



## **For Immediate Release**

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## **Incentives for Vaccine R&D Could Save Millions of Lives** *Advance Market Commitment Would Spark Innovation*

**Washington, DC:** A new plan to provide market incentives for pharmaceutical and biotech companies to create vaccines against diseases that kill millions of people in developing countries every year could dramatically advance global health, according to a wide range of experts.

The plan, prepared by a Center for Global Development (CGD) working group, will be released on April 7, World Health Day, in Washington, DC. Speakers will include senior officials from the pharmaceutical and biotech industries, experts on global health research and development, vaccine finance, and contract law.

The CGD working group's report, *Making Markets for Vaccines: Ideas to Action*, draws on the knowledge of a diverse set of experts from industry, governments and international institutions, law and economics. Under the plan rich countries and other donors would pledge to buy new vaccines for diseases such as malaria, tuberculosis, and HIV/AIDS, strengthening the incentive for companies to invest in R&D.

Because such incentives are lacking, only a tiny fraction of the billions of dollars invested in pharmaceutical R&D goes to vaccines against the diseases that mostly kill poor people. But vaccines are cheap, safe and effective. Existing vaccines developed for rich countries, such as those against polio, whooping cough and diphtheria, protect three-quarters of the world's children from these diseases, saving three million lives a year.

### **Three Billion Dollars Per Disease**

The report found that a market of about \$3 billion is needed to create incentives for companies to develop a new medicine. For example, sponsors could commit to underwriting a price of \$15 per treatment for a malaria vaccine for the first 200 million treatments. At this price, the advance market commitment would be a bargain compared with many other development expenditures. Similar commitments could be made for TB, HIV and other diseases.

“This approach unleashes the same market incentives that have been so effective in improving the health of people in rich countries,” said Nancy Birdsall, president of the Center for Global Development. “And it ensures that once a vaccine is developed, the funds will be there to get the vaccine to the people who need it.”

An advance market commitment also could speed delivery of recently developed vaccines. For example, vaccines for pneumococcal infections and rotavirus exist but with current incentives are unlikely to be widely available in developing countries for at least ten years. Each year the two diseases kill approximately two million children. An advance market commitment would stimulate companies to manufacture enough doses to meet the needs of the developing world.

### **Practical Support for a UK G-8 Proposal**

The report builds on a proposal by Michael Kremer, a Harvard professor and CGD fellow, to use market incentives to speed delivery of vaccines for developing countries by providing crucial details such as the size of the market guarantee needed to spark fresh R&D, and examples of the types of term sheets that sponsors would need to make a legally binding advance purchase commitment.

These details provide a practical underpinning to a proposal recently put forward by the United Kingdom in its role as current president of the G-8 group of high-income industrialized countries for consideration at the G-8 summit in July.

UK Prime Minister Tony Blair has praised the report as “policy analysis at its best: realistic, evidence-based and focused on the world's most pressing challenges.” Leaders in developing countries have also endorsed the proposal, among them Ethiopia Prime Minister Meles Zenawi and South African Finance Minister Trevor Manuel.

The CGD working group that prepared the report was chaired by Ruth Levine, a senior fellow and director of programs at the Center for Global Development; Kremer, a pioneer in the theoretical work on advance market commitments; and Alice Albright, chief financial officer of the Vaccine Fund, whose mission is to provide lifesaving vaccines to millions of children around the world.

The working group’s activities were supported by a grant to the Center for Global Development from the Bill & Melinda Gates Foundation.

Speakers at the launch event on April 7 will include Rick Klausner, executive director of global health at the Bill & Melinda Gates Foundation; James Greenwood, president of the Biotech Industry Organization; Mark Feinberg, vice president for policy, public health and medical affairs at Merck & Co., Inc; and Melinda Moree, director of the Malaria Vaccine Initiative.

Further information about the report, vaccines and development in general, is available at <http://blogs.cgdev.org/vaccine> , a Blog by CGD senior program associate Owen Barder. Barder is also a lead author of the working group report, together with Levine and Kremer.

The report launch will be held at the Washington offices of Covington and Burling, a law firm that provided *pro bono* assistance to the CGD in the preparation of term sheets for an advance market commitment. Covington and Burling’s areas of expertise include technology and intellectual property rights.

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