Chapter 3.

On the other hand, even if not categorized under the poverty-focused projects, assistance for improving the political/economic/social settings of a developing country is meant to include poor people/areas. **JICA defines poverty-integrated projects as those projects that aim to enhance benefits to the poor and are implemented measures when it is predicted that the betterment for people in poverty are notably smaller than those for people who are not, even though they both enjoy development, or when it is predicted that the benefits for the poor can be increased**

through additional care and investment³⁹. In other words, these are not poverty-focused projects but integrate schemes, components or implementation methods that actively benefit the poor as a part of project activities⁴⁰.

For example, although the development of a trunk road network offers a certain benefit to the poor segment of the population, convenience to poor people who live in areas far from the trunk road may be limited. If feeder roads connecting the main road and poor areas are upgraded to an all-weather type road, benefits enjoyed by the poor people, including the hauling and selling of agricultural products, should dramatically increase. Similarly, in addition to the construction of a power plant and major transmission lines, if the power grid for rural regions is built in the plan and if measures are taken to reduce or exempt fees to be paid by poor people, or if the electric bill becomes pay-as-you-go plan, the benefits for poor people are further increased. There is much potential in “poverty integration” to increase the benefits of the poor by incorporating additional schemes or by elaborating policy measures and public investments. These include an official support and consultation system to allow poor people to be easily protected under law and justice, low-cost mobile banking that allows them to receive services such as remittance even without a bank branch nearby, cost exemption and scholarship to offer educational materials and school uniforms to children in poor households, and improved access to health centers or mobile clinics.

Generally speaking, the poor/the vulnerable and poor areas/communities are disadvantaged in terms of political, social, economic and human capability aspects compared to the non-poor. Therefore, by incorporating the poverty reduction approaches or poverty reduction tools, it is possible for “general projects” with such built-in pro-poor measures to become “poverty-integrated projects”. Poverty-integrated projects usually involve additional cost. However, even in cases wherein such an additional poverty reduction component does not directly match the original purpose of the project, pro-poor component should actively be taken into consideration if it provides significant benefits to the poor people or if it improves the sustainability of the project itself.

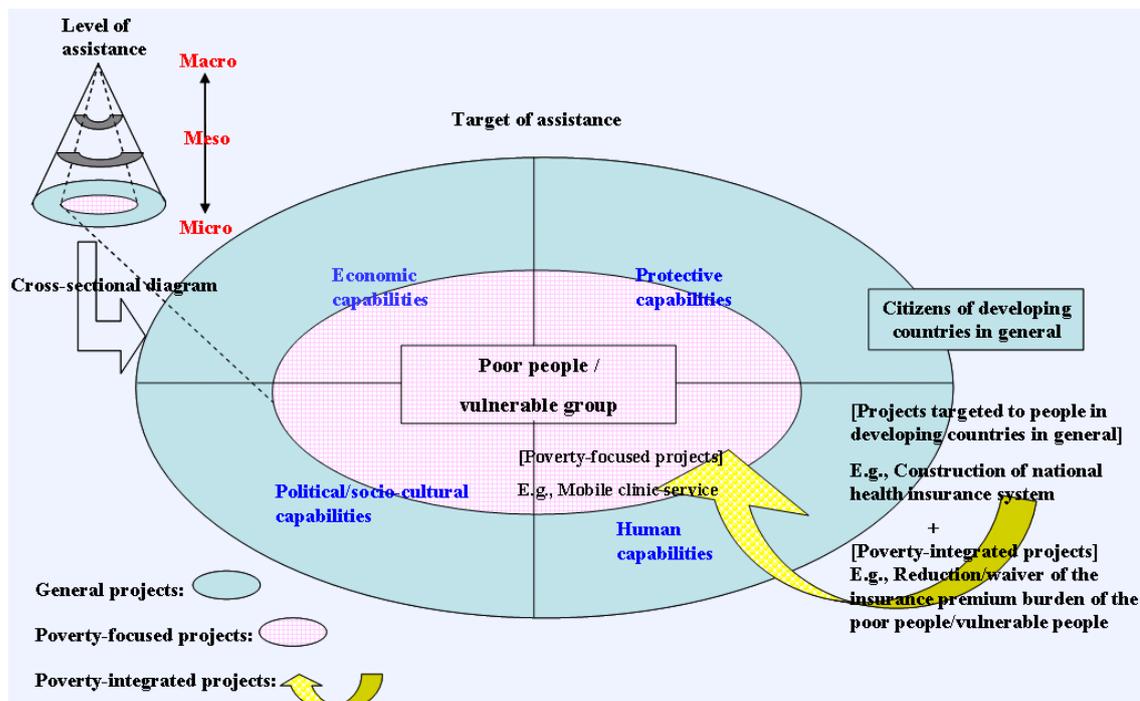
Upon formulating projects, it is necessary to consider whether the specific poverty-integrated activities can be introduced in order to enhance the benefits of the poor with the reasonably additional investments, and assess whether poverty-integrated activities is judged as (i) essential in relation to the project purpose, (ii) desirable to implement, but not essential from the perspective of poverty reduction, or (iii) not necessary to implement. In all cases, it is desirable to make this judgment at the earliest possible stage in forming the project. However, in reality, needs for pro-poor

³⁹ Refer to “Poverty Reduction Handbook” (JICA) for the criteria of poverty projects.

⁴⁰ For example, projects including schemes and tools conducive to the stabilization or improvement of the livelihood of poor people, such as microfinance and cash/food for work. Refer to Box 2-1 in p. 22 and “3-3. Specific examples of poverty reduction tools” of these Guidelines.

components often become clear during the implementing stage of the project, close look at social impacts that the project gives to the said society is required even after the project has begun so that the needs to such additional investments can be continuously monitored.

Figure 2-1. Conceptual diagram of JICA's poverty projects



If a project falls under (i) above, the project purpose or details of components for poverty reduction should clearly be stated in documents such as the project implementation plans, appraisal paper and PDM (project design matrix) from the planning stage. If the necessity is confirmed after the project had started, it is advised to rewrite these documents as early as possible and put poverty reduction mechanisms formerly in the mainstream of the project. If a project falls under (ii) above, the benefits and additional costs necessary to provide the pro-poor intervention should be considered before it is decided whether the additional investment is worth implementing. When providing poverty integration, the fact should be stated in a written form as early as possible, in the same manner to the case of (i) above. Practically speaking, it must be careful not to spend too much time and money for surveys and analyses for decision-making. In addition, such additional pro-poor intervention must be evaluated appropriately in mid-term, terminal and ex-post evaluations.

BOX 2-1 Examples of Poverty-Integrated Measures

“Poverty reduction tools” or pro-poor components of project provided to increase the benefit for poor people can include various measures, such as those at the level of (i) policy/system, (ii) project design,

and (iii) implementation methodologies. The following are some examples of such poverty-integrated measures.

[Policy/system]

- ✓ Reduction or exemption of fees (eg: educational expenses, insurance premiums and energy expenses)
- ✓ Through PRSC (Poverty Reduction Support Credit)
- ✓ Free-of-charge legal counseling, legal aid, and alternative dispute settlement mechanisms with consideration of customary aspects in the legal system

[Project design]

- ✓ User-friendly infrastructure design (eg: barrier-free plans for the disabled or the construction of culture/gender-conscious schools)
- ✓ Additional construction of community roads to ensure access to residential areas of poor people under highway construction plans
- ✓ Permission to use parts of public land for landless farmers within the regions where the project is implemented
- ✓ “Soft” components such as HIV/AIDS education and education on traffic safety (to construction workers and residents living in the vicinity of construction sites)
- ✓ Improvement of access to financial services by the poor through microfinance

[Means of project implementation]

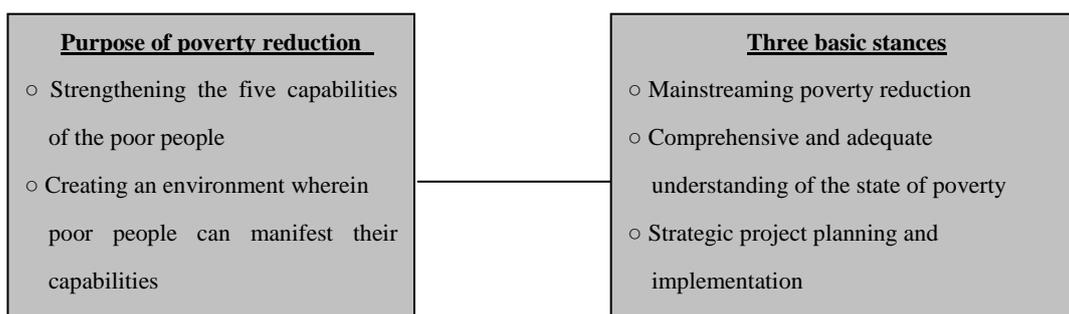
- ✓ Participatory approaches (PRA/PLA) to generate a sense of ownership and inclusiveness among the poor
- ✓ Public works through cash/food for work targeted to poor people (workfare)
- ✓ Arrangements with local companies on the prohibition/abolition of differentiating wages for the same work
- ✓ Setting the minimum quota for participation of poor people

2-4 JICA’s basic stance and points for poverty reduction cooperation

2-4-1 Three basis stances

JICA sets three basic stances for poverty reduction in its cooperation:

1. Mainstreaming poverty reduction;
2. Comprehensive and adequate understanding of the state of poverty; and
3. Strategic project planning and implementation.



(1) Mainstreaming poverty reduction

Because poverty reduction is not only a specific sector but an issue with cross-sector characteristics, it is necessary for the idea of poverty reduction to be actively incorporated when assisting countries to form policies and development plans, and in projects of different sectors. Therefore, JICA mainstreams poverty reductions regardless of sectors by incorporating the perspectives of both “poverty-focused” and “poverty-integrated” approaches in its activities.

To achieve this, it is first necessary to reinforce the organizational system. To this end, the following will be implemented: (i) setting of criteria to distinguish poverty projects (poverty-focused projects and poverty-integrated projects) from general projects, (ii) development of information related to poor areas/groups and vulnerable groups in each country based on the criteria, and (iii) screening of poverty projects implemented based on such criteria and information. As for poverty projects, a system will also be established to judge whether the project purpose, appropriate targeting and analysis of stakeholders, and activities conducive to poverty reduction are all sufficiently reflected in the Plan of Operation and PDMs.

In addition, JICA’s experiences and know-how related to poverty reduction will be streamlined and developed; and tools that are expected to be effective in poverty reduction are considered. Through these measures, advocacy and training of the stakeholders, such as JICA staff and experts, on poverty reduction based on specific examples are expected to be reinforced.

(2) Comprehensive and adequate understanding of the state of poverty

Because poverty is highly multi-dimensional and is also intimately related to other development issues such as environment and conflict, efforts to improve just one aspect of poverty, like the lack of food or inability to read, will not result in a fundamental solution of poverty. The followings are some suggestions to comprehensively and adequately understand the issue.

◆ Multi-level, multi-sector and multi-perspective approaches

Because poor people have neither the power nor opportunity to change or control the given environment, they are constantly under pressure to adjust themselves to severe environments. In

order to minimize the negative impact of complicated and unpredictable changes and maintain living conditions as stably as possible, they have diversified strategies to survive and make their living. Because such strategies change according to the situation at the time and are significantly influenced by such factors as age, gender, religion, ethnic group, social class, country, region, socio-cultural characteristics and so on⁴¹, we, development partners, are required to maintain highly flexible perspectives in order to understand the reality of poverty.

- ✓ Multi-level Considering the needs or capabilities that exist in each of the levels (or the combination of levels), namely national level, local government/community level or the level of poor individuals.⁴²

- ✓ Multi-sector Considering which of the “strengthening of economic, human, protective, political and socio-cultural capacities” or the “preparation of an environmental setting wherein the capabilities of poor people can be fulfilled” (or the combination of sectors) the poverty reduction needs exist

- ✓ Multi-perspective Considering whether there are differences in perception of the situation and needs of poverty among the poor people themselves (subjective perspective) and between them and other people (objective perspective)⁴³; considering what kind of differences there are, if any

⁴¹ JICA prepares country strategies and analyzes the situation of each country to provide assistance that matches the development needs of the country. Other than sector analyses, special instructions in the country strategy include items such as human security and gender as cross-cutting issues.

⁴² Capacity assessment (CA) is the process for donors and developing countries themselves to find out about the capacity of the country as a whole and to decide the targets to be reinforced. Refer to “2-4-1 (2) Comprehensive and adequate understanding of the state of poverty” of these Guidelines for the detailed discussion on capacity development (CD) and poverty reduction, and JICA (2008e) for the details of CA.

⁴³ The example of qualitative analysis research on poverty perceived by poor people themselves is a participatory poverty assessment (PPA) implemented by the World Bank in 81 countries in late 1990s. On pp. 34–35 of Deepa Narayan et.al (2000), which is the report of the PPA, poverty indicators from the perspective of those poor people are explained. For example, the poor people in Vietnam not only lack food and goods but also live with such conditions as “very unstable houses that often need to be rebuilt every two to three years” and “have no wells or easy access to fresh water,” which were given as examples of poor households. On the other hand, women in Uganda consider that “the poorest have no housing, but work for food and live on the land of the rich.” Thus, the indicators of poverty differ among regions, communities and individuals.

◆ **Targeting, understanding the causes of poverty, vulnerability of the poor people and their capabilities**

Targeting means accurately understanding the existence of the poor to identify which people/group will be the main target of assistance, and to provide effective countermeasures to reach them. There are several methods of targeting, namely: (i) using individual information that generally has a strong correlation with poverty, such as household structure, occupation and educational level, (ii) using the residential region, social class or social attributions, and (iii) self-targeting, which self-sorts through provisions of inferior goods that are frequently used only by the targeted poor people. In general, the poor people include people who tend to be excluded from society and marginalized because of various types of discrimination; women, ethnic minorities, the disabled, HIV/AIDS carriers, people in a lower caste, and so on, in addition to people who are vulnerable because of low income, poor health or lack of access to education and other reasons. However, because the criteria differ by country, it is necessary to understand what kind of people are perceived as the poor in the country based on adequate information⁴⁴. Because many poor people have no voice, so to speak, their distressed conditions are often not sufficiently understood and therefore left out as beneficiaries of assistance. As for the method of targeting to make these people the major beneficiaries of aid, participatory poverty assessment (PPA) and participatory rural appraisal (PRA) can be considered. It is also possible to use the poverty line of each country, Gini's coefficient and the results of household budget surveys. Although the poor tend to be socially vulnerable, the degree of their vulnerability and what they are vulnerable to differ. Donors often point out a lack of capacity among the poor, but it is important to implement appropriate targeting to judge whether the cause is a lack of capacity or insufficient opportunities to exert capacities, and to ensure that necessary assistance reaches the people who are in need the most.

◆ **Utilization of existing information, cooperation/coalition with other actors, and information gathering throughout the project cycle**

Although it is desirable for the state of poverty to be understood enough before starting the assistance/project, in reality, there are limitations in information gathering/analysis available in advance with limited human resources, time and budget. On the other hand, for many of the developing countries, information and survey results are collected not only by the government agencies of the country, but also by other actors such as donors, NGOs and civil society organizations. Although in many cases such information is not streamlined and stored systematically by the government of the country, it is important to cooperate/collaborate with other stakeholders as

⁴⁴ For some projects, JICA implements community profiling in order to understand the actual situation of regions or communities assumed as targets of assistance.

much as possible to try to actively utilize the existing data where resources are limited. Because there are also cases where individual and specific information necessary for the implementation of projects is available only through the project cycle, efforts to continuously gather information even after the start of the program will be necessary.

(3) Enhancement of strategic project planning and implementation

The longstanding challenge for development assistance is in determining the kinds of external intervention that will bring forth changes in the society of developing countries and will result in achieving fair economic growth. It is likely that there is no universal solution common to all aid projects. However, JICA aims to draw project plans based on the most comprehensive poverty information possible and to implement projects strategically. In order to ensure the consistency of strategies upon implementing the project, it is necessary not only to focus on the analysis of sectors expected to support at the stage of preparatory survey but also on the analysis of stakeholders regarding who (or what organization) will directly or indirectly be involved and what kind of positive/negative impacts the project will have to whom. In addition, the results of these analyses should be clearly stated in documents such as a country assistance implementation strategy, appraisal papers and PDMs, and to make the relevant stakeholders aware of them throughout the project period.

◆ Commitment in development strategy and JICA's priority

It is important to take into consideration not only the reality of poverty in the country but also the national development policies/strategies and financial/administrative capacities of the government. It is also essential to share the role in assistance to play and cooperate with other stakeholders; further it is important for JICA to strategically select areas for assistance with strong needs in the counterpart country as well as our experiences and roles expected. JICA gets involved in discussions and takes part in national development policies and sector programs by utilizing its know-how on poverty reduction in Japan and Asia for active intellectual contribution. In addition, JICA will put forth effort in formulating and implementing projects effectively while also seeking for an organic collaboration of tools or methods for assistance. Upon implementation of the projects, it will respect the ownership of the counterpart country above anything. When doing monitoring and evaluation, it is essential to bring into view not only the achievement of the project purpose but also how far JICA's assistance contributes to the counterpart country's development goals.

◆ Capacity development and process-oriented approach

Capacity development (CD) "refers to the ongoing process of enhancing the problem-solving abilities of developing countries by taking into account all the factors

at the individual, organizational, and societal levels.”⁴⁵. In this process, JICA will be a catalyst for the spontaneous and independent efforts of the development country itself⁴⁶. Poverty reduction requires not only improvement in the abilities of individuals but also preparation of an environment wherein such capabilities can be fulfilled, which means preparation of policies and systems and reinforcement of organizations at various levels. Such necessity matches the definition of CD, and the promotion of CD eventually enables continuous poverty reduction. Traditionally, technical cooperation of our country focused on the process of improving abilities necessary for developing countries to solve their problems on their own, rather than short-term improvement of the situation of poverty. It also respected the process of trial and error necessary for the improvement of abilities from the mid- and long-term perspectives. Such perspective is common with the idea of CD, which has been seeing an increasingly streamlined concept recently⁴⁷. In the area of poverty reduction, a result-oriented way of thinking, such as achievement of MDGs, is still the mainstream in the aid community. Under such conditions, CD shows the ideal situation of the process-oriented approaches. JICA will further deepen discussions on the accumulation of knowledge/experience focusing on CD and the process-oriented approaches as the advantage of aid from Japan, and transmit its benefit to other countries.

◆ Cooperation with the private sector and other stakeholders (development partnership)

As one of the four strategies for attaining JICA’s vision, namely “Inclusive and Dynamic Development,” JICA names “promoting development partnerships”⁴⁸. This strategy is to (i) accurately grasp their changing needs through a focus on the field, (ii) promote the counterpart country’s own self-help efforts swiftly and effectively through a focus on results, and (iii) promote partnerships with local governments, universities, NGOs, and private companies in addition to the conventional partners such as international organizations and other donor organizations.

Recently, JICA set out a basic policy on public-private partnerships⁴⁹. The basic policy expects the private sector to effectively provide various socio-economic services, which had been assumed by the public sector in the past, as well as effects of job creation, raising income levels, capacity development and tax revenue increases through entry of private companies. It also looks at policies and measures for public-private collaboration. Because poverty reduction requires a bolstering of economic growth in developing countries through the activities of private companies, JICA aims to

⁴⁵ JICA (2006a), p.2

⁴⁶ There are lessons learned from efforts to transfer technologies, knowledge and systems of developed countries from outside, and the past technical transfer in general, behind the idea of CD.

⁴⁷ However, the technical cooperation of Japan in the past had been technical transfer mainly involving a personal approach to individual counterparts (C/Ps), as well as capacity building (CB) focusing on human resource development in developing countries and the strengthening of the functions of C/P institutions.

CD is the process of the counterpart, and the concept of CD in which the aid provider is merely a facilitator was established only recently in distinction from CB.

⁴⁸ Refer to JICA (2008f) for the details.

⁴⁹ JICA (2009d)

achieve the “win-win-win” relationship of developing countries, private companies and ODA in terms of both business and poverty reduction by preparing the conducive environment for private companies’ operations and by supporting such activities in developing countries⁵⁰.

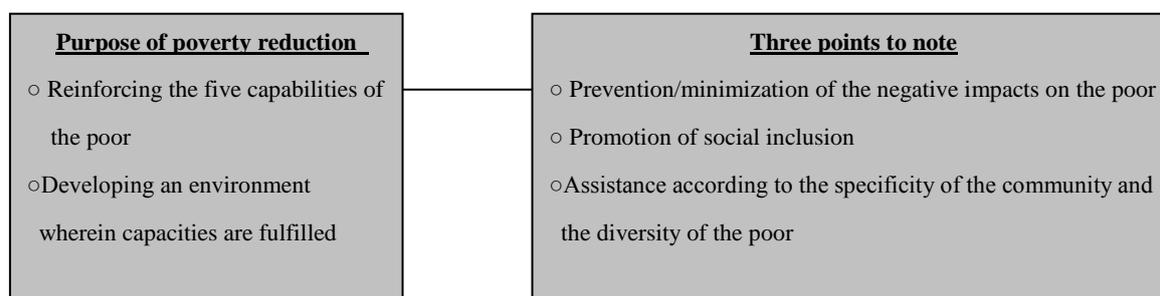
◆ **Sustainability, Scaling up and spreading out (“3S”)**

It is necessary to establish capacities and build systems that facilitate the sustainable development of the targeted region and society from the long-term perspective, rather than aim to achieve goals at the level of individual projects in the short-term run⁵¹. In addition, it is important to categorize the target area-to-be of the project based on the situation of human/financial resources and the socio-cultural background of the community, and to select similar societies as future targets as explained in “2-4-1 (2) “Comprehensive and adequate understanding of the state of poverty.” Thereafter, it is essential to draw a grand design for cooperation by adding such perspectives as sustainability and diffusion to the original plan of the project. When actually developing the project, an effective approach would be to allow certain latitude to adjust the model of the project to the characteristics of specific communities and groups of people.

“3S” requires not only relevance of the project, but also human and financial resources. The input of resources from the outside should remain at a level that the country can maintain by itself. However, there are cases where financial assistance from the international community becomes necessary. JICA considers diffusion (spread-out) within the region/country where necessary through financial assistance in combination with technical cooperation. In the medium and long-term, JICA envisages handing over the project to private sector for scaling up and spreading out, to seek ideal relationships that allow cooperation of the developing countries, private sector and ODAs.

2-4-2 Three points to note

JICA will keep the following three points to note when implementing poverty reduction.



(1) Prevention/minimization of the negative impacts on the poor

⁵⁰ Refer to “3-3-4. Social business” of these Guidelines.

⁵¹ Refer to OHAMA, Yutaka (2007) for details.

Poor people are sensitive to environmental changes, and development assistance is no exception in that it can cause such environmental changes. Therefore, JICA should consider in advance the positive and negative influences of the project on the natural/social environment and must take measures where necessary so that targeted people including the poor can make their living sustainably for the long term. For instance, when direct sowing to raise work efficiency in rice cultivation is brought in through technical cooperation, the conventional rice transplanting process can be skipped. This may result in depriving landless agricultural laborers or daily women workers from poor households of an income opportunity. While farmers with their own field can benefit from the project, the donor is unknowingly excluding those who do not possess land from the project⁵². In order to consider the possible negative impact of the project on poor people, it would be helpful to implement a rigorous analysis of relevant actors when making decisions during the earliest planning stage.

JICA has formulated new guidelines for environmental and social considerations for the new post-merger organization. The new guidelines list “vulnerable people such as poor and indigenous peoples” as needing environmental and social considerations. In addition, it also considers giving special attention to the human rights of “vulnerable people, including women, indigenous peoples, persons with disabilities, and minorities,” as it concerns social environments and human rights. When planning and implementing the projects, the guidelines should be strictly complied.

(2) Promotion of social inclusion

Based on the recognition that social exclusion is making it difficult for them to escape from poverty, it is essential to actively promote poor people, including the marginalized, to participate in the project, in other words to promote social inclusion. In particular, people who tend to be marginalized from society, such as women, ethnic minorities, the disabled, HIV/AIDS carriers, and people in lower caste, usually have limited opportunities for economic activities and political participation or access to goods and services, and as a result become the poorest of the poor. Therefore, it is important to consider an arrangement for people who are discriminated against in developmental processes to have an opportunity to express their ideas and participate in decision-making. It is necessary to first fully understand and consider the actual situation of social exclusion (who are excluded for what reason and how such people can be included) when providing assistance. For example, in Nepal the Department for International Development (DFID) of the UK and the World Bank jointly provide assistance on social exclusion by different castes, genders and ethnic groups⁵³. JICA also started the Gender Mainstreaming and Social Inclusion Project, which supports the social inclusion policies and measures by the government of Nepal⁵⁴.

⁵² Refer to JICA (2007) for details of case examples.

⁵³ DFID (2005), p.17

⁵⁴ The government of Nepal, as its greatest challenge, puts forth efforts to promote the participation of people who

(3) Assistance according to the specificity of the community and the diversity of the poor

Each society has its peculiar customs and rules nurtured by history and the natural environment. Social relationships and networks connecting people/a group of people also vary among different societies. Although the realities of poverty may look the same in the eyes of outsiders, their causes and outcomes vary because they reflect the specificity of the society, and thus there is no universal solution that can be applied to any society⁵⁵. There are also various other factors inherent to the society, including social class and mutual assistance mechanisms, the ideal relationship between public institutions and civil organizations, and the sense of values for receiving aid, that have a large impact on poverty reduction cooperation. In addition, although it is likely to be believed that the sense of belonging and the geographical units of people of common ethnic groups or religions are roughly the same in the same “community,” it should be noted that the actual situation of “community” does not always correspond to this concept. In particular, the existence of conflict or the development of an information society and transportation are spreading/scattering communities. Therefore, assistance should be planned and implemented in a manner that goes beyond the conventional framework of the “community”⁵⁶.

2-5 Issues for the future

JICA will consider new development issues that are expected to become even more important according to the progress of globalization, such as climate change and financial crises, as well as the post-MDGs poverty reduction after 2015.

2-5-1 New development issues and poverty reduction

Because globalization made people, goods, capital and information move freely beyond national borders, development issues are becoming more insoluble by only one country. As seen in the cases of economic/financial crises and soaring food prices, the impact of problems led by market speculation and a rising crude oil price is reaching even the least developed countries. Other issues such as climate change, terrorism, international crimes such as drug trafficking and human trafficking, HIV/AIDS and a new influenza virus may also directly threaten the livelihood of

had been socially disadvantaged, including women, low castes and ethnic minorities, in the political/administrative processes of building a new nation, as well as ensuring a budget to support the vulnerable groups and construct an administrative services system at the local government level in order to allow these people to receive services. This Project targets the central government and two districts to implement the construction of administrative mechanisms (planning, implementation, monitoring, evaluation, program/project investigation, budget auditing) from the perspective of gender/social inclusion, as well capacity development regarding the mechanism of central and local government-affiliated agencies.

⁵⁵ As for the focus on the specificity of society, refer to OHAMA, Yutaka (2007) and JICA (2002b), for example.

⁵⁶ For instance, the communities of internally/externally displaced people that were scattered by conflict, such as Diaspora in Palestine.

impoverished people. These issues are downside risks that cannot be ignored from the perspective of human security either. Although it is necessary that these issues must be addressed cooperatively at regional and global levels, and not only through conventional bilateral aids provided between Japan and developing countries, it is difficult to share the awareness of threats caused by these issues when the threat is a latent one or the extent of damage differs among relevant countries. In such cases, a solution may not be prioritized among the relevant countries. As for new issues that should be addressed by going beyond the conventional framework of bilateral cooperation, JICA has already started streamlining concepts and studying specific ways of cooperation, as well as implementing extensive technical cooperation projects in Southeast Asia and Latin America, and third-country training provided to more than one country. However, further consideration on these issues will be necessary in the future.

JICA's poverty reduction cooperation must further take into consideration the issue of how to assist internally displaced people, who find it difficult to receive assistance from the international community, or the pockets of poverty for which assistance through a conventional cooperation framework is hard to reach and who tend to be left without support. In addition, the area of private sector support, including social business and microfinance is also being highlighted in seeking the contact point in terms of service provision between the private businesses and public sector irrespective of the conventional framework of ODA. JICA, as a development assistance agency, should look for an ideal state of collaboration with the private sector so that poverty reduction can be achieved as a results of improvement in poor people's access to goods and services, creation of employment opportunities, and support provided to prepare an environment to offer protective measures so that the poor do not suffer unreasonable loss in social business.

2-5-2 Post-MDGs

The median year for MDGs was 2008, during which mid-term evaluation was implemented. While the evaluation showed that some areas have improved, it also found that there are significant regional differences in the progress. It also raised concern that the recent serious economic/financial crises throughout the world may drag the improvement in MDG indicators, so the situation is still unpredictable as a whole. Time will come within the next few years to summarize the current MDGs, looking ahead towards a post-MDG era, and to consider worldwide efforts toward poverty reduction after the goal achievement period ends in 2015.

JICA should also accelerate its contribution in attaining current MDGs in the remaining period up to 2015. At the same time, JICA should take into account its past experiences, field-level knowledge and key issues for Japan to start considering recommendations toward the post-MDGs era. Among the four missions of JICA, addressing the global agenda and reducing poverty through equitable

growth should especially become ever more important from now on.

Chapter 3 Approach to Poverty Reduction

3-1 Development objectives for poverty reduction

In this chapter, four primary development objectives and the intermediate objectives attached to each development objectives will be set as an approach to poverty reduction. In addition, Development Objectives Chart for poverty reduction will be included at the beginning of these guidelines to provide an overall picture of JICA's entire poverty reduction cooperation. This Development Objectives Chart includes sub-goals, which represent examples of assistance that will be helpful in achieving intermediate objectives. Development objectives, intermediate objectives and sub-goals are the results of the segmentation of development issues. These guidelines will not give a detailed project design by specific poverty-related sector. Instead, please refer to each thematic guidelines for sectors.

Development objectives
1. Economic capabilities (ensuring means of livelihood and increasing income)
2. Human capabilities (improving the basic ability to make a living)
3. Protective capabilities (overcoming vulnerability)
4. Political and socio-cultural capabilities (realizing political and social participation)

There is a correlation between the development objectives. As explained in “1-2. Perception and definition of poverty,” the situation of the poor tends to deteriorate further as one disadvantage causes another form of poverty (i.e., a deprivation trap). Focusing on merely one aspect of poverty and trying to improve just the phenomenon without looking at the cause of the problem cannot necessarily allow the poor to escape poverty. Moreover, there is even a risk that such approach causes another form of poverty. Thus, in poverty reduction, it is necessary to fully understand that poverty is multi-perspective and multi-leveled in its nature, rather than perceiving the problems faced by the poor from only one aspect of poverty, and any approach must be based on the correlation of the four development objectives.

3-2 Effective approach to poverty reduction

This section explains (i) assistance for strengthening the capabilities of the poor, and (ii) assistance in preparing environmental settings wherein capabilities are exerted. A multi-leveled explanation intending to reflect aid as much as possible to the macro, mezzo and micro levels each

will be provided for the development objectives. However, because the nature of each development objective differs from the other, not all goals will have aid approaches for each level.

The projects are planned on the premise of sufficient consideration in (i) who should be the main beneficiary, and (ii) what kinds of benefits are provided to the assumed beneficiary. For any approach introduced here, it is important to always think about minimizing the negative impacts (damages) and maximizing the positive impacts (benefits) to the poor upon planning and implementing the assistance.

Development objective 1:

Economic capabilities (ensuring means of livelihood and increasing income)

Among the five capabilities of the poor, economic capabilities are those that are directly related to the fulfillment of clothing, food and housing. Although cash income and its amount are among the important factors of economic capabilities, there are other factors that are closely related to the level of economic capabilities, such as access to land and livestock, fishing grounds, materials and equipment, and also financial services. In addition to means of livelihood through agriculture, forestry and fisheries, there are also lifestyles on cash income through wage labor and self-employment. In general, the percentage of people living on agriculture, forestry and fisheries is

Economic capabilities	This is capability of earning income, consuming and possessing assets. It is a factor in deciding food security, material affluence and social status; and it is strongly tied to access to economic/physical resources (land, livestock, forest, fisheries, credit and adequate employment).
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larger in rural areas, and that of people living on cash income earned by wage labor and self-employment is larger in urban areas. However, because it is difficult for the poor to support a family on a single income source, they usually take all possible measures to try to secure at least the minimum household consumption for living.

The top priority in the lives of the poor is to avoid, as much as possible, any risks of further deteriorating the living standard.

Thus, it is widely recognized that the poor tend to avoid risks and desire stability more than other people⁵⁷. In this section, livelihood is divided into that “through sustainable agriculture, forestry and fisheries” and that “based on other measures”, which are explained as Intermediate objective 1-1 and Intermediate objective 1-2 respectively. Economic capabilities should principally be understood as a comprehensive capabilities related to the income, consumption, asset formation and possession that allow them a basic human life. Strong economic capabilities signify more than just food security. Holding a larger amount of cash may also raise protective capabilities to prepare for external shocks, such as disasters and conflicts, as well as an ability to make investments toward raising human capabilities, such as education and health.

⁵⁷ For example, it is known that the poor tend to choose indigenous varieties resistant to disease and pest, even if its yield is low, rather than improved varieties with high yields but less pest resistance.

The poor people are not homogeneous but very much diverse in terms of the extent of poverty which they suffer. While some people have difficulty producing just enough food for their family, there are others who can escape from the deprivation trap if conditions are right. Aid for strengthening economic capabilities should be planned by fully considering the needs and wants of the poor to whom the aid is provided.

Intermediate objective 1-1: Ensuring means of livelihood and increasing income through sustainable agriculture, forestry and fisheries

The most important living strategy for the poorest of the poor is to produce food for their own consumption. Food shortage is the most serious state of poverty for people. The priority of the poorest farmers is to find a strategy that allows them to stably secure staple foods, such as rice, corn and wheat. Fishermen and people living on forestry also often own or rent farmland to produce food. If there is excessive production, they sell it and acquire cash through markets or brokers. They also exchange this excessive production with others. The need for cash payment, including educational and health expenses, ceremonial expenses, purchase of food other than staples and seasonings, and electric and water bills, are increasing even in rural areas. The poor do not have power to negotiate prices with the product broker, and they are often forced to sell agricultural products when prices are at their lowest, to sell foods for their own households by the piece, or to purchase seeds to be planted for the next season at a high price, which will drag them even further into the deprivation trap.

In a lifestyle based on agriculture, forestry and fisheries, the first step of assistance provided to the poorest is stabilization of their livelihood, including food security. Assistance with technologies and systems or with improving access to various related goods and services, which are required to stabilize household consumption, must be planned based on sufficient understanding that the assistance should minimize risks and stabilize people's lives. On the other hand, if conditions are right and there is an opportunity, those who escaped from the deprivation trap or the poor who are about to escape the trap can exert their inherent capabilities to further diversify or to expand the size of their means of living. This will pave the way for cooperation that is more advanced than securing a stable supply of food. The keys to achieving this are to ensure access to land, natural resources, production materials and market, to diversify livelihood, and to expand production.

◆ **Access to land, natural resources, production materials, markets and financial services**

At the macro level, it is necessary to protect the poor's access to basic assets and resources for production, such as land, water, forest or aquatic resources. For the poor who do not have rights to access such assets and resources, it is necessary to consider easing the conditions of access, or to develop policies and systems to provide improved access. In order for many people to utilize limited resources, an approach aiming for both economic self-reliance and preservation of the natural

environment is important. It is also necessary to ensure cooperation by combining the improvement of management/preservation of existing resources with the development of new/unused resources and the distribution of resources to the poor. Although land reform is an important policy, existing landowners (in many cases, influential figures in the community) are expected to strongly resist such policy, so it should not be easy to implement it.

The poor often live in mountainous areas and remote villages without improved transportation/traffic infrastructure. Therefore, they are deprived of access to production materials, markets and financial services. This results in higher costs for transporting products and lower price competitiveness, or sales below costs. While population density is low in remote villages, mountainous areas also present geographical restrictions. Thus, construction cost is usually higher in these regions, which tends to result in infrastructure development in remote villages being put off. From the perspective of poverty measures, it is necessary to raise the priority of infrastructure assistance, such as the construction of roads and markets in poor areas. Also, in addition to improvement to the “hardware”, it is also important to encourage farmers to form organizations and establish joint collection and shipment systems so that products can be traded for more adequate prices, as well as to reinforce the price negotiation power of the poor. In addition, consideration should also be given to providing aid to improve the varieties of crops that suit the conditions of lands on which the poor live, seek products with comparative advantage in the region, research and develop technologies to stabilize/increase production, as well as encourage the dissemination of such varieties and technologies (such as the development of a promotion center, reinforcement of the capacities of extension workers, and farmers-to-farmer’s extension with gender perspectives). In many cases, the lack of market information works adversely to the product trade of the poor. Therefore, it is also important to aid in establishing a system wherein the poor can easily obtain such information as market price and production/consumption amounts at a low cost, utilizing IT measures such as mobile phones, satellite phones and the Internet. Microfinance that can be used by those who do not have assets to be used as collateral, such as land⁵⁸ will be also another effective measure to improve the stability of the livelihood of the poor.

◆ **Diversification of income sources**

The strategy for diversifying income sources includes measures such as diversification of agricultural production, production/sales of agricultural processed products, and raising income other than from agriculture. In particular, agricultural processed products and income raised from means other than agriculture are important because they can fulfill the income gap between farming season and the agricultural off-season, and because they can equilibrate income throughout the year. Various types of business can be considered as opportunities to raise non-agricultural income, such

⁵⁸ FUJITA, Koichi (2005) gives an example wherein farmers re-lend the fund they raised through microcredit to the landlord, and obtain the cultivation right of the land for a certain period until the landlord repays the fund. In this case, the farmers can also earn profit margins between the annual interest obtained through cultivation and interest to the Grameen Bank. Also refer to 3-3-2 of these guidelines for microfinance.

as getting jobs in formal/informal sectors, working away from home during agricultural off-seasons, or retail trade, such as selling their own products. As previously discussed, whilst agriculture, forestry and fisheries are the main source of income for households, it is generally seen that a strategy for poor households to achieve stable living means is to secure other sources of income, be it a side or main business, by other family members. Particularly for the poor without sufficient educational levels and those without skills, the informal sector usually serves as the basis for their employment⁵⁹.

◆ Expansion of production

Research and development of technologies will be necessary in order to expand production. It must be remembered that proposed technologies should be geographically and economically accessible to the poor and require less input. Furthermore, technology upgrading and job opportunity can be secured for farming households in the form of contract cultivation, not only through the support from public sector but also by utilizing the drive of private organizations.

On the micro level, improvement in the management skills of individual farming households and the enhancement of financial services are important factors. It is also possible to realize high productivity and stable production by inputting production materials. However, in reality, it is difficult for the poor to maintain a level of stable production that would allow for continuous purchase of such inputs. Therefore, it is important to also provide training on technologies that can be continuously used by the poor, such as compost that utilizes the manure of livestock, in addition to the usage of chemical fertilizers purchased in the market.

BOX3-1 Productivity

Improvement of productivity means producing more values with less input. There are a variety of ways to improve productivity, and it is important to select an appropriate measure among them that matches the actual situation of the poor.

For example, in South Asia, land is scarce in comparison to the labor force. Although the production basis is developed to a certain extent, the level of wages remains low due to the excessive supply of workers. Work can be streamlined and saved by introducing machineries, and it will become possible to obtain more production with a smaller labor force. On the other hand, mechanization may threaten the employment and income of the poor because it reduces the total amount of workers in need. In South Asia, it is desirable to provide cooperation for increasing and stabilizing the annual income of the poor. Specifically, it would be effective to increase the absolute amount of demand for labor, to minimize the seasonal variations and to ensure stable employment throughout the year by introducing labor-intensive agricultural crops such as vegetables and flowers or by diversifying the types of agricultural crops.

⁵⁹ Refer to the “Intermediate objective 1-2. Ensuring means of livelihood and increasing income other than through agriculture, forestry and fisheries” for the informal sector and assistance thereof.

On the other hand, in Africa, where land productivity is low because of the poor soil or limited amount of rainfall, it is necessary to increase land productivity by developing the production basis (irrigation facilities, rural roads), improving production skills (improved seeds, utilization of fertilizers and pesticides), and by reinforcing the dissemination system. Even in such cases, it is desirable from the perspective of poverty reduction to provide technologies that can improve land productivity without requiring changes in the amount of labor.

Intermediate objective 1-2: Ensuring means of livelihood and increasing income other than through agriculture, forestry and fisheries

People in poverty who live on means other than agriculture, forestry and fisheries engage in various kinds of work in the informal sector. These jobs include retail trade on the street, small food stalls, seasonal labor and domestic work; and in some cases, each family member holds a different job or one member is engaged in several jobs in order to diversify income sources. Because the poor are deprived of the opportunity to obtain a high level of education or acquire skills, their opportunity for stable employment in the formal sector is extremely limited. Because cash income obtained in the informal sector is generally small and unstable, there is always uncertainty about securing food. Therefore, some people in poverty try to produce food for their consumption by renting a small piece of land, even in urban areas. In contrast, there are many people in poverty not only in urban areas but also in rural areas who are engaged in informal sector works in order to supplement their income from agriculture or to try to stabilize their lives by diversifying their means of living.

A phenomenon generally seen in developing countries is when young men and women go to urban areas expecting support from relatives who live there, thus ensuring their means of living, especially when they do not have enough land or any chance of inheritance and cannot live on agriculture. However, they tend to have difficulty ensuring their own food or housing in urban areas, where competition for jobs is severe, and end up in even more serious poverty by being infected with HIV/AIDS or getting involved with drugs or crime. Increase of such cases among young people is becoming a social issue. Also in developing countries, the social security systems, which include public medical services and pension programs, tend to have very limited coverage regardless of rural/urban areas. The human network of poor people in urban areas is weaker than in rural areas, where there is a mutual cooperation between relatives and neighbors. In addition, because many of the poor in urban areas are forced to make their living on cash income from unstable work in the informal sector, they lack protective capabilities against illness or such external shocks as disaster, making them a highly vulnerable group. Many of the poor live in illegal residential areas, such as slums, and even if they want to escape from poverty, their low educational levels or social status makes it difficult for them to participate in society and express their opinions (lack of social capabilities). Furthermore, this vicious cycle of poverty passes down to their descendants.

Some examples of poverty-focused countermeasures to this situation, from a macro-level perspective, are an industrial promotion policy that would strongly affect job creation, and the development of financial, taxation and subsidies systems to support such industries. A labor market that can accept poor workers is a market for unskilled labor wherein the poor can enter easily. In order to increase their opportunities for employment/starting a business, it is important to promote small and micro enterprises. Assistance can be also provided to improve labor conditions for the poor or establish a social safety net (SSN)⁶⁰ that also covers poor workers who are engaged in informal sector businesses. There are also measures such as incorporating employment promotion policies in the economic development strategy, e.g., developing a policy to grant incentives to companies for employing the poor. It should also be effective to solve problems that are becoming barriers for the poor to start a business, such as the establishment of a mechanism to link vocational training to employment, assistance in microfinance to allow the poor to obtain funds necessary to start or manage small enterprises, and improvement of procedures for obtaining business licenses for starting a business.

BOX3-2 Working environment for the poor

In general, the working environment is severe for those in developing countries. Not only is there a tendency to keep wages low, employment is also instable, with workers being easily laid off according to changes in the quantity of work demand. In the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the follow-up to the Declaration, the ILO declares that ILO member states have the obligation to realize (i) freedom of association and the effective recognition of the right to collective bargaining, (ii) elimination of all forms of forced or compulsory labor, (iii) effective abolition of child labor, and (iv) elimination of discrimination in respect of employment and occupation.

In developing countries, there are cases in which systems or policies at the macro level are virtually non-functioning. Or, even where such systems or policies do exist, corruption or omission by administrative officials are becoming obstacles to SMEs and those engaged in informal sector works. On the mezzo level, aid will be necessary to strengthen the administrative capacity of local governments so as to prepare an environment wherein it will be easy for SMEs to run their businesses. Direct employment measures such as promotion of the development of local industries, or public works for infrastructure development using measures such as workfare as explained in "3-3. Specific examples of poverty reduction tools" may be effective for the short term⁶¹. However, in taking such measures, gender equality and social participation of the vulnerable through providing

⁶⁰ The concept of a social safety network and its scope differ by organization, such as the World Bank and the Asian Development Bank. The concept here is based on JICA (2003c).

⁶¹ Refer to "3-3-5 Cash/food for work" of this guideline.

social protection⁶² should be well considered.

On the micro level, conducting skill training for poor people in informal sector to increase income, will be effective on a short-term basis. Also, on a mid- and long-term basis, provision of formal education in terms of encouraging the poor's employment in the formal sector, will be essential. At the same time, it is necessary to provide non-formal education, which combines vocational training with literacy education, to those who cannot access formal education. It is also effective to provide assistance to foster entrepreneurship among the poor and to improve management skills such as accounting and marketing.

Development objective 2:

Human capabilities (improving the basic ability to make a living)

In order for a person to live a basic life, it is essential to be healthy, to be able to receive basic education, and to be stably ensured of a hygienic and safe living environment. Lack of human capabilities reduces economic and socio-cultural capabilities and increase people's vulnerability.

Human capabilities	<p>These are capabilities based on health, nutrition, education, and safe water and residence. They are important measures to improve living situations. At the same time, they are also factors essential for people to live happy lives. Illness and illiteracy become obstacles to increases in income and participation in politics and society.</p>
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When human capacities (basic abilities to make a living) are insufficient, people in poverty may damage their health, be unable to work and suffer even severer poverty with excessive debt, or they may be isolated from others because they cannot participate as members of society. If they are unable to read and write, they are unable to obtain information from books and newspapers, and therefore may become unable to make adequate decisions necessary to take action or it may become more difficult for them to escape from poverty because they cannot borrow funds. In other words, insufficient human capacities reduce the economic and socio-cultural capacities of an individual, and increases

his/her vulnerability.

Here we set Intermediate objective 2-1: Improvement of educational level, and Intermediate objective 2-2: Improvement of health condition. At the same time, Intermediate objective 2-3: Improvement of living environment will be discussed. It should be understood that these objectives are related to one another.

Intermediate objective 2-1: Improvement of educational level

Basic education⁶³ is essential for the poor to acquire basic knowledge necessary for living and

⁶² Organization for Economic Co-operation and Development (OECD)/ Development Assistance Committee (DAC) (2006), pp.28-33

⁶³ Basic education means pre-school education, primary and secondary education, and non-formal education. Refer to

employment. However, in many developing countries, schools and teachers are insufficient in terms of both quality and quantity. Even if there are schools, sufficient education to school-aged poor may not be expected due to economic reasons; tuition and expenses for studying materials and stationery products are unaffordable, children's role as labor force comes before their education or socio-cultural reasons; parents and communities do not understand the importance of education, school attendance of boys is prioritized over girls. What is important from the perspective of poverty reduction is that assistance for basic education in general itself is not automatically equal to poverty reduction. Rather, it means to provide assistance for the poor to receive basic education, and for the vulnerable in order to have sustainable and stable lives, and in order to avoid the deprivation trap. To do so, it is necessary to put forth a multilevel effort at the macro, mezzo and micro levels based on the situation and needs of the poor. Equal access and the high-quality basic education are necessary for improving educational attainment.

The establishment of educational policies and systems is one of the examples of assistance for improving access to basic education at the macro level. Not only will the improvement of physical access, such as the construction and repair of educational facilities, be necessary, but also will the allocation and new employment of a sufficient number of teachers necessary for students that are expected to increase in numbers, as well as strategically securing necessary materials and equipment. In isolated poor areas assistance for remote education utilizing IT may be effective. In some cases, the establishment of a scholarship that reduces economic burden and the provision of free education and studying materials successfully increase the school enrollment ratio in basic education. A school meal system may also serve as an incentive for parents to let their children go to school. In addition, formulating a policy to provide opportunities for adults, who could not receive sufficient education, to study again in night schools and through literacy education should also improve access to basic education.

There are also mezzo and micro level measures to supplement macro-level policies as explained above. Specifically, there is the promotion of non-formal education utilizing existing facilities within the community, such as temples, churches and mosques provided by the local people or NGOs. Such non-formal education may actually supplement the educational opportunity as an alternative for formal school education. The opportunity to acquire a basic literacy and calculation ability as well as life skills that may help the poor to improve their lives is provided through such non-formal education. In addition, in order to expand educational opportunities, it is also crucial to raise parental and community awareness about the importance of education, so that the school enrollment of both boys and girls is prioritized.

As for macro- and mezzo-level assistance to improve the quality of basic education, there are

measures targeted to teachers, who determine the quality of education the most. Specifically, some of the measures assumed are allocation of formal qualified teachers, providing residences for teachers who work in remote areas, or granting incentives in terms of working conditions. Re-training of teachers also works to improve the quality of education. Assistance at the mezzo level can also be considered so as to meet the intellectual needs of the poor. This means an education responding to the needs of the community to which the poor belong, such as classes on growing agricultural crops and raising livestock, or classes using the mother tongue of ethnic minorities, rather than providing uniformed education throughout the country. Needless to say, mezzo- and micro-level supports in terms of educational administration of local governments and regional communities, in addition to macro-level activities, are necessary for universal education. There are cases in which capacity development of school management staff and the proactive participation of parents and communities in school management result in improvement of educational quality and access to education.

Intermediate objective 2-2: Improvement of health condition

People with poor health have difficulty exerting their full potential. More than that, if a family member becomes seriously ill, the family will often fall into even severer poverty because of medical expenses and a drop in that family's income. For people in poverty, it is especially difficult to maintain good health because, among other reasons, the environment for health maintenance is underdeveloped for them. There are often insufficiencies in terms of medical facilities, pharmaceuticals and medical professionals. And even when there are systems and facilities in place, there are virtually no medical services accessible for the poor because of high costs. In addition, the poor may not have the basic knowledge or skills necessary to maintain their own health.

On the macro level, it is necessary to establish reliable health indicators and statistics in order to grasp the reality of the health condition of the poor, and to understand their health-related needs before formulating comprehensive health policies. Introduction and development of a nationwide mechanism to insure people's health, such as national health insurance, vaccination, and antenatal and infant clinics, will serve as a safety net for the poor, who have difficulty affording the cost. However, in reality, the governments of developing countries face financial difficulties and are unable to provide sufficient health service. Therefore, approaches such as health reforms, cooperation with private sectors, and the introduction of a beneficiary liability system for health services are currently being taken in many countries. Beneficiary liability will ensure the sustainable provision of health service through cost recovery. On the other hand, one should make sure that an excessive beneficiary liability will discourage the poor to access the service.

On the mezzo level, improvement of regional health system is desirable. It is important to make an effort together with community organizations and health volunteers to improve access to medical services for people in poverty. In addition, efforts such as the construction of water and sewage systems or renovating residences and livestock barns are considered to indirectly help in maintaining health. On the micro level, it is necessary for people in poverty to acquire the knowledge and skills to maintaining their own health. In particular, improvement of maternal mortality and HIV/AIDS prevention are among the targeted goals of the MDGs. Because these issues involve not only aspects of health (human capabilities) but also socio-cultural factors (socio-cultural capabilities) and economic issues (economic capabilities) at their core, the problems should be defined based on comprehensive understanding before considering assistance strategy. In particular, many newly infected HIV/AIDS patients are between 15 and 24 years old and are poor commercial sex workers with low economic capabilities. Therefore, the necessity of long-term treatment and expensive medicine, or limitation of participation in society because of prejudice and discrimination against HIV/AIDS may contribute to leading them further into another face of poverty. In addition to treatment/prevention in terms of "disease", it is necessary to insure/protect the well-being of infected patients. It is also essential to promote understanding about HIV/AIDS so as to include patients in society.

Intermediate objective 2-3: Improvement of living environment

The living environment and poverty are two closely related issues. This fact is often evident in the relationship between the residential environment and health of the poor. People in poverty tend to live in outlying areas surrounded by a severe natural environment in rural areas, and, in urban areas, in a harsh environment at around the outer edge of cities, such as riverbeds, marshes and dump yards. If living environments are improved, it will enable people to find enough comfort in sanitary and safe residences to engage in effective reproduction of labor, and to stabilize their lives. As for approaches to ensure healthy and stable residences and improve living environments, they not only include "poverty-focused projects," which directly target slums and low-income areas for improvement of living environment, but may also encompass "poverty-integrated projects," in urban/rural development programs targeted to residents in general. Such projects would incorporate project components to improve the living environments of poor people in the targeted region.

In communities where many poor people live, the water, sanitary facilities are insufficient and people tend to be affected with diarrhea and other infectious diseases through wastewater and sewage. These regions are seldom visited by administrative officials, so the actual conditions of the residences and living environment of the poor are not sufficiently understood. In urban areas, because the development of social infrastructure cannot catch up with rapid population growth, these areas are usually slow to take the necessary countermeasures. The MDGs also include, as

Goal 7, improvement of harsh residential environments for slum dwellers. Because they also have problems with the right of residency, as explained below, it is necessary to foster mutual understanding among stakeholders, such as the government and residents, and to take cautious measures for land redistricting/redeveloping, housing policies and improvement in living environments.

How to ensure the right of residency for the poor in urban squatter areas is an important issue from the perspective of poverty reduction at the macro level. It is usually not exactly known how these people came to live in these places, and they are unprotected by law against urban redevelopment. Therefore, the aim to improve living environments in squatter areas had lagged behind. In the United Nations Human Settlements Programme (HABITAT) held in Vancouver in 1976, the idea that “adequate shelter and service are basic human right” was confirmed. Forced eviction and elimination, which had been dominant in the past, are now starting to be replaced by the concept of land ownership by residents and ensuring their residency rights. Insuring residency rights must be implemented by maintaining an adequate balance with the public nature of redevelopment.

Many of the problems that the poor face in their living environment occur at the *mezzo* and *micro* levels, such as in households and communities. These problems cannot be solved if the people who face the problems do not identify them. It is first necessary for the poor to recognize the problem in their own living environment, and understand the need to acquire the living skills required to improve their lives. Living skills, in specific, means wisdom, innovative ideas and techniques to manage the chores more reasonably, or in a manner that makes the family healthier. For example, they include sanitary conditions in residential buildings, frequent hand-washing, bathing, washing clothes, sanitary management of the kitchen, and the usage of rainwater. In addition to the living skills of individuals, small-scale development of living infrastructures implemented by the poor and their communities can also improve their living environment. Development of a living infrastructure includes reserving water, constructing improved cooking stoves and modern toilets, and building access roads within the community.

Development objective 3: Protective capability (overcoming vulnerability)

Humans are surrounded by various types of environments, such as family, society and the economy, in addition to a natural environment. Changes in these environments have various effects—both large and small—on people. The poor have a relatively low tolerance for environmental changes and tend to suffer greatly from the negative impact of these changes compared to other people. Threats to people’s well-being are categorized into (i) “threats embedded in ordinary lives,” such as chronic illness and diseases, accidents and disabilities, habitual violence,

Protective capabilities	These are capabilities to cope with economic and external shocks, and are important to avoid being reduced to poverty. Instability and vulnerability are crucial dimensions of poverty with strong link with other factors.
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social discrimination, unhealthy/unsanitary living conditions, aging, and poor crops due to abnormal weather, and (ii) “extraordinary threats (external shocks),” such as natural disasters, including floods, earthquakes, hurricanes and drought; conflicts, including civil war, epidemics of highly infectious diseases; and economic/food crises, including soaring prices of daily commodities and large-scale unemployment. “Threats in ordinary lives” represents “wants”

at the individual, household and community levels, and this characterizes chronic poverty. On the other hand, “extraordinary threats (external shocks)” often go beyond the individual, household and community levels and affect the region, country, and even the international community in this era of advanced globalization. Also, extraordinary threats can be easily transformed into threats in ordinary lives. There are countries and regions wherein threats that had originally been extraordinary, such as widespread infectious diseases, including HIV/AIDS and malaria, and conflicts, have become threats in ordinary lives. The reason that there is a focus on vulnerability to external shock here is that the poor, who face threats on a daily basis, do not have latitude to prepare for or react to extraordinary threats, and tend to suffer severe damage compared to other people in a society. However, it is not only those in chronic poverty who are vulnerable to external shocks. While external shock risks putting vulnerable people, who are at the border of poverty line, in a state of transient poverty, it also has the potential to make those people stay in chronic poverty. Recently, there has been greater need for measures and aid to prevent people who are in transient poverty due to economic and financial crisis from sliding into chronic poverty.

It is believed that, while taking approaches to reduce chronic poverty and providing aid to cope with the “extraordinary threat (external shocks)” at the same time, it becomes possible to overcome the vulnerability of the poor and those with a strong likelihood of falling into poverty. Here approaches necessary to overcome vulnerability will be categorized into two types of capability improvement, namely, Intermediate objective 3-1: Improvement of capacity to reduce external shock, and Intermediate objective 3-2: Improvement of capacity to cope with external shock. The former explains the preventive/reductive measures against external shocks, and the latter explains emergency measures to respond to external shocks and mid- and long-term measures necessary to regenerate from damages.

BOX3-3 Types of shocks

Vulnerability is usually embedded in the ordinary lives of chronic poverty, but it is often exposed when people encounter external shocks. The exposed threat (risk) is categorized into different levels: the individual/household level, regional level and national level.

- **Individual/household level:** Sudden loss of income source due to the income earner encountering accidents, unemployment or illness.
- **Regional level:** Damage to water source, epidemics of livestock diseases, confiscation of common land due to differences between modern law and customary law, or expropriation/removal of a means of production, such as land.
- **National level:** Changes in macroeconomic policies, such as abolishment of the price-support system, a rise in import prices or import suspension, economic/financial crisis, climate change, and civil war and regional conflict.

Intermediate objective 3-1: Improvement of capacity to reduce external shock

The capacity of reducing external shock (preventive/mitigable measures) means an ability to take measures beforehand so that downside risks from external shock, which may degrade the current living standards, can be prevented or reduced. As mentioned above, there are various kinds of external shock, including natural disasters, conflict, widespread infectious diseases, and financial/economic/food crisis. The capability of reducing external shock should be improved for any of these threats, in a multilevel manner on the micro, mezzo and macro levels. As already mentioned, people in poverty do not have the latitude to prepare for or react to sudden external shocks because they face “want” or shortages on a daily basis, and therefore tend to suffer severe damage compared to other people in a society. Because external shock may cause further needs of assistance among the poor, macro- and mezzo-level aid is strongly desired.

On the macro level, it is necessary to establish a system to respond to external shocks by collecting/analyzing data necessary to forecast the impact of external shock or by formulating policies/systems beforehand to prevent or minimize the occurrence of external shock. At the same time, it is also important to foster/reinforce mutual assistance organizations, to raise awareness of shocks, and to improve people’s skills in order to develop their capacity to reduce external shock. In addition, for shocks which are avoidable by human efforts to some extent, such as floods or environmental destruction, it is also important to take measures beforehand to prevent them. For example, in order to help people obtain the minimum supply of water and food necessary to survive after a natural disaster, governments can establish storage and distribution systems or prepare disaster-prevention maps beforehand in case of emergency. Especially on the mezzo level, it is necessary to establish an infrastructure for disaster prevention targeted to impoverished areas with high risks of disasters, to improve the region’s disaster-prevention capability, and to construct an early warning system against natural disaster, in order to reduce vulnerability.

Shocks such as economic/financial crisis not only hit people in chronic poverty but also cause

people to fall into transient poverty. Micro-level assistance in such cases includes preparation of a public insurance system (unemployment insurance, health insurance), emergency financial measures through microfinance. These are measures to prepare for unforeseeable shocks and minimize the damages suffered by the poor. Welfare/social services, such as free-of-charge medical care or food distribution to the poor, and a social safety net (SSN), such as welfare benefits, can also reduce external shock. However, when providing SSN and services, a beneficiary liability system should be considered, from the perspective of cost recovery and sustainability in the mid- and long-term. Although many of these approaches are taken at the national level, supplemental functions at the mezzo level, mainly in regional communities, are also required. At the mezzo and micro level, not only official SSN but also informal SSN by NGOs or religious organizations at the grass-root level may be effective. On the other hand, with regard to such informal mutual assistance mechanisms, it should be kept in mind that, in some regions, the traditional relationship of mutual assistance is weakening, resulting in higher vulnerability of the poor, because of changes in environment for the norm of the community, such as migration, permeation of market economy or urbanization.

Intermediate objective 3-2: Improvement of capacity to cope with external shock

The capacity of coping with external shock is an ability to reduce the expansion/escalation of external shock and to allow early recovery. Macro-level emergency measures to be taken when external shock hits include: lifesaving/protection of victims, restoration of infrastructure necessary for emergency assistance, disaster prevention measures, emergency distribution of water, food and medical supplies, and construction of temporary housing. These measures must be taken promptly under the initiative of the government of the country. Because some types of damage occur in or spread to more than one country, cooperation with neighboring countries is important. In cases where it is difficult for the affected country to take necessary measures because of its vulnerable system, where the damage is too great or serious, or when it is the type of threat that requires special care, assistance from international community will become necessary. In particular, external shock caused by conflict will be large, highly serious and urgent, often forcing the administrative function of the country to collapse or stop working. In such cases, people who are not able to evacuate the country and who become internally displaced are sometimes left out of international aid. It is highly probable that these people will be exposed to further downside risks of conflict, and we must always consider the kinds of aid that can be provided to these people. At the mezzo level, there are measures that can be taken through cooperation among regional communities and groups. Mutual assistance provided among neighbors/relatives or regional communities will serve an important role. Thus, in some cases, provisions of supplies and exchanges of information via such informal route are more effective than assistance via an official route.

After the damage of external shock has settled to a certain level, restoration starts. At the macro level, governments, the international community and NGOs will assist in starting measures to return

to ordinary life, such as by ensuring shelter and lifelines namely electricity, water and distributing seeds and fertilizers. Such restoration measures may provide temporal income security to poor households, for example, by offering workfare⁶⁴ in a public employment program.

In the case of conflicts, it will be important to regain public security and safety through reconstruction of police capability, mine clearance, and collecting weapons, in addition to the development of infrastructure and assistance for basic living needs. In particular, mines not only narrow down the scope of people's activities, but may also cause downside risks in the form of losing a source of income or treatment expenses among the victims of mines and their families. Therefore, countermeasures against mines are extremely important. People experience violence and loss of some kind due to those conflicts and tend to suffer from feelings of despair and loss of trust, because of trauma caused by the conflict, even after the conflict ends. Thus, assistance for providing mental care to these people at the mezzo and micro levels should be considered necessary.

Economic/financial crisis, food crisis and hikes in crude oil price have a tendency to cause damage that grows and escalates with time. An economic/financial crisis adds even more pressure to the finance of developing countries, which may result in rapid fiscal austerity causing sudden cutbacks in government expenditure on social services. To prevent this, as macro-level assistance, emergency loans to reduced social services should work to a certain extent.

⁶⁴ Refer to “3-3-5 Cash/food-for-work” of these guidelines.

Development objective 4:**Political and socio-cultural capabilities (realizing political and social participation)**

It is an important basis for poverty reduction for people to preserve human dignity, to achieve social status and to possess awareness of one's role in society (social participation), as well as to protect human rights and to be able to impact the political decision-making and policymaking processes (political participation). Active social participation by the poor realizes the processes of

Political and socio-cultural capabilities	<p>These capabilities mean that people's human rights and political freedoms are guaranteed. Tyranny, injustice and violence by public power cause significant anxiety among the poor. Lack of political capabilities also hinders access to resources necessary to escape poverty.</p> <p>These also include capabilities to participate in society as a valuable member of the community. Social status, dignity and the culture of the society to which one belongs should be respected, and geographical/social isolation are major factors of poverty.</p>
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the formulation/implementation of policy based on information from their viewpoint, and will encourage their elected representatives to pledge and actively work on poverty reduction as policymakers (in legislative body) or administrators (administrative body). Strengthening the mechanism of accountability, and preventing corruption and the preservation of vested interest may lead to improve governance, and an effective poverty reduction at the end. It should be noted that promoting political/social participation as a right of the poor should achieve improvement of governance, and eventually poverty reduction in the mid- and long-term without causing excessive political turmoil and internal conflict.

In addition, many of the developing countries are multiethnic, wherein groups of different cultures, languages, religions and customs live in a complex social relationship.

The key to providing aid for poverty reduction is to sufficiently study the cultural uniqueness and customary rights of each group, as well as the political dynamics between the groups (in particular, relationships between the social/ethnic groups in power and groups that are not), before formulating and implementing policy assistance and programs. It is quite important, from the perspective of social capabilities, to build systems and a society wherein a certain social group is not excluded from/discriminated against in the society due to its uniqueness and can benefit from the development.

Intermediate objective 4-1: Promotion of political/social participation

The establishment of political and legal systems to promote the protection of human rights and the political/social participation of the poor is important at the macro level. However, upon assisting the establishment of such systems, one must not simply look to the western-type democracy as a model, but should study the economic, political, social and cultural conditions of the poor based on the historical background of the society where they live and consider a system that fits the local conditions. For example, to protect human rights of the poor and settle their disputes such as

frictions over land, semiformal or informal, customary settlements of disputes (such as reconciliation and arbitration) are resulting in a competitive coexistence with formal systems and substantive law in many developing countries. These various forms of dispute settlement can be compared/studied from the perspective of access by the poor and quality of justice, in other words effectiveness in settling the problem, for surely improving the formal system for the sake of people in poverty. In addition, it would also be effective to include a free-of-charge legal aid system when establishing a legal system, on behalf of the poor, who have limited political/economic powers.

At the mezzo level, local administrative officers should adequately learn the needs and opinions of poor residents, promote their participation in the development process, and provide services that meet the actual conditions of the poor. In order to do so, basic capacities such as needs-assessment, awareness and knowledge on participatory development, and facilitation skills of local administrative bodies should be improved. To win the trust of the poor in politics and administration, as well as to promote the poor's access to politics, increase in the transparency, accountability and morale of the government is required. In addition, cooperation with NGOs, civil society organizations, local leaders and religious leaders will also be effective. When implementing projects, public consultation may work well to encourage the poor to express their opinions, which may serve as a step toward empowering them and improving their political/social capabilities through participating in the actual decision-making process.

At the micro level, political/social participation by the poor can sometimes be promoted by reinforcing communities and local organizations in poor regions, other than through official measures. In order to reinforce communities, it is important to improve the autonomous management abilities of local organizations. Specifically, mutual assistance organizations, organizations for joint management of resources and economic and agricultural cooperatives can be activated. In order for a community and organizations to be managed autonomously in a sustainable manner, their management skills should be improved through the development of leaders and facilitators. In the course of developing these human resources, their political negotiation ability can be expected to improve. In addition, many of the poor are not aware about the legal systems they can use to protect their rights. Therefore, it would be a good idea to sensitize people through media, including radio, TV and newspapers, as well as to provide legal literacy assistance for the illiterate poor. However, along with the right to political/social participation, there are accompanying obligations and risks in the actual political and power structures. Therefore, sensitization is necessary in a way that enables individuals to recognize that.

Intermediate objective 4-2: Respect and consideration of social customs and culture

Socio-cultural capabilities represent the freedom and ability of people from various political, social, religious and racial backgrounds to find value in the socio-cultural features of the group to

which they belong, and to preserve, or change/develop where necessary, such socio-cultural features. A foundation of mutual respect and cooperation from people of different groups must be built. Culture, customs and values distinct to a certain group are sometimes rejected by other social groups, and may cause confrontations, resulting in the impoverishment of a certain group. Therefore, in a multiethnic country, it is necessary to promote assistance to realize a multicultural coexistence. Specifically, there are measures such as joint assistance and training sessions for multicultural coexistence that are implemented at various levels, or awareness creation via media, such as radio and TV, on its significance. If national policies and programs lack consideration toward the uniqueness of life style, customs and cultures of different groups of people, certain groups will eventually be excluded from society. This will result in raising the vulnerability for such group, and may deteriorate their poverty. For example, if a forestry-preservation policy is implemented without consideration to mountain-dwelling ethnic minorities whose living traditionally depends on swidden shifting agriculture in hilly areas, there is a risk that the policy cannot be implemented effectively because of a conflict of interest over the food-production needs of these people. Moreover, unless alternative means of livelihood that are acceptable by said group are studied and provided adequately, there is a risk that the poverty in the mountainous areas will further deteriorate. If the establishment of a law system or the formulation of an education policy is being carried out with insufficient understanding of the language and customary norms of ethnic minorities and gender values peculiar to each group, it may put a certain group at a disadvantage in terms of politics and economy, or may cause a decrease in access to these public services. Therefore, for socially marginalized groups in a particular country, it is important to consider the importance of social inclusion and provide assistance in a cross-sectoral manner. It is also a good idea to promote people with detailed knowledge of the ethnic/cultural aspects of the counterpart country as experts or consultants⁶⁶.

3-3 Specific examples of poverty reduction tools

In this section we introduce five tools that are considered to be helpful for poverty reduction. Here, the outline of the tools and their contribution in poverty reduction will be explained briefly. Types of tools, usage and examples are able to be referred in further details in the “Poverty Reduction Tool Handbook”.

3-3-1 PRSC (Poverty Reduction Support Credit)

PRSC is a loan supplied under the initiative of international financial institutions in order to assist PRSP. Although it is called poverty reduction support credit, funds to be supplied are not merely a loan to directly assist poverty reduction in the general account of the government. Rather, it targets the development plan, policy and finance in general in the country, and mainstreams the perspective

⁶⁶ Refer to “2-4-2 (3) Assistance according to the specificity of the community and the diversity of the poor” of these guidelines.

of poverty reduction across the whole policies and strategies prepared by the assisted country. Donors, mainly the UK and Northern European countries, provide funds to the general account of the government of the assisted country jointly with the PRSC of the World Bank, and in that way assist the implementation of PRSP. Japan has also been offering loans under the names of Poverty Reduction Support Credit or Poverty Reduction Support Operation in Vietnam, Laos, Cambodia and Tanzania.

Because the application of the fund of PRSC covers all areas of finance, its assistance is sometimes hard to pinpoint the area and the extent of the assistance which Japan provides compared to in-kind assistance. From the perspective of whether or not Japan's presence is shown, some say that it is merely financing according to the program of the World Bank. There are also concerns that, similarly to Structural Adjustment Loans in the past, the formulation of programs is still led by the donors in some countries and the intentions of the developing countries are not absorbed sufficiently, or that the dialogues are mainly abstract issues at the policy level and the reality in the field of development is not reflected sufficiently⁶⁷.

On the other hand, PRSC is a funding tool coordinated with the topmost plan. It therefore not only a supply funds in the form of joint financing, but can also reduce the cost of coordination among stakeholders and formulate and implement highly effective poverty reduction policies in developing countries through cooperation with the government of developing country, the World Bank, and other funding donors⁶⁸. In addition, the discussion process in PRSC identifies the top priority political issues in each area and promotes the implementation of measures for such issues. Therefore, the latest movement, intention and restrictions of the ministries and agencies of the developing country can be understood efficiently, and it will be possible to monitor the entire formulation and implementation process of PRSP. It also facilitates the gathering of information on the aid policy of each donor as well as poverty-reduction programs and various surveys including poverty assessments implemented by each donor. In addition, for issues that are difficult to discuss with the government of the developing country such as governance issues like corruption and democratization, policy dialogue at a higher level can be achieved within the joint framework of PRSC rather than the conventional individual in-kind projects.

PRSC can be closely linked to capacity development, which has been the strong point of JICA. In order to do so, it will be important to harmonize technical cooperation with general budget support

⁶⁷ Refer to OHNO, Izumi (2005) for instance, for detailed discussions about aid modality including assistance for general accounting, including PRSC.

⁶⁸ For example, JICA offered a loan of 2 billion yen to the PRSC of Tanzania in FY2007, while also dispatching an expert. This expert is the joint chairman of the workshop on Growth and Poverty Reduction, among the four major issues in the Second Poverty Reduction Strategy in Tanzania (National Strategy for Growth and Poverty Reduction), along with the World Bank, and serves a leading role in the discussion on the infrastructure development plan in particular.

and to reflect the reality at the working level in policies, and to improve the quality of assistance by respecting for the ownership of the developing country. That should work to raise the presence of JICA and contribute to improving the aid effectiveness and upgrading the scale of assistance.

3-2-2 Microfinance

Microfinance means financing mainly targeted to the poor and those with low incomes. It is a collective term for various financial services, such as loans, savings, remittance and insurance.

One of the most common forms of microfinance is microcredit. It has been said that microcredit can ensure a high repayment rate even uncollateralized, by forming a group to guarantee each other or by letting the borrower make frequent repayments in small amounts. (However, Grameen Bank of Bangladesh is recently changing its conventional approach and proving microcredit that is not on the premise of guarantee in groups.) It is said that repayment rates are generally higher among women than men, so microcredit was mainly targeted to women. Borrowing money means obtaining an asset of “credit,” and there are many cases in which microcredit had an effect beyond economic aspects; it promotes the empowerment of women and vulnerable people. However, recently, this traditional image of microcredit is changing and largely diversifying, as explained below.

One of the reasons microcredit draws attention is that it can continuously and constructively expand the target providing credit, while ensuring its profitability, to even more remote areas or to poorer clients. There is also an expectation that it can increase the size of the business by expansively using private funds without being limited within the traditional framework of development assistance, to provide financial services in an even more autonomous and sustainable manner. There are actually many cases where private fund is introduced. There are even efforts to promote financial inclusion for the poorest of the poor, those who had been recognized as inadequate for microcredit services in the past, through measures such as capacity development.

Microcredit usually requires a relatively high interest rate in order to compensate for the high cost per deal (because the deal is small in amount) in addition to a mechanism to ensure a high repayment rate. It also takes measures such as repayment of a fixed amount every week, starting from the week after borrowing, requiring adjustments in conditions when targeting businesses that require long grace periods before earning income, such as agriculture. Recently, amid the worldwide financial crisis, there have been issues such as reconfirmation of the role of the government as a regulatory authority and/or financial backer, protection of the rights of clients, and improvement of the capacities of not only the microfinance institutions (MFIs) but also their potential clients and the group to which they belong.

In addition to credit to groups and individuals in need of business funds, microcredit also provides

funds to individuals for their general consumption necessary for their daily lives, such as housing and educational funds or countermeasures against risks, such as illness, injury, accident and disaster. It also offers funds by combining saving services to protect the limited assets of the poor. Furthermore not only does microcredit invested from outside, but so do approaches for savings and credit unions, such as raising funds by collecting a small amount of savings from the members and utilizing the funds among members⁶⁹. Savings is starting to become an important source of funds for MFIs.

An international consensus has noteworthy being established that it is important to provide comprehensive financial services, including remittance and insurance in addition to credit. In particular, remittance from family members and relatives who went out to work in cities or abroad are often the major source of income for an impoverished household. Recently, there has been a remittance system using mobile phones, which is easier to use compared to the conventional system, and it is becoming increasingly popular in developing countries. For the vulnerable poor, who often face unforeseeable risks, such as natural disasters including flood and drought, damage to agricultural crops due to diseases and pests, and loss of livestock, or the sudden death of the head of family, the development of microinsurance that sets reasonable recompenses for a low price, can increase the protective capabilities of the poor against external shock. Insurance against credit also contributes to sound finance of MFIs.

Because microfinance requires financial expertise, it is sometimes considered desirable to separate microfinance from other aid activities and should be provided through an expert organization. Although microfinance may be incorporated as a component of a project in order to respond to the needs of targeted people, not only knowledge on the sector, targeted region and targeted group of the project, but also close investigation from the perspective of finance will be important. Microfinance is a tool that can be effective for poverty reduction and can ensure sustainability if used wisely.

3-3-3 Participatory Development

There are two types of discourse about participatory development: one as the purpose/principle of development, and the other as an effective/sustainable tool for project implementation. These two ways of thinking must be discussed separately. Participatory development as a philosophy is based on the premise of a proactive and voluntary approach to all development activities taken by the local people, and thereby aims to empower residents, including the poor, to improve policies and systems that achieve their social participation and to enhance governance. On the other hand, participatory development discussed as a methodology recognizes the participation of residents as a measure for the donor to achieve project goals. For example, PPA (Participatory Poverty Assessment), the range

⁶⁹ Some developing countries have a tradition similar to what is called “*ko*” or “*mujin*” in Japan.

of PLA (Participatory Learning and Action) approaches including transecting, ranking and mapping⁷⁰ based on the participation of community people and consultation, in addition to participatory problem analysis by PCM (Project Cycle Management) method are all regarded as tools. There are cases where the provision of labor and supplies from residents when implementing the program is also included in participatory tools.

Participatory development as a tool promotes community participation to allow adequate understanding of their needs and capabilities according to values and social contexts of the targeted regions, and further enables to appraise the local resources and to consider locally well acceptable implementation methods. As for project implementation, it helps to build consensus between donors, administrations and community people, as well as among residents themselves. At the same time, analyzing the actual process of consensus building gives a hint on understanding of the political dynamics of the stakeholders that have an influence on project implementation. Furthermore, it is expected that the ownership of the community will be reinforced and that the sustainability of impact will be ensured if labor and resources are supplied based on their initiative. On the other hand, depending on time and cost restrictions, the selection of the participatory tools and their application, there is a possibility of the participatory method being reduced to a mere formalism, resulting in a superficial or incorrect understanding of the situation and needs of the community and the poor. If the understanding of local political dynamics is insufficient, participatory development may cause disputes among local people or the shortsighted perception that the opinion of speakers (often those with political and economic power) represents the opinion of those who are reluctant to speak up (poor or vulnerable people), which results in a failure to understand the true intention of the poor⁷¹. Participatory development is an important concept and approach in poverty reduction. However, in order to bring out effective poverty reduction by using participatory development as a measure, it is essential to understand the political/social structure surrounding the poor and the cultural background. It is necessary to sufficiently consider the most ideal type of participation for each local community and group. For this purpose, it is required to fully study who will participate in which activity, in what manner and form (direct participation, indirect participation through representatives such as community leaders) and to what extent and reflect the results in project planning.

3-3-4 Social business

There is not a fixed definition of social business yet. In general, it is defined as a business that continuously implements activities under the main purpose of social contribution and the resolution of social problems. In addition to social and business natures, it also often includes requirements such as an innovative nature, in terms of new social products/services or the service provision

⁷⁰ These three are the examples of PLA tools As for discussion on PLA, refer to プロジェクトPLA編 (2000) and 開発教育協会編 (2006)

⁷¹ As for discussions on participatory development refer to SATO, Hiroshi ed. (2003) for instance.

method, or the creation of new value through the business⁷². It can also be said that social businesses are positioned between pure charity work and a pure commercial business⁷³. Businesses targeting the poor in developing countries are also positioned as social businesses, and have been drawing a lot of attention recently as the Bottom/Base of the Pyramid (BOP) business⁷⁴. There are many types of social business actors. There are cases where ordinary commercial enterprises/businesses engage in business with a social mission, cases where nonprofit-making corporations/NGOs take a business-oriented approach in order to operate their activities consistently, or cases of social ventures aiming to strike a balance between social purpose and business. Financial institutions investing in and financing these various kinds of organizations/businesses are also regarded as actors of social business. Social businesses can be categorized into three patterns: (i) selling goods/services to the poor on a profit-making/commercial basis (profit-making type), (ii) selling goods/services to the poor at a price lower than their commercial value without making a profit (subsidy type), and (iii) while selling goods/services on a commercial basis, returning the profit to social contribution activities such as job creation (social contribution type).

The advantage of social businesses is that because there is a certain amount of income obtained from the business, sustainability of activities can increase with higher potential for the expansion of activities, compared to the activities that depend entirely on donations. Because activities are implemented as a business, the awareness of cost-effectiveness and monitoring will be reinforced, and the activities can be expected to be efficient. Once a certain business model is established, other companies or organizations may enter into similar businesses, which may vitalize the development of activities and facilitate the achievement of a social mission, such as poverty reduction. From the perspective of consumers, there are benefits such as good quality products/services available at relatively low prices, or competition of products/services that will resolve monopoly/oligopoly by sellers. On the other hand, the limitation of social businesses as a tool for poverty reduction is, for instance, that the provision of information to the poor on goods/services supplied is sometimes not sufficient. There is also a possibility of the poor suffering unreasonable losses or a risk of the business becoming exploitative because the poor could not sufficiently understand the conditions in advance. In addition, people in poverty who do not have enough purchasing power cannot access the goods/services supplied and may be left out from the benefit.

3-3-5 Cash/food for work

In order to resolve the problem of poverty, it is important to accurately identify the poor and to

⁷² METI (2008)

⁷³ Sorting of social enterprises by J.G. Dees and others

⁷⁴ According to C.K. Prahalad (2005), BOP refers to the poor at the bottom of the economic pyramid of income classes. Specifically, they are about 4 billion people who live on under 2USD a day. BOP business sets these people as clients, regards them as creative entrepreneurs and consumers focusing on value, and provides goods and services that matches the needs and capabilities of the poor to contribute in poverty reduction while also trying to make profits.

implement policies/countermeasures which allow the benefits to reach the poor (targeting). However, there are also problems in identifying the poor; difficulties in setting indicators and the high cost of conducting household budget surveys/social surveys. Cash/food for work realizes adequate targeting with lower costs and improves the living environment of the poor. At the same time, it prevents further weakening in the economic/protective capabilities of the poor, in other words it prevents people from downfall/deepening into a deprivation trap, when there are difficulties in securing food or a means of livelihood. Specifically, the cultivation of farming land and stock farms, construction/repair of roads/irrigation canals, and forestation are programmed at a time of the agricultural off-season, disaster and on other occasions. Food and wages are paid to participants who are voluntarily involved in these programs in exchange for their labor. These programs are expected to automatically exclude those who are not poor from the participants/beneficiaries of the program by, for example, selecting labor-intensive programs, distributing inferior goods such as cassava or wheat of lower quality as grains for staple food, or setting wages at a relatively low level so as to increase an opportunity cost for the non-poor when participate. In this context, workfare is an effective and efficient poverty-focused/poverty-integrated tool with a self-targeting mechanism, and can be used in programs of various sectors and schemes. However, when implementing the program, it is important to consider implementation seasons in relation to the production/living cycles of the poor, in order to promote their participation and prevent their being excessively burdened.

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Exhibit: Millennium Development Goals

All indicators should be collected in categories of gender and city/village as far as possible.

Goal and Target	Indicator
Goal 1: Eradicate Extreme Poverty and Hunger	
Target 1.A Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1.1 Proportion of population below \$1 (PPP) per day 1.2 Poverty gap ratio 1.3 Share of poorest quintile in national consumption
Target 1.B Achieve full and productive employment and decent work for all, including women and young people	1.4 Growth rate of GDP per person employed 1.5 Employment-to-population ratio 1.6 Proportion of employed people living below \$1 (PPP) per day 1.7 Proportion of own-account and contributing family workers in total employment
Target 1.C Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1.8 Prevalence of underweight children under-five years of age 1.9 Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve Universal Primary Education	
Target 2.A Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	2.1 Net enrolment ratio in primary education 2.2 Proportion of pupils starting grade 1 who reach last grade of primary 2.3 Literacy rate of 15-24 year-olds, women and men
Goal 3: Promote Gender Equality and Empower Women	
Target 3.A Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	3.1 Ratios of girls to boys in primary, secondary and tertiary education 3.2 Share of women in wage employment in the non-agricultural sector 3.3 Proportion of seats held by women in national parliament
Goal 4: Reduce Child Mortality	
Target 4.A Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	4.1 Under-five mortality rate 4.2 Infant mortality rate 4.3 Proportion of 1 year-old children immunised against measles
Goal 5: Improve Maternal Health	
Target 5.A Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	5.1 Maternal mortality ratio 5.2 Proportion of births attended by skilled health personnel
Target 5.B Achieve, by 2015, universal access to reproductive health	5.3 Contraceptive prevalence rate 5.4 Adolescent birth rate 5.5 Antenatal care coverage (at least one visit and at least four visits) 5.6 Unmet need for family planning

Goal 6: Combat HIV/AIDS, Malaria and Other Diseases	
Target 6.A Have halted by 2015 and begun to reverse the spread of HIV/AIDS	6.1 HIV prevalence among population aged 15-24 years 6.2 Condom use at last high-risk sex 6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS 6.4 Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years
Target 6.B Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	6.5 Proportion of population with advanced HIV infection with access to antiretroviral drugs
Target 6.C Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	6.6 Incidence and death rates associated with malaria 6.7 Proportion of children under 5 sleeping under insecticide-treated bed nets 6.8 Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs 6.9 Incidence, prevalence and death rates associated with tuberculosis 6.10 Proportion of tuberculosis cases detected and cured under directly observed treatment short course
Goal 7: Ensure Environmental Sustainability	
Target 7.A Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources	7.1 Proportion of land area covered by forest 7.2 CO2 emissions, total, per capita and per \$1 GDP (PPP) 7.3 Consumption of ozone-depleting substances 7.4 Proportion of fish stocks within safe biological limits
Target 7.B Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	7.5 Proportion of total water resources used 7.6 Proportion of terrestrial and marine areas protected 7.7 Proportion of species threatened with extinction
Target 7.C Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	7.8 Proportion of population using an improved drinking water source 7.9 Proportion of population using an improved sanitation facility
Target 7.D By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	7.10 Proportion of urban population living in slums

Goal 8: Develop a Global Partnership for Development	
<p>Target 8.A Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development and poverty reduction – both nationally and internationally</p> <p>Target 8.B Address the special needs of the least developed countries Includes: (1) tariff and quota free access for the least developed countries' exports; (2) enhanced program of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and (3) more generous ODA for countries committed to poverty reduction</p> <p>Target 8.C Address the special needs of landlocked developing countries and small island developing States (through the Program of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</p> <p>Target 8.D Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	<p>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing States.</p> <p><u>Official Development Assistance (ODA)</u></p> <p>8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income</p> <p>8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p>8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied</p> <p>8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes</p> <p>8.5 ODA received in small island developing States as a proportion of their gross national incomes</p> <p><u>Market access</u></p> <p>8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty</p> <p>8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product</p> <p>8.9 Proportion of ODA provided to help build trade capacity</p> <p><u>Debt sustainability</u></p> <p>8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>8.11 Debt relief committed under HIPC and MDRI Initiatives</p> <p>8.12 Debt service as a percentage of exports of goods and services</p>
<p>Target 8.E In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</p>	<p>8.13 Proportion of population with access to affordable essential drugs on a sustainable basis</p>
<p>Target 8.F In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p>8.14 Telephone lines per 100 population</p> <p>8.15 Cellular subscribers per 100 population</p> <p>8.16 Internet users per 100 population</p>