Incentives for research and development

In order to increase the engagement of industry, financial investment risk needs to be reduced – whether by actions that reduce costs or increase potential future revenues. There are two types of mechanisms that can achieve this, the so-called push mechanisms and pull mechanisms.

Push mechanisms provide financial incentives to reduce the costs of research and development, e.g. through provision of subsidies or tax credits. Pull mechanisms provide financial incentives to increase the revenues of medicines produced by research and development, e.g. by creating a market for these products or providing tax credits on their sales.

PUSH mechanisms reduce costs
- Subsidies for research
- R&D tax credits
- Liability protection

PULL mechanisms increase revenue
- Market guarantee mechanism
- Tax credits on sales
- Intellectual property incentives

A number of innovative finance mechanisms have been proposed and discussed to enhance the attractiveness of markets. A few are even partially implemented by national governments and institutions: the International Finance Facility initiated by the UK Government and the airline tax scheme UNITAID by the French government. Finally, four European nations, along with the Bill & Melinda Gates Foundation, are leading efforts to launch advanced market commitments for vaccines – a unique way to guarantee a fair price to companies that successfully produce vaccines for countries with limited resources in Africa, Asia and Latin America.

It should be noted that none of these new incentive mechanisms for industry has included the financing of AIDS vaccine R&D, nor the financing of other early-stage vaccine development efforts. Such mechanisms are needed to promote innovation and support investment in research for better drugs, vaccines and diagnostic tools to use in the fight against poverty-related diseases.