

## ***WHO-WTO workshop on pricing and financing of essential drugs***

***Hosbjar, Norway***

### ***Equity Access to Life-saving Products***

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#### **Introduction**

I have been asked to talk about UNICEF experience in procurement of essential drugs and I will, in the next 10 minutes, try to link this to the topic for discussion during this meeting.

Since the middle of the 1980s, international prices of generic drugs have steadily decreased. This is partly as a result of individual government's increased interest in cost-containment and related interventions for decreasing national drug expenditure, parallel import, and partly as a result of a successful implementation of the Essential Drugs Strategy developed by the UN agencies through which more rational and effective procurement strategies have been promoted.

UNICEF was in the '80s the major international supplier of generic essential drugs and has played an important role in gaining acceptance of the essential drugs concept and the use of generic drugs. One can say the UNICEF Supply Division has paved the way for the present international wholesalers. UNICEF has largely relied on off-patent generic products acquired through open public competitive bidding inviting prequalified pharmaceutical manufacturers.

In the 90'ties UNICEF have focussed on essential supplies needed for national programmes supported by UNICEF. However, it has been clear that UNICEF Supply Division can play a role in making new essential drugs more accessible.

UNICEF has publicly stated that it is prepared to step forward as the lead UN agency in the procurement of HIV-related drugs on behalf of individual countries. This is in response to the widening offer of the Pharmaceutical Industry to significantly reduce prices on anti-retroviral drugs specifically for Africa. UNICEF has been associated with UNAIDS sponsors in this initiative to increase drug access in Africa during the past year. We have taken the lead in expanding the list of suppliers, including suppliers of generic products, as well as publishing indicative pricing of drugs.

**Key drivers of price reduction.**

It is our experience in the procurement of essential drugs that competition, the market size and potential share of this are the key drivers of price reductions. It is therefore important to consider creating a purchasing environment that allows for pooling of volume and for competition.

With single-source products this is obviously more difficult. Competition between products that can substitute each other can be considered. However, advocacy and negotiation with manufacturers and patent holders will be more the means to acquiring new drugs.

Obviously we must look at the problems facing us today however in doing so let us not lose sight of the potential problems of the future which should be addressed now. Let us try to keep competition in the picture for pharmaceutical procurement long term.

**Segregation of markets.**

UNICEF has in the essential drug area not had experience with segregation of markets - pooling countries of certain levels of GNP together. In the vaccine area, which already has been discussed by Jacques-Francois Martin, the segregation of markets via the banding strategy was used.

Should one wish to consider this in the context of drugs we would recommend focusing on having the same price in large geographic area. It is not practical to have large price differences in neighboring countries – this will only lead to leakage, parallel import and influx of patient seeking the drug treatment in the neighboring country. Let us recall that in fact patients in many cases are paying out of pocket for drug treatment.

I think that one in this context have to bear in mind the differences between vaccines and drugs. Drugs have in people's perception a much greater power

than vaccines. Drugs are seen to have a direct effect. Therefore their power and subsequently their value is different.

### **Differential marketing.**

One of the important questions for the pharmaceutical industry is how one avoids leakage into other markets with higher price. Here one could consider differential marketing as a tool. The manufacturers in creating the price differences existing in different markets already use this.

We have experience with differential marketing in relation to donation of drugs to UNICEF intended for certain countries. The product can differ in terms of marks on the tablet from compression, labeling and packaging. The visual physical difference in the tablet or capsule is the most important as re-packaging always is a possibility for middlemen or counterfeiting.

Perhaps one should consider further if differential marketing is a way forward to introduce differential pricing for products which have a well establish market in the North but also are needed in the South.

### **Voluntary licensing.**

Other mechanisms for increasing access include the voluntary licensing already mentioned by several speakers. Voluntary licensing is specifically relevant for countries with strong local pharmaceutical manufacturing capacity.

We believe we would have to make use of a mix of mutually supportive strategies to address the needs of the very different countries coming forward for assistance on the access issues. Furthermore, to ensure that there will continue to be new products for tropical diseases.

### **Incentives to industry.**

There can be many incentives to pharmaceutical manufacturers for engaging in differential pricing or straightforward price reductions. However I would mention only two.

- Gaining access to markets not considered by companies when preparing their marketing strategy because these were considered to be poor markets

For products which are well established in affluent countries and the cost of R&D therefore is covered gaining access to additional markets can be an incentive. Developing-country markets are considered relatively small at the moment. With the potential of additional funds for communicable diseases this may change.

New products may be introduced into markets that would otherwise have taken years for the pharmaceutical industry to establish.

- Public image

Public image is an important aspect in today's world. The value of this should not be underestimated.

In conclusion I would like to say that UNICEF would be able and willing to work with other partners including the pharmaceutical industry on introduction of new essential drugs. We don't consider these only for use by children and woman, which we specifically wish to support. We consider these drugs to be of benefit to all - but we want to ensure that woman and children are not the last in line to receive these new treatments.