

**Japanese Corporate Initiatives in Global Health:
Case Studies and Policy Recommendations**

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1. Introduction

Just two years remain to the deadline for achieving the UN Millennium Development Goals (MDGs), and with progress slowing on those goals related to health (MDG4: reducing child mortality, MDG5: improving maternal health, MDG6: combatting HIV/AIDS, malaria and other diseases), enhanced international effort is needed in the field of global health.

According to a survey conducted by the Government of Japan's Cabinet Office, many Japanese citizens recognize the importance of providing "support in the field of health" through international cooperation¹. The reality, however, is that the proportion of Japan's Official Development Assistance (ODA) allocated to the health sector is a mere 2%, far lower than the average among OECD countries of 10%². Clearly, there exists in Japan a significant "gap" between the public consciousness and the actual value of the assistance extended by the country, and with Japan's national debt now exceeding 200% of GDP, it is difficult to foresee any future increase in ODA. Amid such deteriorating fiscal circumstances, therefore, initiatives taken in the field of global health by Japan's private sector have great significance as one potential solution for reducing this "gap".

In recent years, a growing number of Japanese firms, having come to recognize the importance of addressing global issues as a key element of global corporate strategy in terms of raising brand awareness in markets with long-term growth potential, including developing countries, have begun to implement global initiatives beyond the concept of corporate social responsibility (CSR). Global health is no exception, with many companies making long-term investments in drug development for developing countries, or targeting expansion into developing countries as a Base of the Pyramid (BoP) business model.

The expansion of business activity in the global health field can also provide significant support for developing countries in terms of boosting economic independence and sustainability through creation of local jobs and other contributions to local economies. Among the BoP business activities instigated as assistance projects by the Japan International Cooperation Agency (JICA) and the Ministry of Economy, Trade and Industry (METI) since 2009, several are in the global health field, and while there are as yet few successful models, this is one area the Japanese government is actively supporting. Targeting small and medium-sized enterprises in order to mitigate the initial business risk taken on by the companies, rather than supporting larger corporations as has been the practice until now, will enable financial assistance to go further in boosting business activity in the global health field.

While the Japanese government is thus becoming increasingly active in its attempts to strengthen public-private partnerships, many large Japanese corporations have moved ahead with their own

¹ Cabinet Office, Government Public Relations Office, 2010.

² According to the OECD Development Assistance Committee, calculated on the basis of the amounts (commitments) contained in agreements concluded between donor countries and recipient countries.

initiatives with a view to the global marketplace. From the following summaries of various new initiatives, frameworks, and partnerships undertaken by these companies, many of the specific issues facing Japan and Japanese enterprises can be identified for important further consideration.

2. Corporate Initiatives in the Field of Global Health

With Japanese ODA declining, independent efforts by Japan's private sector through actual development of business, rather than merely through the framework of CSR, have had a significant impact in the field of global health, and also carry important implications as a means for Japan more effectively to show its presence in the field of global health. Moreover, through realization of greater synergy between the efforts of Japanese corporations and those of the Japanese government, an even more significant contribution could be made by Japan to address global health issues.

For larger corporations, there are numerous opportunities to participate in international frameworks such as the Global Compact³ and send representatives to attend international conferences, and in this way gain an early grasp of global trends, challenges, and needs. Recognition is growing among Japan's major "global" corporations of both the need for and long-term benefits of incorporating a greater emphasis on global expansion and deployment into corporate strategy. Moreover, with corporations emphasizing cost performance and able to utilize expertise in such areas as marketing strategy, projects can be implemented more flexibly and efficiently than government-backed assistance in developing countries. In addition, with corporations creating local employment as they seek to ensure the sustainability of their business expansion, such efforts not only provide assistance but also promote the economic independence and self-reliance of developing countries. Further, initiatives such as the development and sale of financial products as a means of involving private investors as new players in contributing to global health illustrate the growing diversity of ideas, industries, products, and partnerships being led by the private sector in this field.

This report takes up five specific initiatives undertaken by Japanese corporations in the field of global health, presenting a summary of each initiative, the various issues that emerged, and proposals to address them.

³ Proposed by UN Secretary-General Kofi Annan, and launched in 2000, the UN Global Compact is a voluntary corporate responsibility initiative providing a practical framework for companies to take leadership, act responsibly, and provide solutions to help advance sustainable business models and markets for the benefit of economies and societies around the world.

2.1 Global Multi-Partner Collaboration (Eisai)

Among Japanese companies, Eisai Co., Ltd. (hereinafter, Eisai) has been among the most active in the field of global health independent of the Japanese government. Regarding developing countries as potential future new markets, and from the perspective of long-term business investment rather than traditional CSR, Eisai has collaborated with other pharmaceutical firms and the Bill & Melinda Gates Foundation (hereinafter, Gates Foundation) to invest in development and production of drugs to treat lymphatic filariasis and provide them free of charge to WHO.

In November 2010, Eisai announced that, over a six year period from 2012 to 2017, it would provide free of charge to WHO 2.2 billion tablets of diethylcarbamazine (DEC), manufactured at Eisai's own factory in India and with a value of approximately JPY3.5 billion, to be used to eliminate the parasitic disease lymphatic filariasis in endemic countries.⁴ Then, in January 2012, Eisai joined the largest international public-private partnership to date to control Neglected Tropical Diseases⁵ as the only Japanese signatory to the London Declaration, a coordinated effort to eliminate 10 NTDs by 2020.⁶ In support of the London Declaration, Eisai will extend until 2020 its support for WHO in supplying DEC tablets free of charge once in-house production commences in 2013, as well as committing to provide 120 million DEC tablets to WHO free of charge in collaboration with Sanofi and the Gates Foundation to ensure a stable of supply of DEC until 2013. This project to bridge the supply of DEC represents an unprecedented industry model, with two pharmaceutical firms forming a partnership with the Gates Foundation. Incidentally, while the U.S. Agency for International Development (USAID) and the U.K.'s Department for International Development (DFID) announced major investments of funds in this effort, the Japanese government did not participate.

Since Eisai was not previously engaged in the manufacture of DEC, how did the company arrive at the decision to commence in-house production and provide the drug free of charge? Eisai president Haruo Naito, in traveling frequently to Geneva and discussing issues closely with WHO representatives during his time as president of the IFPMA⁷, came to recognize both the importance of DEC as one of three drugs used in the treatment of lymphatic filariasis, and also the critical current lack of DEC supply.⁸ Aware that providing a stable supply of high-quality DEC would represent a huge step in efforts to control this disease, and as an R&D-based pharmaceutical firm

⁴ *Yakuji Nippo* article, November 19, 2010. "Eisai to manufacture and supply lymphatic filariasis medicine free of charge – sufficient for 300 million people over 6 years". <http://www.yakuji.co.jp/entry21230.html> (accessed 8/2012)

⁵ The WHO list of NTDs includes the following: Buruli ulcer, Chagas disease (American trypanosomiasis), Cysticercosis, Dengue/Severe dengue, Dracunculiasis (guinea-worm disease), Echinococcosis, Fascioliasis, Human African trypanosomiasis, Leishmaniasis, Leprosy, Lymphatic filariasis, Onchocerciasis, Rabies, Schistosomiasis, Soil transmitted helminthiasis, Trachoma, Yaws.

⁶ See Eisai news release, January 30, 2012. <http://www.eisai.co.jp/news/news201206.html> (accessed 8/2012)

⁷ International Federation of Pharmaceutical Manufacturers & Associations. Eisai President Haruo Naito served as the first ever Japanese IFPMA President from November 2009 to November 2010.

⁸ The other two drugs are manufactured in sufficient quantities by Merck and GlaxoSmithKline.

capable of doing so, Eisai made a management decision to establish a process for in-house production of DEC at its own factory in Vizag, India, and provide it to WHO as a price “zero” Eisai product.

This decision to work towards drug development and improved access for developing countries was consistent with Eisai’s corporate philosophy of “human health care” (*hhc*)⁹. At the same time, rather than representing a mere CSR activity, the decisions to invest in development of in-house production capacity for DEC and to provide it free of charge were also made as long-term investments in the company’s sustainable growth in anticipation of future market growth in developing countries.

In the London Declaration, Eisai also made a commitment to developing new drugs for Chagas disease. This is to be realized using a Product Development Partnership (PDP) mechanism, a model for international cooperation in the development of new drugs.¹⁰

Since the development of new drugs for developing countries is, in realistic terms, a low priority for private, for-profit pharmaceutical companies to seek to conduct alone, it needs to be undertaken collaboratively while taking advantage of the different strengths of the public and private sectors. The PDP model of cooperation is one example of this. Funded by agencies such as the Gates Foundation, PDPs emerged around 15 years ago as a partnership model providing a framework for the private sector to unite as investment partners with international organizations, charities, and the governments of both developed and developing countries to advance the development of new drugs and vaccines. To illustrate the efficiency of this model, it has been estimated that a pharmaceutical firm conducting R&D independently may develop two new drugs within a twenty-year period, whereas 15 new drugs have been developed through PDPs in the past 15 years.

While the international counterparts of Japan’s Ministry of Foreign Affairs (MOFA), such as USAID and DFID, have become investment partners in this PDP framework, Japan has not made any public investment. This is largely due to the fact that, since there are no real precedents in Japan of R&D projects aimed at assisting developing countries, the problem of divided ministerial jurisdiction over budgets has been a decisive negative factor, with MOFA responsible for projects relating to developing countries but the Ministry of Health, Labour and Welfare (MHLW) controlling the R&D budget. This factor may also go some way towards explaining the Japanese government’s absence from the aforementioned London Declaration. Certainly, with flexibility a prerequisite for successful participation in global-scale projects, the rigidity of the Japanese government’s organizational and decision-making structure poses definite problems.

⁹ Eisai: “We demonstrate our obligation to society, by identifying with the health care ‘participants’, developing a response to their needs, verifying the social benefits of this response, and finally, making this response available to the world before anyone else.”

¹⁰ Eisai, in conjunction with the Drugs for Neglected Disease initiative (DNDi), a non-profit independent foundation promoting PDP for drug R&D, developed a treatment for Chagas disease combining an anti-fungal agent developed in-house and a vaccine adjuvant (immune-enhancing agent).

2.2 Corporate Commitment to The Global Fund (Takeda Pharmaceutical)

From a CSR viewpoint, Takeda Pharmaceutical Company Limited (hereinafter, Takeda) has taken a distinctive approach to funding international institutions and non-profit organizations in the field of global health. In March 2010, Takeda, in cooperation with The Global Fund to Fight AIDS, Tuberculosis and Malaria (hereinafter, Global Fund) launched the "Takeda Initiative"¹¹ to promote and strengthen the development of healthcare-related human resources in Africa. Over a ten-year period from 2010 to 2019, Takeda will donate JPY100 million annually to the Global Fund, following energy giant Chevron Corporation in 2008 as only the second private corporation to extend such large-scale funding to the Global Fund. Moreover, at the G20 Business Summit¹² held in Seoul in November 2010, mining multinational Anglo American followed Takeda's lead in making a commitment to contribute USD1 million annually to the Global Fund over a three-year period. Thus, the concept of funding for the Global Fund has expanded from a narrowly defined image of "the governments of developed countries and major foundations such as the Gates Foundation", to a much broader vision in which the private sector plays a significant role.

The background to the Takeda Initiative was Takeda's management plan to achieve sustainable growth by advancing into emerging markets, including in developing countries, to become a world-class pharmaceutical company. To realize this vision, it also became necessary for the company to address international challenges in its field at an appropriate level for a truly "global" enterprise, and for Takeda this meant greater engagement with global health and healthcare issues. Thus, with the MDGs calling for a stronger response from pharmaceutical companies to the three major infectious diseases, the idea of becoming a corporate partner to the Global Fund was seen as a practical and effective approach.

Takeda has been praised as a Global Fund partner not only from a "performance" aspect in tackling the challenge of the three major infectious diseases, but also with regard to "accountability" through conducting rigorous external audits. This is consistent with the company's corporate philosophy of "Takeda-ism", which centers on the "pledge to act with integrity at all times". It is also important to point out that, since Takeda is not engaged in the production or sale of drugs related to the three major infectious diseases, the company's contribution to the Global Fund avoided any potential conflict of interest.

Since the Global Fund operates as a financial instrument as opposed to an implementing agency, donations are not used to launch new projects but rather to support the broad range of programs financed by the Global Fund's resources. However, consideration is given to a donor's specific interest in a particular region or field, and funds can thus be targeted for countries or programs with

¹¹ See Takeda Pharmaceutical Company News Release, March 18, 2010. http://www.takeda.co.jp/press/article_36014.html (accessed 8/2012)

¹² G20 Business Summit Working Group XII, 2010.

proven track records. Moreover, further study and research by donors is facilitated through the provision of detailed activity reports relating to specific projects in a particular country or field and opportunities for dialogue with local stakeholders. At present, Takeda's contributions to the Global Fund provide support for projects in three African countries, namely,

- ① National Insecticide Treated Nets Implementation Plan (NATNETS) for malaria prevention in Tanzania,
- ② Scaling-up of comprehensive HIV/AIDS treatment, care and support in Nigeria, and
- ③ Reinforcing tuberculosis control in Senegal.

The overall objective is the strengthening of health systems and the capacity of health care workers. With Takeda this year marking 231 years since its own foundation, there is an understanding among management from its own long involvement in the lives of people that “nothing is more important than people”. Thus, it was a relatively straightforward matter to gain support from within the company for a major ten-year “investment in people” to develop healthcare personnel.

Prior to the Takeda Initiative, in March 2009 Takeda became a participant in the United Nations Global Compact, and from July that year partnered with Plan Japan, an international NGO, to establish the Takeda-Plan Healthcare Access Program. With the aim of improving and maintaining the health of children in developing countries, this program provides funding for measures in Thailand, The Philippines, China, and Indonesia. Thus, with the launch of the Takeda Initiative in March 2010, Takeda was also promoting further accumulation of experience and know-how through a variety of global-level CSR activities. Furthermore, in January 2011, Takeda announced its participation in the UN Global Compact LEAD¹³. Through engaging with the diverse global CSR community, Takeda is able both to grasp the reality of global social issues and also to respond to those issues by developing measures and supporting solutions, either independently or in cooperation with other global players. In this way, Takeda has proactively positioned itself as a participant in the global decision-making framework, making policy recommendations and taking leadership without necessarily waiting for others to take action, and thereby displaying both the attitude and approach needed to develop a company on a global scale.

2.3 Stand-Alone Business in Developing Countries (Sumitomo Chemical)

Sumitomo Chemical Co., Ltd. (hereinafter, Sumitomo Chemical) has been endorsed by WHO for its efforts to eradicate malaria through its long-lasting insecticidal mosquito net, Olyset Net. Indeed, the operation to manufacture and sell Olyset Net is often cited as a model case of business in

¹³ An initiative within the Global Compact to provide a framework for addressing the various challenges facing human society through efforts to achieve higher levels of corporate sustainability performance.

developing countries. Sumitomo Chemical has a relatively long history of interacting with international organizations including WHO, and with MDG6 (preventing the spread of HIV/AIDS, malaria, and other diseases) providing additional momentum, the Olyset Net business has been expanded by leveraging support both from public sources, such as ODA, and from the Global Fund and elsewhere. At present, the Olyset Net business is in the process of evolving from an operation expanded in large part through public support into a stand-alone revenue-generating business.

Sumitomo Chemical developed the Olyset Net by incorporating insecticide into the actual fibers of the net, using innovative fiber technology that is almost impossible to tear. Since the insecticide is contained within the mesh fibers, Olyset Nets never need treatment and are essentially wash-proof. Thus, Sumitomo Chemical's technology produced a bed net guaranteed to last at least five years.

As one aspect of its measures against malaria for the period 1995-2000, WHO had announced that insecticide impregnated bed nets were more effective as a measure against malaria than simple bed nets, and in 2001, after a rigorous testing procedure, Olyset Net became the first Long-Lasting Insecticide Net to be recommended by WHO. In 2008, WHO called for the scaling up of anti-malarial efforts to achieve universal coverage, announcing plans to expand distribution of mosquito nets beyond infants and pregnant women, as previously targeted, and provide one long-lasting mosquito net for every two residents in areas with a high risk of infection. As a result, 350 million mosquito nets were required worldwide, and Sumitomo Chemical immediately expanded Olyset Net production.

Since October 2008, the Olyset Net business has been a stand-alone operation within Sumitomo Chemical, one of 18 such divisions within the company. In terms of scale, the division now accounts for 1% of Sumitomo Chemical's total sales. In 2008, with WHO launching its drive for "universal coverage" and large amounts of international public funding, centered on the Global Fund, flowing towards malaria eradication efforts, Sumitomo Chemical saw the increased feasibility of the Olyset Net operation eventually becoming a self-supporting business.

From launch until around 2011, the aim of the Olyset Net business was to establish the product in Africa from a manufacturing base in Asia, and Sumitomo Chemical achieved this goal with the help of global public funds. At present, approximately 70% of the Olyset Net operation is covered by public assistance such as grant aid. Of the rest, 25% is covered by revenue from consumer purchases in developing countries part subsidized by the government of the country or some other agency, while 5% is revenue from purchases made entirely at the consumer's own expense. Since the Lehman Shock, the challenge has been in how to sustain the Olyset Net business in the midst of a general decrease in public funding by shifting away from reliance on public funds and towards revenue from full purchases by consumers. Eventually, Sumitomo Chemical aims to extend the Olyset Net product line and ultimately, with increased consumer understanding leading to people purchasing the Olyset Net at their own expense, to end all reliance on public funds.

There has been close interaction between Sumitomo Chemical and WHO since the company's "Smichion" insecticide received WHO approval in the 1970s. Personal relationships with key people within WHO were gradually established, and through these channels a match was made between the "need" to control the problem of malaria in developing countries and the "seed" of Sumitomo Chemical's know-how as a means to achieve this. Moreover, Sumitomo Chemical has fostered connections not only with WHO, but also with the UN, Global Fund, Roll Back Malaria¹⁴, and the Gates Foundation through involvement in various operations, including for the Olyset Net, and has formulated strategies around consideration of when and how to act and who to collaborate with at global events such as G8 Summits, Davos Meetings, and TICAD. In addition, Sumitomo Chemical announced its participation in the Global Compact in 2005, and since 2011 has been a member of the Global Compact LEAD. The motivation for this focused effort has been the belief that, by participating in the global framework of international organizations and conferences, the company can gain its own grasp of global trends and both extend its network and expand its business activity. At the same time as approaching its business activity from a global perspective, by adhering to its business principle that "Sumitomo's business interest must always be in harmony with public interest", it was a natural step for company management to approve the application of the company's know-how and technology to socially beneficial yet hardly profitable business such as vector control. Thus, the company was able to enter into the steady, long-term development of the Olyset Net without any immediate prospect of profitability.

In 2003, Sumitomo Chemical granted free use of the manufacturing technology for Olyset Net to mosquito net maker, A to Z Textile Mills Limited of Tanzania, and in 2007 established Vector Health International (VHI) as a joint venture with A to Z. In addition, through the VHI joint venture, an institute¹⁵ was founded in July 2012 to perform development, analysis, and efficacy evaluation of agricultural products to develop land in Tanzania that was originally savanna, as well as various products in the field of vector control. In this way, beginning with development of the Olyset Net, Sumitomo Chemical has thus far created employment for around 7,000 people in Tanzania and is now involved in local capacity building.

Backed by the global movement for the eradication of malaria, Sumitomo Chemical has continued to expand its Olyset Net operation. This endeavor was triggered by the company's participation in the global framework of international organizations and conferences, and to date Sumitomo Chemical has succeeded in extending the operation beyond the traditional concept of CSR through

¹⁴ The Roll Back Malaria Partnership was launched in 1998 by WHO, UNICEF, UNDP and the World Bank, in an effort to provide a coordinated global response to the disease, setting numerical targets to reduce global malaria cases from 2000 levels by 50% in 2010 and by 75% in 2015, and to reduce global malaria deaths from 2000 levels by 50% in 2010 and to near zero preventable deaths in 2015.

¹⁵ See Sumitomo Chemical news release, July 31, 2012. VHI has to date operated only as an Olyset Net manufacturer in Tanzania, but in July 2012 the VHI-Africa Technical Research Center was opened to focus on R&D for new agricultural, public health, vector and consumer products linked to vector and pest control. <http://www.sumitomo-chem.co.jp/newsreleases/docs/20120711.pdf> (accessed 8/2012)

the development, manufacture, and sale of the Olyset Net and job creation in Africa. For the future, however, several challenges will need to be addressed, including the shift to full purchases by the users themselves when the time comes to replace the nets after 3 to 5 years of use, the need for measures to cope with insecticide-resistant mosquitoes, the continuing difficulty of securing funds in the wake of the Lehman Shock, and the potential additional challenge of maintaining funding levels for eradication of malaria once the deadline for the MDGs passes in 2015. Thus, further measures need to be taken with a view to cooperating with a variety of networks and players in order to develop the enterprise sustainably and continue contributing to the economies of developing countries.

2.4 Developing Social Business in Ghana (Ajinomoto)

The project launched by Ajinomoto Co., Inc. (hereinafter, Ajinomoto) to improve nutrition among weaning infants in Ghana (hereinafter, Ghana Project) has been taken up as a model case of social business in developing countries. Among the project's features are the multi-stakeholder involvement of local authorities, the national university, and international NGOs, a robustly designed plan including studies of both nutritional efficacy and the efficiency of the distribution system, and a flexible new approach to cooperation with JICA and USAID.

The Ghana Project was launched in 2009 as part of the commemorations for Ajinomoto's 100th anniversary. Prior to this, from around 1995, Ajinomoto had been considering the application of its technology and expertise with amino acids to improving nutrition in developing countries, since tests in Pakistan, Syria, and elsewhere had demonstrated that the amino acid lysine, obtained from grain cereals, is effective in improving the growth and health of children.

The timeline for the Ghana Project began with market surveys and consumers tests in FY2009-10 and research into the effectiveness of products and the planning of local production in FY2011-12. For FY2013-14, the plan is to implement sustainable, full-scale sales and marketing. The project has incorporated Ajinomoto's business experience and utilized the know-how of various partners to cover every aspect from nutritional studies to the planning of distribution systems. At the same time, the project works to fortify traditional infant food (porridge made with fermented corn) with the aim of providing a cheap, beneficial consumable product, and Ajinomoto will also take new measures to distribute the product, such as utilizing networks of local women fostered by an international NGO.

From the very beginning, Ajinomoto approached the Ghana Project as a business enterprise, as it was recognized that it would not be sustainable and could only have a limited impact on improving nutrition if undertaken merely as a form of charitable activity. Thus, the Ghana Project was from the very first an attempt to develop a business model.

The Ghana Project has from the start been a collaboration between Ajinomoto, the University of Ghana, and INF¹⁶, an NPO from the United States. Ajinomoto had conducted nutritional studies with the University of Ghana prior to 2009, and this served as a basis for the new collaboration, which in turn helped to foster cooperation with the government of Ghana.

In April 2011, Ajinomoto signed a memorandum of understanding with the Ghana Health Service, confirming their partnership on the Ghana Project. Gaining the backing of the government in a developing country has a huge impact on doing business there, and for a private company such as Ajinomoto to actually win agreement on entering into collaboration with a government agency is rare indeed. In addition to the project's value in addressing malnutrition, the partnership with the University of Ghana was seen as decisive in securing this memorandum, and there was also support for this from the local Japanese embassy.

In 2011, the Ghana Project won the support of JICA¹⁷, and from May 2012 USAID also extended support, with all three parties signing a memorandum of understanding to collaborate on the Ghana Project. Since the start of the Ghana Project, Ajinomoto had continued talks aiming at some form of cooperation with USAID, and eventually a proposal from USAID led to the signing of the memorandum.

According to the terms of the memorandum, USAID will utilize its Global Development Alliance (GDA) partnership scheme to provide funding and technical expertise to develop a distribution model, JICA will provide on-going assistance with market research and develop a business model through the Preparatory Survey for Base of the Pyramid (BoP) Business Promotion, and Ajinomoto will continue to develop a nutritional supplement in collaboration with the University of Ghana and INF, as well as formulate a business plan for its commercialization.

As a U.S. government organization, USAID is focused on development assistance through sustainable "business", and through its GDA scheme it offers funds to support business initiatives such as the Ghana Project, providing matching funds on condition that Ajinomoto, as partner, invests an equal or greater amount. The terms of this memorandum commit USAID to a contribution of USD600 thousand for research costs for the project. In addition to funding, USAID, in collaboration with Ajinomoto, will partner with ESM, a social marketing company, to consider a method of marketing suitable for the social challenge of improving nutrition. Thus, USAID is not merely a supporter of the project, but an active participant aiming at achieving the same goal.

As well as its base in the United States, USAID also has an office in Tokyo with a view to expanding its search for potential partners to conduct business in developing countries. Moreover, USAID extends support to the partner not only through an initial feasibility study but also in ways vital to sustaining the business, including monitoring of delivery systems and research for evaluation

¹⁶ Nevin Scrimshaw International Nutrition Foundation

¹⁷ JICA, "*Preparatory Survey for Base of Pyramid (BOP) Business Promotion*". Period: March 2011~March 2014

purposes. USAID also possesses cutting-edge know-how, including approaches as yet unfamiliar in Japan, from such activities as its involvement in projects with social marketing companies.

The Ghana Project was set up to establish business in a developing country, and USAID's know-how is indispensable for Ajinomoto to achieve that goal. From USAID's standpoint also, it was felt to be advantageous to collaborate with Ajinomoto and to achieve USAID's own mission in Ghana through a public-private partnership.

The example of Ajinomoto's cooperation with USAID demonstrates the potential for Japanese firms to enter into a far wider range of activities with global partners. Unlike the Japanese government's self-imposed limitation of government-to-government support extended only on a demand-based principle, USAID takes the approach of pursuing efficient, sustainable development in collaboration with private sector bodies such as NGOs and for-profit corporations. Since 2001, over 1700 partnerships have been implemented under USAID's GDA scheme, with resources of over USD9 billion in joint public-private financing. As an institution, USAID serves to encourage the participation of private corporations, NGOs, and others in the field of global health through the clear indication of goals and establishment of effective monitoring techniques. Given the obvious current constraints on public funds, the role of institutions such as USAID is vital in working to bring the financial and human resources of the private sector to bear on international development activity.

2.5 Making Private Investors Players in Global Health (Daiwa Securities)

In 2008, Daiwa Securities started to sell "vaccine bonds" to private investors for the first time in Japan, attracting more than 11,000 investors and raising approximately JPY22 billion in funds. By providing investors with an option for socially meaningful investment, Daiwa Securities thus facilitated the involvement of private investors as new players in the field of global health.

Vaccine bonds are rated triple-A as a financial instrument, carry very little risk beyond the usual currency risk associated with foreign currency-denominated bonds, and offer relatively high returns. Vaccine bonds were first issued to institutional investors in Europe in 2006, and Daiwa Securities sold Japan's first vaccine bonds to private investors in February 2008, with a second bond offering in 2009.¹⁸

Vaccine bonds are issued by the International Finance Facility for Immunisation (IFFIm), a multilateral development institution created to provide financial support for the activities of the GAVI Alliance, a global public-private partnership focused on saving children's lives and protecting people's health by increasing access to immunisation in developing countries. The GAVI Alliance brings together governments and players from the vaccine industries in both developing and

¹⁸ Vaccine bonds have to date been sold by several other securities firms in addition to Daiwa Securities.

developed donor countries, together with WHO, UNICEF, the World Bank, civil society, research and technical agencies, the Gates Foundation, La Caixa Foundation, and other private philanthropists, to participate in supporting immunization programs for children in developing countries.

With the World Bank serving as its treasury manager, the goal of IFFIm over the period 2006-2015 is to provide USD4 billion to vaccination programs. IFFIm's principal source of revenue is pledged donations from various national governments, with the Japanese government committing funds since 2011. Donors make long-term pledges to fund IFFIm for periods of up to 20 years, and bonds backed by these pledges are then issued in order to make large volumes of funds immediately available to deliver vaccines to children right now. These are the vaccine bonds sold for the first time to private investors in Japan by Daiwa Securities.

Initially, with foreign currency-denominated bonds being immensely popular among private investors, Daiwa Securities was engaged in selling bonds issued by the World Bank, and through this contact the idea of vaccine bonds was raised. However, even if denominated in the same foreign currency, with low levels of awareness of GAVI and IFFIm as new organizations in comparison to the name recognition of the World Bank, a great deal of work was entailed in marketing and selling the product. In addition, as a first issuance in Japan, significant effort was required to comply with the Financial Instruments and Exchange Act before the bonds were issued for sale. In spite of all these requirements, Daiwa Securities made the decision to sell the vaccine bonds based on its corporate principle of connecting funds to the places they are needed, and its emphasis on conducting dealings with social value.

Looked at by age, while the majority of purchasers of Vaccine bonds in 2008 were "traditional" private investors over the age of 60, a significant proportion (39%) were under 60. Moreover, by gender, there was a high percentage of female buyers (59%)¹⁹. It is thus apparent that, rather than regular private investors simply purchasing the foreign currency-denominated bonds as investments, a new type of buyer was attracted by the concept of making a socially meaningful investment to help deliver vaccines to children in developing countries. Thus, initiatives such as this offer the potential to secure economic resources for global health not through the use of tax revenues via ODA, but directly from individuals.

3. Challenges and Policy Recommendations

As is clear from the aforementioned cases, independent initiatives by representatives of Japan's private sector have had a major impact in the field of global health, especially through

¹⁹ See Daiwa Securities special report, "*Expanding the 'Circle of Prosperity' through Vaccine Bonds*". <http://www.daiwa.jp/seminar/0901vaccine/report.pdf>

multi-stakeholder partnerships and efforts to develop beyond mere CSR activity to realize actual sustainable enterprises. Those companies actively involved in the field of global health are able to quickly grasp global issues and needs, and possess both the awareness and sense of responsibility of “global” organizations with perspectives on the global market. Moreover, through managing operations with a corporate emphasis on such aspects as strategic marketing and cost performance, more flexible and effective implementation can be realized, which can in turn serve to promote and accelerate reform in delivery of public-sector assistance. In particular, private enterprises specialize in ensuring the sustainability of assistance activities through creating local jobs as a means to secure their expansion into developing countries. In addition, beyond merely providing assistance, for-profit corporations have an incentive to promote the economic independence of developing countries through such measures as creating employment, since greater prosperity in developing countries promises greater returns for the businesses established there. Moreover, with the potential for new players to become involved in the global health field illustrated by the example of private investors contributing to society through the purchase of financial instruments, and a diversity of new partnerships and cooperative frameworks among companies, private-sector organizations, and international institutions, there can be seen to be great possibilities for achieving sustainable solutions to global health issues.

Government agencies from other countries, including USAID and the United Kingdom’s DFID, are closely involved in these new trial attempts. However, the Japanese government appears hesitant to collaborate with Japanese companies, who in turn seem more motivated in seeking to collaborate with British and American government agencies than with their own government. As can be seen from the range of R&D activity geared towards developing countries, the vertical administrative system of Japan’s ministries and government agencies continues to serve as a barrier, and as a result no single ministry or agency takes the initiative in areas where there is no precedent to follow. Moreover, on those occasions when companies have independently pushed ahead to establish new business in the field of global health, minimal government support has thus far been extended. In addition, with a business-like focus on such aspects as marketing and analytics largely absent from Japan’s public sector to date, and significant differences in the respective concepts, cultures, and institutions, no flexible or cooperative understanding has as yet been established with the private sector. Here are policy recommendations for the Japanese government to encourage private initiatives on global health agenda.

Recommendation one: Need to create mechanisms to facilitate entry of diverse private enterprises into the global health field.

The companies involved in the various aforementioned cases clearly possess the funds and other resources as major enterprises to develop and pursue their own initiatives. For the majority of small

and medium-sized enterprises, however, there is greater risk in pursuing such activities without government backing, and even with government support, many initiatives have failed to proceed any further than an initial feasibility study. For the future, therefore, and with an emphasis on long-term sustainability, it is necessary to establish a mechanism to ease the entry of diverse enterprises into the field of global health. For this purpose, and to promote public-private “partnerships” in the true sense of the word, it is also necessary to realize reforms on the government side in Japan in order to accelerate its response time and decision-making processes so as to be able to work effectively with private-sector players.

In March 2012, MOFA organized dialogue with the private sector to promote collaboration and sharing of best practices among companies, and also to examine the potential for MOFA itself to cooperate. In addition, with the strengthening of public-private partnerships emphasized in the government's growth strategy, the Cabinet Office, METI, JICA, and JETRO have begun working together to support the deployment of business in developing countries, with global health as one of the target areas. Such developments raise expectations for increased future activity in this area.

Recommendation two: Establish a flexible support structure that prioritizes sustainability.

The Japanese government has yet to make any clear impression as to whether its priority in addressing challenges in developing countries, including in the health sector, is to actually realize improvements or merely to provide support for the business activities of Japanese companies.

From this point on, every aspect of the government's approach needs to be enhanced by first of all clarifying the country's basic policy on global health, and then pursuing a flexible approach to achieving objectives, prioritizing sustainability in setting development goals, accumulating know-how in continuous monitoring, strengthening resource support so that even small firms can participate, and utilizing specific strategies that harness the know-how of JICA and NGOs in adapting to local conditions. Moreover, since it is not easy for most companies to acquire full insight into specific issues and needs in the field of global health, there is an urgent additional requirement to provide information about needs in developing countries and enhance the mechanism through which global health needs can be matched with business seeds.

Recommendation three: Need promotion of global, multi-stakeholder partnerships.

While there is recognition of the necessity for multi-stakeholder partnerships, including collaborations between the public and private sectors and NGOs and corporations, no tried and tested methods have been established for their implementation. Thus, it is necessary to create a platform for open participation to facilitate the sharing of best practices, serve as a forum for dialogue, and create opportunities to match potential partners. Specifically, fostering open dialogue among relevant players can help to realize such outcomes as shifting the focus of development goals

to sustainability, accumulating know-how in continuous monitoring, and harnessing the expertise of JICA and NGOs through on-site collaboration to adapt strategies ideally to local conditions, ultimately leading to a strengthening of Japan's presence in the global health field. Thus, it is important to encourage an overall approach whereby a synergistic effect can be realized through the various initiatives of each player.

4. Conclusion

In the field of global health, there is a growing diversity of initiatives undertaken by various players. In particular, private corporations have taken new approaches that seek to leverage their distinct characteristics, and through developing new enterprises in cooperation with various other stakeholders, including but certainly not limited to the Japanese government, they have been making a meaningful contribution on the world stage in the form of sustainable business, thereby both recognizing and fulfilling their responsibilities as global companies.

One characteristic of the cases summarized in this report is that, while there was cooperation with the Japanese government where needed, the individual company in each instance undertook the enterprise on its own initiative. While each undertaking developed according to the respective company's original strategy and the specific set of circumstances, to further strengthen and enhance Japan's overall presence and contribution in the field of global health from this point on, it will be vital to facilitate various forms of cooperation with domestic and international players in order to realize a synergistic effect from the various activities, and to encourage the participation of more and different industries and companies than has been the case to date.

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