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**Building Interdisciplinary Development Studies  
through Poverty Reduction Case**

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# **Building Interdisciplinary Development Studies through Poverty Reduction Case**

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## **1. Introduction: research objectives**

This research project entitled “Building Interdisciplinary Development Studies through Poverty Reduction Case,” sets the target to an “interdisciplinary approach” in development studies for the duration of 3 years (2005~2007) by inviting nine specialists from the fields of political science, public administration, sociology and education other than the mainstream economics (seven from GSID, one each from the University of the Philippines Los Baños and Gadjah Mada University, Indonesia). It involves the conduct of case studies of poverty reduction that include visits to the poor people’s areas.

In the preliminary stage of this project, the author had organized a joint research project from 1999 to 2001 on the “government policies for reducing poverty” inviting nine members: two from GSID, Nagoya University, four from UPLB and three from Gadjah Mada University.

The major findings in the project of 1999~2001 were as follows:

- (1) The study on poverty starts from its definition. But in all of the Southeast Asian countries, the famous international definition, of 1 dollar/day/person, was neglected because it didn’t fit the poverty realities of such countries. Moreover, in every individual country, the definition varies among agencies such as the National Statistical Office, the Department of Interior or a famous professor of agriculture (the case of Indonesia). The difference of definition between Indonesia and the Philippines is wider than the domestic difference in each country.<sup>2</sup> Moreover, all people don’t know actually how much is PPP one dollar. So, it is highly difficult to identify who are actually below the poverty line in specific villages. If the poor people are identified among the villagers through participatory methods, villagers make a consensus in saying “all of us are poor.” Actually, the people who are just above the very vague poverty line and below the vague middle class lower line constitute the biggest portion of the population in all the developing countries (Suppose the middle class constitutes about 15% and the people below poverty line constitute about 15%, the common people above the poverty line and below the middle class is about 70%. The rich people are far less than 1%).
- (2) Eventually, the so-called development projects focused upon poverty reduction were set without having close relation with poverty reduction. The typical practice is to say that: “This area is abundant of poor people. So, we

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<sup>2</sup> World Bank. 1993. *The Philippines: An Opening for Sustained Growth*. Vol.1. p.329.

would like to implement a social development project in this area.”

- (3) In Indonesia, we found that the government finance projects focused upon poor people were not actually always used for the poor people. Considering the good rate of returns, the village heads who were responsible for arranging the finance, provided the poverty-focused loan to better off people who could return the money. In other case, the loan was provided evenly to all the villagers who wanted to borrow. One village head explained: “I’m not so brave to lend government loans to poor people considering the low level of return rate.” The loan was lent to the poor people only on paper - on the formal document to be submitted to the upper levels of government. Moreover, the government finance is literally “too little, too late.” A typical case was the small scholarship for the poor children.
- (4) In both Indonesia and the Philippines, decentralization has been promoted. So, we supposed that the poverty reduction policies were also devolved to local governments. But the actual decentralization was only very minimal and the poverty reduction budget largely came from the central government down to local governments as a special budget. On the other hand, local governments focused upon local economic development and the poverty reduction measures occupy only a tiny status.
- (5) The so-called grass-roots NGOs focused upon poverty reduction but their operations are so tiny and remained to be scattered episodes. For the large scale practice of poverty reduction, the NGO-GO synergy is considered to be an alternative but at the local level, we found that disbelief between the two sides was very deep.
- (6) Poverty reduction policies have become eye-catcher policies among international organizations and developing countries. But the actual practice of the policy situation is shallow when you go down to the field. What then should be the alternative? Producing or finding success cases of poverty reduction projects and proliferating the model to other areas/countries will be one thing. Supporting micro-finance movements is considered another alternative. But seeing the examples of East Asian countries, economic development became the major route for reducing poverty. If so, considering the various aspects of poverty reduction in line with the various aspects of economic growth should be prioritized. Poverty reduction strategy should be a part of economic development policy where employment opportunities are given much importance, diversification of agricultural sector into 6<sup>th</sup> industrial

sector (combining the agricultural sector-1<sup>st</sup> with the processing sector-2<sup>nd</sup> and the service sector-3<sup>rd</sup> like direct sale or agro-tourism). Poverty reduction strategy should be more integrated - one which should not connect only with micro-finance or “education to all.”

Poverty reduction strategy has been the basis of international development and cooperation. But the actual understandings are so complex in many arguments.

As Prof. Osada, one of our project members, points out, international organizations and the majority of academics think that for effective poverty reduction, standard growth promotion policy should be at the center and at the same time, pro-poor growth targeting direct benefits for the poor people should be pursued. This, however, still remains to be a slogan and the content of pro-poor growth is poor.<sup>3</sup> For example, the *World Development Report 1990/91 (Poverty)* insisted on the combination of economic growth and labor intensive industry, investment on human development among the poor, and social safety network. The *World Development Report 2000/01 (Attacking Poverty)* prescribed on the combination of economic growth and opportunity, safety and empowerment. The latter are components of social development. We can say that the basic is to combine economic development with social development. But James Midgley wrote in a special issue of international development journal for social development that there was no consensus on the components of social development.<sup>4</sup>

The GSID of Nagoya University has gathered its own experts from various fields of development studies and also invited a few foreign academics from universities which GSID has academic relations. In collaboration, we organized a research project to pursue the possibility to build interdisciplinary development studies focused upon poverty reduction (2005~2007). The major materials we planned to analyze include UNDP, *Human Development Report 1997(Poverty and Human Development)*; World Bank, *World Development Report 2000 (Attacking Poverty)*; UN 2000, Millennium Development Goals (MDGs) etc.<sup>5</sup>

## 2. The Evaluation of Poverty Line

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<sup>3</sup> 長田博(Osada Hiroshi) (2007) 「Pro-poor Growthアプローチ課題と有効性」名古屋大学大学院国際開発研究科紀要『国際開発研究フォーラム』33号、p.26。

<sup>4</sup> James Midgley. 2003. “Social Development: Intellectual Heritage.” *Journal of International Development*. p.832.

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<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:20194762~pagePK:148956~piPK:216618~theSitePK:336992,00.html> ;  
<http://www.undp.org/mdg/> ; <http://hdr.undp.org/>.

The *World Development Report 2000/01 (Attacking Poverty)* defines poverty in five broad dimensions: material deprivation (measured by income and consumption), achievement in education and health, vulnerability and exposure to risk, and voicelessness/powerlessness.<sup>6</sup> Income poverty in PPP (Purchasing Power Parity) per person per day is the most popularly used because it is easier to calculate. But all the Southeast Asian countries don't use this criterion for not fitting into the reality of poverty in their countries. Actually, if you imagine the living situation in the dollar currency, it is easy to understand. But if you think in terms of PPP, it is almost impossible to imagine the actual situation of the living standards of people. The calculation below is a rough idea.

| 2005      | Nominal GDP  | PPP GDP    | Nominal /PPP | US\$PPP1 / day |
|-----------|--------------|------------|--------------|----------------|
| Japan     | US\$4155.6B  | US\$ 4220B | 97.5%        | 135 yen        |
| China     | US\$2234.1B  | US\$10000B | 22.3%        | 27yen          |
| India     | US\$ 772.0B  | US\$ 4000B | 19.3%        | 23yen          |
| Indonesia | US\$ 281.3 B | US\$ 935B  | 30%          | 36yen          |

In China, the government sets a minimum purchase price for early rice at 1.4 yuan (\$1=CNY8.28) a kilogram<sup>7</sup> = 20 yen/kg.

Indian standard rice price is Rp.15 × 2.90 (in Japanese yen) = 40 yen/ kg.

160g (one rice ball) of rice is 570 kcal<sup>8</sup> × 3 meals / day = 500g = 1710Kcal with 20 yen.

In the calculation of rice in China and India, you can eat only rice. If you include other basic human need items, it is impossible to live.

In Indonesia : 1,230 to 1,330 Rp/kg<sup>9</sup> (March 2005) = 17 Japanese yen

My conclusions in the first international research project (1999~2001) were as follows:

- (1) The poverty lines actually used in various countries are very much different. Prof. Balisacan of the University of the Philippines once wrote in his book about the different income poverty lines by different organizations in the Philippines: the figure differed from P2800 to 8000 (P= Peso) in urban area

<sup>6</sup> World Bank, *World Development Report 2000/2001: Attacking Poverty*, p.15 (邦訳 p.27)

<sup>7</sup> <http://www.oryza.com/asia/china/index.shtml>. July 28, 04.

<sup>8</sup> [http://detail.chiebukuro.yahoo.co.jp/qa/question\\_detail.php?queId=7091692](http://detail.chiebukuro.yahoo.co.jp/qa/question_detail.php?queId=7091692)

<sup>9</sup> <http://www.oryza.com/asia/indonesia/index.shtml>

(i.e. the World Bank says P4285, the government says P7141), and P2600~6000 in rural area. These are too vague to be the standard.<sup>10</sup> In Indonesia, the income poverty lines were different among the National Statistical Office, the Department of Home Affairs which controlled the villages, as well as that defined by a famous academic of agricultural studies (Dr. Sajogyo). All such definitions were proliferated. The GDP /capita in 1996 in Indonesia was US\$ 1080 and the poor people were calculated to be 11.3%. The GDP /capita in 1996 in the Philippines was US\$ 1160 (close to that of Indonesia) and the poor people were calculated to be 32% (a big gap from Indonesia). A World Bank report said that the comparison of poverty among countries neglect the standard line of poverty that is why the Philippine poverty was overestimated in comparison with Indonesia and Thailand. If the Philippine poverty is calculated using the Thai method, the poverty ratio decreases by 40% and using the Indonesian method, it decreases by 60%. During the Aquino administration from 1986 to 1991, the poverty ratio in the Philippines decreased from 60% to 41%. “But the decrease was attained largely by the manipulation of statistics.”<sup>11</sup> When I talked with the staffs of one local government in the Philippines and explained the poverty calculation of Indonesia, they responded: “That is an African standard. We have no will to follow such kind of standard.”<sup>12</sup>

- (2) Poverty line is foreign to everyday life among the people in developing countries. Once I did a field work of IDT project (Inpres Desa Tertinggal: Presidential Decree of Isolated Villages) which was a government-led nationwide microfinance project for the poor people in Indonesia during 1994-96. In the target villages, village discussions were organized for specifying the poor people who can get the microfinance support. In Indonesian villages, the village government has the figure of poor families according to the standard of the Department of Home Affairs. These are: unpaved house floors; no electricity; no bath room/ washing place/ toilet; no good ventilation in the house etc. Other standards are economic: no land to

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<sup>10</sup> Arsenio Balisacan. 1994. *Poverty: Urbanization and Development Policy*. University of the Philippines Press. pp.14-17.

<sup>11</sup> “Reducing the poverty level is easier said than done,” *Business World*, Oct.24, 1994, p.5.

<sup>12</sup> World Bank. 1993. *The Philippines: An Opening for Sustained Growth*. Vol.1. p.329; Kimura Hirotsune. The Capacity Building for Democratic Developmental Local Governance. 2001 『国際開発研究フォーラム(Forum of International Development Studies)』 No.20.

till; if they have, it's too small and have to depend upon other's land or on daily employment opportunities; no regular meals; cassava powder is mixed in meals; food other than the staple food is poor; wood is used as fuel; educational level is below primary school, etc. But the result of village discussions was that the living standards of villagers are not so different. Actually, the majority of the people live just above the poverty line and the clear setting of such poverty line is impossible. The result was that "All villagers are poor." "In the village, all should be treated equally." Some aimed to be categorized poor to get the government microfinance.<sup>13</sup> Some go up and down the poverty line due to the weather condition, disaster or disease of family members. Generally speaking, academics predominantly discuss about the poor people and the middle class. But they often fail to notice the majority of the people (=about 70%) who are between (about) 15% of the poor and another (about) 15% of the middle class. Majority of the people have difficulties in sending their children to college or to enjoy a better off life. It is the same understanding with international organizations setting a new poverty line to be above 2 dollars even though PPP dollar is completely unknown actually how much among people. That means we must consider the upgrading of life of this class.

- (3) When more people focus on measures other than the income poverty, the specification of poor people became far more difficult. Eventually, poverty reduction policies became the general economic growth policy or social development policy. The definition of poverty by Robert Chambers criticizing materialism<sup>14</sup> ended the income poverty standard. His definition of poverty depended upon five interrelated difficulties:<sup>15</sup>:
- (a) Income poverty: small assets, poor house, poor furniture, no land and clothing, having debt.
  - (b) Physical vulnerability (because of poor food): malnutrition, frail structure.
  - (c) Social isolation: lack of job, lack of communication and information – i.e. no radio; oftentimes illiterate.

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<sup>13</sup>木村宏恒 1999 「上からのマイクロクレジットーインドネシア貧困村撲滅計画の教訓ー」名古屋大学国際開発研究科『国際開発研究フォーラム』12号、p.5.

<sup>14</sup>菅原鈴香 2000 「貧困概念をめぐる一考察」『国際協力研究』16(1)。

<sup>15</sup> Robert Chambers, *Rural Development: Putting the People First* 邦訳 (チェンバーズ『第三世界の農村開発』明石書店、1983 ; Robert Chambers, 2001, "The World Development Report: Concepts, Content and a Chapter 12." *Journal of International Development*. 13.

(d) Vulnerability: poor responsive power to disaster, bad weather, disease etc.

(e) Lack of empowerment: ignorant to laws; easily cheated/ exploited.

The research led by Prof. ESHO Hideki points out the vagueness (technical difficulty and arbitrariness) in setting the poverty line.<sup>16</sup> Generally speaking, it is highly difficult to set the policy focused specifically upon poor people (In case of Grameen Bank, the staffs identify poverty by checking the living situation of new members). Actually, the so-called poverty focused aid seemed to be about 8~15% of the total aid in the world.<sup>17</sup> Actual pro-poor policies have often times been integrated in the policies which are supposed to benefit various sectors including poor people. It has also been the case in social development policies like primary education and health. Sometimes, the supporting policy to SMEs was called poverty support. It is, however, implausible that the managers of SMEs are poor people. The logic might be that the SME supporting policy will possibly benefit the poor people.

### 3. Where are the poor people?

- (1) Currently, under the title of poverty reduction, the focus is on Sub-Saharan Africa where the ratio of poor people is highest and where development has stagnated since their independence. The present development strategy of the world is the MDGs (Millennium Development Goals) and its first item among eight is to “Reduce by half the proportion of people living on less than a dollar a day.” According to the UN MDG Report 2006<sup>18</sup>, the poor people decreased from 28% (of 4.3 billion populations of total developing countries) in 1990 to 19% in 2002. And largely the decrease occurred in East Asia. But the UN insists that the focus should be on Sub-Saharan Africa where development is most difficult and has never happened since the countries in this region gained their independence, except for scattered cases.

In 2001, the poor people in the world accounted to 1.1 billion which was divided into East Asia 270M (million, 25%), South Asia 430M (40%), and Sub-Sahara 310M (29%). From 1990 to 2002, the developing country poverty ratio decreased from 28% to 19% (9% reduction in 13 years). East Asia reduced its poverty incidence from 33% to 14% and South Asia reduced from 39% to 31% during the same period. In the coming 13 years from 2002 to 2015, it is

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<sup>16</sup> 山崎幸治「貧困の計測と貧困解消政策」絵所秀紀・山崎幸治編 1998『開発と貧困—貧困の経済的分析に向けて—』アジア経済研究所。pp.82,119.

<sup>17</sup> White, Howard, 1999, “Global Poverty Reduction: Are We Heading in the Right Direction?” *Journal of International Development*, 11.

<sup>18</sup> UN. *The Millennium Development Goals Report 2006*. p.4.

logically possible to reduce the ratio from 19% to the target of 14% (only 5% in another 13 years). But the reduction will be attained in East and South Asia. So the focus should be in East and South Asia and should not be in Sub-Saharan Africa where countries couldn't substantially reduce the poverty incidence (only a minimal reduction from 44.6% in 1990 to 44.0% in 2002). It is very clear that if you focus upon East and South Asia, the MDG's first target can be attained. It then becomes a question why the focus is Sub-Sahara. If you focus the poverty reduction in Sub-Sahara, the possibility to attain MDG will become zero. Sub-Sahara needs another special focus for poverty reduction and it should be separated from attaining the MDG goals. The focus of poverty reduction should be on reducing the social gap in China (210M), India (360M) and Indonesia (39M) which in total consists 55% of the world's poor<sup>19</sup> (strictly speaking, the bottom up of poor people. If the bottom up can be addressed, the widening gap will not become another problem).

I believe it is the prejudice of the West. In 1980s, they label the period the "lost decade" notwithstanding the fact that the crisis phenomena happened only in Latin America and Sub-Sahara (which consists 23% of the population in developing countries) while in East Asia (consisting 40% of the population in developing countries), the 1980s was considered the "decade of glory." In South Asia and Middle East (35% of population), 1980s didn't belong to either. We must recognize well the recognition gap between the continents. When we say developing countries, American imagines Latin America, European imagines Africa, and Japanese imagines East Asia. When Western people accuse Japan of continually focusing upon Asia to serve Japan's national interest forgetting the really poor people, it is a typical prejudice and a wrong policy call. Sub-Sahara's development can't be realized under the framework of "by 2015." It needs much more time.

- (2) In the domestic field, the poor people are in the following fields and we need specific policies:
  - (a) Lowland landless farmers
  - (b) Upland people. Generally uplands suffer scarcity of water and little cultivation during dry season.
  - (c) Fishermen's village: In recent years, those who have capital (like the Chinese) buy the second hand fishing boat of developed countries like Japan, which

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<sup>19</sup> World Bank Policy Research Working Paper 3341, 2004. *How have the world's poorest fared since the early 1980s?*

have fish radar and catch large quantities of fish easily. After their catch, ordinary fishermen can catch less and less fish because of the scarcity of fish resources.

- (d) More than 2/3 of poor people are supposed to be women.
- (e) People in the slums are generally regarded as poor people. But in urban areas, they have more employment opportunities than those in rural areas and the under-reporting of income is common. The slum population in Metropolitan Bangkok in early 1990s was 27% while poverty ratio was 1%. That means 96% of slum people were not poor. Garbage collectors at the dumping sites are imagined to be poor people but when you have interviews with them, it is easy to understand that they get more than US\$1/day (both PPP and nominal). Their major problem is sanitation. Other than that, they should be evaluated as the promoters of big recycling system in developing countries.

Some say that the rural poor constitute 65% for example and that is why they should be prioritized. But oftentimes they disregard that the rural population constitutes 65% of the total population in the country (That means rural-urban ratio and poverty ratio is parallel). Still, because of the under-reporting of their income in urban areas, I believe more poor people live in rural areas.

#### **4. Economic Growth is the Biggest Key for Poverty Reduction: The Necessity of a Multiple Approach**

I agree with the arguments among international organizations that economic growth is the biggest key for poverty reduction and additional multiple approach is necessary. But concerning the structure and priority of multiple approach, I have a different opinion.

The recent UK DFID *White Paper for Eliminating World Poverty 2006: Making Governance Work for the Poor* notes that “The lesson from the last 50 years is that economic growth is the most powerful way of pulling people out of poverty.” “Over recent decades, Asia has seen dramatic economic growth... In the 1990s, economic growth helped reduce poverty in the region from just over 40% to around 30%.” “The picture is very different in Sub-Saharan Africa... Uganda and Ghana, for example, had high enough growth during the 1990s to reduce poverty by more than 10%. But the percentage of people living in poverty in the region as a whole has increased in the past two decades. There are now over 300 million poor people in Sub-Saharan Africa.”<sup>20</sup>

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<sup>20</sup> DFID. 2006. *White Paper: eliminating world poverty making governance work for the poor*. p.43.

“Much of the slow progress (in poverty reduction) observed in some region is due to low or negative growth.”<sup>21</sup> It is necessary to make clear not to overestimate the role of growth by quoting the World Bank saying “it is necessary to act beyond economic field for attacking poverty.”

Another important point worth emphasizing is the priority debate between growth and human development especially in UNDP’s *Human Development Report 1996* which declared “Human development is the end, economic growth the means.”<sup>22</sup> Martin Ravallion evaluates that idea asking: “does that mean that policy makers demote economic growth from its usual status as one of the main objectives of development policy? It can be entirely consistent to answer “no,” and yet agree fully that human well-being is the “end,” for which growth is but one means. Growth can still be an entirely legitimate policy objective in its own right in the context of the specific policy choices to be faced.”<sup>23</sup> There is an evaluation that the UNDP Report in 1996 is weak in understanding the role of economic growth. “It is as if the economic growth is no good. In the extension of that understanding, there comes MDGs. It doesn’t have the strategy to realize long term poverty reduction like the increase of employment opportunities.”<sup>24</sup> “Over recent decades, there has been no general tendency for distribution to worsen with growth...On average, a 5% rate of growth in average household income can be expected to result in roughly a 10% drop in the proportion of the population living below typical poverty lines in low-income countries.” “The biggest problem facing the world’s poor today is not “low-quality growth”- in HDR terms – but too little growth of even quite normal quality.”<sup>25</sup> That means, he agrees that “Human development is the end, economic growth the means” but economic development is the best means for human development. As ONO Kenichi says, poverty reduction is but the symptomatic treatment. The fundamental treatment is economic growth.<sup>26</sup>

Poverty reduction strategy is the integrated strategy and economic development is at the center. In economic development, the core policies are macro-economic policy, infrastructure building and FDI (Foreign Direct Investment). If so, the second

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<sup>21</sup> *World Development Report 2000/01* (Attacking Poverty). p.6.

<sup>22</sup> UNDP’s *Human Development Report 1996*. p.1.

<sup>23</sup> Martin Ravallion. 1997. “Good and Bad Growth: The Human Development Reports.” *World Development*. 25(5). p.632.

<sup>24</sup> 山形辰史「ミレニアム開発目標特集にあたって」『アジ研ワールドトレンド』2003年4月号(Yamagata Tatsuji. Special Issue of MDGs)、p.3.

<sup>25</sup> Martin Ravallion. 1997. “Good and Bad Growth.” op.cit., p.634.

<sup>26</sup>大野健一(2000)『途上国のグローバリゼーション』東洋経済新報社(ONO Kenichi. *Globalization for Developing Countries*)、p.45.

important factor is governance (the role of government) for supporting economic development. The third priority is not microfinance but the promotion policy for SMEs/MSEs (Small and Medium Enterprises and Micro and Small Enterprises), which produce a wide range of employment opportunities. The fourth priority is agricultural development policies to upgrade the income of farmers. Only fifth, there comes microfinance. Considering the employment opportunities and income raising opportunities, the order becomes like that.

In developing countries, SMEs/MSEs consist 99% of companies and 2/3 of industrial employment. The SME supporting policies are more important than microfinance in the sense of effective income-raising opportunities. SMEs/MSEs are like the sea surrounding the islands which are the big businesses. Each needs the other. SMEs/MSEs are dynamic. As KIYONARI Tadao made clear in his book, even in Japan, while 20 thousand SMEs disappear, 100 thousand more SMEs are found every year and are continuously increasing. SMEs/MSEs are structurally increasing the growth of industry and their major field is becoming the service industry<sup>27</sup> (75% in developed countries and 40% in Vietnam where there was no service sector before the introduction of market economy.) As the World Development Report 2003 notes: “SMEs are often the most dynamic segments of developing economies, and central to the expansion of employment opportunities, especially for poor people.”<sup>28</sup>

I have no will to underestimate the important proliferation of microfinance. It also provides employment opportunities and association building among women. It also connects with human resources development among the poor. But the point is that it should not be overestimated. A far more important self-employment sector is small-scale agriculture.

Small-scale agriculture is a far larger self-employment sector than microfinance. All developing countries during their modernization, Japan, Soviet Russia, China and Thailand, introduced the policy to keep the agricultural commodities in cheap price so as the labor force can eat under a cheap wage to attain more investments for the industrial sector. Farmers were sacrificed under the system and eventually supplied labor force to urban areas. It was a win-win policy for industrialization. Moreover, by the repeated inheritance of farmlands to children, the number of farmers cultivating land became smaller and smaller through generations. The number one policy for

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<sup>27</sup>清成忠男 (1997) 『中小企業読本 (第3版)』 (Kiyonari Tadao. *SMEs, a reader*)、東洋経済新報社、pp.64,102,15.

<sup>28</sup>*World Development Report 2003 (Sustainable Development in Dynamic Economy)* Chapter 7 item Strengthening the operation of government(世銀『世界開発報告 2003 (ダイナミックな世界における持続的開発)』 p.260.

farmers to quit from the difficulty has been to quit from agriculture and enter into the non-agricultural sector.<sup>29</sup> Even in the future, the trend will be the same (including commuting from villages). In Southeast Asia, non-agricultural income in villages has become bigger than income from agriculture.<sup>30</sup> (In Japan, the average farmer's income in agricultural sector is 14% of their total income). Income from non-agricultural sector varies from small shops, merchandising, repair shop of motor bike, mattress making etc. Only next to these efforts, there comes 6<sup>th</sup> industrialization of agricultural sector, which combines agricultural sector, industrial sector (like food processing) and service sector (like direct deal and restaurants). Land reform is still the major policy among international organizations but it is not clear how they start from the reality of population increase and repeated division and subdivision of land by inheritance. The structural gap between industrial sector and agricultural sector can't be solved mainly through efforts in the agricultural sector. The policy direction in villages should have the orientation to expand rural non-agricultural sectors. For long years, regional development has been the policy of national level government or nationwide development and the core of the plan was the industrialization of regional center cities. Agricultural sector needs to be connected with the urban economy, where the framework is regional development. The term rural development has been a dying term.

On the other hand, in UNDP *Human Development Report 1997* (p.133 Six essential actions), economic growth is set to be the third.

- (1) Empower individuals, households, and communities: credit, social safety net
- (2) Strengthen gender equality
- (3) Accelerate pro-poor growth in 100 or so developing countries whose economies are growing only slowly, stagnating or declining
- (4) Improve the management of globalization: fair terms for poor countries
- (5) Ensure an active state: committed to eradicating poverty and providing an enabling environment for broad political participation and partnership for pro-poor policy.
- (6) Take special actions for special situations to support progress in poorest countries.

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<sup>29</sup>海田能宏 1991 「農村開発研究－バングラデシュの農村開発のための共同研究－」『国際協力研究』7(2). p.38.

<sup>30</sup> この点については、北原淳「東南アジアにおけるポスト緑の革命と農業就業構造の多様化」(神戸大学)『国際協力論集』5(2)、1997年11月。

On credit as the means to “empower individuals, households, and communities,” previously it was the government bank. It had the history that (1) the lending required guarantee (land, house, cow, motor bike etc) and the poor people who didn’t have these couldn’t borrow money; (2) the return rate was so bad and the system faced deadlock. Eventually, there came our two ways: (1) Arranging private bank financial structures by setting new regulations where the private bank must lend more than 20% of its total loan to SMEs or in the regions (Indonesia, the Philippines); replication of Grameen Bank type movement to overcome the limitations of guarantee by organizing small group members’ collective responsibility. For overcoming the slow improvement in microfinance, there are debates on the “second microfinance revolution.”<sup>31</sup> That is, to expand the target of microfinance above poverty line and with a bigger amount, to respond to new needs and to expand the non-productive finance, including housing and education.

The present major poverty issue in the world is the widening domestic income gap like “two China,” “two India,” “two Brazil” where poverty situation remains stubborn under conditions of economic growth. But the point that is still vague is whether the poor structurally remain in society with unsolvable logic or the poor steadily decrease under pervasive/consistent economic growth. It seems that the latter characterizes China and India and the former characterizes Brazil.

Inter-state income gap is a more serious issue. After the clear failures of long years’ nationalistic development like in Mexico, India, China and Indonesia,<sup>32</sup> and the success stories in East Asian NIES, there emerged a growing consensus that the key to industrialization was FDI (foreign direct investment), which means the introduction of capital and technology from developed countries and acquire international competitiveness to produce exportable industrial commodities to developing countries. But the FDI had the tendency to concentrate only in certain parts of developing countries and under this logic, the majority of developing countries can’t develop because of insufficient export commodities. Ohno Kenichi, in his book *Globalization in Developing Countries*, argues as follows:

The Less Developed Countries remain to be stagnated by domestic factors and can’t put the responsibility on the developed countries. The problem is not the

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<sup>31</sup> G. Woller, 2002. “Introduction.” *Journal of International Development*. pp. 301–304.

<sup>32</sup> 恒川恵市 (1988) 『従属の政治経済学メキシコ』 (Tsunekawa, Mexican car industry) 東京大学出版会、Richard Robison. *The Rise of Capital: Indonesia* (リチャード・ロビソン (1989) 『インドネシア：政治経済体制の分析』 三一書房)、Ronald Herring. Chapter 10 *Embedded Particularism: India’s Failed Developmental State* in Meredith Woo-Cumings. 1999. *The Developmental State*.

globalization itself but the type of globalization which enforces the uniform integration to all countries disregarding the individual countries' specific factors. The integration without preparation invites the 'time-up countries' and 'non-renewal setting countries.' Eventually, the gap is widening between industrial developing countries and market economy-oriented least developed countries.<sup>33</sup>

## 5. Governance comes first in the multiple approach to poverty reduction

Concerning the combination of economic growth and multiple approach, the *World Development Report 2000* says that: "National economic development is central to success in poverty reduction. But poverty is an outcome of more than economic processes. It is an outcome of economic, social and political processes that interact with and reinforce each other in ways that can worsen or ease the deprivation poor people face every day. To attack poverty requires promoting opportunity, facilitating empowerment and enhancing security – with actions at local, national and global levels."<sup>34</sup> All of these connect with government public policy. Paul Mosley of Sheffield University cast a question whether the WDR (*World Development Report 2000 (Attacking Poverty)*) has changed the "Washington Consensus" approach. He argued that the answer can be both "yes and no" saying "the old agenda remains, in the sense that it has been supplemented by elements going beyond even Stiglitz's 'post-Washington Consensus.'" "WDR forced the Bank to acknowledge the widespread market failure in the provision of security" and "the provision of national security is the primordial public-sector function. And the security from Rwanda to Ethiopia to Kosovo is now pursued by an 'emerging development-security complex.'"<sup>35</sup> The WDR continues, "Most donors are reluctant to stop giving aid when conditions are not met. As a result, compliance with conditions tends to be low, while the release rate of loan tranches remains high." "If all the aid money were allocated on the bases of high poverty rate and reasonably effective policies and institutions, a recent study estimates, even today's small aid flows could lift 19 million people out of poverty each year- almost twice the estimated 10 million now being helped." What is important here is the dilution of Washington consensus.<sup>36</sup>

The following points we can say refer to the comparison table of Mosley's article on

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<sup>33</sup>大野健一 (2000) 『途上国のグローバリゼーション』 pp.10、22、34–36.

<sup>34</sup> *World Development Report 2000 (Attacking Poverty)*. p.37.

<sup>35</sup> Paul Mosley. 2001. "Attacking Poverty and the 'Post-Washington Consensus.'" *Journal of International Development*. 13.

<sup>36</sup> Paul Mosley, 2001, "Attacking Poverty". *ibid.*, p.312.

World Bank's poverty strategy between 1990 and 2000<sup>37</sup>:

- (a) The basic strategy is maintained, that economic growth is the most effective means for poverty reduction (Economics-centered approach).
- (b) Primary education-centered strategy is maintained as the means for empowerment as a basic in poverty reduction (education development).
- (c) But the focus is moving more towards the institutionalization for empowerment (like microfinance, financial division, conflict evasion, decentralization, social capital) and you can say it covers a large field of political science.
- (d) Still the majority is in the field of sociology pursuing major agenda on empowerment, organizing associations to avoid social isolation, and social capital.

Pakistan's PRSP(Poverty Reduction Strategy Plan) 2004 set four pillars:

- (a) Accelerating economic growth: macro-economy, infrastructure, rural development
- (b) Improving governance and devolution: justice, anti-corruption, freedom of information etc.
- (c) Investing in human capital: education, health
- (d) Targeting the poor and vulnerable: microfinance, other social safety net

The important point here is that governance comes second. That means the second in importance for development after economic growth is governance.

Nishimizu Mieko, who worked as the regional head of World Bank in South Asia during 1995-2003 wrote, "I spent the majority of more than 20 years in the muddy reality of the politics of reform in developing countries. My experience showed me that development is the process of social, economic and political change. The most precious lesson the Bank gave me is that without good governance, healthy nation building is not possible. And it is good political leadership that makes good governance possible but it is hard to find out. (Personally, I would like to add the words of Peter Drucker who said "All the countries hope for the politician's leadership. But it is the wrong idea. The problem is not in the human being but in the system."<sup>38</sup>) Nishimizu continues, "The fundamental problem of poverty in South Asia is bad governance in

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<sup>37</sup> Paul Mosley, 2001, "Attacking Poverty". *ibid.*, p.309.

<sup>38</sup> Peter Drucker. 2002. *Managing in the next society* (ピーター・ドラッカー『ネクスト・ソサエティ』ダイヤモンド社、p.166)

public policy and institutions.”<sup>39</sup>

Andrew Shepherd of the School of Public Policy, Birmingham University, says in his article evaluating WDR 2000 (Attacking Poverty) as follows: “Development cannot continue to be treated as a non-political matter: political development is a key to development in general. The strengthening focus on ‘governance’ provides a set of more or less technical metaphors to begin to address political development, but is not quite there yet.” “Following from the WDR for 1997 (Role of State), many of the observations about the state suggest the need for strong states in the fight against poverty. However, there is also a rather simple recognition of the importance of politics through the notion of empowerment; but this stops short of a comprehensive analysis.” In the WDR 2000, “the constraints to poverty reduction are underestimated -- resources to provide safety nets, the problems of preventing or solving conflict, and the potential political resistance from elites unconvinced that poverty is their problem.” “The World Bank has a tendency to spread itself across a vast field of development. In doing so, it perhaps forgets that it is a bank...There is of course a substantial grey area between clear return-generating investments and those which generate a social return. The rationale for the Bank moving into the vulnerability and empowerment agenda – support for civil society, NGO, social protection, safety nets – is weak.”<sup>40</sup>

## 6. How to consider the relation between governance and social development

Since the UN social development summit at Copenhagen in 1995, the understanding of two pillars in development, economic development and social development has proliferated. But it is also possible to set the two pillars to be economic development and governance, and a part of governance is public policy, within which the fields of social development occupy a big share. Or you can set three pillars adding legal-political development to the former two. If one can think freely disregarding the principle of non-interference adhered to by many international organizations, it will be easy to reach such kind of understanding.

The term social development, according to James Midgley,<sup>41</sup> appeared in mid-20<sup>th</sup> century, and became famous in 1970s. The decisive approval in international agenda is made after the social development summit in 1995. But social development is still poorly defined and there is widespread disagreement about what social development

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<sup>39</sup>西水美恵子「ガバナンス・リーダーシップ考 連載開始に当たって」経済産業研究所

<sup>40</sup> Andrew Shepherd. 2001. “Consolidating the Lessons of 50 Years of Development.” *Journal of International Development*. 13. pp.316–19.

<sup>41</sup> James Midgley. 2003. Social Development: Intellectual Heritage. *Journal of International Development*.

actually entails. Many regard the facts of poverty and social need as self-evident. As British imperial influence waned in the late 1950s, the United Nations assumed international leadership for social development. The organization fostered the idea that economic and social developments were equally important components of the development process. In the early 1960s, a new organization was created, the United Nations Research Institute for Social Development (UNRISD) in Geneva. The term covered a wide range of social provisions that would expand government health, education, rural development, housing, water supply and social welfare services. The pursuit of specific social targets such as reductions in poverty and infant mortality, and increases in life expectancy, literacy and access to health and education was emphasized.

WDR 1990 (Poverty) set two pillars. They were (1) growth and infrastructure; (2) health and education. WDR 2000 (Attacking Poverty) set three factors other than economic growth. They were opportunities, empowerment and security. It noted that: “Key in expanding economic opportunities for poor people is to help build up their assets: human capabilities and land, infrastructure, financial services; Empowerment contains expanding economic opportunities, democratic processes, hold state institutions accountable and ensuring rule of law; Enhancing security for the poor people means reducing their vulnerability to such risks as ill health, economic shocks and natural disasters and helping them cope with adverse shocks when they do occur.”<sup>42</sup> These various items other than economic growth can’t be all social development. There are many underlying political elements. A development model based mainly on two pillars (economic and social) cannot be accepted.

## **7. Conclusion: Major findings of our research project**

- (a) The main focus of the present international assistance to developing countries is poverty reduction. But the target is directed to Sub-Saharan Africa. It is rather deemed as the prejudice of the West. When we say “developing countries,” American imagines Latin American countries, European imagines African countries while Japanese imagines East Asian countries. In 2001, among the 1.1 billion poor people, 430 million (40%) lived in South Asia and 270 million (25%) lived in East Asia. The total 65% of poor people lived in Asia. On the other hand, 310 million poor people (29%) lived in Sub-Saharan Africa. Moreover, the poverty reduction in Sub-Saharan Africa was from 44.6% in 1990 to 44.0% in

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<sup>42</sup> *World Development Report 2000 (Attacking Poverty)*. p.39.

2002 which was much the same (or worse) in the past 30 years after their independence. While poverty rate in East Asia decreased from 33% in 1990 to 14%. In South Asia it decreased from 39% to 31%. This reduced the rates of poverty among all developing countries from 28% to 19% in the last 12 years and extending such reduction of poverty to 14% in another 13 years by 2015 will be possible, if you prioritize poverty reduction focusing on East and South Asia. If you focus upon reducing the poverty in Sub-Saharan Africa, the possibility is nil. The failure of development in Sub-Sahara has had the structural cause and it is very difficult to overcome. The poverty situation in Sub-Sahara is deeply serious. But still, you should not forget the first target of MDGs. The main effort in reducing poverty should be in China (210M), India (360M), and Indonesia (39M). If the poor people in these three countries are combined, they will constitute 55% of the world's poor people.<sup>43</sup> Some say "Japan continuously prioritizes its ODA to Asian countries which shows that Japan prioritizes its national interest over aims to attacking poverty." This is a completely wrong idea. Asia should be prioritized for attacking poverty. Sub-Saharan development issues should be separated from the MDGs (otherwise, the time table limiting by 2015 would be meaningless) and should be pursued along a longer term framework.

- (b) The focus of poverty reduction strategy in East and South Asia has been economic growth with employment opportunities. It is a very clear reality that until now, the biggest factor for reducing poverty was economic growth, seeing Japan, Korea, Taiwan, Thailand, Indonesia, China and Vietnam. At present, in major developing countries, a social gap between rich and poor is increasing and the anxiety mounts on the large number of poor people remaining to be stagnated. But the problem is whether the poor people are structurally stagnated under the present growth pattern or the poor people will be reduced under pervasive/consistent economic growth. The cases in China and India show the latter is possible. "The problem the world's poor face is not the bad growth but the lack of growth."<sup>44</sup> Poverty reduction is but the symptomatic treatment (对症下药). The fundamental treatment (根治療法) is economic growth.

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<sup>43</sup> World Bank Policy Research Working Paper 3341, 2004. How have the world's poorest fared since the early 1980s?

<sup>44</sup> Martin Ravallion. 1997. "Good and Bad Growth: The Human Development Reports." *World Development*. 25(5). p.634.

- (c) In economic growth strategy, macro-economy, infrastructure building and FDI occupy the central status. The second important factor is governance which sets the public policy for supporting economic development. The third important factor is the promotion policy of SME/MSEs (Micro and Small Enterprises) which is far more important than microfinance from the viewpoint of employment opportunities. In the majority of countries both developed and underdeveloped, 99% of companies are SME/MSEs contributing 2/3 of employment opportunities. In the same logic, the fourth important factor is agriculture supporting policies. And only fifth, there comes the microfinance movement. By pro-poor growth, UNDP and others insist that microfinance should be prioritized. But considering the total structure for actually reducing the poor, it is difficult to agree with UNDP.
- (d) Other than economic growth aspects, we don't deny the multiple approach for poverty reduction measures. For example, the World Bank set three pillars (opportunities, empowerment and security) side by side with economic growth. But academics should not follow the trend of many international organizations which limited their mission within the framework of the "principle of non-interference." The multidimensional approach depends upon the government public policy. If you are really serious in the implementation of development efforts, you cannot avoid analyzing the government deeds. It is unavoidable to go over the wall of the "principle of non-interference." The World Bank and the UNDP arguments take much importance on governance in various occasions but still, they hesitated about making it one of the big pillars side by side with economic development and social development. Eventually, they contributed negatively in building a comprehensive understanding on the total structure of development strategy in developing countries while it is very clear that "the basic factor for poverty is the problem in public policy and bad government/ governance."
- (e) Worse, the market fundamentalism and small government direction of the US ideology had contributed to the underestimation of no good government/ governance. Development experiences in Japan and East Asian "miracle countries" were not used in policy directions if not,

systematically denied.<sup>45</sup> Meredith-Woo Cummings ed., 1999, *Developmental State* proposed that state bureaucracy-led economic development is more typical in France than Japan.<sup>46</sup> Combining East Asia and Continental Europe as the state-led economic development model, the contrast with Anglo-Saxon model was made clear. In this book, one of the authors, Chalmers Johnson proposed the developmental state as the third category other than capitalist and communist states. "I believe that Japan was a better model for both the second and third worlds than Anglo-American capitalism."<sup>47</sup> Without mentioning this point, it will not be a proper argument for Japan-initiated development strategy.

- (f) The role of NGOs is to propose the desirable development model, practice advocacy to government policies and combine their model with the nationwide practice of desirable government policies. Without directing their activities, their efforts remain to be episodes.
- (g) The biggest problem in attaining the MDG was the shortage of fund. In 1990s after the cold war, the total ODA by donors had decreased from 60.8 Billion Dollars in 1992 to 51.5BD by 1998. Financial difficulties among donor countries, the targeting of ODA to former communist

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<sup>45</sup> <http://mondediplo.com/2003/10/08china>, "China: The new economic giant"

During the cold war Japan, and later the NICs, had been "invited by Westerners to do well but not so well as to threaten them" (5). In 1989 Lawrence Summers, who became President Bill Clinton's Undersecretary of the Treasury, said: "An Asian economic bloc with Japan at its apex is in the making. This raises the possibility that the majority of American people who now feel that Japan is a greater threat to the US than the Soviet Union are right"(6). There was a perceptible and foolish sigh of relief when Japan plunged in 1990 into a prolonged period of economic stagnation after the Tokyo finance, insurance and real estate sector bubble burst. The crisis proved, in the condescending words of a US author, that the "Japanese model was not a different type of capitalism but a holdover from an earlier stage of capitalism" (7). A few years later the acute 1997-98 regional crisis in Asia was greeted as further evidence of Western singularity and superiority (or of Eastern economic infantilism). As Chalmers Johnson noted, "pundits and economists expressed open delight" as the region oscillated on the brink of social and economic disaster (8). "Our success is the success of the American capitalist model which lies closer to the free market vision of Adam Smith than any other. Much closer, certainly, than Asia's paternalistic crony capitalism that so seduced critics of the American system during Asia's now burst bubble" (9). In contrast to the US Treasury's rapid and decisive bailout of Mexico in 1994, the US and its transatlantic partners sat back for months while the crisis spread through East Asia. A vast International Monetary Fund bailout was arranged only when it became clear that the contagion was getting out of control and spreading to global markets. More significantly the Treasury vetoed a 1997 Japanese proposal to set up an Asian Monetary Fund (AMF), which would have pooled Asian resources and provided much needed liquidity to countries facing massive capital outflows, with few conditions attached.

<sup>46</sup> Meredith Woo Cumings ed. 2000.*The Developmental State*.

<sup>47</sup> Chalmers Johnson, in Woo-Cumings ed., *The Developmental State*. p.40.

countries and aid fatigue in Sub-Saharan Africa contributed in the decrease.<sup>48</sup> But after the incident of 911 in 2001, the ODA increased dramatically and by 2005, it reached to 106.8BD (US27.6BD, EU55.7BD, Japan13.1BD). Among them, ODA to Iraq accounts to 21.4BD (US6.9BD, Japan3.5BD), and ODA to Afghanistan reached 2.2BD.<sup>49</sup> Essentially, the present world doesn't have shortage of funds for development. The problem is the allotment of the funds.

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<sup>48</sup> 1990年代国際ODAの流れについては次を参照。Jean-Philippe Therien & Carolyn Lloyd. 2000. "Development assistance on the brink." *Third World Quarterly*. 21(1)

<sup>49</sup> OECD, *Final ODA Data for 2005*. [www.oecd.org/dataoecd/52/18/37790990.pdf](http://www.oecd.org/dataoecd/52/18/37790990.pdf)