DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 17, 1999

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COMMENTS:

As we discussed, here is the language we are planning to send in response to POTUS' request for more information.

Please let us know ASAP if you have any concerns or suggestions.

Attachment

December 17, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Lawrence Summers

SUBJECT: **Encouraging the Development of Vaccines**

This memo responds to your request for more information about the vaccine proposal noted in our weekly report. This proposal is being considered by an interagency group including OSTP, OMB, NSC, NEC, HHS and Treasury and is still in the development stage.

This proposal responds to your commitment to the United Nations that the United States make a concerted effort to improve the development and delivery of vaccines to developing countries. The proposal also supports our overall strategy for global development, which gives a central role to "global public goods" – like health or the environment – in which positive actions taken in one country benefit other countries as well.

Rationale for U.S. Government Involvement

There are several reasons for the U.S. government to consider launching this initiative now.

- First, because infectious diseases pose a mounting social and economic burden on developing countries, causing almost half of all deaths worldwide of people under age 45. These deaths include some 3.5 million from respiratory infections, 2.3 million from AIDS, 2.2 million from diarrheal infections, 1.1 million from malaria, 0.9 million from measles, and 1.5 million from tuberculosis.

- Second, because poor countries lack the resources to pay for vaccines, which makes pharmaceutical companies fear that the market for vaccines would be too small to justify the substantial costs needed to develop, manufacture, and sell them. We can help to encourage public and private commitments to purchase future vaccines and so help establish this "missing market."

- Third, because improved health in developing countries will safeguard America's future as well as theirs. In an interconnected world, health crises in other countries are a threat to us all, as we have seen with HIV/AIDS, with the resurfacing of tuberculosis, and with the outbreak earlier this year of West Nile-like encephalitis in New York.

- Fourth, because vaccination is one of the most cost-effective ways to improve the wellbeing and productivity of the poorest countries – and the developed nations have the scientific and technological capacity to make new vaccines possible. Recent work on the human genome will open vast possibilities.

- Fifth, because we can capitalize on heightened international interest in vaccines following the efforts of the G-8 and the Global Alliance for Vaccines and Immunizations (or GAVI, a collaborative effort of UNICEF, the World Health Organization, and others). Several days after the State of the Union address, GAVI will officially announce a contribution of $750 million by the Bill and Melinda Gates foundation. So, by acting now, we could help catalyze the maximum amount of public and private funds.

Proposal

The interagency group is considering a proposal with the following elements.

1. A new financial commitment to purchase and deliver vaccines in poor countries.

   - Contribute $50 million to GAVI's existing purchase fund from the FY 2001 budget, to demonstrate our commitment and encourage other governments to join. (Note: No Cabinet Secretary has proposed this item in their budget or as part of their settlement.)

   - Call for the creation of a Millennium Trust Fund, which would combine public and private resources to ensure that vaccines for AIDS, malaria, TB, and other killers will be purchased when they become available.

2. Steps to accelerate research and development effort.

   - Increase funding for basic research on disease that affect developing nations, particularly on malaria and TB, at the National Institutes of Health.

3. Increase the investments that poor countries make in their own health, which are as central to economic progress as investments in education and physical infrastructure.

   - Call on the World Bank and other multilateral development banks to earmark an additional 5 to 10 percent of their lending to poor to expand immunization, to prevent and treat common diseases, and to build competent and corruption-free delivery systems for other basic health services. This action would build on the new focus on basic health services that we have supported as part of the Highly Indebted Poor Countries (HIPC) debt initiative.