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THE WORLD BANK

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Video-Taping: Novartis

Thursday, January 8, 1998
5:45 - 6:00 p.m.
MC 12-755 Meeting Room
(Beside Mr. Sandström's Office)

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President Wolfensohn - Briefing Book for President's Meetings - Meeting Material
Video Taping - Novartis - January 8, 1998



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A. CLASSIFICATION

- Meeting Material
- Trips
- Speeches

- Annual Meetings
- Corporate Management
- Communications with Staff

- Phone Logs
- Calendar
- Press Clippings/Photos

- JDW Transcripts
- Social Events
- Other

B. SUBJECT: VIDEO-TAPING: NOVARTIS (B) (Confirmed) // TIME: 5:45 - 6:00 P.M. // VENUE: MC 12-755 (MEETING ROOM) // NOVARTIS: MICHELE HARBER @ 212-593-6498 / 212-715-1564 // IN ATTENDANCE: JDW, CAROLINE, NOVARTIS ATTENDEES: KATHY BLOOMGARDEN, DAVID KATZIVE, ELLIOT KLAYMAN, BRIAN GARFIELD, CONTACT: NOTE: ITEM ARRANGED BY CAROLINE, (B) BY CAROLINE, EXC: CA // LFG (12/24)
--- Briefing Note to JDW from C. Anstey, Jan. 7
--- Talking Points
--- Letter to JDW from K. Bloomgarden, Jan. 6
--- Brief: World Bank Activities in the Pharmaceutical Sector
--- Briefing Note to JDW from I. Serageldin: Agribusiness and Novartis, May, 14

DATE: 01/08/98

C. VPU

Corporate

- CTR
- EXT
- LEG
- MPS
- OED
- SEC/Board
- TRE

Regional

- AFR
- EAP
- ECA
- LAC
- MNA
- SAS

Central

- CFS
- DEC
- ESD
- FPD
- FPR
- HRO

Affiliates

- GEF
- ICSID
- IFC
- Inspection Panel
- Kennedy Center
- MIGA

D. EXTERNAL PARTNER

- IMF
- UN
- MDB/Other IO
- NGO
- Private Sector

- Part I
- Part II
- Other

E. COMMENTS:

Novartis

JDW:

You are doing a 10 minute video message for a Novartis' senior management retreat which will be attended by 400 of the company's top managers from around the world. The overall theme of the conference is "the role and responsibility of large multinational corporations in the socio-political sphere."

You will remember that you met the CEO of Novartis - Daniel Vasella - last July. I enclose a background brief and some suggested talking points.

Novartis is doing a number of things with the Bank:

Dr. George Diriwaechter of Novartis attended the EDP - Cohort 4 (We are in the process of getting a Novartis secondee through the Staff Exchange Program). It is intended that this will become a regular exchange. We are also engaged with Novartis on a number of Health and Agri-business issues (see attached briefs).


Caroline

I also enclose a letter that
came today for Kenthy
Blomgarden.
CA.

Talking Points

Thanks to Daniel Vasella, delighted to be taking part in this meeting

At a time when many of our minds are focused on the financial situation in South East Asia, it is worth reminding ourselves that as a world we are linked by much more than finance.

Bank's clients number 4.7 billion - 3 billion live under \$2 a day; 1 billion under \$1. 100 million go hungry everyday; 2 million die each year of Malaria; 50 million children are mentally or physically damaged because of improper or inadequate nutrition; 8 million people die each year from easily preventable diseases.

And population growth is adding close to 80 million people each year - 93% in developing countries. At this pace global food production will need to double over the next generation.

These are not just numbers at the margin. Last year there were 23 interstate wars and 26 million refugees. The peace and security of our planet is intrinsically tied up with economic development.

Where do you come in?

The private sector is crucial:

First for private sector investment - both domestic and foreign (Private capital now 5 times official capital)

But also for the role the private sector can play in social development.

Increasingly businesses are recognizing the importance of "corporate responsibility": building healthier, better educated workforces and environments.

But the private sector is crucial in two other areas: in training (private sector peace corps) and in the battle against corruption. (Role of the International Chamber of Commerce. We need a private sector "Just Say No campaign" on corruption).

I want to commend Novartis on the work it is doing in health and in putting much greater emphasis on sustainable production systems and integrated pest management.

We are particularly delighted by the partnerships that we at the Bank now have with you (EDP; Staff Exchange Program)

We are also working together in a number of crucial areas: through policy dialogue on drug and vaccine policy; on the rational use of vaccines; on the use of generics

versus patented products; on ensuring the quality and validity of products marketed in developing countries so that the right drugs can reach the right people and can be effective.

On R and D, where we are seeing a drying up of the pipeline for products that the poor need. Why? Precisely because they are poor and because their poverty means that your bottom line isn't large enough.

We urgently need to reverse that trend, not only because health respects no borders, but because these will one day be your markets.

The pharmaceutical industry needs to carry on with downstream R and D for products that the world needs.

Novartis is to be applauded for its continued commitment to Malaria. At the Bank we are also committed to doing more. But that means a lot more work on drugs and vaccines. And it doesn't come cheap. And it needs a long-term commitment and it needs partnership.

We need to think about replicating the Onchocerciasis Control program in West Africa which has prevented hundreds of thousands of poor Africans from going blind (complete recovery of 2 million infected; freeing up of 25 million hectares of arable land; saved 12 million children born since the inception of the program, from contracting the disease).

The success of a malaria initiative would depend on the effective integration of research and control, and on strong links with the pharmaceutical industry on drugs and vaccines and the agrochemical/pesticide industry on vector control. Novartis covers both these areas.

On issues of agribusiness, where Novartis is so active, we also need to look at how developing countries can access research, particularly in agricultural biotechnology, without infringing intellectual property rights.

And we need to work closely with industry and NGOs to promote the much wider uptake of Integrated Pest Management.

Ultimately the bottom line is the future of the planet and man's capacity to rise above the local and the daily and look to the long term.

I would like to think that businesses are discovering corporate responsibility for moral or ethical reasons. The fact is many of them are discovering it, precisely because it is good business. And in its being good business lies the greatest hope of our getting things done.

South East Asia has highlighted our interdependence; let's not let AIDS, malaria, famine, regional wars and environmental degradation bring it even closer to home.

C. Anstey

1/7/97



CA (2)
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KATHY BLOOMGARDEN, Ph.D.
 PRESIDENT
 RUDER-FINN, INC.

January 6, 1997

Mr. James Wolfensohn
 The World Bank
 1818 H St., N.W.
 Washington, D.C. 20433

By fax -- 202 522 0355--

Dear Jim,

Thank you very much for agreeing to participate in our videotaping session for Novartis' top management meeting in Boca Raton. I will see you as scheduled on Thursday afternoon at the Bank at 5:45PM. I anticipate the taping will only take 10 minutes.

The questions I will pose are all centered on the topic of the role and responsibility of large multinational corporations in the socio-political sphere. Although I have never discussed this topic with you, I have followed your thoughts on this issue and the success you have had in combining private investment with World Bank experience, as presented in press coverage. I therefore outlined the questions and some *general answers* which I believe fit in with your philosophy. However, this is not a scripted video and your spontaneous responses will be much better than anything I could suggest.

Q. In your position as President of the World Bank, you are developing a much closer relationship with the private sector than existed in the past. What from your perspective is the global responsibility of large multinational corporations today.

A. Today there is a huge amount of private investment flowing into the developing world. This capital is greater than the official money for institutions such as the World Bank or the UN. As companies invest they should have an interest in the social, environmental and political conditions, both to protect their investments and to foster healthy, flourishing communities.

Q. What kind of contributions do you expect from these companies?

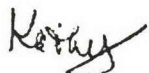
A. Companies must of course make decisions based on the need to improve performance and competitiveness. However, it is in the best interests of large global companies to foster growth and economic vitality in the emerging economies. These are often the fast growing markets of the future. One cannot have a short-term mindset, however, as building relationships and contributions only over time have an impact.

Q. How can this partnership enhance quality of life and shape the future?

A. Our work at the bank is focused on a concrete deliverable -- improving living standards, not on getting loans approved. We have refocused our energies away from simply funding large-scale mega projects to solving problems. In other words we can't just fund the construction of a hydroelectric dam -- but rather we have to think of how to help people grow crops, e.g. with a good road network, microcredits for financing, facilities for storage, and advice on marketing and yield improvements. The challenge for companies is to think beyond the investment in their business projects. Today there is a vast amount of capital flowing into the developing world, and we can all enhance our effectiveness if the bank works closely as a partner with companies, governments and other grass-roots groups to make a substantive difference in emerging markets.

Look forward to seeing you.

With best regards,



Kathy Bloomgarden

Attachment

World Bank Activities in the Pharmaceutical Sector

- Adequate supplies of good quality, affordable, essential drugs are critical to the success of the health sector. But in developing countries, there are many problems with pharmaceutical systems, such as erratic supply in the public supply systems, poor or non-existent quality control mechanisms and irrational prescription patterns.
- Pharmaceuticals are a major element of health spending in developing countries, making up between 30% and 50% of total health spending.
- The Bank supports improving the effectiveness of pharmaceutical policies in developing countries through an active policy dialogue on pharmaceutical issues at the country level and through its lending.
- The Bank now commits about US \$220 annually for project components related to pharmaceuticals. This includes support for drug procurement, related medical supplies, computers, civil works, technical assistance, and training.
- The goals of pharmaceutical lending are commonly to improve pharmaceutical selection, procurement, and supply in the public sector, strengthen drug regulation and quality control, and promote rational drug use.
- Through the Special Grants Program, the Bank supports pharmaceutical research and development for diseases, such as malaria, where private investment flows are inadequate because of market failures. Even though the disease burden from malaria is immense, the market for malaria drugs is weak compared to disease problems of affluent countries. Because of this, the private sector invests relatively little in malaria research, and several major companies have recently withdrawn from the field.

Malaria Initiative

- The Bank is also at the early stages of exploring a major initiative to control malaria in Africa. The initiative would support the development of a multi-agency, African-led, malaria control strategy, perhaps similar to the Onchocerciasis (river blindness) Control Program in West Africa that the Bank has been instrumental in creating and supporting.
- The success of a malaria initiative would depend on the effective integration of research and control, and on strong links with the pharmaceutical industry on drugs and vaccines and the agrochemical/pesticide industry on vector control. Novartis covers both these areas.

World Bank-IFPMA Fellow

- As evidence of close working relations with the pharmaceutical industry, the IFPMA has seconded an industry fellow from Hoechst-Marion Roussel to the Bank for two years to work in the pharmaceutical area.

Possible Discussion Point

- The Bank has been exploring how to better promote public-private partnerships on pharmaceutical and vaccine development in low-income countries. The Rockefeller Foundation is also involved in this initiative.
 - ⇒ David de Ferranti and Richard Feachem have had discussions with senior representatives from pharmaceutical companies, such as Merck, Pfizer and Glaxo-Wellcome on the issue.
 - ⇒ Contact has also been made with Novartis regarding this initiative, but no discussions have taken place as yet. We would like to learn more about their perspective on this topic.

Key Points about Novartis


- Sandoz and Ciba-Geigy officially merged in December 1996 to form Novartis.
- Its core businesses are Healthcare, Agribusiness and Nutrition.
- The Company is based in Basel, Switzerland, has 100,000 employees world-wide, and operations in over 100 countries, including the United States.
- Novartis ranked number one with Glaxo Wellcome in 1995 in terms of market share (4.4%) of the total world pharmaceutical market, valued at US \$285 billion.
- Total 1996 sales for Novartis were US \$29 billion.
- Its work in healthcare
 - ⇒ Novartis has a broad product portfolio of pharmaceutical, consumer health, generic and vision care products and services.
 - ⇒ Total sales for Healthcare in 1996 were US \$13 billion.
- Its work in agribusiness
 - ⇒ Agribusiness involvement includes crop protection work to control weeds, pest and crop diseases; animal health; and, seeds.
 - ⇒ Total sales for Agribusiness were US \$6 billion in 1996.
- Its work in nutrition
 - ⇒ Novartis develops, manufactures and markets a wide range of branded nutritional products, such as Gerber, Ovaltine, and Wasa.
 - ⇒ Total sales for Nutrition were US \$3 billion in 1996.

Burt
Seefeldin

OFFICE MEMORANDUM

DATE: May 14, 1997

TO: Mr. James D. Wolfensohn, EXC

FROM: Ismail Serageldin, ESDVP 

EXTENSION: 34502

SUBJECT: **Briefing Notes on Agribusiness Activities of Novartis:
Meeting with Dr. Daniel Vasella, President of Novartis - May 19, 1997 at 5:30 p.m.**

Background

Novartis was formed by the merger in 1996 of the life-sciences activities of the two major Swiss chemicals/pharmaceuticals groups, Ciba-Geigy Ltd., and Sandoz Ltd. The merger was announced in March 1996 and finalized in December 1996. The Chairman of the 16 strong Board of Directors is Dr. Alex Krauer and the President is Dr. Daniel Vasella.

The chemical divisions of both companies were divested or spun off as part of the merger. Novartis now characterizes itself as a life-sciences company, not as a chemical or pharmaceutical company.

Novartis consists of three operating divisions:

- Agribusiness (key sectors: Crop Protection, Animal Health, Seeds)
- Healthcare (key sectors: Pharmaceuticals, Generics [pharmaceuticals], Consumer ¹/ Health [non prescription drugs], CIBA Vision [contact lenses, lens care etc.])
- Nutrition (key sectors: Infant and Baby Nutrition, Medical Nutrition, Health Nutrition).

Agribusiness Division: Key facts

In 1996 the Agribusiness Division had sales of around US\$ 5.2 billion (CHF 7.6 billion); 27.5% of total Group sales.

- * Crop Protection Sector sales US\$ 3.8 billion (CHF 5.5 billion)
- * Seeds Sector sales US\$ 840 million (CHF 1.2 billion)
- * Animal Health Sector sales US\$ 580 million (CHF million)

¹ See separate briefing note from David de Ferranti on the Healthcare and Nutrition Divisions.

Research and development spending was US\$ 465 million (CHF 675 million), 8.9% of Division sales. This is largest individual company expenditure on agri-business research world-wide and slightly above industry average in terms of a percentage of sales.

The number of people employed in the Agribusiness Division is around 18,000. Details of each of the crop protection, seed and animal health sectors of the Agri-business Division are as follow:

Crop Protection Sector: Novartis is the largest crop protection company world-wide with total sales (including seed sales) of US\$ 4.5 billion (CHF 6.7 billion), US\$ 1.5 billion (CHF 2.2 billion) more than second ranked Monsanto and US\$ 1.8 billion (CHF 2.6 billion) more than third ranked Zeneca.

The joint Ciba-Geigy/Sandoz product range gave Novartis a dominant/controlling position in the maize herbicide market. As a result they were obliged to divest parts of the product range (to BASF for approximately US\$ 700 million) to gain approval for the merger.

Their product range is well balanced with a mixture of herbicides, fungicides, and insecticides. Novartis also has a portfolio of non traditional products such as pheromone traps, plant defense stimulants, bio pesticides and diagnostic kits.

Note: Novartis has just announced (May 13, 1997) the acquisition of the crop protection business of Merck Corp., for a price of US\$ 910 million. This acquisition will strengthen the insecticide portfolio.

Seeds Sector: By turnover, Novartis Seeds was ranked number two in the world in 1995. The main areas of operation are North America and Europe in the maize, sugar beet and oilseeds markets. They also have more extensive global sales in the vegetable and flower seed markets.

Animal Health: Novartis Animal Health is in the top 5 of companies in the animal health field. The Sector employs 1500 people world-wide in 50 countries.

Biotechnology

Novartis is heavily involved in the application of recombinant (rDNA) technology in plant breeding. They own what is probably the most comprehensive genome map of sugar beet in the world which will allow them to readily adapt the genomes of other dicotyledonous plants.

Novartis has commercialized Bt and herbicide tolerant maize with further development in virus resistant tomato and sugar beet at the point of commercialization. It was the EU approval and potential sale of Novartis Bt maize seed that prompted a

before further national and EU agreement on the safety and sale of genetically modified food stuffs. Novartis is also researching crop traits for modified food characteristics, improved yields, stress tolerance and improved post harvest storage and transport.

Issues for the Bank

The primary objective of Novartis research programs is the development of products for high value markets in the developed world. Spin-offs from this research are adaptable to non commercial markets in the developing world. The question is how we could facilitate access for our clients in the developing world to the research, particularly in agricultural biotechnology, and within the constraints of intellectual property rights. *Examples: Monsanto has donated virus resistance technology to Kenya and Mexico for the development of virus resistance sweet potato and white potato. Zeneca has also donated insect resistant technology to Indonesia for the development of insect resistance maize.*

In promoting itself as a life sciences company, Novartis is giving greater emphasis to sustainable production systems and integrated pest management (IPM). Nevertheless, there is considerable skepticism on the part of the NGO community that this will not be carried forward in the field where representatives of companies like Novartis are seen to be largely motivated by pesticides sales volume. The issue is how the Bank, industry and NGO's can learn to work together in promoting wider uptake of IPM.

Additional Points to note

I will be visiting Novartis in Basel on Friday, May 16, 1997 for discussions with Wolfgang Samo, Head of Novartis Agribusiness Division and Crop Protection Sector, Klaus Leisinger, Executive Director of Novartis Foundation, and Klaus von Grebner, Head of Public Affairs.

On May 5 and 6, 1997 the newly formed Rural Sector Board of the Bank along with myself, visited the research facilities of both Monsanto and Pioneer Hibred Seeds to better acquaint ourselves with current advances in crop biotechnology. This was a highly informative activity which has highlighted attention on seeking ways to tackle the above issues.

cc: Messrs. McCalla (AGRDR); Forno (AGRAF); Cleaver (AFTKT); Feachem (HDDHE); Kassum (IFC); Assaad (EXC); de Ferranti (HDDDR)

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