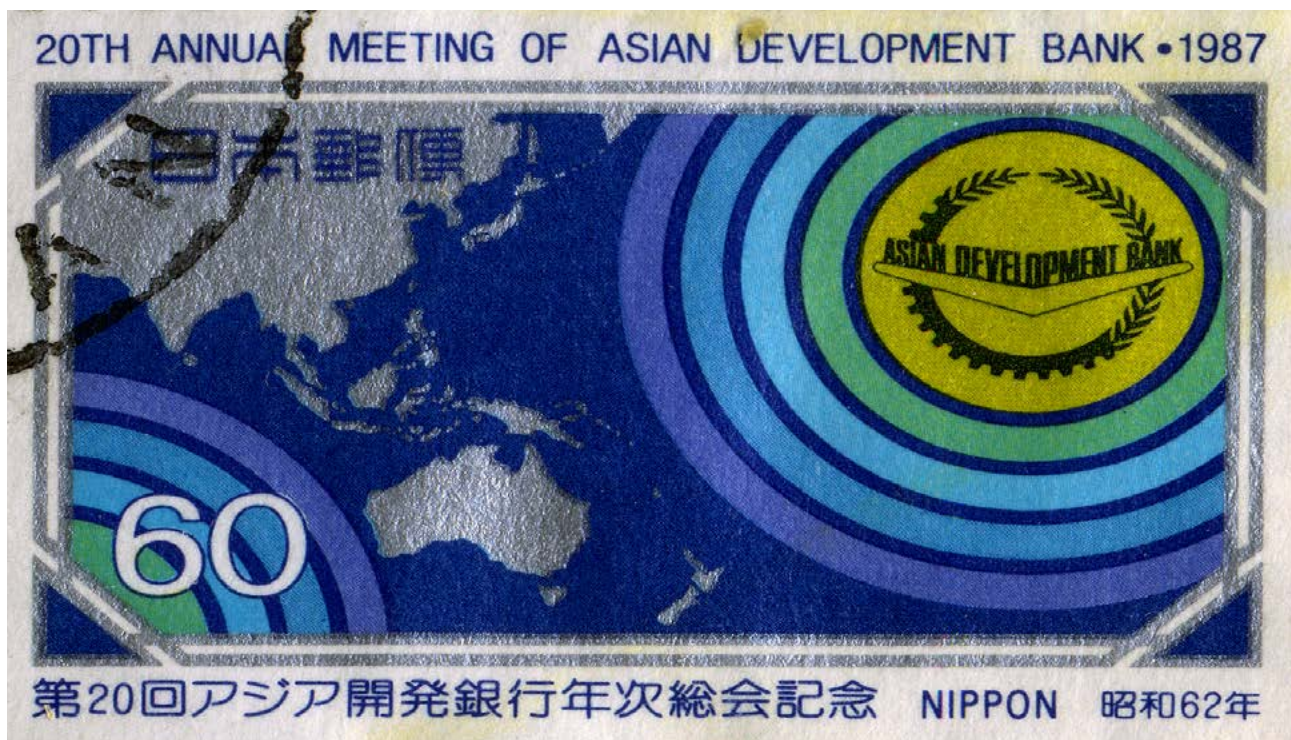


# JAPAN'S APPROACH TO ASIA:

## HEALTH AND DEVELOPMENT



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### ABSTRACT

Since the mid-1950s, Japan has been continuously committed to supporting economic development in Asia. This is especially true today, as Japan faces the challenges of an aging society, budget constraints, and a declining population. Asia always has been strategically important to Japan from both the security and economic standpoints. Japan's contribution to Asia is comprised chiefly of development assistance, followed by private investments which benefit the region. Along with dramatic economic development, overall health conditions in Asia have improved by raising awareness of public health, including water hygiene, sanitation, vaccination, nutrition levels, better access to hospitals, and improving the quality of health services. This path resembles Japan's own experience in that overall economic growth has had a greater impact on health improvement than direct health assistance. As Asia becomes more important as a growing market, Japan's assistance continues to emphasize building economic bases for those countries still suffering from underdevelopment in Asia.

### JAPAN'S LONG-STANDING FOCUS ON ASIA

Japan's Overseas Development Assistance (ODA)<sup>1</sup> policy has long prioritized Asia and building Asia's economic infrastructure, with a focus on particular regions. Historically, Japan's focus on Asia has meant reparations for damage caused during WWII: early development assistance as a form of reparations began in Burma, the Philippines, Indonesia, and South Vietnam, and as a form of sub-reparations for other Asian nations in the 1950s-1960s.<sup>2</sup> For nearly six decades, Japan's ideological reasoning in offering aid has been to build economic foundations. In addition, Japan has also emphasized economic diplomacy, using regional and bilateral ODA channels as a means of strengthening economic relationships with resource-rich countries, primarily in Asia.

<sup>1</sup> Japan's ODA contributions ranked first (on an aggregate amount basis) from 1990 to 2000, though it has been declining since. Japan currently ranks fifth after the US, UK, Germany, and France (as of 2010). See the Ministry of Foreign Affairs' (MOFA) website for more details.

<sup>2</sup> Japan paid reparations to Burma, the Philippines, Indonesia, and South Vietnam; and economic assistance was provided as sub-reparations to countries including Thailand, Korea, Singapore, and Malaysia. See Shinji Takagi, "From Recipient to Donor: Japan's Official Aid Flows, 1945 to 1990 and Beyond," *Princeton Essays in International Finance* 196 (1995): 1-40.

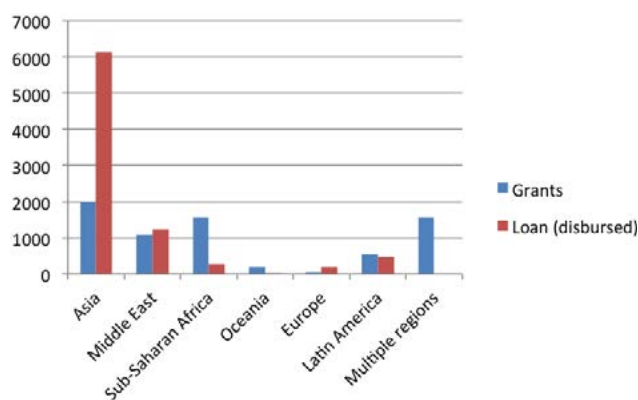
Because Japan's postwar recovery and rapid economic growth were supported in part by aid and financial assistance from other nations and multilateral organizations, it is generally understood among Japanese that investing in economic infrastructure leads to economic development and that populations also benefit from such growth; this mindset encourages investment and contributes to the improvement of social infrastructure, including in healthcare.

Japan's emphasis on Asia was established during the Cold War when other nations, including the US, also distributed foreign aid for security and geopolitical reasons. Since, Japan's ODA has been linked with strategic security (i.e., stability and energy security) and economic (i.e., market access) interests. In particular, priority is given to nations with natural resources,<sup>3</sup> potential markets, and essential trade partners; further importance is attached to the US-Japan alliance. For example, one of the largest recipients of Japan's cumulative contributions is Indonesia, where natural resources are abundant, followed by Thailand, the Philippines, and China, all of which are growing markets. While ODA aid to China has been sharply cut since 2003,<sup>4</sup> with China becoming a competitor in aid diplomacy, it has increased to recipients such as India and Vietnam. The Japanese government is also taking risks with ODA projects to encourage further Japanese corporate investments. For instance, a top recipient of Japanese loans in 2011 was Vietnam, mostly for infrastructure-building projects. The Japanese private sector is now investing heavily in Vietnam, as companies desire to secure access to its growing market.

However, ODA contributions alone are not sufficient to grow economies in recipient nations – direct foreign investments are also necessary. As for the US-Japan alliance, Afghanistan and Iraq have the highest priority in terms of

<sup>3</sup> In addition to Asia, the Middle East also receives proportional Japanese ODA for energy security interests. See “DAC2a ODA Disbursements,” Organisation for Economic Co-operation and Development, accessed November 8, 2012, <http://stats.oecd.org/Index.aspx?datasetcode=TABLE2A>.

<sup>4</sup> See “Japan's Official Development Assistance Charter,” MOFA, August 29, 2003, accessed November 5, 2012, <http://www.mofa.go.jp/policy/oda/reform/revision0308.pdf>.



**Figure 1: Japanese ODA Grants/Loans, 2010 (US\$ million)**

Source: MOFA, “ODA Hakusho 2011” (ODA White Paper 2011), 2012, accessed November 19, 2012, [http://www.mofa.go.jp/mofaj/gaiko/oda/shiryu/hakusho/11\\_hakusho\\_sh/pdfs/s2-2.pdf](http://www.mofa.go.jp/mofaj/gaiko/oda/shiryu/hakusho/11_hakusho_sh/pdfs/s2-2.pdf), 170-4.

grant aid, chiefly because of Japan's commitment to the US-Japan security alliance, with Washington's request for help with the reconstruction of these nations damaged by the war on terror.<sup>5</sup>

Although the overall ODA budget continues to decline, the focus on infrastructure is likely to continue as Japanese bureaucracy and agencies continue to concur on the principle of giving aid to encourage sustainable economic growth. While Japan's ODA Charter of 2003 emphasized the contribution of ODA to Japan's security and prosperity, the OECD Development Assistance Committee (DAC) peer-review committee voiced the criticism that Japan chiefly built roads and bridges, but did little to empower communities and reduce poverty.<sup>6</sup> In response to such criticisms, the

<sup>5</sup> Japan's extensive commitments were made to help with postwar reconstruction in Afghanistan and Iraq. In 2002, Japan pledged 6.5 billion yen in aid to Afghanistan over 2.5 years; in 2003, Japan pledged US\$1.5 billion in grants to help rebuild Iraq and US\$3.5 billion in loans.

<sup>6</sup> Criticisms include that Japan should emphasize the primary objective of ODA as the development of the recipient country and ensure that narrower national interests do not override this objective. For further details, see “Peer Review of Japan,” OECD Development Assistance Committee, 2004, accessed November

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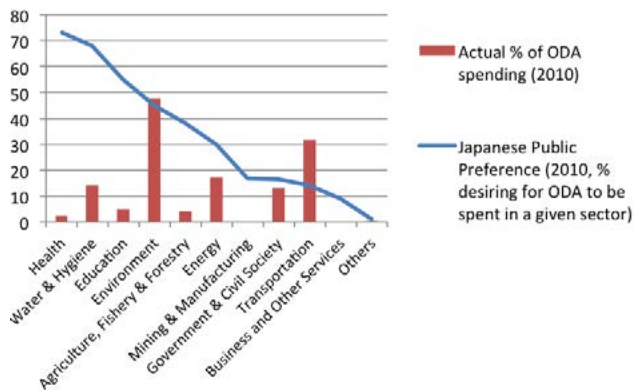
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Year	Grant Aid	Government Loans	Technical Cooperation	Total
2006	163.19	15.51	121.18	299.98 [2.2]
2007	198.36	—	129.54	327.90 [2.5]
2008	132.12	—	138.71	270.83 [1.5]
2009	211.01	—	143.44	354.45 [2.4]
2010	287.14	—	157	444.14 [2.5]

\* Data based on DAC-CRS statistics  
 \* [ ]: percentage of Japan's total ODA  
 \* "Government loans" includes loan amounts, debt relief, and debt rescheduling  
 \* "Technical cooperation" includes dispatching of experts overseas and receiving developing nations' trainees into Japan

**Figure 2: Japan's Health Assistance Through Bilateral Aid (Commitment-Basis, US\$ million)**

Source: MOFA, "ODA White Paper 2011."



**Figure 3: The Gap between Public Preference and Actual ODA Spending (2010)**

Source: Cabinet Office, Government Public Relations Office, "Summary of Special Survey of Public Opinion on International Cooperation in the Field of Health and Healthcare," 2010; MOFA, "ODA White Paper 2011."

2010 revision of ODA policy stated that it would focus on reducing poverty, investing in peace building, and supporting sustainable economic development.<sup>7</sup>

Japan's ODA has always preferred bilateral rather than multilateral assistance, and giving loans rather than grants. In a basic sense, Japan's assistance is divided into "bilateral ODA" aid (80 percent of total ODA), conducted between Japan and the recipient country, and "multilateral ODA" aid (20 percent of total ODA),<sup>8</sup> undertaken by multilateral organizations such as the United Nations and other international agencies. Bilateral ODA dominates Japan's assistance and takes three different forms: loan assistance ("yen loans"), grant aid, and technical cooperation. Of the 2011 ODA budget of 1.58 trillion yen, approximately 60 percent was distributed in bilateral yen loan projects (a majority of which concerned economic infrastructure), 6.8 percent in aid grants, and 12

<sup>7</sup> 15, 2012, <http://www.oecd.org/dataoecd/43/63/32285814.pdf>.  
 "Enhancing Enlightened National Interest: ODA Review Final Report," Ministry of Foreign Affairs of Japan, June 2010, accessed November 15, 2012, [http://www.mofa.go.jp/policy/oda/reform/pdfs/review1006\\_report.pdf](http://www.mofa.go.jp/policy/oda/reform/pdfs/review1006_report.pdf).

<sup>8</sup> These figures are 2009 ODA disbursements. For further details, see "2011 DAC report on Multilateral Aid," OECD, 2011, accessed November 15, 2012, <http://www.oecd.org/dac/aidarchitecture/49014277.pdf>, 54.

percent in technical cooperation endeavors,<sup>9</sup> with the rest distributed through multilateral contributions and other projects.

This aid prioritizes building economic infrastructure, chiefly transportation, water works, and power generation, industries in which Japanese corporations have some advantages. ODA projects in Asia (predominantly bilateral yen loan projects) comprised 81 percent of total yen loan programs in 2011 and have actually increased from 69 percent in 2007. While bilateral loans were allocated chiefly for economic infrastructure projects, Japan's grants for health assistance, including training programs under technical cooperation, have remained minimal, comprising only 1.5-2.5 percent of overall ODA spending for the past few years (see **Figure 2**).<sup>10</sup>

The Japanese public by far prefers that ODA funds be spent on healthcare, but a large part of actual ODA spending is allocated to public works instead (see **Figure 3**). Even within the ODA grant category, Japan has made health a low priority. To date, bilateral ODA in the field of health has predominantly been in the form of grant aid, with an emphasis on "visible" forms of assistance achieved through schemes to support the construction of hospitals, the installation of medical equipment, and other elements of infrastructure development.

One reason why health projects remain a low priority is that Japanese authorities have not developed a robust, evidence-based method to evaluate the impact of assistance in terms of actual health outcomes. Moreover, given the difficulty of measuring the impact of such assistance (when it can hardly be expected to yield significant short-term results), support for the health sector, including the majority of capacity-building or "non-visible" assistance, has been reluctant at best.

In fact, economic development has had a much greater impact than direct health assistance. Japan has shown continuous commitment (see **Figure 4**) to health issues, varying from cooperation in the fields of population and HIV/AIDS and measures against infectious diseases such as malaria and tuberculosis, to maternal and child health and strengthening health systems. However, Japan's impact on improving health situations is less visible than the improvement of healthcare achieved through economic development.

While successive prime ministers have announced ODA commitments in the fields of health and development, any substantial increase in funding for health assistance will be difficult in areas in which Japanese businesses have

<sup>9</sup> Calculated from project statistics (reference data), JICA, "Annual Report 2012," Japan International Cooperation Agency, 2012, accessed November 15, 2012, <http://www.jica.go.jp/english/publications/reports/annual/2012/index.html>.

<sup>10</sup> For 2010 grant aid figures, only 2.5 percent of the overall ODA amount was allocated to the health sector, in which technical cooperation takes up 0.9 percent and there is more receiving of foreign trainees into Japan than dispatching of Japanese experts overseas. See MOFA, "ODA Hakusho 2011," 4.

little involvement. Nonetheless, when an international commitment is made, the pledged amount may not be reduced during the domestic budget process, although precise details about its practical utilization may be hard to verify. The same applies to funds committed to multilateral institutions. This serves to constrain the internal process to some extent – that is, in making an international commitment, the pledged amount puts pressure on domestic elements such as the budget-making process.

## THE HANDBOOK PROJECT: JAPAN'S EXPERIENCE OF REDUCING INFANT MORTALITY RATE

Although health assistance remains limited, Japan has been internationally engaged in improving maternal and child health. In September 2010, the Ministry of Foreign Affairs (MOFA) redefined Japan's global health policy into three pillars: (1) maternal, newborn, and child health; (2) major infectious diseases; and (3) contributions to global public health emergencies, such as pandemic influenza. For some years now Japan has been supporting activities that ensure mothers and babies have regular access to care. Based on Japan's own experience, the continuum of care from pre-pregnancy to after childbirth is key to reducing maternal and neonatal mortality. Because neonatal deaths account for nearly 40 percent of all deaths in children younger than five years of age, the policy focuses on delivering a more effective package of proven interventions for maternal and newborn survival by strengthening sustainable health systems.

In fact, a major contribution of Japan's grant aid projects on health has been the Maternal and Child Health Handbook (hereafter the Handbook).<sup>11</sup> The Handbook project has worked relatively well in various places because it outlines a technical solution and is easier to implement on its own in developing countries, with or without a national healthcare system.

Japan's engagement in introducing the Handbook was based on its own experience of achieving dramatic improvement in healthcare since World War II. At that time Japan faced a high incidence of infectious diseases, a high infant mortality rate (IMR), a shortage of medical doctors in rural areas, and a huge economic gap between cities and rural areas, like many other developing nations. Through the implementation of universal health insurance in 1961 and achievements such as improved access to health services and vaccination programs, Japan reduced the incidence of infectious diseases after WWII and dramatically lowered the infant mortality rate from 92/1000 births in 1950 to 24/1000 by 1965 and to 12/1000 by 1970. In fact, Japan's IMR was lower than that of the US by the mid-1960s.

This was a result of rigorous education concerning maternal and child health issues and tackling infectious

<sup>11</sup> JICA had already conducted handbook projects to promote maternal and child health in Indonesia, the Republic of Korea, the US state of Utah, Tunisia, Vietnam, Laos, Bangladesh, Palestine, East Timor, the Philippines, and elsewhere.

**1993:** *Japan leads the first Tokyo International Conference on African Development (TICAD)*

Under strong Japanese initiative, an international conference on the theme of development in Africa started in collaboration with the UN, World Bank, UN Development Program (UNDP), and others.

**1994-2000:** *Japan announces the Global Issues Initiative (GII) on Population and AIDS*

Agreed under the Japan-US Framework for a New Economic Partnership, Japan announces it will contribute US\$3 billion over seven years from 1994 to fund programs related to population and HIV/AIDS.

**1997:** *Japan announces the "Hashimoto Initiative" on global parasitic disease control*

At the G8 Birmingham Summit, Prime Minister Hashimoto proposes the establishment of centers for training and research in countries in Asia and Africa and the building of a network to promote effective international measures in the fight against parasitic diseases.

**2000-2004:** *Japan announces the Okinawa Infectious Diseases Initiative (IDI)*

The Japanese government allocates a total of US\$ 3 billion over the following five years to undertake cooperative efforts to combat infectious diseases such as HIV/AIDS, tuberculosis, malaria/parasitic diseases, and polio. The G8 Kyushu-Okinawa Summit agenda includes infectious disease, and Japan's initiative leads to the creation of the Global Fund in 2002.

**2005-2009:** *Japan announces the Health and Development Initiative (HDI)*

At the High-Level Forum on the Health Millennium Development Goals in the Asia-Pacific in June 2005, Japan announces its commitment to boost contributions towards achieving these goals. Subsequently, Prime Minister Koizumi announces funding of US\$ 5 billion over five years for cooperative efforts in the health sector at the G8 Gleneagles Summit.

**2008:** *Japan hosts the G8 Hokkaido Toyako Summit*

The Japanese government pushes to include strengthening health systems on the global health agenda to be discussed by G8 health experts, and the G8 Health Experts Group makes recommendations to the G8 Summit in the "Toyako Framework for Action on Global Health."

**2011-2015:** *"New Global Health Policy" EMBRACE (2010); "Kan Commitment" (2010)*

Prime Minister Kan announces at the UN MDGs Summit in September 2010 a contribution of US\$5 billion over five years from 2011 to the health sector, and up to US\$800 million to the Global Fund. A particular focus among the MDGs is on the slow pace of progress in maternal and child health, as well as the strengthening of health systems

### **Figure 4: Japan's Commitments to Improving Healthcare**

Source: Health and Global Policy Institute (HGPI), *Japan's Global Health Policy: Challenges and Opportunities* (Tokyo: HGPI, 2012).

diseases through vaccinations. While national health insurance also funded health check-ups, the Handbook helped mothers acquire a basic knowledge of health. Researchers concluded that the Handbook was a critical factor in Japan's remarkable improvement in public health because it raised mothers' awareness and basic knowledge of health. Together with national health insurance, which achieved full national coverage by 1961, it aided in reducing the maternal and neonatal mortality rate. More importantly, a comprehensive approach conducted not only through medical institutions but also through vaccinations at schools, population-based health check-ups, nutrition-oriented school lunches, and hygiene-conscious community networks (midwives and healthcare/hygiene personnel)<sup>12</sup> was successful in improving public health.

#### THE SHIFT FROM A TRADITIONAL TO AN INNOVATIVE APPROACH

In the field of health, we have witnessed a considerable shift in the sources of financial assistance for activities and a transformation in the dynamics among aid donors. In addition, new private-sector donors have emerged as major players, including the Global Fund, the GAVI Alliance, and the Bill & Melinda Gates Foundation (hereafter the Gates Foundation), whose annual budget exceeds that of the World Health Organization (WHO). Moreover, with new donors also among the emerging nations, including the BRIC countries, the power balance in the global health initiative is changing dramatically. Innovative financing methods and the active involvement of international NGOs are also transforming the administration of international aid.

Japan also witnessed a shift in direction from the traditional Handbook project to new financial projects, and the Ministry of Finance (MOF) also became a major player. To this point, a far greater proportion of ODA aid in the health sector has been implemented by MOFA on a relatively small scale through technical cooperation and grant aid projects, whereas yen loans, under the MOF's jurisdiction, have dominated a large portion of bilateral projects on economic infrastructure rather than in health. The main reason why ODA spending on health remained small was because health projects were considered inappropriate for yen loans, which involve a significant incurred obligation for repayment. Therefore, yen loan assistance in the past was primarily undertaken as an investment in facilities and "hard" infrastructure expected to be the foundation of economic growth. Thus, it is relatively easy to evaluate the outcomes of such "visible" investments. Although it is not yet clear that the yen loan to Pakistan (hereafter the Polio Loan), for example, a "soft" yen loan, will directly impact economic development, the MOF and the Japanese government have decided to go forward with it, sharing the risk with the Gates Foundation.

<sup>12</sup> Helen Wallace, Gordon Green, Kenneth Jaros, Lisa Paine and Mary Story, *Health and Welfare for Families in the 21st Century*, (Burlington: Jones & Bartlett Pub, 1999).

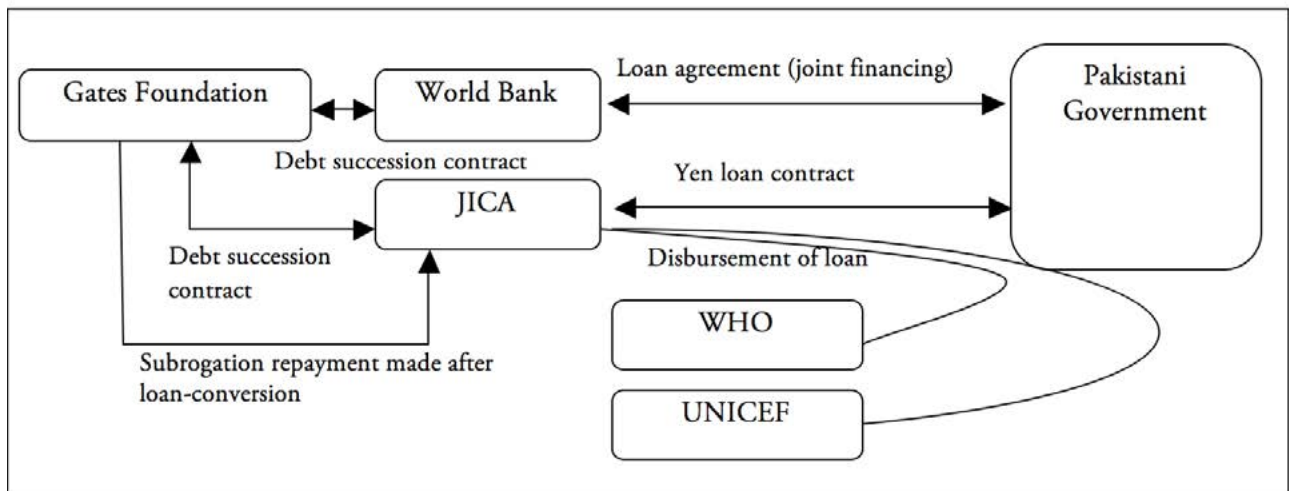
Thus, with respect to the utilization of yen loans in the field of health, the MOF has not hesitated to create a mechanism to measure the efficiency with which funds are utilized, as well as their impact, thereby allowing for the measurement of their effectiveness.

The case of the Polio Loan was the first time that the MOF's vigorous initiative led to the conclusion of a health project within the framework of a yen loan. Sensing the global trend shift, a movement within the MOF sought to strengthen "soft" assistance, such as utilizing yen loans in the health sector, and to increase the impact of ODA on development. The MOF's International Bureau played a particularly important role by taking bold action on clearing the various intra-agency barriers and facilitating the realization of public health projects. Rather than MOFA, which to date has been primarily responsible for Japan's global health assistance in the form of technical cooperation and grant aid, the MOF also played a leading role in an unprecedented attempt to utilize the yen loan framework.

#### JAPAN'S NEW COMMITMENT: THE POLIO LOAN

Japan's first yen loan health agreement, up to JP¥ 4.99 billion (approximately US\$ 65 million), was signed in August 2011 by the governments of Japan and Pakistan in support of a polio eradication program in Pakistan, in cooperation with development donors including the World Bank, Gates Foundation, WHO, and UNICEF. Of particular importance was Japan's introduction of new conditions to maximize the impact of polio eradication on development efforts by taking its own experience of fighting the disease into account and applying it to the situation in Pakistan. For example, the MOF added conditions such as raising wage for those administering vaccinations in an attempt to improve competency and increase the number of women working as vaccinators to put children at ease. These additional conditions were included in the Polio Loan to both facilitate and measure the impact of the support.

The process started when the Gates Foundation began to consider a polio loan scheme with Pakistan in the autumn of 2010 and approached the MOF's International Bureau, MOFA, and JICA, among others, at the Davos Meeting in January 2011. The shift of the internal atmosphere from hard to soft assistance helped to push the idea for a new loan; the MOF's International Bureau took action to bring it forward by clearing the various barriers and moving towards realization. On a practical level, through extensive hearings and consultations with the Pakistani government, JICA personnel in charge of operations in Pakistan, researchers conducting studies of Pakistan, polio experts, and others the Japanese government investigated ways in which it could add value to its assistance efforts. Through this investigation, and with the cooperation of JICA, the Development Policy Division of the International Bureau determined various indicators to measure the effectiveness of the loan. With close consultation between the three ministries, MOFA, METI, and the MOF,



**Figure 5: The “Polio Loan” Loan Conversion Scheme**

Source: Based on “The Japan International Cooperation Agency (JICA) and the Bill & Melinda Gates Foundation Announce Partnership on Polio Eradication,” Bill & Melinda Gates Foundation, August 18, 2011, accessed November 15, 2012, <http://www.gatesfoundation.org/press-releases/Pages/partnership-on-polio-eradication-110816.aspx>.

the MOF led frequent discussions with the Gates Foundation on the financial terms of the loan conversion mechanism.

Another important point is that the Polio Loan introduced an innovative “loan conversion” system (see Figure 5), conducted in cooperation with the Gates Foundation. According to this model, if the Pakistani government achieves specific targets, indicating the successful implementation of the polio eradication program, the Gates Foundation will repay the JICA loan on behalf of the Pakistani government. The aim of this mechanism is to support Pakistan’s commitment to polio eradication without imposing a financial burden.

The progress of the Polio Loan’s implementation is currently being monitored, and if it is determined that a yen loan is an effective mechanism for providing development assistance, it may be used in other countries or to tackle other challenges in the future. As a player with relatively little previous involvement in the field of global health, it is even more important for the MOF to measure the effectiveness of its development support, but through a transparent process of evaluation and by making the results available to the public, it can also be a decisive factor in moving towards a more robust utilization of ODA.

The Polio Loan represented a major departure from the past in both the utilization of a yen loan for the “soft” health sector and the incorporation of a new scheme (the loan conversion mechanism). Key factors influencing this outcome include the following:

- With the global trend of focusing on assistance in the fields of health and education in relation to the Millennium Development Goals (MDGs), there was a movement within the MOF to expand its conventional focus from hard infrastructure to comprehensive assistance by strengthening its commitment to soft assistance.
- For public sector initiatives such as the polio eradication program, local ownership is particularly necessary. Thus the MOF judged that the use of a scheme whereby the

Gates Foundation would take over repayment of the loan if performance targets were met would provide a strong incentive for local authorities to cooperate in implementing the program.

- While a loan conversion mechanism had previously been utilized between the Gates Foundation and the World Bank, there was no precedent for its use by a national government. However, from the perspective of its effectiveness in development assistance, the Japanese government saw great significance in conducting a yen loan in partnership with the Gates Foundation in this way, and so determined to attempt this new strategy.
- Given Pakistan’s severe financial constraints, there was great hesitation in even considering a yen loan in terms of the potential repayment of debt. But by working in conjunction with the Gates Foundation, it became possible to extend assistance to the country in this way.

#### JAPAN’S UNIQUE APPROACH OF APPLYING ITS OWN EXPERIENCES

- The MOF discussed in great detail how Japan can realize its own distinctive contribution to the health sector in developing countries through the use of Japanese public funds to support polio eradication efforts. Through these discussions, MOF considered Japan’s own history and accumulated experience of eradicating polio after WWII, as well as the know-how of Japanese institutions such as JICA and the National Center for Global Health and Medicine in eradicating polio in developing countries. Moreover, since there were few precedents of yen loans being utilized to provide soft assistance in this way, the MOF was committed to a special effort to make the Polio Loan a successful model case.
- Through insight gained from those already active in the field, including JICA, and investigating the actual

circumstances on the ground, the MOF confirmed the importance of such aspects as improving the capability of vaccinators in order to increase the development impact of polio eradication. Specifically, many vaccinations had to be administered by women making door-to-door visits, since in an Islamic country a man may be denied permission to enter a house. Workers also often lacked adequate training and were paid at rates below minimum wage.<sup>13</sup>

- Although projects related to polio eradication were already being conducted by such organizations as the WHO, UNICEF, and Rotary International, the MOF judged that the performance indicators established by these operations were insufficient and cooperated with JICA in considering additional indicators to measure the development impact of the program. Specifically, additional indicators were established, such as the number of vaccinators receiving training and the number of vaccination teams including at least one female vaccinator, and funding was provided to raise the wages of vaccinators, thereby attracting more qualified candidates.
- Regarding the interest rate and loan period for the Polio Loan, Japan applied concessional rates, especially in consideration of the country's recent devastation by flooding. Rather than using what would be the conventional rate for Pakistan of a 30-year loan period at an interest rate of 1.4 percent, the Polio Loan was established as a 40-year loan to be repaid at an interest rate of 0.01 percent.

It is significant that the MOF's International Bureau took the initiative in utilizing a yen loan for development assistance in the health sector where grant aid and technical cooperation projects usually predominate. The Polio Loan also represented the first use of a yen loan for soft assistance in any sector, and so the focus was not simply on the size of the loan but also on how Japan could make a unique contribution. Moreover, given the large scale of the Polio Loan and the need for accountability to Japanese taxpayers, it was important to verify its cost-effectiveness, and considerable thought went into establishing indicators to measure development.

It has often proven difficult to develop original and specific indicators to evaluate conditions and measure impact. However, as indicated by the efforts of the MOF, measuring and evaluating the impact of aid projects is an indispensable step towards achieving more effective uses of ODA. Moreover, in terms of public accountability, it is hoped that this case, through promoting the study and development of evaluative indicators, will eventually lead to the publication of data that is at present little known to the public, such as the precise amount of assistance provided and the evaluation of its impact.

To date, MOFA has taken the initiative in Japan's global health efforts, which have been implemented primarily through grant aid and technical cooperation. However, by leveraging its experience with the Polio Loan, the MOF's

<sup>13</sup> These conditions were mentioned during interviews with experts at the MOF and JICA.

International Bureau is now more capable of considering its own initiatives, and this represents a success story in terms of the potential for new domestic players to contribute to developing health policy. In this way, with new players able to acquire expertise by undertaking new initiatives, there is greater potential for Japan to both diversify and increase its contributions in the field of health. At the same time, the emergence of new players can promote increased awareness and capacity among existing players by providing opportunities to explore new synergies.

## JAPAN'S CHALLENGES

The pressing global challenge today is that developed donor nations are in economic decline and facing severe issues of aging and social instability with expanding unemployment. It is becoming increasingly difficult to continue providing health aid in traditional ways. With new players and emerging donor countries, a new approach is essential. Because Asia has become the growing center of the world economy and Africa is expected to become another potential market, more corporate players are naturally investing in these regions and encouraging business instead of aid, thereby improving local economies and employment for sustainable growth. The social business model has the potential to create sustainable local economies with modest returns and local employment and to gradually improve public health and the standard of living.

Coinciding with this shifting global trend in health, new movements and new players have also emerged in Japan. An innovative new approach to using ODA loans to finance efforts to eradicate polio in Pakistan opened up a range of additional possibilities for Japan to tackle global health challenges. In addition, METI and JICA recently started providing support for Base of the Pyramid (BOP) or social business ideas to solve health problems.<sup>14</sup> Moreover, faced with a shrinking market as Japanese society ages and its population declines, Japanese companies are becoming more active in global markets and recognizing opportunities in the field of health. In Africa, for example, Ajinomoto, a company that specializes in amino-acid products, has (with the support of JICA and USAID) started selling nutrition products for infants, and Sumitomo Chemical Corporation has invested in producing bed nets and selling them in local markets. With an increasing number of new players, more initiatives will be undertaken in developing countries, increasing the Japanese presence in the global health field and leading to a real increase in Japan's contribution.

Meanwhile, Japan's ODA policy remains closely aligned with the country's overall growth strategy, and emphasis is

<sup>14</sup> Since 2010, METI and JICA have called for projects on BOP business, supporting amounts from 20 to 50 million yen and particularly encouraging small- and medium-sized Japanese corporations to conduct BOP business in developing nations. Importantly, the organizations believe that public-private cooperation is expected to help resolve developmental issues faced by BOP business in developing countries.

still placed on nurturing and supporting the activities of Japanese companies overseas. This growth strategy is an “All Japan” policy shared above and beyond the ministerial level, with the Cabinet Secretariat’s National Policy Unit playing a central role.<sup>15</sup> However, this emphasis influences private-sector investment decisions after the government takes the initial risks, as evidenced in Asia. While aid is not sufficient in sustainably improving public health, continuous public and private investments will spur economic growth with the expectation of improving health institutions.

Japanese aid institutions need further internal reform, including flexible goal setting, a balanced mix of “hard” and “soft” projects, and a coordinated mechanism for public-private partnership. Instead of political leaders, the bureaucracy has *de facto* control of budget allocation and policy-making processes, and it limits disclosure of detailed ODA performance data. MOFA policy is centered on “human security,”<sup>16</sup> but it is difficult to see exactly how the issue of public health is embodied within that concept without the enthusiastic support of other domestic players. With each government ministry and agency securing and allocating its own budget according to its own internal incentives, no clear message on health and development can be communicated as a nation.

When Japan itself endured tremendous devastation in the Great East Japan Earthquake of March 2011, many Japanese became keenly aware of the importance of providing sustained support to people in need around the world, and this has increased recognition of the need for Japan to contribute to the global community if it hopes to have a meaningful impact on reducing suffering and improving lives. In order for that to happen, Japan needs to shift from the traditional to a new approach and create incentives to tackle the challenge of “sustainability,” from financial aid to visible business opportunities.

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<sup>15</sup> Since the announcement of the “New Growth Strategy” in 2009, “The New Growth Strategy: Blueprint for Revitalizing Japan” (2010), “Realizing the New Growth Strategy 2011” (2011), and the “Interim Report on Strategies to Revitalize Japan” (2011) have been published. Most recently, on July 31, 2012, the Cabinet approved “Rebirth of Japan: A Comprehensive Strategy” (2012). See the National Policy Unit homepage: “Policy,” National Policy Unit, accessed November 10, 2012, <http://www.npu.go.jp/policy/>.

<sup>16</sup> “Human security” is defined as “protecting the vital core of all human lives in ways that enhance human freedoms and human fulfillment.” See Commission on Human Security, “Human Security Now: Protecting and Empowering People” (New York: Commission on Human Security, 2003). MOFA embraced this concept, in part initiated by the Japanese government.