



**ADVANCE  
MARKET  
COMMITMENTS**  
*for vaccines*



# An innovative way to make vaccines available for children

Vaccines are proven tools against infectious disease preventing more than two million deaths globally each year<sup>1</sup>. Vaccines save lives.

Every year, however, millions of children continue to die from vaccine-preventable diseases. Most of these deaths are in the world's poorest countries. Many more lives could be saved if vaccines that are currently in development could be made available in developing countries.

There are many reasons why people in the developing world are not vaccinated. Sometimes, it is because vaccines against certain diseases have not been developed. In other cases, even though vaccines exist, they are either not optimal for use in developing countries, too expensive or manufacturers do not have the capacity to produce them in the vast numbers needed.



GAVI 08 / OLIVIER ASSELIN

**An Advance Market Commitment is a promise to children around the world that we will work together to protect them from diseases that currently threaten their lives and cut short their hopes for the future.**

Creating a new vaccine has huge scientific challenges, requires massive investment and can take years. Once a vaccine is produced, its sale normally allows a manufacturer to recover development costs. In the case of vaccines that are specifically produced for developing countries, however, industry has no assurance of recouping its investment because the vaccine market is perceived to be risky. Poor countries may not be able to afford prices sufficient to cover investment costs. Most importantly, developing country demand for any given vaccine is often unpredictable.

This situation has meant that there has often been a delay of 10-15 years from the time a vaccine is introduced in industrialised countries to the time it becomes widely available in developing countries<sup>2</sup>. Clearly, a new approach to making life-saving vaccines more available – and faster – to developing countries is urgently needed.

## What is an AMC?

An Advance Market Commitment (AMC) is a new approach to public health funding designed to stimulate the development and manufacture of new vaccines for developing countries. Donors commit money (AMC funds) to guarantee the price of vaccines once they have been developed. These financial commitments provide vaccine manufacturers with the incentive they need to invest in vaccine research and development, and expand manufacturing capacity. In exchange, these companies sign a legally binding commitment to provide the vaccines at a long term affordable price to developing countries.

Decisions regarding which diseases to target, criteria for effectiveness, price and long-term availability are made in advance. Developing country governments are thus able to budget and plan for immunisation programmes, knowing that vaccines will be available in sufficient quantity, at a price they can afford, for the long-term.

An AMC is an innovative way to give children in developing countries some of the same advantages as children in richer nations. It is a way to ensure that children in the developing world get:

- the RIGHT vaccine
- at the RIGHT price
- in the RIGHT quantity
- at the RIGHT time.

<sup>1</sup>WHO Immunisation Work: 2006/07 highlights. Available online: <http://www.who.int/immunization/documents/en>.

<sup>2</sup>WHO, 2003. "Selected vaccine introduction status into routine immunization". Available online: [http://www.who.int/immunization\\_monitoring/routine/schedule\\_analysis\\_2003.pdf](http://www.who.int/immunization_monitoring/routine/schedule_analysis_2003.pdf).

### **The right vaccines**

Many safe and effective vaccines already exist, but some of these need to be tailored for developing countries. For example, they may need to be adapted to protect against a particular disease strain that is common in a given region. In other cases, new vaccines are needed for diseases such as AIDS, tuberculosis and malaria.

AMCs encourage companies to develop and produce vaccines appropriate for developing countries.

### **The right price**

Developing countries have limited resources and many competing priorities to finance. Often they rely on aid assistance to purchase the vaccines they need.

A key objective of an AMC is to ensure that governments in developing countries are able to afford vaccines – not just in the short term, but in the decades to come.

### **The right quantity**

Countries in the developing world currently suffer from regular shortages of existing vaccines, and global manufacturing capacity is

insufficient to meet the future need for new vaccines. The AMC addresses this by incentivising companies to enter into long-term and binding supply commitments.

The AMC resources will be made available in line with developing country demand.

### **The right time**

An AMC accelerates the development of new vaccines for developing countries. Many companies have vaccines in various stages of development, but under the current system, it will take years for these vaccines to reach developing countries. An AMC spurs companies to develop new vaccines by creating a market for these vaccines once they are ready. It also guarantees affordable pricing for developing countries so vaccines can reach those most in need.

### **A sustainable solution**

An AMC creates the market conditions that make vaccine development and production for developing countries a worthwhile proposition. Once reliable markets are assured, and manufacturing capacity developed, market forces can be expected to sustain the system.

### **A safe investment**

An important and unique feature of an AMC is that donor funding is only paid if a company produces an effective vaccine at an affordable price and if it meets strict criteria set by an independent expert group. Most importantly, the vaccines are only purchased if countries demand them. Governments in developing countries will ultimately decide on the product that is right for them. An AMC will only pay for success.

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**“The AMC is an important step towards reducing health inequities between the rich and poor.”**

*Dr. Julian Lob-Levyt, GAVI CEO*



## The Pneumococcal AMC

Pneumonia is the single largest cause of death in children worldwide. Every year, it kills an estimated 1.8 million children under the age of five years, accounting for 20% of all deaths of children under five years old worldwide<sup>3</sup>. The most effective way to prevent these deaths would be to ensure that all children have access to a safe, affordable vaccine. The AMC for pneumococcal diseases has been developed to make appropriate vaccines available to developing countries sooner and to encourage these countries to set up pneumococcal immunisation programmes.

### A Global Partnership

In June 2009, the governments of Italy, the United Kingdom, Canada, the Russian Federation, Norway and the Bill & Melinda Gates Foundation launched the pilot AMC against pneumococcal disease with a collective US\$1.5 billion commitment (the AMC funds)<sup>4</sup>. In addition, GAVI committed up to US\$1.3 billion for the period 2010-2015 to help fund the cost of vaccines.

### Tangible results

The overarching goal of the Pneumococcal AMC is to reduce morbidity and mortality from pneumococcal disease by introducing effective and affordable vaccines in developing countries.

It is estimated that introduction of pneumococcal vaccine through the AMC will save approximately 900,000 lives by 2015 and over 7 million lives by 2030.

The objectives of pilot AMC are to:

- **Bring forward the availability** of effective pneumococcal vaccines – through scaling up of production capacity.
- **Accelerate vaccine uptake** – through predictable vaccine pricing for countries and manufacturers.
- **Test the AMC concept** for potential future applications.
- **Accelerate development** of new vaccines that meet developing country needs.

### Vaccine Price

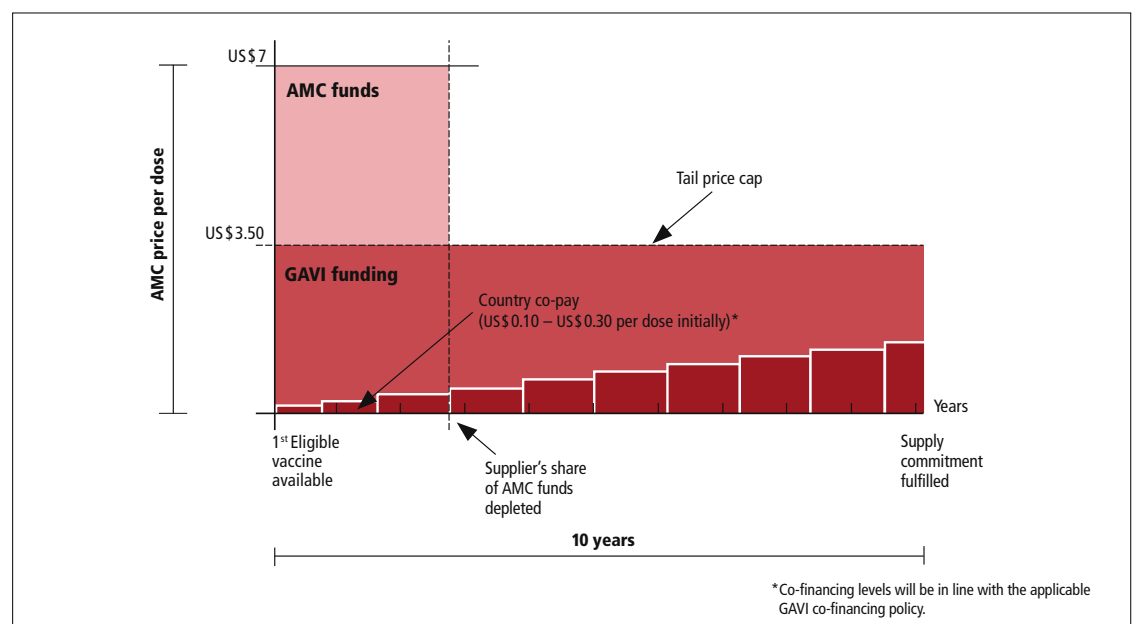
The vaccines made available under the pilot AMC will cost only a fraction of the price currently paid in developed countries. This will most likely produce an unprecedented savings of approximately 90% on average.

Manufacturers that take part in the AMC will sign legally-binding commitments to supply their vaccine for 10 years at a price no higher than US\$3.50 per dose to be paid by GAVI with a co-financing contribution paid by the developing country governments that use the vaccine. The country portion of this co-pay could be as little as US\$0.15 to US\$0.30 per dose and will gradually increase over the course of the AMC.

Companies will receive an additional payment of US\$3.50 per dose to add up to a total of \$7 for approximately 20% of the doses they provide. This top-up price is paid with the donors' commitments (AMC funds).

This additional payment is designed to encourage manufacturers to make the initial investment to expand their manufacturing capacity to supply the appropriate pneumococcal vaccines tailored to developing country needs.

### AMC funding sources



<sup>3</sup> UNICEF/WHO, Pneumonia: The forgotten killer of children 2006. Available online: [http://www.who.int/child\\_adolescent\\_health/documents/9280640489/en/index.html](http://www.who.int/child_adolescent_health/documents/9280640489/en/index.html).

<sup>4</sup> Donors contributions: Italy (US\$635 million), UK (US\$485 million), Canada (US\$200 million), the Russian Federation (US\$80 million), Norway (US\$50 million), The Bill & Melinda Gates Foundation (US\$50 million).

\*Co-financing levels will be in line with the applicable GAVI co-financing policy.

Through the AMC, developing countries will have access to life-saving pneumococcal vaccines at least 10 years sooner.



WHO / JONHATAN PERUGIA

### Stakeholders in the Pilot

- **The AMC donors** provide binding financial commitments.
- **The GAVI Alliance Secretariat** provides operational, administrative and financial support to the AMC.
- **The International Bank for Reconstruction and Development (IBRD)** provides financial and fiduciary support managing donor commitments.
- **UNICEF** acts as procurement agent for the pilot AMC.
- **WHO** has played a lead role in defining the technical criteria for a suitable pneumococcal vaccine. WHO will also lead the pre-qualification of vaccines submitted through the pilot and provide technical assistance as needed.
- **Industry** is an important partner in the pilot to develop and produce the target vaccines and commit to supplying them for 10 years at a predetermined low price.
- **Countries** make evidence-based decision making on introduction of the vaccine and co-finance the purchase of vaccines. If there is no demand from countries, no vaccine will be bought.

### Broader effort

The pilot AMC complements existing efforts to increase immunisation in developing countries and to address pneumococcal disease. It is a "pull mechanism" to bring extra private-sector resources to the aid of public health. Other public and philanthropic efforts will continue, such as the direct purchase of vaccines for developing countries, efforts to strengthen health systems and research and development for new vaccines and treatments.

More information on the pneumococcal AMC is available at [www.vaccineamc.org](http://www.vaccineamc.org)



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