ADVANCE MARKET COMMITMENTS

GAVI ALLIANCE
The new vaccines pipeline can prevent these deaths

Note that the halos represent deaths current deaths being averted, and solid circles represent deaths estimated to occur.

Traditional EPI

Part of routine immunization and in existence for many years

Underused Vaccines – GAVI’s Focus

Future

Vaccines not yet available

Vaccine Development Pipeline
Package of solutions

- Buying products (e.g. GAVI Fund)
  - Improves market for existing products
  - Strengthens delivery systems
  - IFFIm – long-term contracts

- Prepare for future products
  (e.g. ADIPs, WHO & UNICEF)
  - More demand
  - Better forecasting
  - Supply commitments

- Invest public resources in R&D
  - Product-development PPPs
  - “Enterprise” for scientific collaboration

**Missing:** market for future products
Funding the pipeline

Discovery & Research
Clinical Development
Licensure
Capacity Investment
Supply

Medicines for affluent countries
Medicines for poor countries

Health R&D for affluent countries
$106 billion

Health R&D for poor countries
$8 billion

Private investment to complete the pipeline
Product Development Cycle

Cumulative investment

Decision gate: Probability of a market return?

- Manufacturing capacity scale-up
- Efficacy trials (phase III)
- Primate/early clinical
- Research/pre-clinical

Low probability of market return

A disincentive to invest

Elapsed time (years)

Cumulative investment

Source: Mercer Management Consulting analysis

December 2006
What is an AMC?

Problem:
- Small, risky, and unpredictable markets lead to under-investment in products of importance to the developing world.
- Industry’s investments in development/capacity determine what products are available, when, and to whom.

Solution:
- Assurances of a future market as incentive for more timely investment by industry
- Provide credible commitments to guarantee future financing for priority vaccines – before funds are needed to purchase doses
- Only use funds – and buy vaccines – if there are results

Source: UNICEF
Previous vaccine prices

New technologies reduce cost of production

New manufacturers enter market

Price declines over time

Marginal cost

pays for R&D
Two-stage pricing

Price

Guaranteed first stage price

Marginal cost

Developing countries buy at low price

Sponsors guarantee to top up price
Two-stage pricing

Guaranteed first stage price

In return, firms obliged to sell at lower long run price

Marginal cost

Developing countries buy at low price

Sponsors guarantee to top up price

Sponsors top up the price for a maximum number of treatments

$X total market

Price

Quantity (& time)
AMC: How it works

• Creation of a market for new vaccines is needed in poor countries (not a purchase guarantee)

• Donors commit up front to a specified market size and price for a target vaccine with set specifications

• Candidate vaccines become available once an Independent Assessment Committee determines if the vaccine meets specifications
AMC: How it works

• Countries demand the vaccine. Countries apply, donors subsidize vaccine purchase above co-payment.

• Post-AMC predictable supply and pricing ensures that when AMC funds are depleted, manufacturers provide vaccines at a sustainable price.
Framework Agreement Announced

• Independent Assessment Committee
• Product specifications set
• Guarantee terms set

First Vaccine Approved

• Companies sign on
• Contract binding on sponsors
• Optional for firms

Guarantee Agreement

• Price guarantee
• Manufacturing capacity
• Vaccines delivered

Second Vaccine Approved

• Second vaccine purchased

Commitment exhausted

• Suppliers provide vaccine to eligible countries at agreed lower price

Timeline
Market Incentives

- **Market entry:** Open to all players – multinational and emerging, biotechs and vaccine manufacturers

- **Competition:** Designed to sustain 2-3 firms to encourage adequate capacity and price competition

- **Continued innovation:** Designed to last 7-10 years to allow multiple products. Countries “demand” product that best meets their needs

*Source: UNICEF*
A pilot AMC

• A pilot AMC has been designed for pneumococcal vaccines to demonstrate
  1. the feasibility of the AMC mechanism
  2. its impact on accelerating vaccine development, production scale-up, and introduction.

• With its long term, sustainable impact, the AMC would prevent 500,000-700,000 deaths during the AMC itself and roughly 5.4 million deaths by 2030.