

## **GUNTHER FABER**

### **WTO/WHO PRESENTATION: OSLO, 9 APRIL 2001**

GlaxoSmithKline is determined to play its full part in improving access to medicines for the world's poorest people. The company is acutely aware of the unacceptable situation that many people in developing countries do not have ready access to basic healthcare services, including safe and effective medicines. The company is involved in many initiatives to improve health in the developing world, including tackling major killers such as HIV/AIDS, malaria and TB. Both GlaxoWellcome and SmithKline Beecham had a history of addressing developing world diseases in terms both of the R&D they undertook, and the efforts made to improve access to existing medicines

GlaxoSmithKline makes very significant investments in researching new products to prevent and treat developing world diseases. The company has extensive research programmes in to both the prevention and treatment of the three diseases that are the focus of international efforts – HIV/AIDS, malaria and TB. It is the only company working to develop vaccines for all three diseases. GlaxoSmithKline also has a dedicated specialist team within the company working on treatments for tropical diseases, with programmes to develop anti-malarials, de-worming agents, and antidiarrhoeals. Many of the development programmes for these drugs and vaccines involve external research collaborations which are essential to bring together the expertise, the development capacity and the funding required to take these important projects forward.

Both GlaxoWellcome and SmithKline Beecham have a history of offering lower prices for a range of medicines for use in developing countries. Our CEO Dr Garnier has made clear the company's commitment to extending its programme of differential pricing in a sustainable way that ensures continued supply of products to the developing world, and that maintains the revenues that enable continued investment in vital R&D. To do this we need a framework that embraces 3 principles

- Partnership with MLAs, NGOs, governments to ensure products are used appropriately and effectively by the patients for whom they were intended
- Products are prevented from diversion in to higher priced markets where we generate revenue to fund future R&D
- Developed world governments do not use prices offered in the developing world as a benchmark for pricing in their countries.

Most significantly our offer of differential pricing has covered vaccines and anti-retroviral therapies for HIV/AIDS. I have been asked to explain the conditions that enable us to offer these low prices.

Firstly, the company is a leading provider of vaccines to the developing world, and has been offering very substantial discounts to governments, charities and agencies for public health programmes for nearly 20 years. Security in the vaccines distribution chain is afforded largely because of the nature of the product and how it is administered. Vaccines are purchased by UNICEF, multilateral agencies and charities, and vaccination programmes

tend to be operated in partnership with these organisations. The vaccines are purchased outside the destination countries and then distributed and generally administered free of charge within the destination countries by the agencies or charities as part of national immunisation programmes. There is, therefore, no commercial basis from which to divert the product to higher priced countries, other than a relatively small incidence of theft and smuggling, because the vaccines do not enter the commercially driven distribution chain. Additionally, the requirements for refrigeration throughout the distribution chain, and for medical staff to administer the vaccination, add to the level of control.

Secondly, we offer our anti-retroviral therapies for HIV/AIDS at significantly discounted prices. GlaxoSmithKline is one of five companies offering low price anti-retrovirals as part of the Accelerating Access Initiative (AAI). This aims to accelerate sustained access to appropriate interventions for the prevention, care and treatment of people living with HIV/AIDS. AAI is a partnership between the pharmaceutical industry and five UN agencies, which works with governments to ensure appropriate treatment of patients, both in terms of their overall health care and their use of drugs.

In brief, by participating in the Accelerating Access Initiative, national governments draw up a national treatment plan with support from UNAIDS. This plan addresses all aspects of prevention, care and treatment of HIV/AIDS patients, and may include plans for treatment with GlaxoSmithKline's anti-retroviral drugs. If it does, it will cover details of how the products will be stored, distributed, transported and used within clinics.

Each plan is shared with GlaxoSmithKline's local operating company. On the basis of their knowledge of the local environment and distribution practices in the country, they make a judgement on whether the security of the distribution chain is sufficient to minimise risk of diversion of product in to the private sector or for export. Our manufacturing and supply departments are always looking at ways to provide increased security in the distribution chain and differentiated packaging is an option that is being considered. However this does have significant cost implications and is not necessarily an effective way of preventing diversion. For example, we know that counterfeiters are expert at de-blistering and re-packaging products.

You will know that we have recently announced that the prices available through the AAI – which represent discounts of some 90% on world prices - are also being offered by GlaxoSmithKline to not-for-profit organisations that are able to deliver anti-retrovirals to patients in developing countries, including selling directly to aid organisations and UN agencies for use in their own programmes. Additionally the company is working with employers in Africa who offer HIV/AIDS care and treatment directly to their staff through their own workplace clinics.

In the case of both vaccines and anti-retrovirals made available through our programmes the three principles required in the framework are in place. The drugs and vaccines are delivered through partnership arrangements with governments, agencies or NGOs; the distribution chain is relatively secure so the product is largely protected from diversion; and

there is general acceptance that the heavily discounted prices available for these programmes will not be available to developed country purchasers.

We therefore welcome the support expressed by the European Commission, and the G7 at their meeting in Okinawa in December 2000, for the concept of preventing parallel trade or diversion of products to higher priced markets in return for wider application of differential pricing for developing countries. Although the full framework required to extend differential pricing does not currently exist, the company is working hard with all stakeholders to make products available at discounted prices while the framework develops.

We must acknowledge, however, that to make real progress in tackling access to medicines in developing countries, and particularly the HIV/AIDS pandemic, increased donor funding from the developed world is needed to enhance healthcare capacity and to facilitate the purchase of the anti-retroviral medicines. Even at such significantly reduced prices, the cost of many therapies and the associated health care infrastructure that is necessary to deliver this to patients is way beyond the means of many developing country governments. We therefore welcome the proposal of the UK government and others for establishing an international purchase fund. This will mean a consistent guarantee for purchase of vaccines and medicines. GlaxoSmithKline has already pledged to sell our anti-viral medicines at sharply reduced prices to such funds. However, while the pharmaceutical industry has a role to play in improving access, significant barriers exist, most notably poverty, inadequate public spending and weak healthcare infrastructures. These problems must be addressed as a shared responsibility by all sectors of society, including governments in both the developed and developing world, international agencies, non-governmental agencies and pharmaceutical companies.