



The Pilot Advance Market Commitment for Vaccines

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What is an AMC?



Policy instrument (forward commitment) creating a viable market for a product (more lucrative and/or more certain)

Pulls:

commercial investment in R&D (innovation)
or in manufacturing capacity for target product


Aim: diffusion of new/existing technologies



The Pilot AMC Problem



Market for vaccines in low income countries

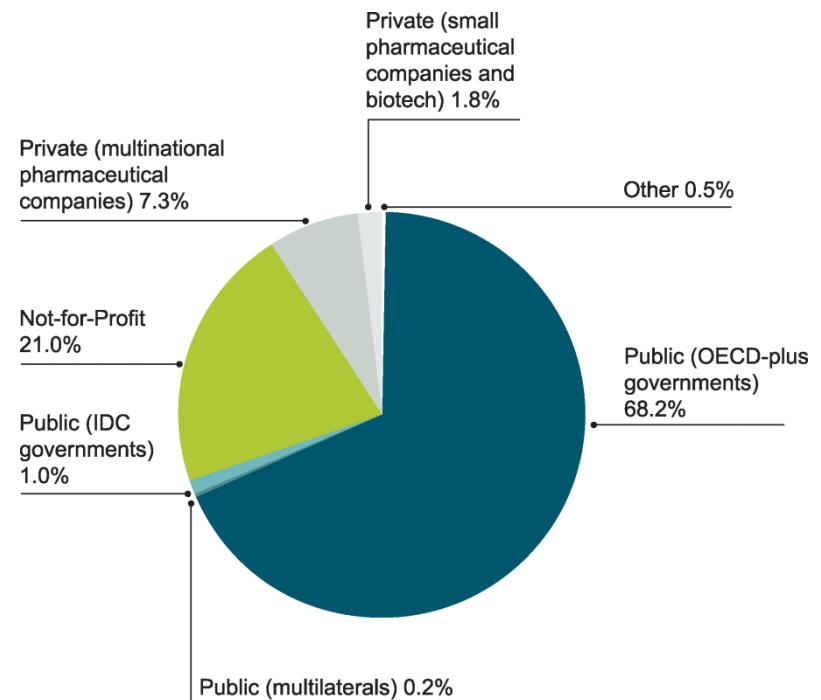
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- Few suppliers equilibrium, limited competition: high investment costs, high risk
 - High and indivisible capital investment costs: capacity decisions early in the process, cannot easily expand
 - Perceived demand risk

Companies do not generally take developing country demand into account when choosing vaccines to develop or when making decision on production capacity

Commercial Investment for Neglected Diseases

Little commercial investment to complement public resources

- Investment for R&D to prevent/cure diseases primarily affecting poor countries is limited: \$2.5 billion in 2007
- Many needed vaccines are not developed
- Existing vaccines do not meet developing countries' needs for formulation, presentation, storage, and packaging
- Existing vaccines are not available in enough quantities to meet demand from developing countries
- Lag of 10-15 years between the introduction of new vaccines in developed and in developing countries



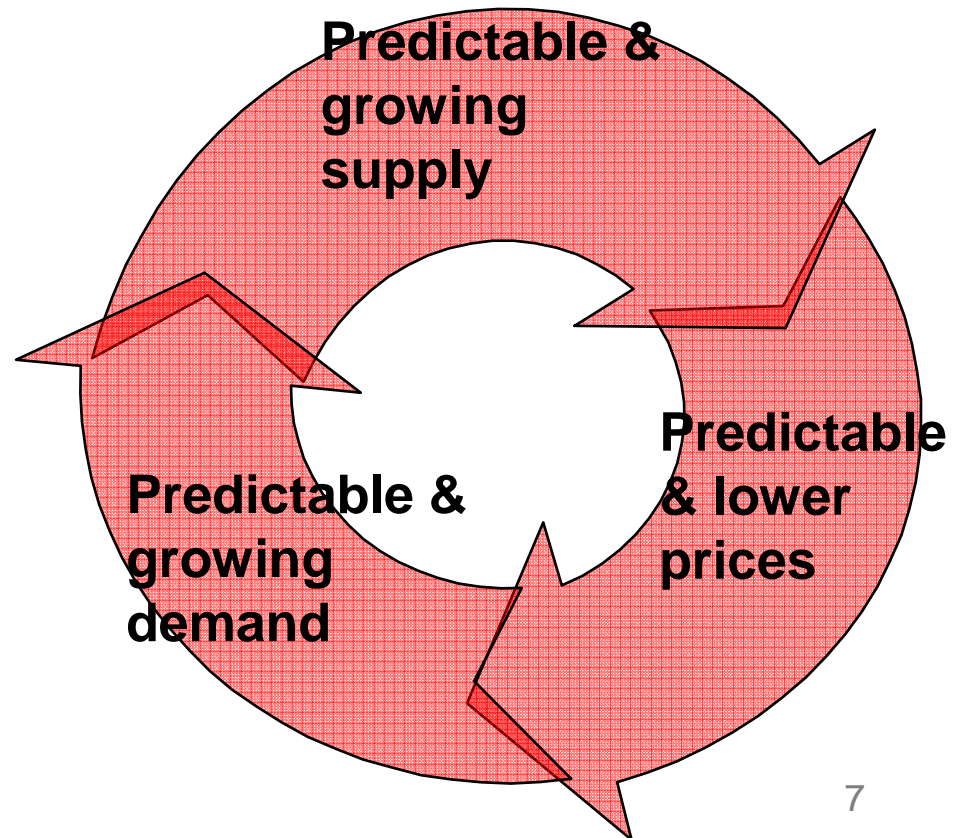
Source: G Finder Report 2008, the George Institute for International Health



The Pilot AMC Solution


AMC for vaccines

1. Ensures sufficient/predictable returns on investment - increased capacity for developing countries (or R&D)
2. Accelerates price decline & enhances prices predictability for recipients
3. Leads to predictable & growing demand





Pneumo AMC Structure



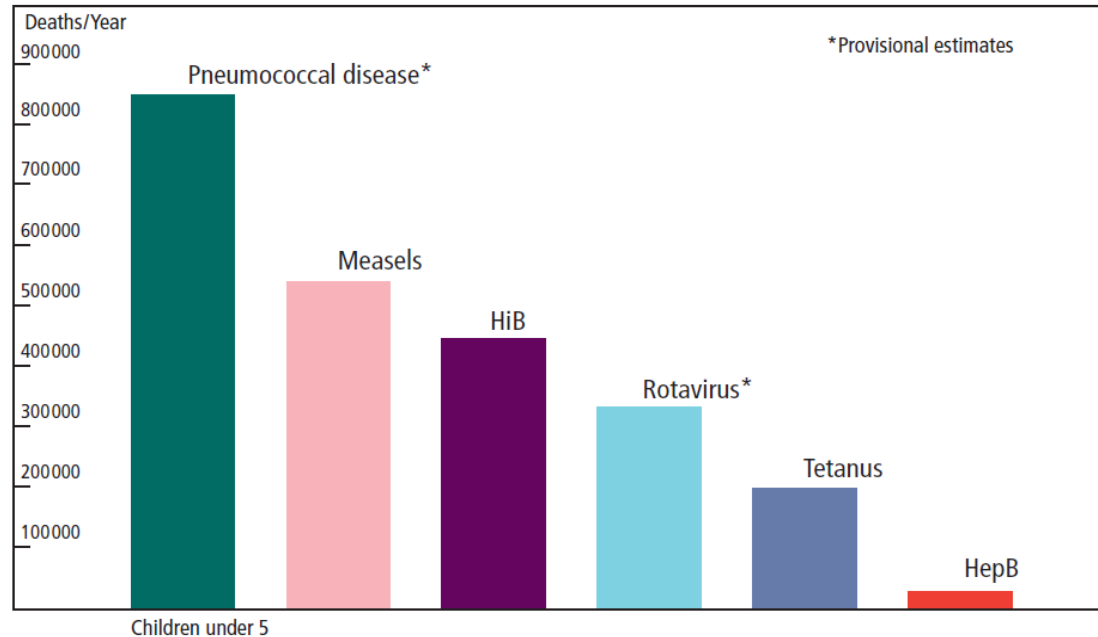
Binding commitment by donors (AMC Offer: \$1.5 billion) to support purchase of target vaccines for poor countries

Main features:

- **Price guarantee** up to a fixed number of vaccines – Guaranteed co-payments by AMC sponsors to top-up the price of vaccines paid by countries (and/or international agencies)
- An obligation on the producer to sell further vaccines in target countries at an **affordable price**
- Vaccines must meet as **target product profile**
- Vaccines must be **demande**d by developing countries
- Offer is to all manufacturers who compete to access funds

Pneumococcus

Leading Cause of Vaccine Preventable Death
in Children under 5 Years old



Source: WHO official mortality rates – June 2003


- High disease burden - High demand: 200M doses per year at peak
- Pneumo vaccines are likely to fit into existing delivery systems
- Limits of available health interventions
- Relatively easy to specify target product profile



Pilot: Results & Challenges



Results

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- High interest from manufacturers
 - If introduction in 2010, time-lag between developed and developing countries intro reduced to few months
 - Price decline: \$4.25 (average) per dose compared to \$71 in U.S.
 - Cost effective health intervention: \$33-36 per DALY, compared to \$100 benchmark
 - Planned evaluations
 - Too early to determine success – several years required to observe development of new vaccines, increased supply availability, accelerated uptake
 - Process/Design evaluation 2011
 - Impact evaluation every 4 years starting 2014



Challenges

- Difficulty in establishing prices and size of AMC: asymmetric info between companies and public sector funders; complex to estimate costs when product does not yet exist;
- Demand risk: GAVI requires new and multi-year predictable support to purchase pneumo vaccines
- The AMC as part of the solution: IP, market segmentation for differential pricing
- Very long time horizon – inflation, serotype replacement etc.
- Politics/Public perceptions - Subsidizing private sector (big pharma)
- Financial structure - Upfront legally binding commitments, long-term payment arrangements
- Trade-off between objectives: development of new vaccines and increased supply

