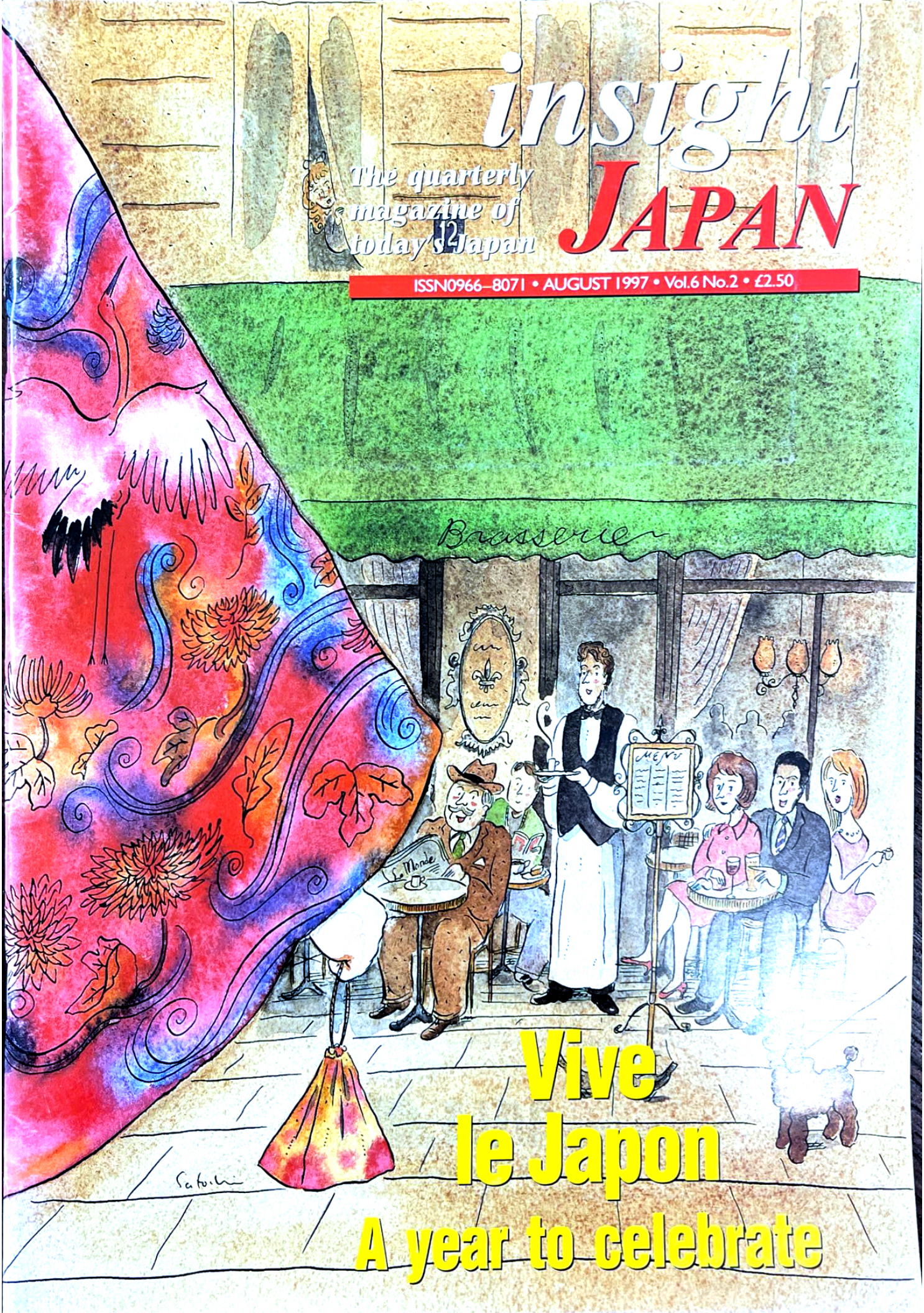

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Vive le Japon

A year to celebrate

A tighter grip on foreign aid

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Former British Prime Minister Harold Wilson once claimed that the two biggest successes of his time in office were founding the Open University in 1969 and the importance he placed on overseas aid, establishing the Ministry of Overseas Development in October 1964.

Overseas aid should still be an important area of government policy, but in Britain it has been marginalised. There is a public tendency to see such aid as charity, and the feeling is that charity begins at home. Consequently politicians find it less of a problem to cut overseas aid rather than domestic spending.

At a time when most industrialised countries face budgetary constraints and are under pressure to keep spending down, overseas aid is typically one of the first casualties. Nowadays, Wilson might well have looked toward Tokyo with admiration, for Japan is now the world's leader in overseas aid. And the sums are impressive.

Latest comparable international data shows Japan spent $14.5bn on overseas development aid in the year to mid 1996. This compares with France's $8.4bn, Germany's $7.5bn and the USA's $7.4bn. The three remaining members of the world's G7 economic elite, Britain, Canada and Italy, spent only $6.9bn between them, with the UK's share at $3.1bn.

JAPAN HAS BEEN THE WORLD'S LARGEST DONOR in terms of overseas aid since 1989, when it overtook the US. Since then Japanese flows have risen while tough budgetary constraint has lowered American aid.

Although Japan leads the way in terms of money spent, in relation to the size of its economy it ranks only eight amongst contributors. Overseas aid worked out at $105 per Japanese citizen. This compares with $277 per head in Denmark, which is the leading contributor on that count, followed by Norway, Sweden and the Netherlands.

'Aid fatigue' has been used to describe the situation in many industrialised countries, as budgetary constraints force governments to restrain public spending. Japan is certainly not immune from such pressures, and the Japanese authorities have become more aware of the need to not only justify such large assistance but to ensure the money is well spent.

Thus, in 1992 when the Japanese Government formulated some principles to govern overseas aid, emphasis was placed on giving assistance to governments which encourage democracy and human rights, spend less on arms and are focusing more on the environment. As welcome as this sounds it hasn't been fully implemented, with China and Indonesia the biggest recipients of Japanese aid money.

Japan's Foreign Ministry produces an annual audit of its overseas aid and a further sign of budgetary constraint was seen in 1995 with the first assessment of the efficiency of Japanese-assisted projects. Then almost a quarter of projects, 30 of 128 examined, were identified as having problems. This has prompted criticism that overseas development aid has failed to produce results. The biggest recipient of Japanese aid is Asia, receiving almost two-thirds. Africa comes a distant second, receiving just over one-tenth. China is consistently the biggest recipient from Japan, receiving $1.4bn in 1995. Indonesia, Thailand and India were the other big beneficiaries that year.

While the individual projects are chosen by civil servants, and are not subject to Parliamentary control, the countries are selected on political grounds (it is widely acknowledged that Japan's aid to China is a substitute for war reparations) and there can be little doubt that aid to countries throughout Asia could help enhance Japan's ties with their emerging economies.

THERE ARE INTERNATIONAL GUIDELINES as to which countries can qualify for overseas aid and these are based on average per capita income, developing countries with per capita incomes below an agreed ceiling qualifying for overseas development assistance. For instance, in May 1995 the Development Assistance Committee of the OECD decided that $8,356 was the cut-off point, which meant that previous aid recipients such as Taiwan and Cyprus no longer qualify. These countries can still receive assistance, of course, but it would not be counted as overseas aid.

In 1995, the OECD calculates that $253.1bn flowed from developed countries to developing nations and of this, one-quarter, or $62.6bn was overseas development assistance. In 1987, by contrast, overseas aid accounted for 51 per cent of the $85.8bn flowing from developed to developing countries.

Overseas aid is arguably becoming less important for industrialised countries and Japan may be unable to escape the constraints others have faced. Sluggish future growth and an ageing population are already forcing tough budget choices. Last December the Government announced a 2.1 per cent increase in this year's overseas aid budget. As welcome as this is, it represented an unprecedentedly low increase.

There is clearly a strong case for the wealthier nations to help poorer and developing countries. Assistance could be provided through global organisations like the World Bank or Asian Development Bank, provided they are properly financed. But this should not rule out direct government aid. If there are concerns about the value for money of overseas aid, the emphasis should be on ensuring that sensible projects are chosen, rather than on cutting back on assistance. And for Japan overseas aid still provides an important vehicle for it to play a leading international role. ❑

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