

**Biotechnology Industry Organization (BIO) and the Bill and Melinda Gates Foundation -
Morning Plenary
December 5, 2002**

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SALLY: Well, it is a pleasure and a privilege for me to introduce a friend and colleague, Dr. Richard Feachem this morning, who I think will be able to share some really interesting experiences of late. I've known Dr. Feacham for a long time. He's worked in international health for over 30 years. And I think my friendship with him dates back to when he was dean of the London School of Hygiene and Tropical Medicine. After that, he spent several years at the World Bank as the director for Health Nutrition and Population. And not long thereafter, he was the founding director of the Institute for Global Health that many of us know in the -- on the West Coast. He's thereby helped us move the center of gravity and international health westward. The -- so it's good to have co-conspirators on the West Coast.

However, the -- not long thereafter, escaped to take on one of the most courageous and cosmic undertakings of all time as the executive director of the Global Fund for AIDS, TB and malaria. And I think since he's taken that job on, he has new experiences that -- and new perspectives that I think he'll be sharing with us today. There is no one other than this man who I think has the vision, the understanding of things global and global public goods that he has. And so, I think he is really uniquely qualified to take on the leadership of this very important global effort. All right, thank you.

[applause]

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RICHARD FEACHEM: Well, good morning, ladies and gentlemen and thank you very much, Sally, for that very kind introduction. I hope I can live up to those expectations.

When I first heard about this meeting, I thought it must be a great mistake to hold a gathering of this kind in Washington, rather than in California. And I'm now absolutely sure it was a great mistake, but I'm glad we've all managed to gather here, despite the weather. There are many infectious diseases in the world which many people in this room grapple with scientifically on a daily basis. But among those many infections, there are three that have two special characteristics.

Firstly, they are global in their reach and their impact. And secondly, they are getting worse and have been getting worse for some time. And those three infections are, of course, malaria, tuberculosis, and HIV. But malaria, as many of you know, the heartland in Africa and Malanesia [Misspelled?] is deteriorating steadily. And that's also the case elsewhere, the malaria picture gets steadily worse in many parts of the world.

It's spreading to previously eradicated areas, such as the central Asian republics. It's getting more intense in its heartland areas. And of course, it's moving uphill and affected populations at higher altitudes. In the most malarious [Misspelled?] countries in Africa, and there are many

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of those, a quarter of all under five year old deaths are caused by malaria. And if you visit villages and talk to mothers, what worries them is malaria, and those telltale feverish signs that can lead so quickly to an infant or young child death.

But tuberculosis also, of course, [unintelligible] worsening situation made more frightening by the emergence of multiple drug resistance. And much of [unintelligible] parts, TB control and the future cost of TB fails to take into account its relationship with the HIV epidemic, and the way that the HIV epidemic is driving the TB epidemic. I think that's particularly true of some of the estimates of tuberculosis in India, where the unfolding HIV catastrophe in that country is not fully taken into account.

And that brings me to the HIV pandemic. And it's fashionable in these kinds of [unintelligible] it's something like they don't need to tell you how bad it is. But I think the opposite is true. I think we do need to tell each of us how bad it is. And we need to keep saying this because we really haven't got it. We haven't got it in San Francisco. We haven't got it in Brussels. We haven't got it in Washington. We haven't really realized how bad this is. And we're still putting out reports that minimize and underestimate the true magnitude of the HIV disaster.

It is by far the largest human catastrophe in recorded

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human history. It's already worse than anything else we're aware of. And the word already is very important, because this is 2002, and the HIV pandemic is not going to peak before 2050 or 2060 if we continue to do as little as we're doing at the moment.

The African manifestations of this pandemic are relatively well appreciated. It's worst areas in southern Africa, where we commonly find 30 to 40 percent infection rates in the 15 to 40 years age group. We find it massively destabilizing for families, communities and societies. We find two African heads of state, who have predicted that this virus will bring their country to an end, that it will bring an end to an orderly nation-state.

Why do they think that? Well, for many reasons. For example, there are countries where HIV is killing schoolteachers at twice the rate that schoolteachers are being trained. You don't have to continue that for very long to find your education system has collapsed. And if you're education system has collapsed, you have no future. And of course, the African epidemic has got a long way to go. We are not close yet to the peak of the African epidemic, and that's true both in the high prevalence countries, and in the so-called new wave countries that the recent CIA report drew attention to, which in Africa include Nigeria and Ethiopia. The epidemic has got a long way to go in those countries if we continue to do as

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little as we are currently doing.

But on top of this very, very dismal situation, comes the Asian shift of the epidemic. The epicenter of the epidemic is moving relentlessly to Asia. And India is the country to watch and worry about. India alone will have between 20 and 25 million infected people by 2010. India and China, just two countries, will have half of all the world's infected people by about 2012.

The impact on India alone is going to be absolutely devastating. India is on an African trajectory. It's just about 15 years behind Africa. There is nothing going on in India today that's going to seriously attenuate that future, attenuate that epidemic, prevent that worse case scenario happening. The investment by the Indian government, both federal and state in preventing this disaster from unfolding is pathetic in its scale. And India remains, as does China, in a state of semi denial, where the true magnitude of the unfolding epidemic is not recognized by the leadership in government, by the leadership of the corporate sector, by the leadership of the great faiths, or by other opinion formers in those societies.

I was recently in Japan. Japan, like many other wealthy countries, finds it relatively easy to feel isolated and relatively untouched by this unfolding disaster. But when you speak about the potential magnitude of the epidemic in

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China, then Japan wakes up. This seems to bring a tidal wave of disease and death to their doorstep.

And so in the face of this, our response is looking pretty inadequate today if we examine it critically. We collectively are doing far too little. And we're doing it far too late. History will marvel at the serial denial that we've been going through. Country after country, despite knowing exactly what has happened in other parts of the world, says it can't happen to me. We can't have a large epidemic. We can't be as bad as those people over there. This is a foreigner's disease. This is a disease that cannot penetrate our culture. We are culturally immune in some way.

And that mistake is made time and time again. It's still being made in some African countries. And it's very strongly being made in Asia today, with a few remarkable exceptions, such as Thailand.

Into this rather bleak landscape and rather critical moment in history is born the Global Fund, to fight AIDS, TB, and malaria. A new very innovative experiment in large scale financing of global public goods, in this case, the fight against these three global epidemics. It was born out of the urgings of Kofi Annan to create a large fund to invest in HIV prevention and treatment primarily in Africa. It was picked up by the G-8 and discussed in detail in the year 2000 of the G-8 summit in Okinawa. And then at the next G-8 summit in Genoa in

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Italy in the middle of 2001, less than two years ago, the decision was made to create a global fund to fight AIDS, TB, and malaria.

The Global Fund got underway in Geneva in January of this year. We are 10 months old. Last Sunday was the first World AIDS Day that the Global Fund has lived through. We are still in our infancy. And it was launched in Geneva with a tiny group of people and a temporary office, where the phones didn't work, and the computer systems went down every five minutes with a capitalization of \$2.2 billion, and a mandate to make the world a different place.

Since then, a lot of people from many different backgrounds have worked very hard to make the Global Fund a reality, and to try and bring it to the fulfillment of its promise and the expectation that the world has in what it can do. And what it can do with many partners, including everyone in this room. Where are we today, 10 months into the life of this new organization?

Well, we've approved the first round of high quality proposals, coming to us from NGOs, from private companies, from governments, from all sources, we've approved 55 programs in 40 countries in our so-called first round. And those approvals equal a commitment to spend \$616 million over the next two years, and \$1.5 billion on those programs over the full five years for which the programs are designed.

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The efforts of the Global Fund have been focused on turning those financial commitments to those 55 programs in those 40 countries into the actual flow of dollars, getting the money to where it's needed, getting the money to the organizations that can use it effectively, and doing that in a way that is both light, not onerous, not unnecessarily demanding on the recipients, but also is accountable and has the ability to know when anything is going wrong, in order that the flow of funds can be slowed or turned off.

As you've probably read in the papers in the last 10 days, we've signed our first five grant agreements, two in Ghana, two with Haiti, and one with Tanzania. We're about to sign two grant agreements in Sri Lanka in the next day or two. Money will begin to follow the signing of those grant agreements. And between now and the end of January, we will be rolling out our financing to the other 36 countries in the first round.

Meanwhile, we've received the second round of proposals, much improved in quality and also much expanded in the volume of those proposals. We've made our technical judgments on the second round. And those recommendations go to our next board meeting, which is at the end of January. That will greatly increase the level of our financial commitments and also the number of countries with which we have active relationships. And we're probably bring our list of active

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countries from 40 to 85.

Roughly 60 -- 65 percent of the money so far is being allocated HIV. And the remainder divided roughly equally between TB and malaria. The money is going to all regions of the world. Mainly to the least developed countries, also to other [unintelligible], and in some cases, to low and middle income countries, to all parts of the world. And money is going to [unintelligible] interventions, anything that is within the scientifically recommended arena of good practice [unintelligible] financed by the Global Fund.

We're often asked do we [unintelligible] or treatment? And the answer is yes, we emphasize both of those. And the funding is going to all manner of interventions that can make the difference [unintelligible] and HIV. And in the case of HIV, we don't think there is any choice between patient and treatment. We think countries have to do both. The difference, country by country, is in the balance of the priority for prevention and treatment, depending on the state of the epidemic in those countries.

We've recently issued a financial prospectus that shows in detail our expectations of rates of disbursement over the next several years. And those rates of disbursement rise steadily to a figure of \$10 billion per year in the year 2007. So our calculations tell us that to do the job we were set up to do, we will have to move our level of expenditure up to the

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region of \$10 billion per year by the year 2007.

That is a very large investment. That's a very rapid scale-up in a completely new financing mechanism, but we believe that without that, the turning of the tide of these epidemics, and particularly HIV/AIDS cannot be seriously contemplated.

When we talk about those sums of money, \$10 billion, some people react, that's very large. That's pie in the sky. You won't raise those revenues. To which we react and others react, it depends what you're comparative yardstick is. Compared to what is that a large amount of money? Well, there's some quite simple answers to that question. Compared to traditional aid budgets, traditional development assistant budgets, \$10 billion a year or even \$5 billion is a substantial sum of money. But compared to other things, it isn't.

Let me give you three things that it's not a large sum of money in relation to. One is the scale of the HIV pandemic and the global devastation and insecurity that it's going to cause. I met again with Colin Powell on Tuesday of this week. And he yet again repeated to me, and in a large public gathering in the State Department, that in his view, HIV/AIDS is a far bigger challenge to the world than terrorism. And that coming from that particular leader of this particular government is a very, very striking pronouncement, I think. And I think he's right.

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So in relation to the magnitude of the crisis, I don't think \$10 billion a year is a large sum of money. If we have a war with Iraq, it will cost \$100 billion at least. So we might make that comparison. We might compare it with health expenditure in wealthy countries. The citizens of the United States in the current year will spend almost \$1.5 trillion, \$1,500 billion on their own health. I'm one of them. I don't begrudge that expenditure, but in relation to that expenditure, a few billion dollars to confront these huge pandemics does not seem to be an out of line number.

Of this disbursements, which we are beginning to make, and which will rise steadily in the years ahead, roughly 40 percent on our current estimates, we can't know this exactly, but on our current estimates, roughly 40 percent will be spent on drugs, diagnostics, and other medical products. The Global Fund has recently approved drug procurement policies, which rest on four principles, and I think represent an enormous breakthrough in the last two or three years of warfare, that's been going on between various interest groups on the matter of access to drugs, and particularly access to newer patented drugs, where intellectual property is held.

The four purchasing principles that the Global Fund has adopted by a board that contains all shades of opinion on this matter are firstly, competitive tendering to allow the market to work properly. Secondly, lowest price to allow the Global

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Fund's dollars to buy the maximum amount of treatment.

Thirdly, assured quality, to make sure the Global Fund is not hurting those that it is designed to help and that the drugs procured are of internationally certified and consistent quality. And fourthly, conformity with national law and international treaty. And we could have a seminar for several days on the meaning and interpretation of that fourth requirement, conformity with international law and international treaty.

But for those of you who are following closely the WTO trips Doha, Sydney process, you will know that that landscape of agreement and consensus around the freedoms provided by Trips, and what low income countries can and cannot do, and what low income countries with no manufacturing capacity themselves can and cannot do, you'll be aware that that landscape of agreement is changing very rapidly.

And in fact, for least developed countries, and specifically for TB, malaria and HIV, the prospect of a very open market in which generic manufacturers can compete on price and quality with highly discounted products increasingly being offered by the major research based companies from the north. But that market is increasingly opening up as a result of the Trips Doha process.

Interestingly on that note, the effects of the Global Fund as a large pull mechanism, a large piece of purchasing

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power in the global marketplace that didn't currently exist, a purchasing power that is dedicated to purchasing on behalf of those who cannot purchase for themselves, either because they are too poor, or because the governments of the countries in which they live are too poor, or typically both of those things. The Global Fund's arrival on the scene as a large new element of purchasing power has already affected the global marketplace in some interesting ways.

I'll give you one example. One of the major northern drug companies which has a variety of products in the three diseases that we are tackling, has recently announced far deeper discounts, far more broadly applicable than previous discounted schemes allowed. So the cost of the products has fallen further, and the number of countries that can access those very deeply discounted products has been expanded from a shorter list of very low income countries to a much broader list of all countries in receipt of finance from the Global Fund. That is a huge broadening of the scope of access to these heavily discounted prices.

And I think we'll see more of that. I think we'll see more effect of the Global Fund in influencing the global marketplace. But let me conclude with a few remarks about the main focus of this conference and the biotechnology industry. I think nothing could illustrate better the need for massive investments in research and development to bring us better

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drugs, better diagnostics, and vaccines than tuberculosis, malaria, and TB. If you pause for a moment to think of those three diseases, then three big messages come across very quickly.

On the drug side, we've got drugs that vary from okay to pretty lousy. We don't have really decent drugs for any of those diseases. And we have no drug that will cure HIV/AIDS. On the diagnostic side, we need many better, quicker, more robust tools. And on the vaccine side, of course, we don't have anything that works. And we desperately need vaccines for all three diseases.

And these new products will only come out of massive investment in research and development. That massive research -- that massive investment in research and development I believe will be substantially from the biotechnology industry, as well as from big Pharma. And I think that needs to be the case. And I'm excited and heartened by the increasing interest that we see in the biotechnology industry towards these kinds of products and these kind of research investments. And it's going to be driven by several incentives. One, of course, is the preservation of intellectual property rights and the guaranteeing of reasonable returns on investment. And I think working hard to make sure that that remains the case is very important.

A second major factor in the incentive environment I

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believe is the conviction through the reality that new product brought to the market, as a result of expensive R & D, will actually be purchased on a large scale and used on a large scale. Now this has not been the case for some neglected products and for some neglected diseases hitherto. And it's been easier for the industry to say with good justification, well, where is this heading because other products brought to the market are not widely purchased and are not widely used.

I think the beneficial impact of the Global Fund in this arena will be to dramatically change that situation. And in the case of TB, malaria, and HIV, to send the message, which is not a pious hope, but is a visible reality and practice that new products that are effective, be they drugs, diagnostics or vaccines brought to the marketplace in the arena of TB, HIV, and malaria, will be purchased on a large scale and used on a large scale, and put to the benefit of the hundreds of millions of people worldwide who suffer unnecessarily from these terrible diseases.

Thank you very much. It's a pleasure to be here. And I wish you well for the rest of the conference.

[applause]

MALE SPEAKER: Okay, we're going to offer you a five minute break. And we're expecting you to be back in 10 minutes.

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