

# **Multinational Corporations and Private Development Agencies**

**Kathleen Akena**

# **A NEW ALLIANCE**

**Multinational Corporations and  
Private Development Agencies**

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# Contents

Foreword.....	v
Introduction.....	vii
Tourism Booms in Latin America.....	1
Getting Medicine to Rural Villages in The Gambia.....	4
Promoting Safer Use of Infant Formula in Developing Countries.....	7
Data Bank Provides Technical Know-How.....	11
New Birth Control Devices at Lower Cost.....	14
Better Cocoa, Better Markets in Belize.....	17

# Foreword

Both multinational corporations and non-profit development groups have an interest in the developing countries of the world. Their objectives, if not identical, can nevertheless be understood as broadly complementary.

Intuition tells us that if the commercial and not-for-profit sectors can find ways to work together more effectively, the result will be enhanced support for the development process. At The Morgan Bank, we watch for opportunities to join forces with private voluntary organizations and are discovering new areas of mutual interest.

In the current environment, a book devoted to educating us on ways in which corporations and private development agencies can more effectively work together is both timely, and important.

R. Barkley Calkins, Vice-President  
Community Relations and Public Affairs  
Morgan Guaranty Trust Company of New York

# Introduction

From 1982 through 1986, as a consultant to the Fund for Multinational Management Education (FMME), I directed a project aimed at creating new avenues of cooperation between multinational corporations (MNC's) and private voluntary organizations (PVO's). Traditionally, MNC's and PVO's have viewed their respective roles as incompatible and, even, antagonistic. Frequently, relations between them have been strained and hostile. If collaborations occurred at all, they usually arose as a result of the PVO requesting a philanthropic grant which was administered through the MNC's office of corporate philanthropy, independently of its commercial operations.

When I attended the 1974 World Food Conference in Rome, however, I noticed an intriguing phenomenon. Against the backdrop of public polemics, officials from the developing countries were privately pursuing discussions with MNC executives to seek a diverse range of technical advice and information. Taking this a step further, it occurred to me then that the apparent divergence in goals between MNC's and PVO's might, in fact, be over-come by a recognition of the common ground between them since, in many ways, both the objectives and capabilities of MNC's and PVO's are complementary: MNC's are directly involved with upgrading economic development in the developing countries and bring to this task their expertise in technology, marketing, and management; PVO's are involved with improving a broad range of social and basic living conditions in the developing countries. Unlike non-profit groups that only focus on research or philanthropy, PVO's work directly with grass roots communities within the developing countries. Often, PVO's succeed in generating new sources of commodity production in the developing countries only to have their efforts frustrated when they discover there are no viable markets for the commodity. MNC's can provide these markets, purchasing the commodities that have been produced in the developing countries through the grass roots efforts of the PVO's. In other instances, MNC's may introduce new sources of grass roots income in the developing countries, but without the expertise of the PVO's to train local manpower, they cannot implement their objectives.

During the past four years of nurturing collaborations between MNC's and PVO's, I have found that a variety of relationships may evolve between them. These relationships are illustrated in the following case studies and may be conceptualized as follows.

The first relationship is "targeted philanthropy." In it, an MNC provides a grant to a PVO. In return the PVO implements a development project that provides direct benefits to the MNC in terms of government relations and public or community relations. This relationship is illustrated by the case study of the American Express Company and Partners of the Americas on a tourism training project in the Dominican Republic, and by the study of the Pharmaceutical Manufacturers Association and Africare on the pharmaceutical distribution system in The Gambia. Such relationships are timely because of corporate efforts to economize and cut traditional philanthropic expenditures.

The second relationship is "fee-for-service." In it, a PVO provides a service (meeting a development need) to an MNC for a fee (not a philanthropic grant). This relationship is illustrated by the collaboration between the Nestle Corporation and PATH on the development of labels for infant formula.

The third relationship is that of "fee-for-product." Here, a PVO provides a product (serving a development need) to an MNC in return for a fee. This relationship is illustrated by the collaboration between Control Data and VITA to produce the DEVELOP data base.

The fourth relationship is a licensing agreement. In it, a PVO provides a license to an MNC in exchange for royalties. This relationship is illustrated by the agreement between the Learis Corporation and the Population Council on the NORPLANT® contraceptive.

A fifth relationship is a "consortium," in which a team of PVO's and MNC's join together to meet a development need. This relationship is illustrated by the collaboration among the Hershey Company, the Pan American Development Foundation, VITA, and the Peace Corps on cocoa production in Belize. (In addition, I have initiated an African development consortium with the Industry Council for Development. Although a case study would be premature, the ADC bears watching.)

A sixth relationship is the "joint venture" in which a PVO and an MNC create a corporation to market services or a commodity to a third party. Although I have tried to initiate some of these, none have developed to date.

From all these relationships, a diverse spectrum of benefits accrues to the poor in developing countries as well as to the MNC's and PVO's. In the following pages, the dynamics of the new alliance between MNC's and PVO's are explored. It is my hope that the success of these collaborations in the past will generate enthusiasm among MNC's and PVO's to pursue similar areas of common interest in the future.

Frank J. Penna  
Project Director

## Acknowledgments

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F.J.P.  
K.A.

## Tourism Booms in Latin America

Tourism is a major business in Latin America. Yet, many tourist industry personnel in the region have never undertaken formal, professional training. Now, *Juntos Podemos* ("Together We Can")—a unique series of in-country training seminars sponsored by the American Express Foundation and Partners of the Americas, a non-profit agency—is bringing top-notch, professional instruction to owners and management-level staff in Latin America's tourism sector. Promotion and marketing, financial and personnel management, credit card processing, and satisfying tourists' needs are just some of the skills covered in the seminars, which are jointly conducted by American Express representatives and local staff from Partners of the Americas' organizations in each country.

"The data show that if a person has a good experience in a country, he will tell four to five people. If they have a bad experience, they will tell fifteen to twenty," explains Bill Reese, Director of Development for Partners of the Americas. "Ninety percent of the people who go to Mexico," he adds, "never go back. Imagine if you could turn that around, to even eighty percent."

*Juntos Podemos* aims to do just that. Started three years ago in the Dominican Republic, the seminars were initially conceived by Manuel Montero, a vice-president for American Express's Latin American-Caribbean Division. "Better trained personnel in the travel industry makes tourism grow," explains Montero. "It thus helps national economies, local tourism establishments, and American Express."

Prior to the *Juntos Podemos* seminars, American Express had been a philanthropic donor to Partners of the Americas—sponsoring the American Express-Partners Awards for Excellence, which annually awarded five local Partners' agencies with cash stipends and honorary plaques. But, explains Jim Cooney, Director of Training for Partners, "American Express began asking the question, is there something we can do that would be good for both Partners, using their training capacity, and good for American Express? The feeling on American Express's part was that they wanted to mature the relationship with Partners, rather than just continuing to give us money."

Once Montero suggested the tourism training concept, Cooney began to evolve a format for a modular seminar that could be launched as a pilot program in one country

and then transferred throughout the region. The Dominican Republic was chosen as a test site. The local Universidad Catolica Madre y Maestra had an active tourism training school, and the vice-rector of the university was also head of the local Partners' organization. Moreover, Partners was sponsoring local fellowships to the Michigan State University Hotel and Tourism Training School, and was actively promoting tourism training within the Dominican Republic as well. "We wanted to work with an institution that was already involved in training people for the tourism sector, an institution that would be able to follow-up when we left, to leave a local mechanism in place," explains Cooney.

The final details of the plan were designed by the Dominican Republic's Secretary of Tourism, Universidad Catolica Madre y Maestra, American Express, and the Partners of the Americas' headquarters and local agency. Prior to defining the seminars' content, a survey of local tourism industry personnel was conducted. In its final form, the training program included seminars on promotion, marketing, planning and organization strategies, leadership skills, staff motivation, and processing credit cards and travelers' cheques.

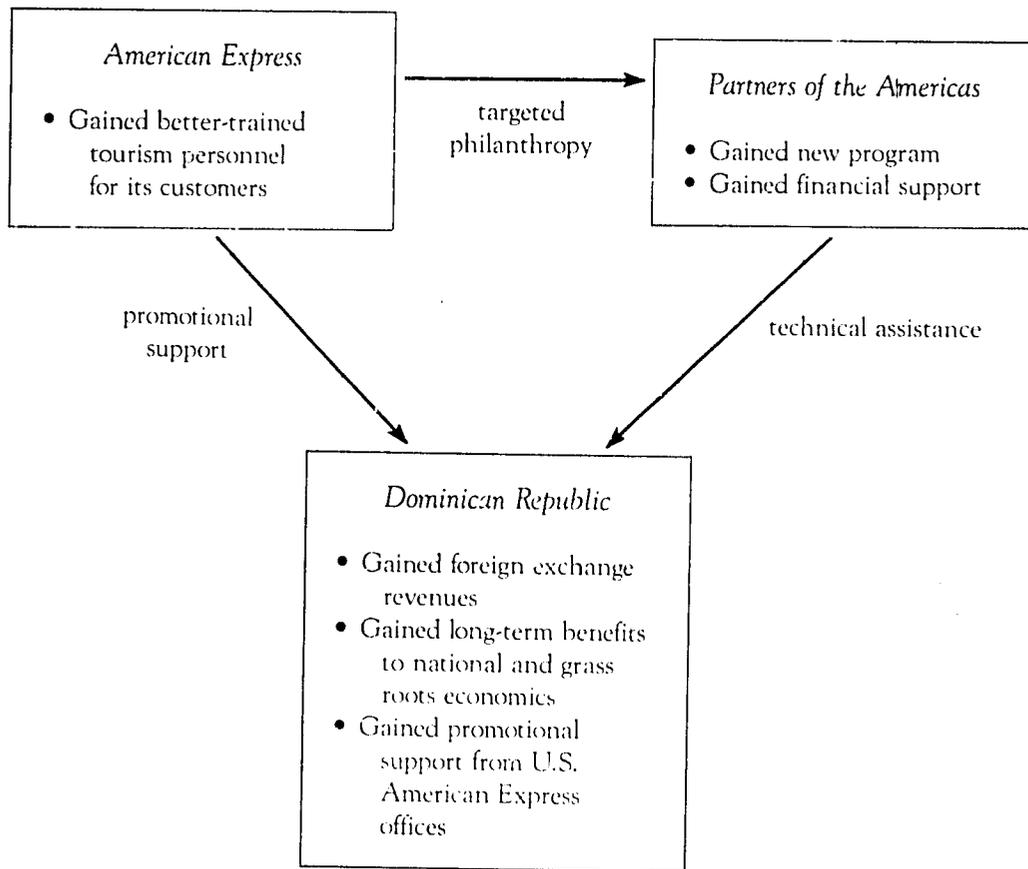
Linking the various participants together to co-ordinate the project largely depended upon Partners of the Americas' well-respected reputation and past experience. "We had contacts with American Express here in the United States. Through our local Partners, we had the contacts with the Secretary of Tourism, the Central Bank, and with the local training institution, Universidad Catolica Madre y Maestra," explains Bill Reese.

In the Dominican Republic, upgrading the tourism industry has meant a shot in the arm to the economy, both at the national and grass roots level. With commodity prices for agricultural goods down, tourism is now among the major sources of foreign exchange in that country. Besides the direct benefits from the training program, American Express now provides free promotional services to the Dominican Republic from its U.S.-based offices.

Partners of the Americas is equally enthusiastic about the benefits it gained from the program. Non-profit agencies, like Partners, always face funding problems when they want to launch new programs. Usually, government support only arrives after a program concept has been fully developed, and many non-profit agencies cannot afford to underwrite the development costs themselves. Moreover, government funds have, in recent years, been increasingly restricted. With full, direct funding from American Express, Partners was able to start program development with no delays, and ensure future implementation as well, including new seminars in Brazil and Mexico, also sponsored by American Express.

Better trained tourism personnel has meant improved service for American Express credit card and travelers' cheque customers, and the surge in tourism in the Dominican Republic has brought indirect benefits to all credit card and travelers' cheque companies, including American Express. "Such situations, where nobody loses, are everywhere to be found," explains American Express's Montero. "More of them need to be developed."

## MODEL OF RELATIONSHIPS



## Getting Medicine to Rural Villages in The Gambia

In many developing nations, rural populations lack access to basic health care services. Mortality rates are high for diseases that are easily curable with modern pharmaceuticals. Concerned over recent criticism by international trade and consumer groups that marketing practices by multinational pharmaceutical firms had contributed to this problem, several member companies of the Pharmaceuticals Manufacturers Association (PMA) concluded that it would serve the industry's interest to clarify the problems related to pharmaceutical distribution in developing countries with a view toward improving delivery services to rural areas.

"Statements had been made that the problem was the pharmaceutical companies' fault that people were without drugs," observes Paul Belford, Director of International Issues Analysis at PMA, "and we wanted to address this."

To tackle the problem, PMA representatives turned to several well-known private voluntary organizations (PVOs) with development expertise. "We went to six agencies," says Belford, "and we asked them, if we give you  $x$  amount of drugs, can you assure us that they will get to the people?"

Africare, a non-profit development agency, responded that, due to poor infrastructure in most developing countries, solely increasing the quantity of drugs supplied would not remedy the situation. "They told us that would not solve the problem," says Belford. Instead, Africare proposed that an initial study exploring the feasibility of upgrading distribution be conducted for a nationwide health care system and recommend The Gambia in West Africa as the study site.

"We had worked with The Gambia earlier, providing medical equipment and supplies," says Alan Alemian of Africare. Moreover, The Gambia's relatively small size and largely English-speaking population made it especially desirable as the focus area.

Once PMA approved the proposal, Africare met with The Gambia's Ambassador to the United States and was officially invited by the Medical and Health Department to assist in the proposed feasibility study. Four member PMA companies—Merck, Sharp &

Dohme, Schering-Plough, Smith Kline and French, and Sterling Drug—provided a \$15,500 grant to Africare to cover the agency's expenses for technical assistance.

The key to a successful development aid project, says Alemian, is that "the government has to commit itself, to take responsibility. We provided technical expertise, but The Gambian government was the implementing agency. If the project depends entirely on external technicians," Alemian adds, "it is doomed to failure."

When finished, the study presented to PMA called for a 21-month demonstration project to redesign and upgrade the government's pharmaceutical delivery system. The PMA representatives were impressed with the proposal; one company spokesman called it, "an extraordinary document." Thirteen PMA member companies—Merck, Sharp & Dohme, Bristol Myers, Abbott Laboratories, Eli Lilly, Johnson & Johnson, Pfizer, Schering-Plough, Searle Pharmaceuticals, Smith Kline and French, Sterling Drug, Syntex Corporation, Upjohn, and Wyeth International—donated \$160,000 in funds and \$103,000 in pharmaceuticals to launch the project.

"The principal goal of the new system was to provide a dependable and predictable supply of drugs to rural areas," says Alemian.

In the former system, the Royal Victoria and Bansang hospitals in the capital city of Banjul were the major providers of prescribed pharmaceuticals in the country. Due to the lack of pharmaceuticals in rural villages, people traveled to the hospitals for routine health care, placing a heavy burden on hospital staff. Moreover, many rural patients were too ill to make the journey to Banjul. They then turned to unlicensed local practitioners or to the Black Market, purchasing pharmaceuticals that were potentially unsafe.

"The Gambia health department was aware that the system had to be changed," says James Yatsco, a consulting pharmacist on the project, "and they were very receptive to the recommendations we made."

In the past, orders for pharmaceuticals had been recorded at the government's medical stores, but distribution and usage patterns of drugs were not monitored. "It was impossible to know what a particular facility was using in the way of pharmaceuticals or to obtain information regarding usage patterns," says Yatsco.

By and large, pharmaceuticals had been stored unlabeled on shelves in stock rooms. Often the stock rooms were not air-conditioned or insulated, thus posing a hazard to drug quality and safety and risking early deterioration of drug supplies in The Gambia's tropical climate.

The new pharmaceutical delivery system devised jointly by Africare and The Gambia's health department tackled the major problem areas—orders and record-keeping, distribution, and storage—with a self-sustaining system, requiring no outside technicians or technology.

To improve record-keeping, The Gambia government printed new forms to record the order, receipt, and distribution of all pharmaceuticals. Africare's consulting technicians instructed local staff in administering the new system. "It was basic Management 101, the bare essentials of stock management," says Belford. "When did you order it? When did it come in? Where did you get it? Where is it now?"

Greater distribution of pharmaceuticals to rural areas was facilitated via fourteen, government-run health centers. Pharmaceuticals were clearly labeled on storage shelves

and expiration dates indicated to ensure proper rotation. Many storage rooms were insulated and, in some cases, air-conditioned to protect drug quality.

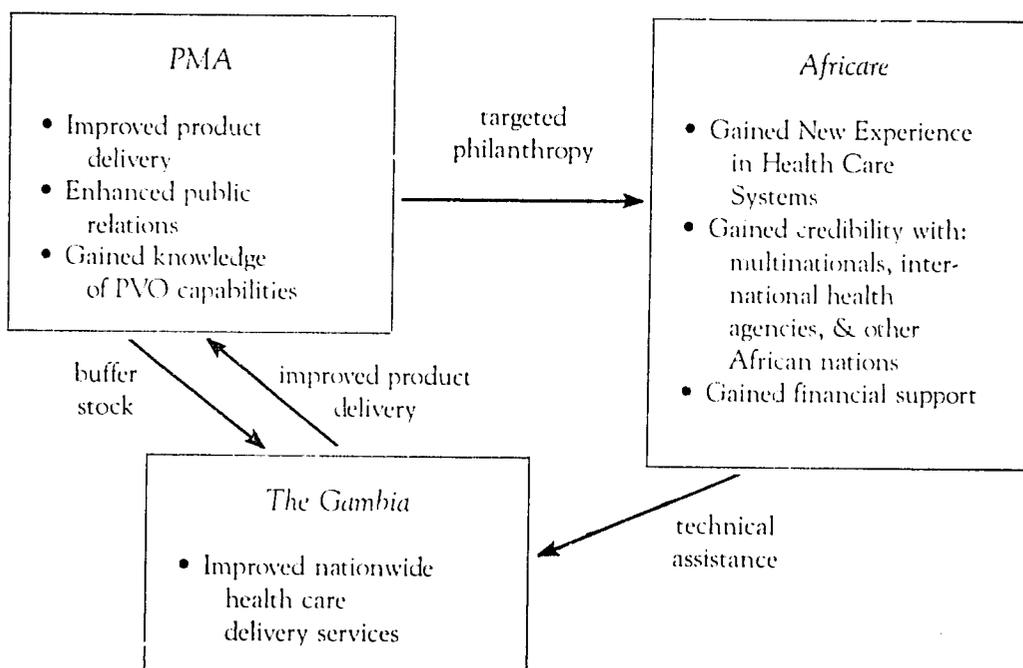
By upgrading the delivery system to rural villages, the new service not only reduced the patient load at urban hospitals, but improved the quality of health care in rural areas, allowing local medical staff to take a more comprehensive role in patient care. Moreover, the use of better record-keeping methods is allowing The Gambia government to monitor geographic and seasonal disease patterns, to facilitate improved drug distribution and health care in the future.

"Has it solved all the problems? No," comments Alemian. Lack of safe water, poor infrastructure, and other factors linking high mortality rates to remote, rural areas in developing countries persist. Yet, the new pharmaceutical delivery system is a major step forward. "The real measure of the project's success is that it has been able to provide a predictable and dependable supply of drugs to rural areas," says Alemian. "I don't think that there is anything of substance we would have done differently."

In PMA's view, The Gambia project offered an opportunity "to demonstrate that we were concerned and were willing to take action," says Belford. "The fact that the project was completed made it a success in our view. It gave us a chance to show that we were willing to help solve the real problem—poor infrastructure."

But, if success breeds imitators, the true measure of the project's impact is that a new PMA-Africare pharmaceutical delivery system has now been launched, at the government's request, in Sierra Leone. And the World Health Organization, formerly an outspoken PMA critic, is considering using the Sierra Leone project as a model to demonstrate effective pharmaceutical distribution methods throughout Africa.

#### MODEL OF RELATIONSHIPS



## Promoting Safer Use of Infant Formula in Developing Countries

For a decade, the marketing of infant formula in developing countries has stirred international debate. Now, Nestle, the world's largest producer of infant formula, and PATH (Program for Appropriate Technology in Health), a non-profit agency, have collaborated to design new labels and educational tools to ensure safer use of infant formula worldwide.

While broad guidelines on marketing infant formula in the developing countries were passed by the World Health Assembly in 1981—under the Code of Marketing of Breast-Milk Substitutes—conflicts in interpretation plagued implementation of the international agreement, particularly with respect to hazard warnings and educational materials. As a result, Nestle decided to seek technical assistance on designing its labels, and consulted with the World Health Organization (WHO), which recommended that Nestle contact PATH, a non-profit group with wide-ranging expertise in adapting educational materials, and health technologies for developing nations.

"PATH had a good grasp of the situation due to its experience," says Dr. Neil Christiansen of Nestle. "And," he adds, "it already had technical people working in the developing world."

Even though other infant formula companies' labels were viewed as better than Nestle's by some advocacy consumer groups, no in-the-field tests had been done on low-income, urban mothers in developing nations—those most likely to misuse infant formula products—to justify any genuine claim of label effectiveness.

So, following several meetings during which Nestle's needs and PATH's approaches were discussed, Nestle hired PATH to conduct tests of infant formula users in developing nations, choosing as test sites those countries likely to have large populations of infant formula users, countries representative of larger Nestle markets, and countries in which PATH had previously worked with local health care groups. When Kenya, Mexico, and the Philippines were found to meet all three criteria, local PATH personnel began to arrange the logistics and recruit women for the field tests. A PATH staff psychologist,

widely skilled in focus group testing, was appointed to supervise the label testing in all three countries.

Before launching the tests, Nestle prepared several alternative, sample messages to be tested. Final selection of the messages to be tested was made after consulting with UNICEF and WHO representatives, who provided technical assistance to Nestle throughout the project.

“UNICEF and WHO were very helpful,” says PATH’s Director of Information, Education, and Communication, Margot Zimmerman, “but they were very clear to say, ‘Remember, our role is only advisory.’” In-the-field implementation depended solely on PATH’s staff and technical expertise and that of the local, collaborating institutions.

Labels were translated into the appropriate language of the site country and, in addition to low-income urban mothers, tests were also conducted for pediatric and obstetric nurses in each country. Discussion topics included perceptions and practices related to breast-feeding, bottle-feeding, and general infant nutrition during the first three months of the baby’s life.

Common misuses of infant formula products were also explored in the discussions—in particular, hazards arising from unclean water, dirty utensils, improper dilution, and storing prepared bottles unrefrigerated.

Both the over-all design and implementation of the tests were “very well grounded in reality,” says Nestle’s Christiansen. “PATH performed admirably,” he adds. Moreover, Christiansen voiced praise for PATH’s test coordinator. “She was very good—able to see the label from the mothers’ point of view,” he says.

When finished, the tests showed that most women felt that there was too much printed text—and that the print was too small—on all the sample labels they were shown. The women preferred pictorial illustrations over printed instructions. When the problem of space limitations was raised, the women tested indicated that they would prefer to have at least six of the instructions illustrated—washing the bottle, boiling utensils, pouring boiled water into bottle, adding scoops of milk, mixing the formula, and showing how to hold the baby during feeding. Other test results revealed practices and perceptions of hygiene in formula preparation, and on proper dilution procedures. The data showed that many mothers were not using the scoop in formula preparation and that they did not understand words like “indicated” and “deprived” on the sample labels.

Once the data were fully analyzed, Nestle set up a series of meetings with representatives of PATH, WHO, UNICEF, and members of the International Nestle Boycott Committee (INBC). On the basis of the data, PATH suggested several changes in the sample labels and recommended new pictorial illustrations and corresponding messages. In addition, PATH’s tests showed that women in all three test sites paid the most attention to the “feeding table” on the labels. Thus, PATH recommended that the feeding table be redesigned and that it be displayed more prominently on the label. PATH also recommended that warnings on proper hygiene and dilution—steps which the data showed were often misunderstood by the mothers—should be inserted in a prominently displayed warning statement.

Some controversy arose, however, about PATH’s recommendation that the label should include an illustration showing mothers how to hold the baby during feeding.

This was needed, PATH argued, since the data showed that many mothers left their babies unattended—with the bottle propped up on an external support during feeding—thus posing a risk of the babies choking. The mothers tested felt this message was very important. But UNICEF and INBC felt the illustration would be a violation of a section of the 1981 Code stating that “no pictures or text which may idealize the use of infant formula” should appear on the label. As a result, the picture was eliminated, but the printed warning—“Always hold the baby while feeding”—was inserted beneath the last illustration.

With a few other variations, the new labels were adopted and began to appear in 1985. Nestle has made the report on the label design project “available to the infant formula industry and to the U.S. Federal Drug Agency,” says Christiansen.

The final stage of the PATH-Nestle project focused on revising educational materials for new mothers. Using Nestle’s *Asian Mothers’ Book* as a starting point, PATH’s local affiliate group in the Philippines conducted field tests with the book’s illustrations, a series of alternate photographs, and alternate text samples. Women from lower, middle, and upper income groups were included in the test groups. The data showed that the messages conveyed by the text and the corresponding photographs were often misinterpreted, but that, with minor changes, the photographs could be revised to enhance understanding. Additional photographs were taken for thirteen of the messages and were similarly pre-tested to determine both viewer comprehension and preference. Following the second round of tests, the data showed improved comprehension of the information among all three groups.

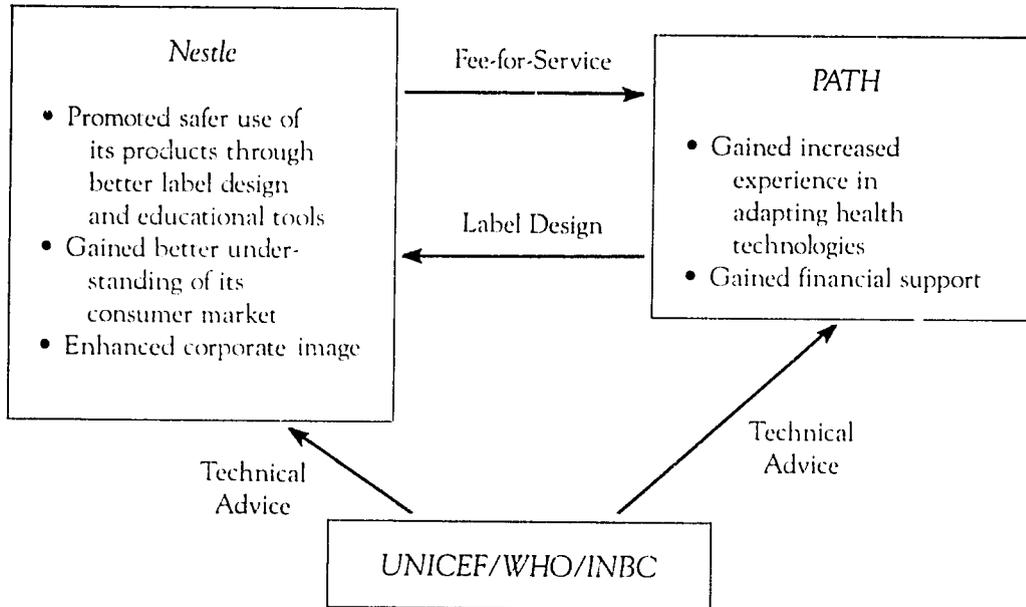
PATH presented the results of the tests at a meeting of Nestle, UNICEF, INBC, and WHO representatives. Following discussion of the data, it was mutually agreed that Nestle should produce one pamphlet dealing exclusively with proper breast-feeding methods. Nestle complied, producing two model booklets—one using the photographs based on those that had been approved after the testing and another using line drawings based on the photographs. In addition, Nestle also developed a new booklet on infant formula use, incorporating the pictorial illustrations from the previously revised infant formula labels. In reviewing the infant formula booklet, however, UNICEF, INBC, and WHO noted conflicts with the 1981 Code, and a final draft of the infant formula booklet is still under review.

“The book on breast-feeding is what I feel best about,” says PATH’s Zimmerman. “Nestle was always very cooperative,” she adds. “We said, ‘Look, these women would like some information on breast-feeding, too. Why don’t you do something on that’—and they did.”

With new labels successfully redesigned, Nestle showed its willingness to respond to consumer advocates’ requests, enhanced the promotion of safer use of its products, and quelled former critics.

“Nestle was very happy with the whole process,” says Christiansen. The project, he adds, “is an excellent case of PVO working with a corporation.” Moreover, the active input of international agencies—UNICEF, INBC, and WHO—makes the endeavor unique among the many innovative ventures between corporations and non-profit groups in developing countries worldwide.

## MODEL OF RELATIONSHIPS



## Data Bank Provides Technical Know-How

Obtaining needed expertise and technical know-how often poses insuperable stumbling blocks for new industries, agribusiness, medical centers, public works projects, and entrepreneurs in developing countries. For years, VITA (Volunteers in Technical Assistance), a non-profit organization, has tried to meet this need by providing wide-ranging technical information and assistance through its worldwide network of volunteer experts in diverse fields. Now, VITA's expertise has taken on a new, expanded role in the DEVELOP data base, a commercial data bank sold worldwide by Control Data, a Minneapolis-based, high technology firm.

The collaboration between VITA and Control Data began informally, when a former VITA employee met Beth Holmgren of Control Data at a conference. During an impromptu conversation, Holmgren mentioned that Control Data was looking for appropriate data to include in a data bank it was assembling. "Control Data was looking for all the information it could get," explains Henry Norman, VITA's Executive Director.

The informal contact was pursued, and, soon, Control Data and VITA were negotiating an agreement that was precedent-setting for each party. VITA had never collaborated in a commercial venture with a corporation, and Control Data had never entered into a commercial enterprise with a non-profit group.

"We were concerned about the response our volunteers would have to VITA's using the information they had gathered in a commercial data base," says Norman. So, after considerable in-house discussion, VITA suggested that its data be prepared in shortened, abstracted versions for use in Control Data's commercial data bank. "That way," explains Norman, "if a person wanted more information on a particular topic, they would have to come to us to get it." Once VITA devised the idea of using abstracts to protect its information, "it was pretty clear sailing," says Norman.

VITA hired a research coordinator to supervise the preparation of the abstracts. Over 40,000 case files were analyzed and, from them, approximately 2,500 were selected to be abstracted, with each abstract running from fifty to nine-hundred words. The process took three years. During that period, "there were a lot of personnel changes at VITA," comments Holmgren. Although she describes the working relationship with

VITA as “always very cordial,” she says that the frequent staff turn-over at VITA sometimes created confusion, though over-all, she views this as a relatively minor problem. “We definitely found the collaboration valuable,” she says. “We were able to obtain information and resources that we could not have obtained anywhere else.”

Control Data provided the computer terminal for entering the abstracts into the data bank, and provided technical assistance to VITA staff to set up the data bank program. “Control Data provided the technical equipment, guidelines for the data base, and funds,” Norman says. “We did the rest. There was remarkable good will on both sides,” he adds.

When finished, the abstracts covered topics ranging from technical information on management skills, licensing procedures, research in progress in a wide range of fields, guidelines for upgrading productivity, on how to conduct feasibility studies, how to repair industrial and agricultural machinery, how to improve agricultural productivity and select the best crops for existing soil and climate conditions, and a lengthy file on available services, products, and expert consultants.

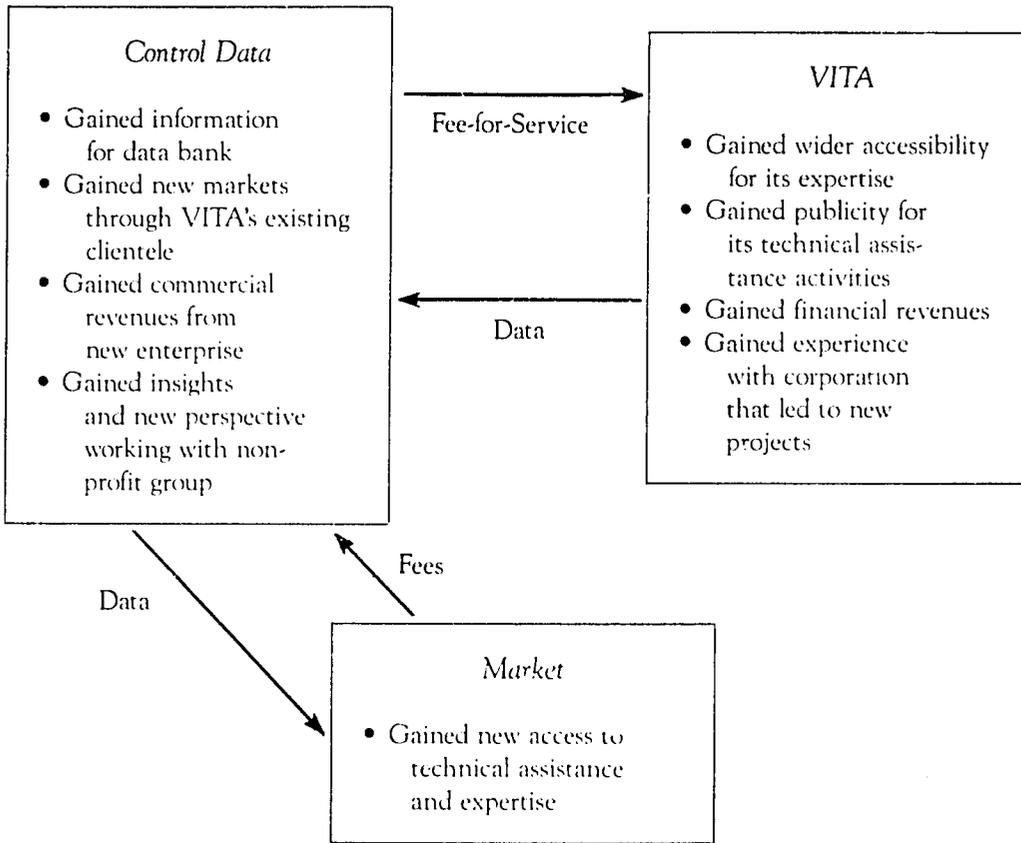
Today, the DEVELOP data base is being used extensively by multi-, bi-lateral, and national development agencies, scientific centers, libraries, businesses, and individuals worldwide.

Asked if VITA would have done anything differently were it to begin the project today, however, Norman comments: “I think we have become far more sophisticated about data banks. Now, we would not be so concerned about protecting our information. In fact, we are discussing much more ambitious projects with Control Data right now.”

And Control Data is equally enthusiastic about the collaboration. Says Holmgren: “Working with a non-profit organization provided us with a lot of new insights. It was beneficial to get a different perspective on what you’re doing.” Moreover, she adds, the economic benefits that resulted from the collaboration were a clear-cut plus to the bottom line. VITA’s unique resources combined with Control Data’s commercial and marketing skills to provide a valuable service to consumers worldwide.

As Norman explains, “we have come to understand that we can do things with corporations from which they derive commercial benefits that also satisfy our goals. We are enthusiastic about such collaborations,” he says, adding that he would encourage other non-profit organizations and corporations to follow the VITA-Control Data example. In the past, he concludes, we were admittedly skeptical of becoming involved with a corporation. Now, he says, “we are actively seeking such collaborations.”

## MODEL OF RELATIONSHIPS



## New Birth Control Devices at Lower Cost

Two decades of research and development undertaken by the Population Council, a non-profit organization, culminated recently in the initial production of NORPLANT,<sup>®</sup> a low-dose, long-acting progestin implant contraceptive for women. Now, in a precedent-setting move, the Council has entered into a licensing agreement with a multinational corporation, Leiras Pharmaceuticals, a division of Huhtamaki Ltd., based in Finland, which has been given an exclusive license by the Council to manufacture and distribute NORPLANT<sup>®</sup> to worldwide markets.

The venture "is a pretty straight-forward business deal that has significant consequences for family planning worldwide," says Dr. Forrest Greenslade of the Council.

While licensing agreements with health technology firms are relatively routine for the Council—which granted non-exclusive licenses to several companies to market a contraceptive device it previously designed—the venture with Leiras is the first time the Council has granted an exclusive license to one company.

"The problem with granting a non-exclusive license," explains Greenslade, "was that the companies didn't make a commitment to the product."

So, when the Council finished R&D on NORPLANT,<sup>®</sup> it opted for a new marketing tactic—to license only one company to market the product. Since Leiras had been providing laboratory space and technical assistance for some of the Council's clinical tests since 1975, and a good working relationship had developed between the multinational and the non-profit organization, it was a likely choice. The Council "had the idea and the product," explains Heikki Voipio of Leiras. "They needed the laboratories."

It was not until 1978, however, that the Council began to consider how and to whom it would license the product. By then, the NORPLANT<sup>®</sup> concept had been developed. It was designed to provide continuous contraceptive protection for five years via progestin-releasing implants inserted under a woman's arm. Clinical tests had shown a 99 percent rate of effectiveness for the new contraceptive—better than that for the IUD and the pill, and comparable to that obtained by surgical sterilization. The implants could be removed

at any time, and normal fertility would return. Because NORPLANT® does not use estrogen compounds, it was expected to be safer than the pill.

"The Council needed someone to manufacture and license the product," says Greenslade. So, "the initiative for the venture came from the non-profit organization," explains Voipio.

In 1983, talks on the details of the licensing agreement began. "Developing a legal licensing arrangement takes a significant amount of time," comments Greenslade. "It is not that different from working out the licensing arrangements between two pharmaceutical companies."

"There were no major problems," according to Voipio, "but the approaches of the private sector and the public sector are so different that we had to spend some time simply educating one another."

In particular, the Council wanted Leiras to adopt a special, protected price for the public sector market in the developing countries. Leiras was concerned that it would not be able to develop a viable product that would still be feasible to produce at a lower cost. In the end, an agreement on a protected price for the developing countries' public markets was reached. "It all worked out satisfactorily," says Greenslade, "but it took some time." "All of the principles the Council asked us to agree on were agreed to," adds Voipio.

In addition to manufacturing and distributing the product, Leiras is collaborating with the Council and several international organizations and government agencies to create a worldwide network to educate and train doctors and paramedical professionals on the use and proper administration of the contraceptive. Several major seminars have been held for medical specialists worldwide focusing on the NORPLANT® contraceptive method. Moreover, studies are currently underway to examine the potential acceptability of the product within specific countries, evaluating if and how NORPLANT® could be incorporated into existing health care service delivery systems.

"It's too early to give an assessment of the project," says Greenslade. "We won't know that until we see the assessability and acceptability of the product in family planning worldwide." But, he adds, "the project is pretty much on target in terms of schedule."

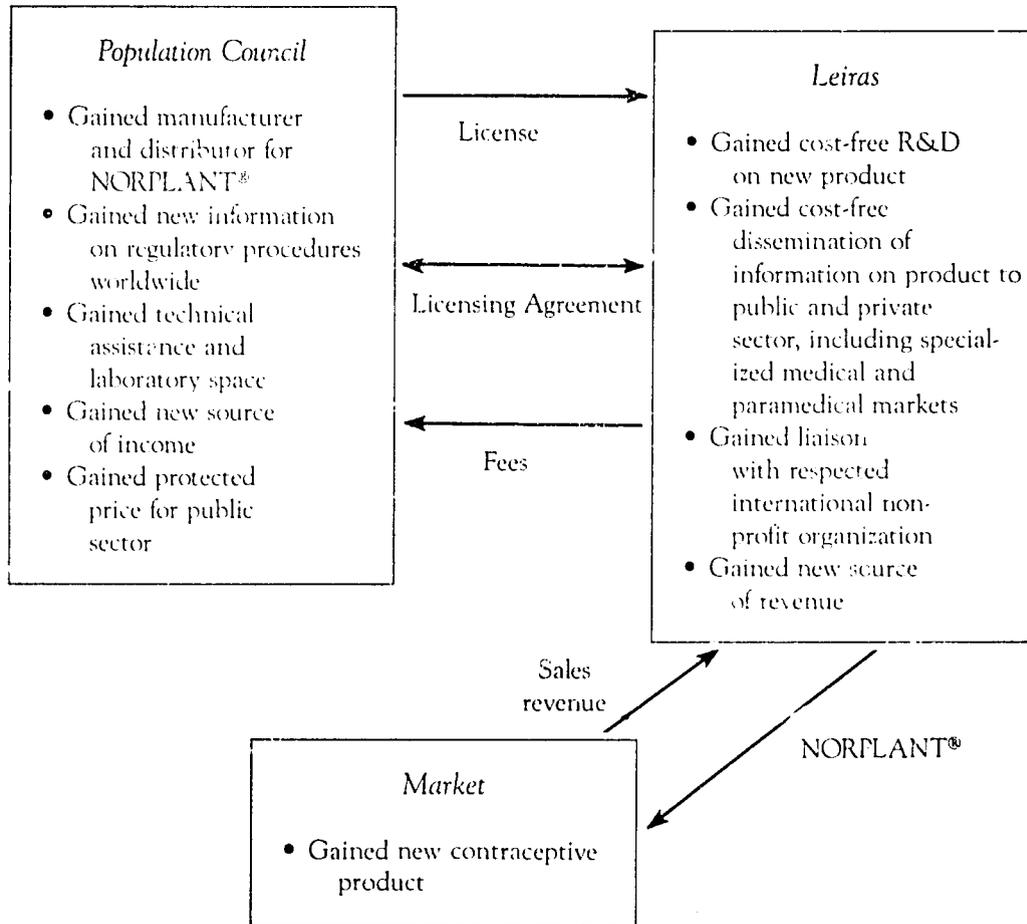
As for the collaboration between Leiras and the Council, however, both agree that it rates high. "It was very professional, very cooperative," says Greenslade. "We worked as a relaxed team," says Voipio, "rather than as two negotiating parties." Now, adds Voipio, "we collaborate on a daily basis, developing new approaches as the need arises."

As a result of the venture, Leiras was able to gain the results of a long R&D effort without bearing the cost, and gained a liaison with a respected, worldwide non-profit organization. The Council acquired a respected manufacturer and distributor for its product and, adds Greenslade, "we gained information on regulatory procedures that we would not have obtained otherwise."

Both Leiras and the Council view the venture as a "Win-Win" situation, in which both sides gained significant benefits that could not have been obtained without the other's participation. Among the recent collaborations between corporations and non-profit groups, the NORPLANT® project is unique in that it constitutes a licensing agreement—not a philanthropic or fee-for-service relationship. Both sides entered the

collaboration as equal partners. Each had different, but mutually compatible goals. "Leiras is going about its business, and we are going about ours," says Greenslade. "Everything," he adds, "worked out satisfactorily."

### MODEL OF RELATIONSHIPS



## Better Cocoa, Better Markets in Belize

A ground-breaking model farm and agribusiness venture, now underway in Belize, promises long-term benefits for many Caribbean nations. Improved cocoa production and processing, greater yields, and higher profits for local farmers are among the aims of the project, which is designed to create, over a three-year period, a package of technical assistance that can be used throughout Belize and, with modifications, throughout the Caribbean Basin region.

Drawing on the expertise of the Hershey Foods Corporation in cooperation with the Pan American Development Foundation (PADF), Volunteers in Technical Assistance (VITA), the Peace Corps, and the Government of Belize, the new demonstration farm and grassroots development enterprise integrates a diverse spectrum of corporate, non-profit, and public resources under a unified consortium umbrella.

Initially envisioned by Hershey as an experimental research and development program in 1978, the farm was viewed as an in-the-field laboratory where modern agricultural know-how could be tested and used in the production of cocoa, a crop largely being grown worldwide with centuries-old, primitive methods. Convinced that, with improved agronomic practices, crop yields could be increased dramatically and bean quality also enhanced, Glenn Trout, then Hershey's Director of Agribusiness, persuaded the company's management to expand the corporation's traditional role from food processing to cocoa farming R&D. "We wanted to prove that growing cocoa beans on small farms—using good agricultural practices—could be commercially profitable and also produce a higher quality of cocoa," B. K. Matlick, Hershey's current Director of Agribusiness, explained in a recent issue of Hershey's corporate magazine, *Avenues*.

In 1978, Hershey purchased Hummingbird Estates, an abandoned 1,822-acre plantation in Belize, as the site of its new model farm. Since none of Hershey's staff was trained in cocoa production, experts from outside the company's ranks had to be hired to manage the new R&D program. With minimal existing data on good cocoa agricultural practices, the experts and Hershey were truly entering an unexplored frontier.

Local manpower was hired to help erect necessary infrastructure on the site—including a prefabricated processing plant, electric generator, dormitory-style dwellings, a

commissary and a school. The Belizean government allowed Hershey to bring farm equipment and other machinery into the country duty-free, for a given time period, and, in return, Hershey agreed to create jobs for local workers.

In 1979, with the basic infrastructure ready, cocoa seedlings were selected and planted over 400 acres. Another 80 acres were set aside for a nursery. But cocoa trees do not bear bean pods for three years. So, in the interim, Hershey's team also began to experiment with temporary shade crops on the farm—including plantains and pigeon peas (a soil-enriching legume). Like cocoa, the lessons learned from growing these crops were intended to be showcased to local farmers.

Then, in 1981, Glenn Trout attended an FMME Conference in Mohonk, New York on ways multinationals and PVOs can collaborate to spur development in poor nations. Jean Wilkowski, VITA's Chairman, and Ed Marasciulo, Executive Vice-President of PADF, also attended the conference. Since PADF was created, in the early 1960s, it has aimed at encouraging private sector, micro-enterprise development "to benefit the enterprising poor in Latin America and the Caribbean," and has built self-sustaining, locally funded National Development Foundations in over 20 countries. Trout felt that PADF's aims and Hershey's goals were complimentary. He was also aware that the company would need the expertise of a PVO like VITA, with wide-ranging technical skills in grass-roots development, to transmit the techniques used at Hummingbird to rural farmers. "The trip to Mohonk was the beginning," says Marasciulo. The existing project, he adds, "comes about from that experience."

In 1982, at an FMME agribusiness seminar, held in the Dominican Republic, Trout approached VITA's Wilkowski to discuss, in general terms, ways in which the PVO might link into the Belize effort. "Hershey was upbeat when they first approached us. They were looking for someone to help them, and thought we might have the experience they were looking for," explains Jack Downey, VITA's Director of Regional Operations.

Meanwhile, Trout had also talked with officials from the A.I.D. Mission in Belize about possible avenues of cooperation between the agency and the Hummingbird project. Despite the fact that Hershey's goals were consonant with those of A.I.D. and the Government of Belize, mission officials were reluctant to become directly involved with a corporation.

A few months later, however, Trout met VITA's Executive Director, Henry Norman, during an FMME conference on PVO-Corporate Collaboration held in Reston, Virginia in early 1983. The meeting convinced Norman that VITA's expertise in agricultural development could tie-in to Hershey's commercial goals at Hummingbird.

As a result, in mid-1983, both VITA and PADF were meeting independently with A.I.D. Mission officials in Belize—each submitting proposals linked to the Hummingbird project. It was the mission director who then contacted the PVOs and said, "Do you know I'm talking to both of you?" He suggested that we should be aware of each other's efforts on the project," explains Downey.

In fact, PADF and VITA had worked together previously on other projects, so cooperating on the Hummingbird project struck both as viable. With "a little bit of horse trading," as PADF's Phoebe Mansdale puts it, a joint project was formulated. Jim Corven, a VITA staff member, switched over to PADF as the details of the project were hammered

out, and, with PADF taking on the overall management role, Corven became project manager.

Drawing on the expertise of each PVO, a diverse package of extension training services, micro-enterprise credit financing, and community development actions were integrated in a cohesive plan. PADF had already set up one of its National Development Foundations in Belize, designed to provide business training and small loans to farmers who lack collateral and credit records required by commercial banks.\* Hershey viewed the involvement of the NDF with special enthusiasm: "Hershey sees the mistakes that other multinational's have made in creating a plantation economy and becoming responsible from cradle to grave for all their employees. They want that social infrastructure, that credit mechanism, to be developed by the community itself," explains PADF's Ed Marasciulo.

At the same time, VITA's worldwide reputation in agricultural development had initially attracted Hershey at the 1981 Mohonk Conference. While Hershey had built the basic community infrastructure at Hummingbird, the company was eager to have self-sustaining, stable villages, rather than a corporation town, near the site. VITA's broad range of experience in building viable communities ensured that this aspect of the project would be well-delivered.

Together, PADF and VITA will also assist farmers in setting up integrated farming systems, using both subsistence and cash crops, to provide steady income and food supplies until the cocoa crop matures, will assist farmers in applying for credit, develop low-cost housing, water and sanitation systems, and will assist in the creation of sound economical institutions to promote and sustain the expanded cocoa production, processing, and marketing launched under the project.

While the final proposal was being drafted, VITA and PADF also became aware that the Belizean arm of the Peace Corps, under a newly appointed director, was actively seeking ways to encourage private sector-grassroots development in the country. After meeting with the agency, the project proposal was broadened to include the Peace Corps, using its volunteers to assist the Belizean government in designing and operating agricultural extension and training services.

But as the project moved forward, a conceptual obstacle related to financing the proposed technical package arose. Both A.I.D. Mission officials and PADF's Executive Vice-President, Ed Marasciulo, felt that Hershey's involvement should be expanded to include a direct philanthropic donation to the project. In Hershey's view, however, its contribution lay in the commercial benefits accruing from the project to local farmers and the Belizean economy. As Frank Penn., an FMME project director active in the negotiations explains: "Glenn Trout called me on a number of occasions and suggested that I explain Hershey's point of view to Ed Marasciulo. I convinced Ed to concentrate on

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\*Recently, the credit financing aspect of the project was shifted from the NDF to the Development Finance Corporation in Belize, which now will administer the \$25,000 allocated by the A.I.D. mission for small loans to farmers. Given the fact that the Hummingbird farm is a three-hour drive from NDF headquarters office in Belize, NDF determined that it did not have the necessary capabilities or manpower to administer the credit-loan operation.

the commercial aspects of the project, not straight philanthropy. As Hershey saw it, they were providing a unique resource for development with the model farm.”

Moreover, Hershey is also providing office space for the project headquarters, as well as personnel for the training and extension services. More important, Hershey is guaranteeing a market for the cocoa without requiring a full supply contract. “Markets are always our problem with a project,” explains Jack Cornelius, a PADF agricultural advisor. “Once you have a market,” says Cornelius, “you have something to talk to the farmer about.”

With the PVOs persuaded that Hershey’s involvement should be strictly commercial, the final glitch in the process was resolved. The consortium-based proposal was submitted to the A.I.D. Mission in April, 1984 and, shortly afterward, the project was approved and moved into action. Already, VITA, PADF and Hershey are launching a similar project in Honduras, using the lessons learned from Hummingbird, with VITA taking on the overall management role.

“We began for our own intelligent self-interest, and realized it had to be beneficial to the farmers and their nation,” explains Glenn Trout. The ultimate benefit to Hershey, he adds, “will be the increased scientific knowledge about the production, fermentation, and drying of cocoa, which is valuable to Hershey and to our industry.”

PADF’s Phoebe Lansdale concedes that “Hershey is a corporation with a social purpose more up front. The name of the game is for the PVO and the corporation to combine their motives. It’s a question of being resourceful.”

This type of consortium has a future in other areas besides cocoa farming, observes VITA’s Jack Downey. “The approach, or a derivative of the approach, will be quite suitable for a variety of crops,” he explains. Moreover, adds Downey, other multinationals can gain from collaborating with PVOs. As he puts it: “If a big multinational goes to an A.I.D. mission, it won’t get any money. Unless the companies want to fund projects themselves, they will have to come to us. VITA and PADF can get the money. We work for the farmers.”

# MODEL OF RELATIONSHIPS

