



# Advance Market Commitment (AMC)

## *History & Potential Impact*

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# AMC Concept

2005

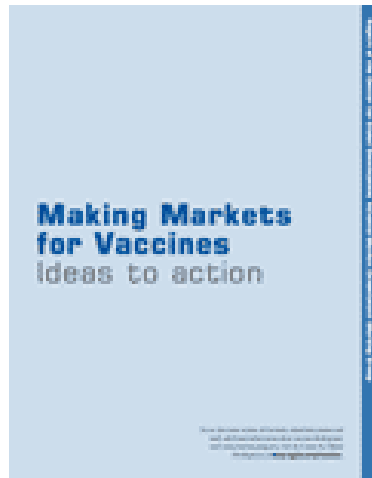
2006

2007

2008

2009

2010



## Making Markets for Vaccines<sup>1</sup> Ideas to Actions



**CGD Working Group initiated in 2003 to:**

***Develop a practical approach***

***to motivate the development, production***

***and distribution of new vaccines***

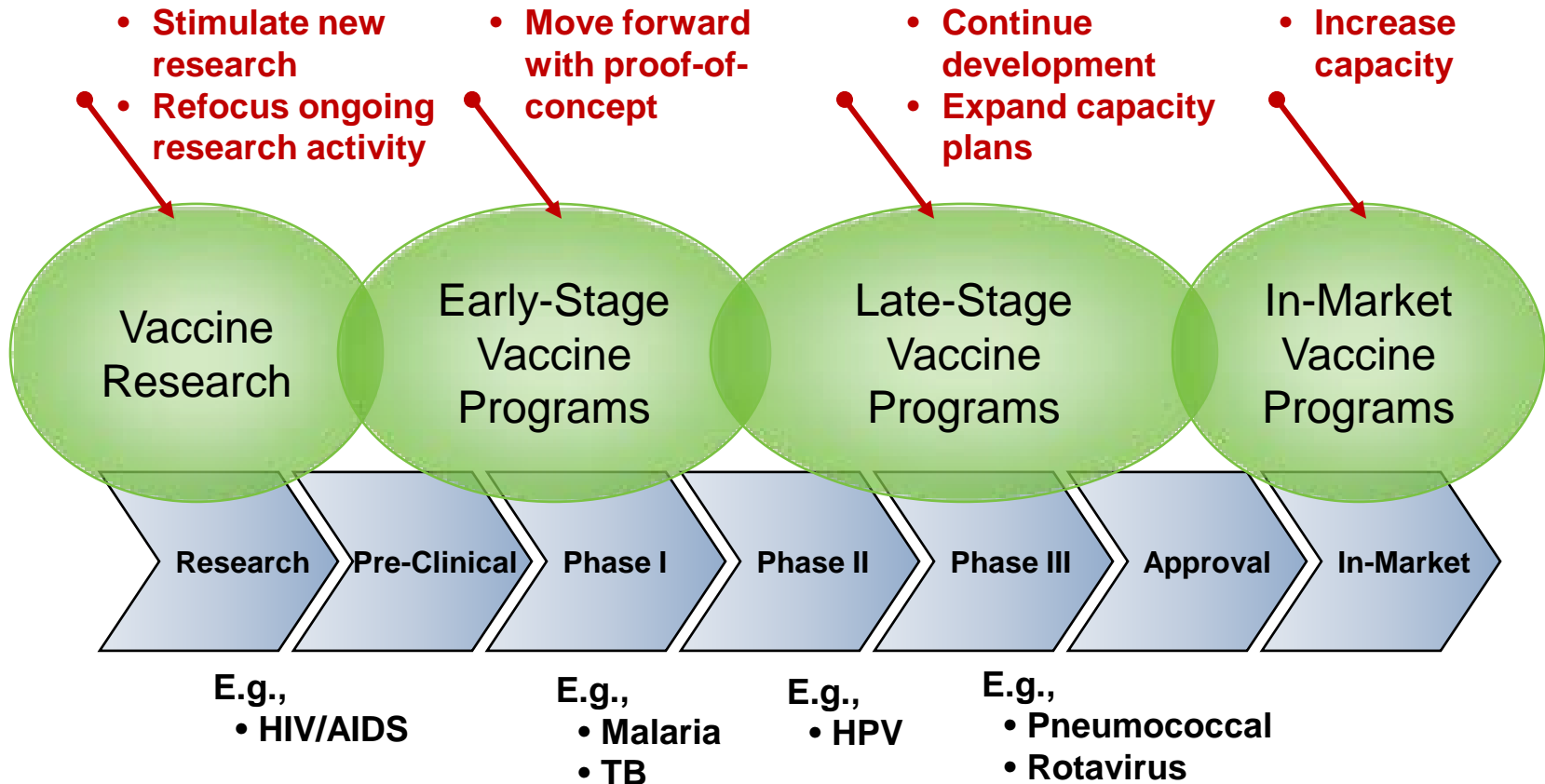
***to prevent deadly diseases***

***in the developing world.***

\* *The report of the Center for Global Development (CGD) Advance Market Commitment Working Group; Ruth Levine, Michael Kremer, Alice Albright, Co-Chairs*

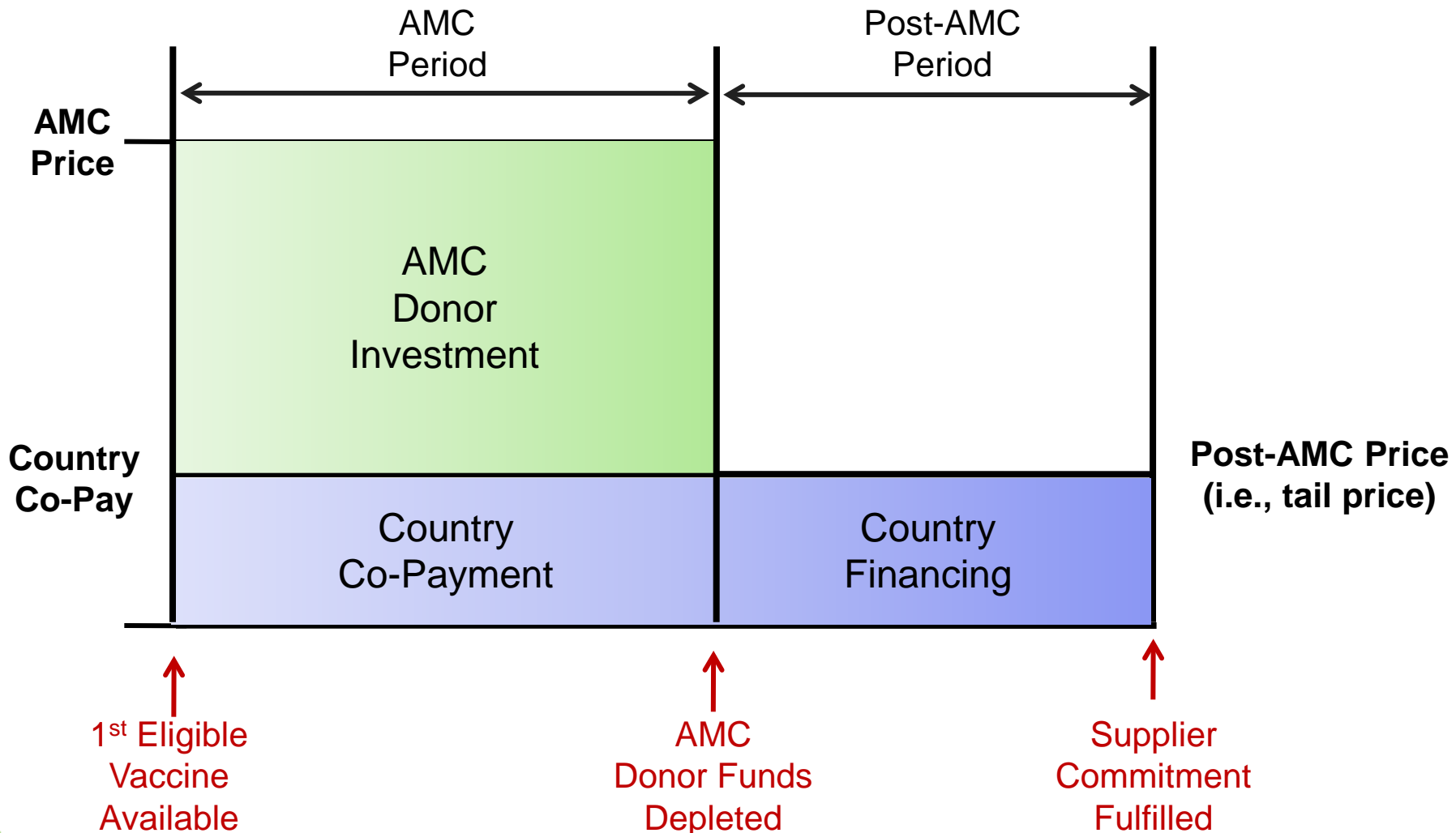
<sup>1</sup> Support provided by the Bill & Melinda Gates Foundation

# AMC Objective



***Motivate activity across the R&D pipeline,  
enabling the availability of better vaccines, sooner.***

# Potential AMC Structure



# AMC Evaluation

2005

2006

2007

2008

2009

2010



## World Bank assumes responsibility for:

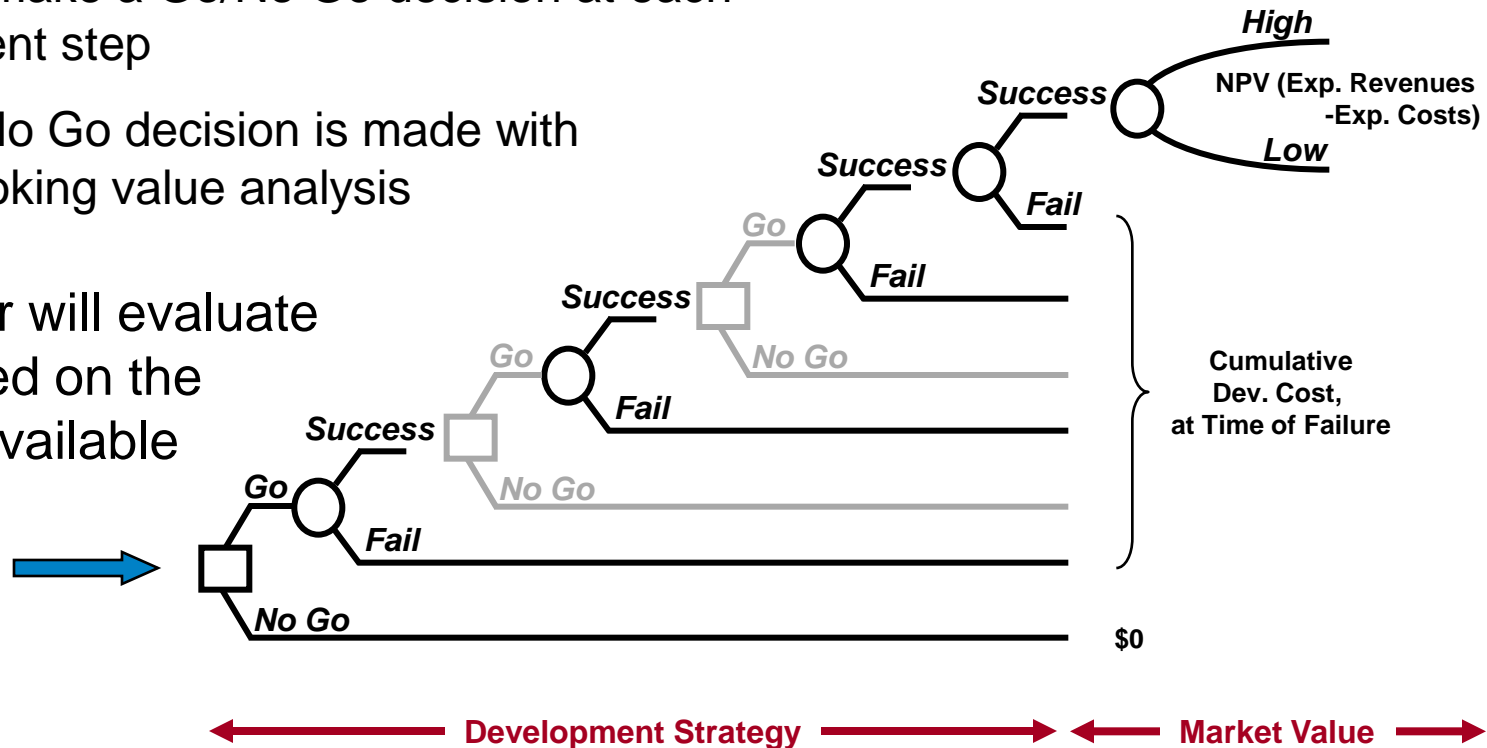
- Evaluating financial implications of AMCs across diseases
- Preparing AMC Report for G8 Finance Ministers' December 2005 Meeting

- Consistently evaluate potential AMC vaccine candidates
- Determine:
  - Size of AMC required to create competitive market
  - AMC terms that provide most robust market support
  - Expected AMC duration
  - Supplier Return on Investment
  - Potential Health impact

# AMC Evaluation Methodology

## DEVELOPMENT PROGRAM & MARKET VALUE RELATIONSHIP

- Suppliers have a well established decision-making process for development investment
  - Suppliers make a Go/No Go decision at each development step
  - Each Go/No Go decision is made with forward looking value analysis
- Each supplier will evaluate an AMC based on the information available at the time of the current decision

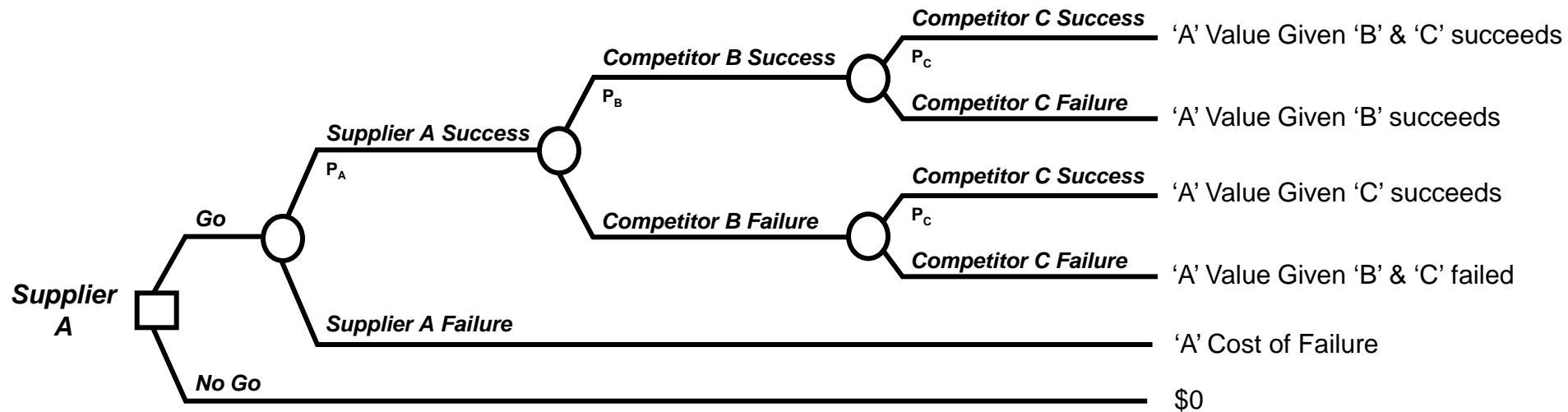


# AMC Evaluation Methodology

## MARKET VALUE & COMPETITION RELATIONSHIP

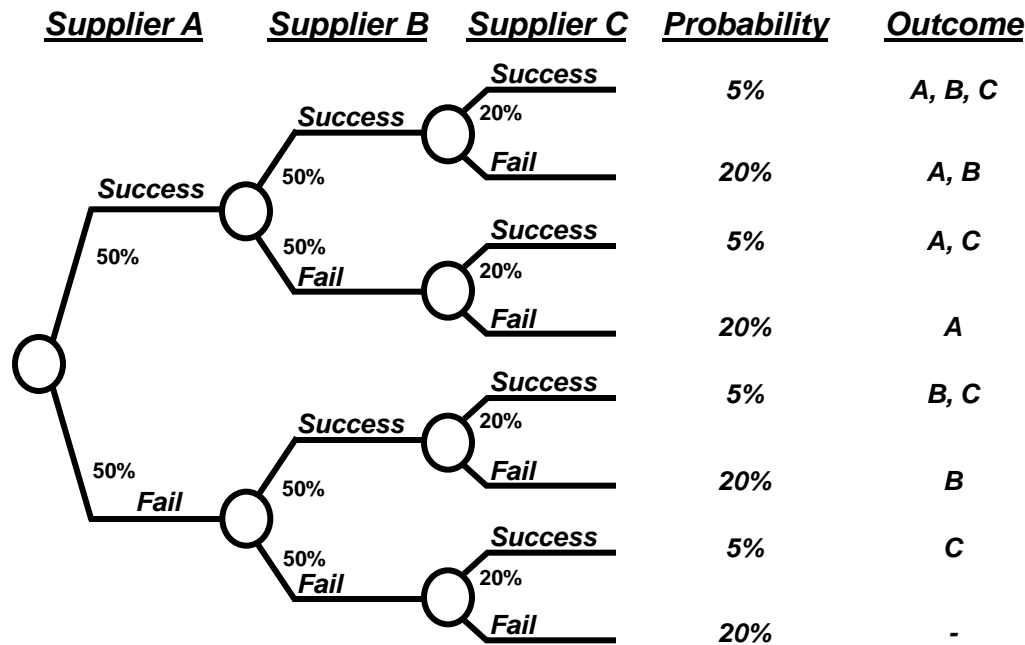
- In addition to their own success or failure, each supplier must account for the possibility of other new suppliers successfully reaching the market, e.g.,

### Potential Market Scenarios



# AMC Evaluation Methodology

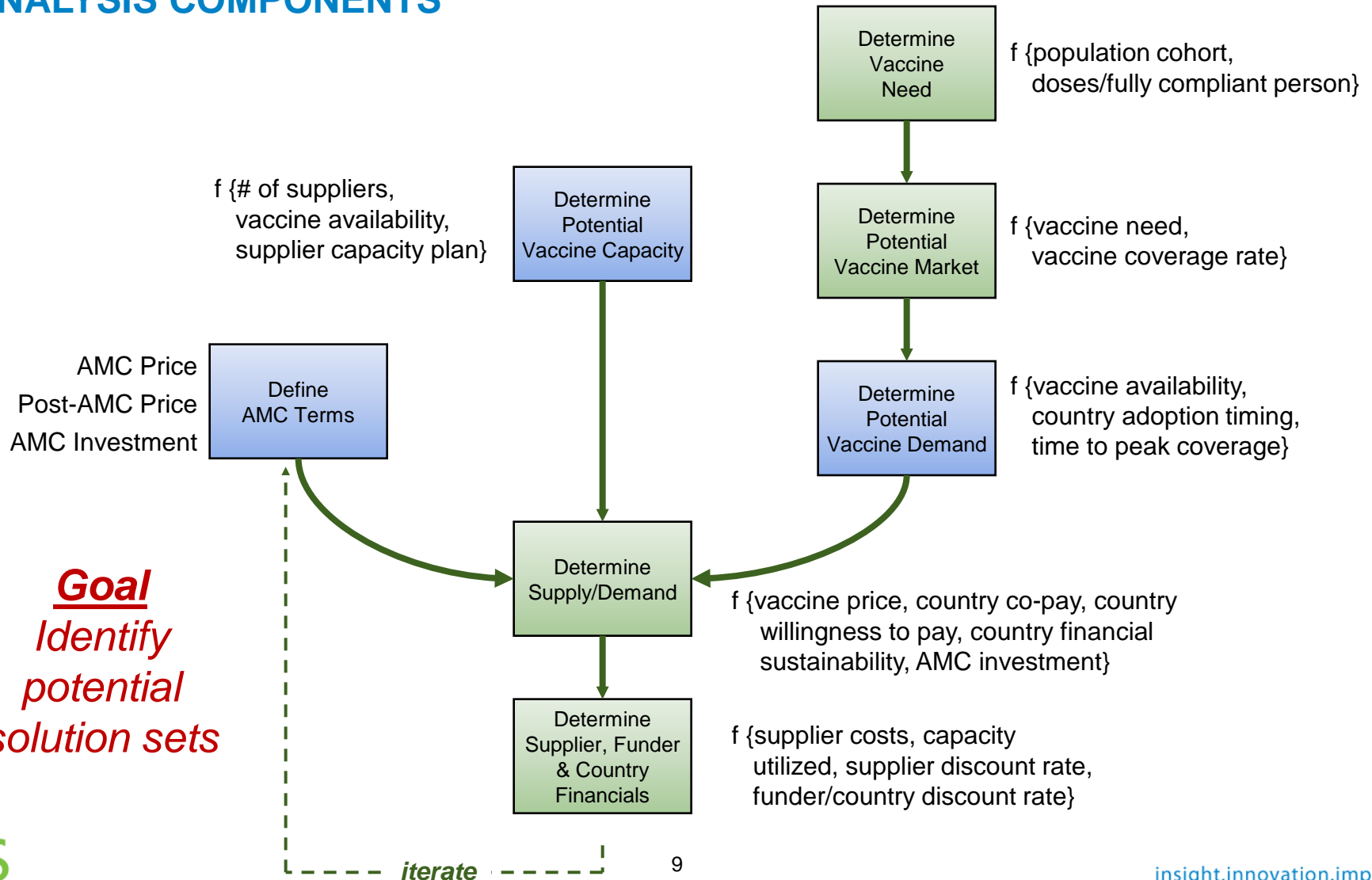
- The AMC model is designed to explore the level of AMC funding required to provide a neutral or better return on supplier investment



The AMC is sized to support multiple supplier outcomes

# AMC Evaluation Methodology

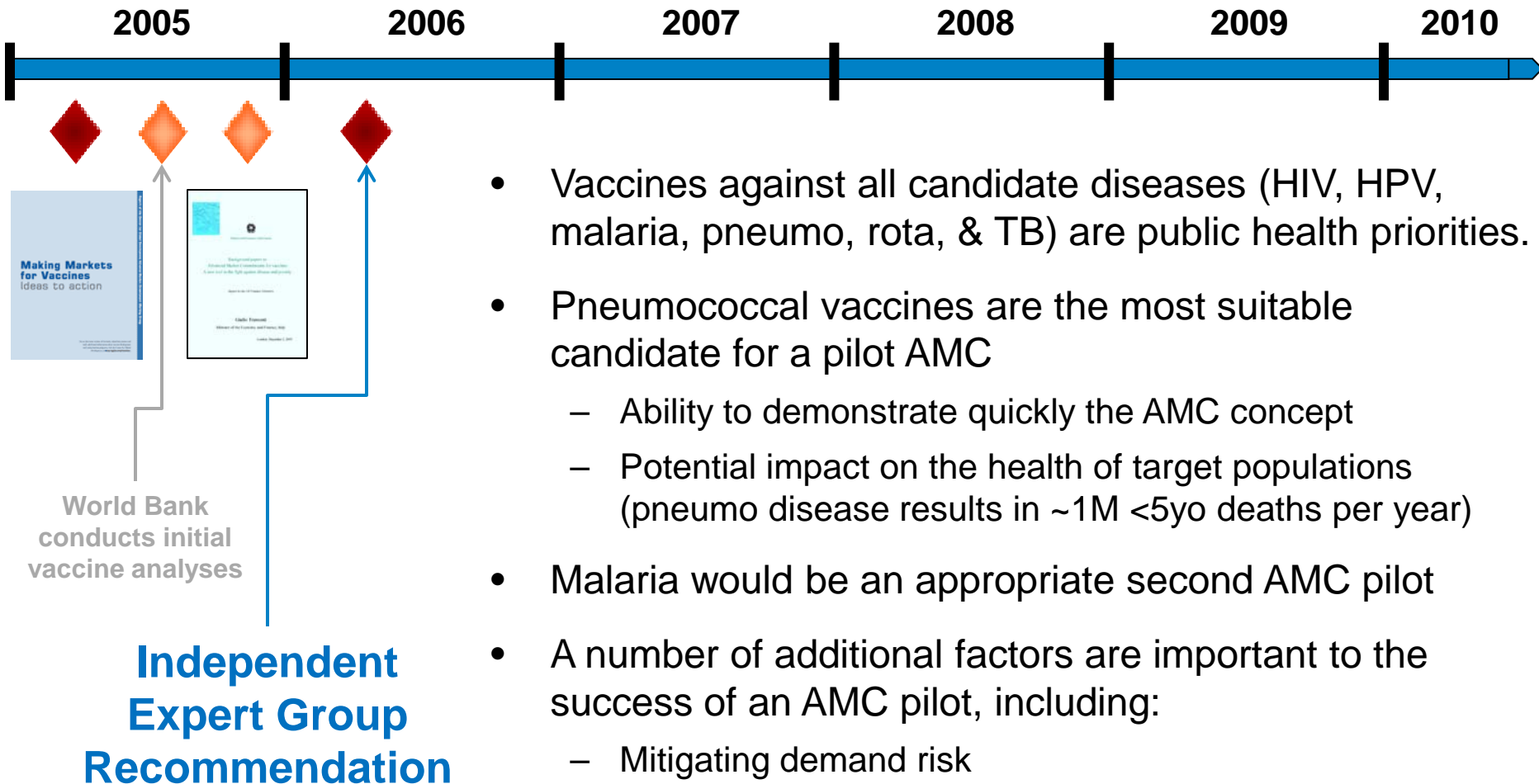
## ANALYSIS COMPONENTS



# AMC Preliminary Evaluation Results

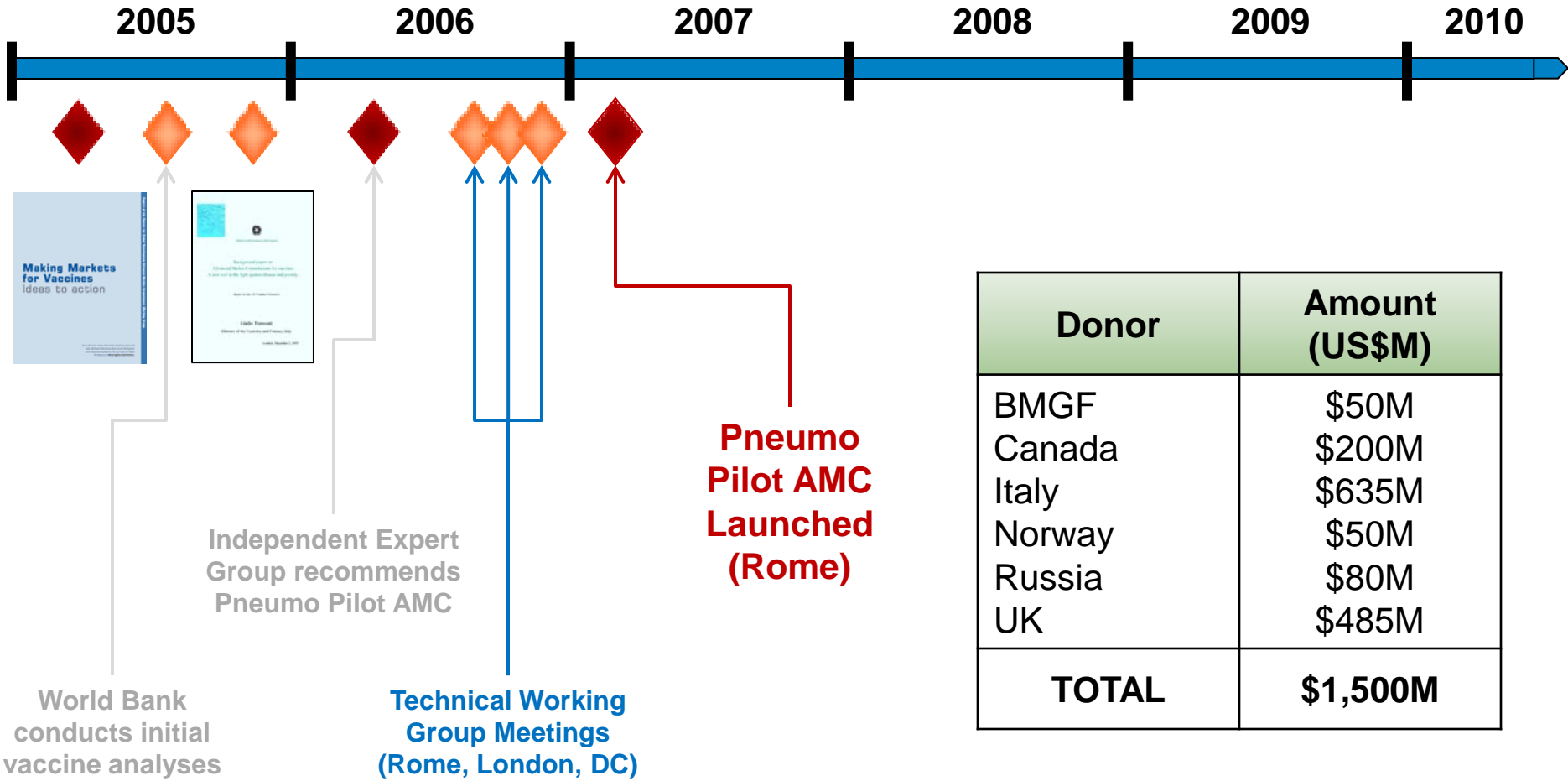


# AMC Pilot Recommendation



- Vaccines against all candidate diseases (HIV, HPV, malaria, pneumo, rota, & TB) are public health priorities.
- Pneumococcal vaccines are the most suitable candidate for a pilot AMC
  - Ability to demonstrate quickly the AMC concept
  - Potential impact on the health of target populations (pneumo disease results in ~1M <5yo deaths per year)
- Malaria would be an appropriate second AMC pilot
- A number of additional factors are important to the success of an AMC pilot, including:
  - Mitigating demand risk
  - Coordinating the AMC pull with direct push funding.

# AMC Pilot Launch



| Donor        | Amount (US\$M)  |
|--------------|-----------------|
| BMGF         | \$50M           |
| Canada       | \$200M          |
| Italy        | \$635M          |
| Norway       | \$50M           |
| Russia       | \$80M           |
| UK           | \$485M          |
| <b>TOTAL</b> | <b>\$1,500M</b> |

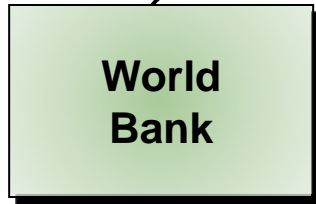
Source: [www.vaccineamc.org](http://www.vaccineamc.org)

# Pneumo AMC Pilot Objectives

- Accelerate development of vaccines that meet developing country needs.
- Bring forward the availability of effective pneumo 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.

# Pneumo AMC Pilot Governance

## AMC Secretariat



- Provide financial and fiduciary administration
- Manage donor commitments and AMC disbursements



- Host AMC Secretariat
- Provide programmatic & operational functions



- Serve as Procurement Agent



- Assure funding commitments
- Guide and monitor implementation and progress

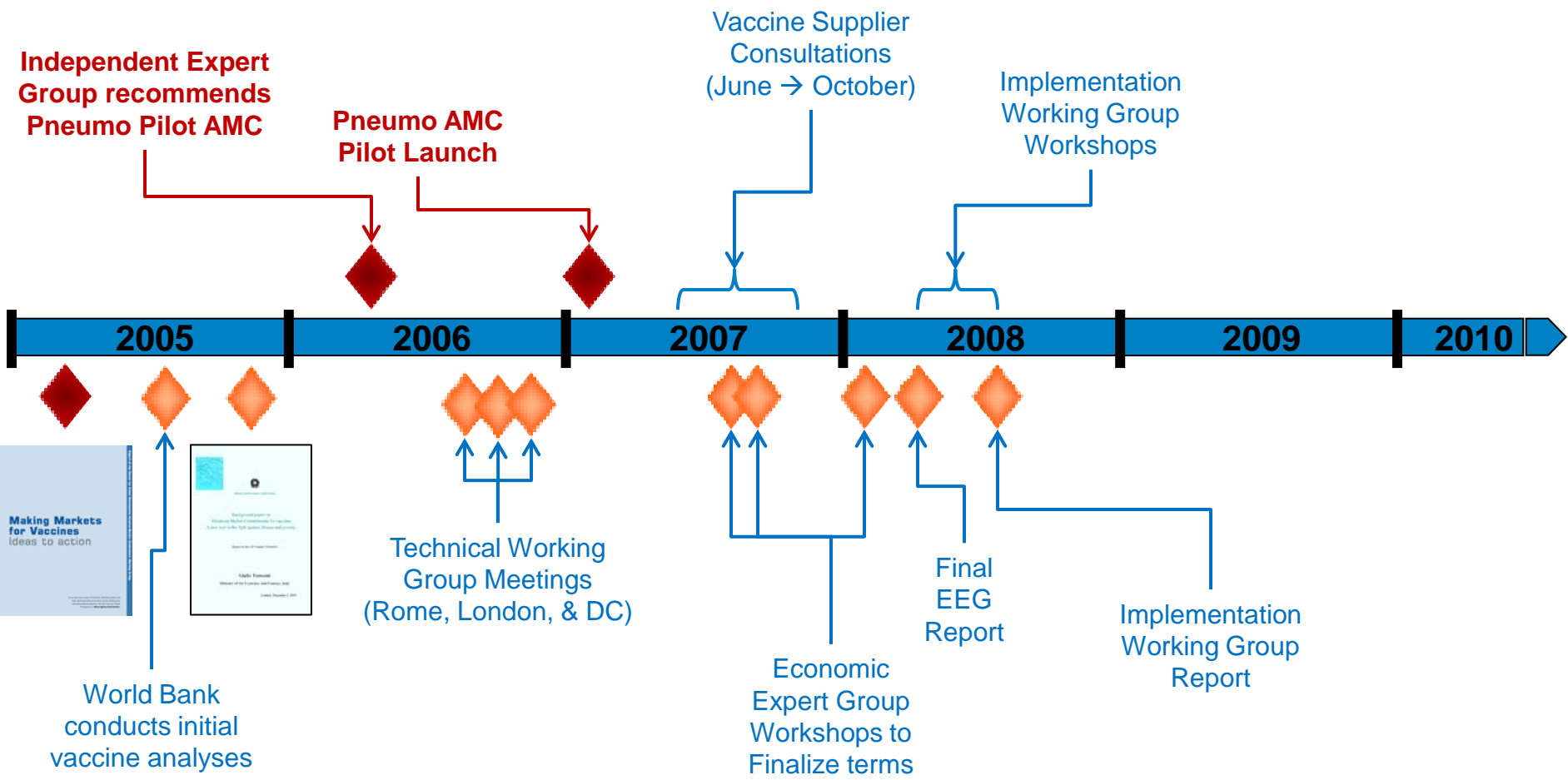


- Provide TPP oversight
- Monitor & report progress
- Determine vaccine eligibility
- Resolve disputes



- Provide SAGE approved TPP recommendation
- Conduct supplier pre-qualification process
- Provide technical assistance

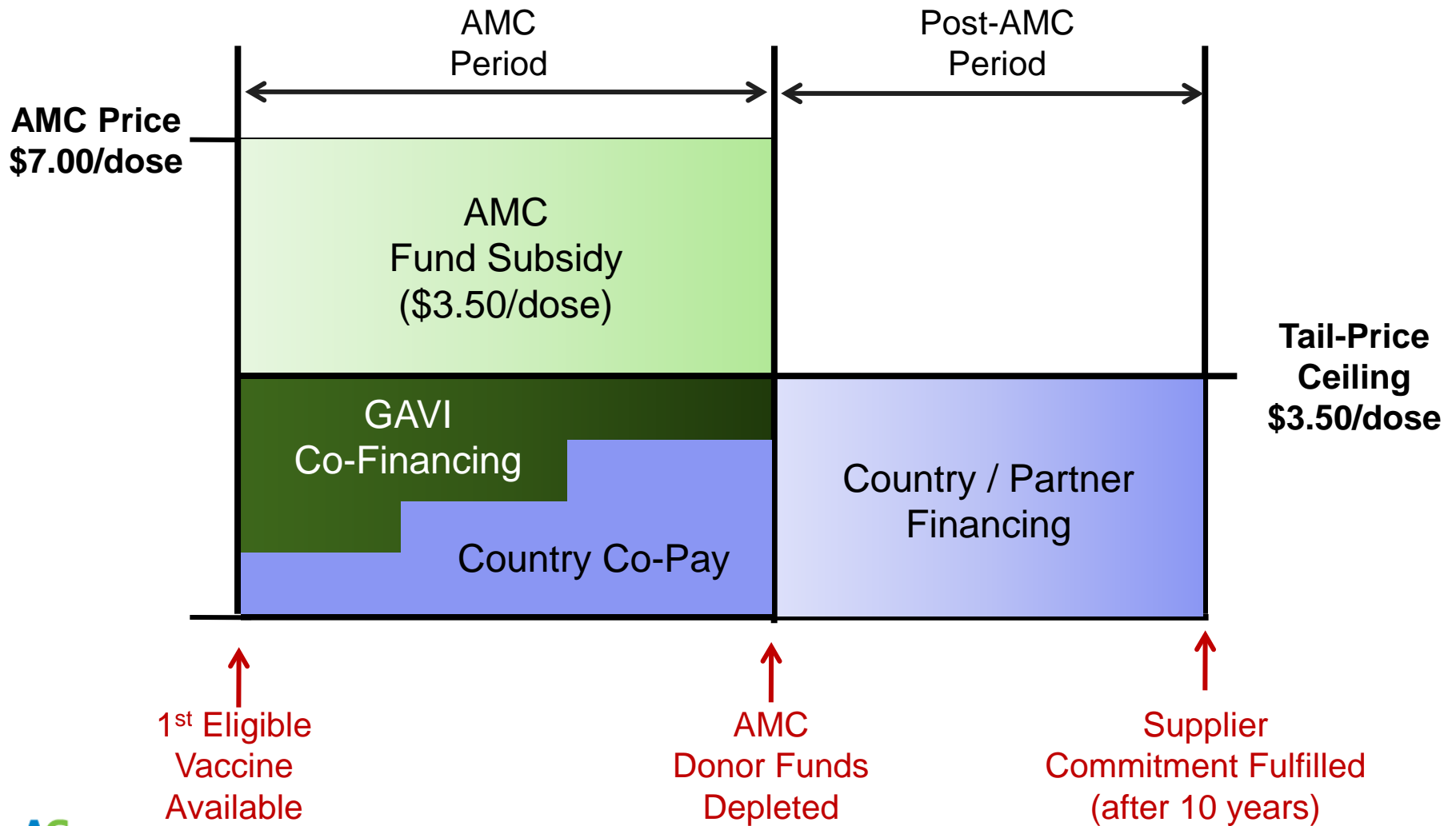
# Pilot AMC Terms Finalization Process



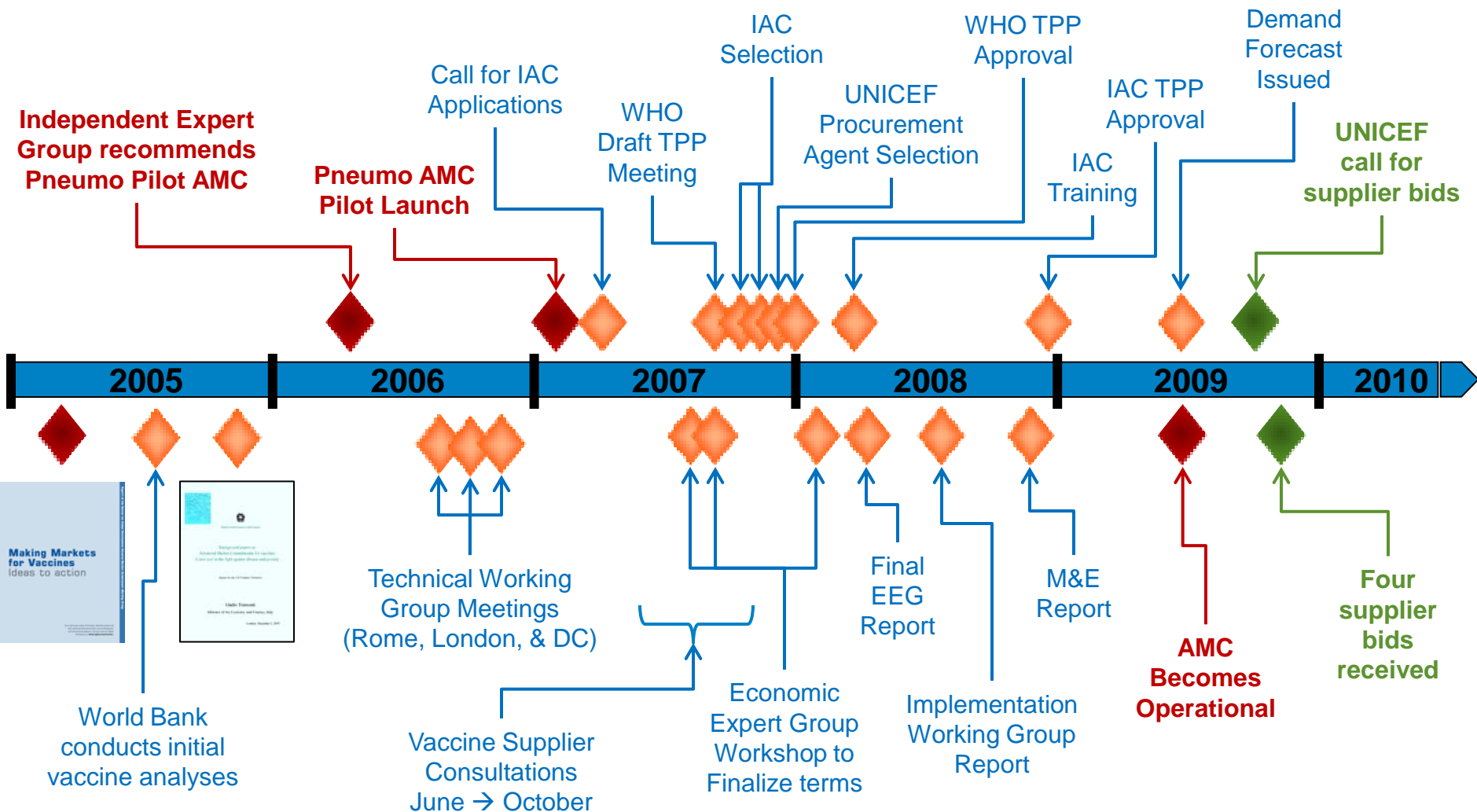
# AMC Terms Summary

| Term                               | Initial Design   | Final Design  |
|------------------------------------|--|---|
| AMC Price                          | \$6.00/dose  | \$7.00/dose   |
| Post-AMC Price (aka tail price)    | Constant – Same for all suppliers;<br>Product Independent Tail Price | Supplier defined up to \$3.50/dose ceiling;<br>Product Dependent Tail Price   |
| Country Co-Pay                     | Constant;<br>Same Co-Pay for All Countries (\$1.00)                  | Variable;<br>Defined by GAVI financing tier   |
| AMC Fund Contribution to AMC Price | AMC Fund Contribution =<br>AMC Price – Country Co-Pay                | AMC Fund Contribution: \$3.50/dose<br>GAVI Contribution: \$3.50 less country co-pay   |
| Post-AMC Supplier Commitment       | Undefined  | 10 year commitment  |
| Supplier Guarantees                | None;<br>Only receive AMC Funds if product is demanded by countries  | 20% of 1st year commitment at minimum<br>15% of 2 <sup>nd</sup> year commitment at minimum<br>10% of 3 <sup>rd</sup> year commitment at minimum       |
| Supplier Bid Process               | Undefined  | Semi-annual bid windows<br>Bid up to forecasted demand 5-years out<br>Up to 200M doses to be awarded<br>Award of x receives x/200 share of \$1.5B AMC |

# Pneumo AMC Pilot Terms



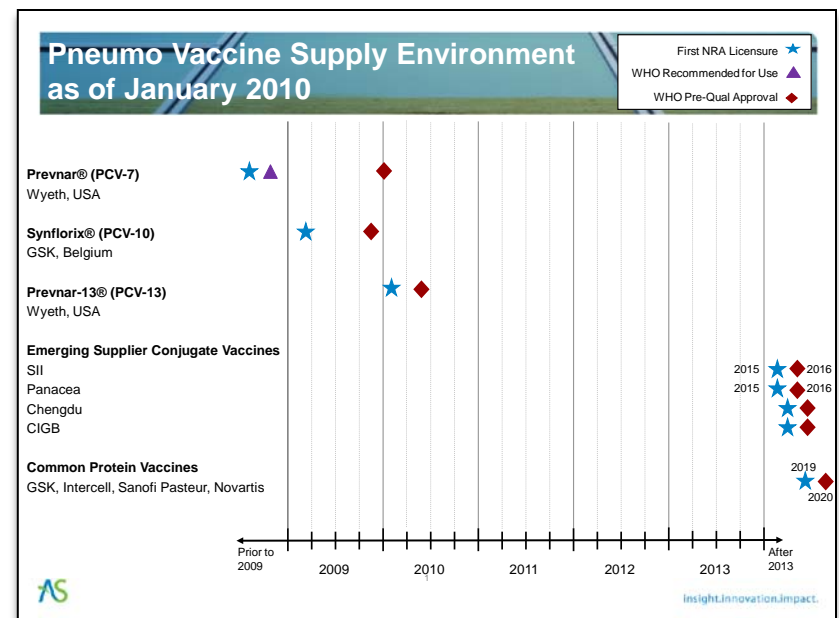
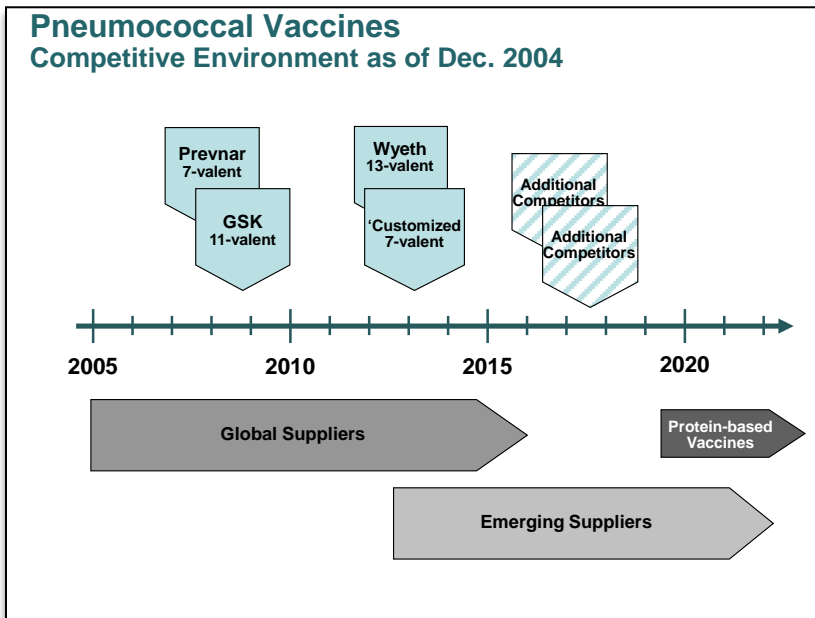
# Pneumo AMC Pilot Implementation



# Pneumo AMC Pilot Impact

## OBJECTIVE: Accelerate development of vaccines that meet developing country needs

- In 2004, it was hoped 1-2 emerging suppliers would begin pneumo programs
- Four emerging suppliers are now believed to have active pneumo programs
- Four suppliers submitted bids in response to the 1<sup>st</sup> AMC supply tender



# Pneumo AMC Pilot Impact

**OBJECTIVE: Bring forward the availability of effective pneumo vaccines through scaling up of production capacity**

- Global suppliers committing to low income country supply in parallel with high income market introduction\*
- Global suppliers believed to be scaling up capacity with low income markets in mind
- Emerging suppliers expected to have significant capacity available for low income markets

*Remains to be seen if there will be sufficient supply prior to emerging supplier market entry*

\* *Assumes 2 of 4 2009 AMC supply bids are from global suppliers*

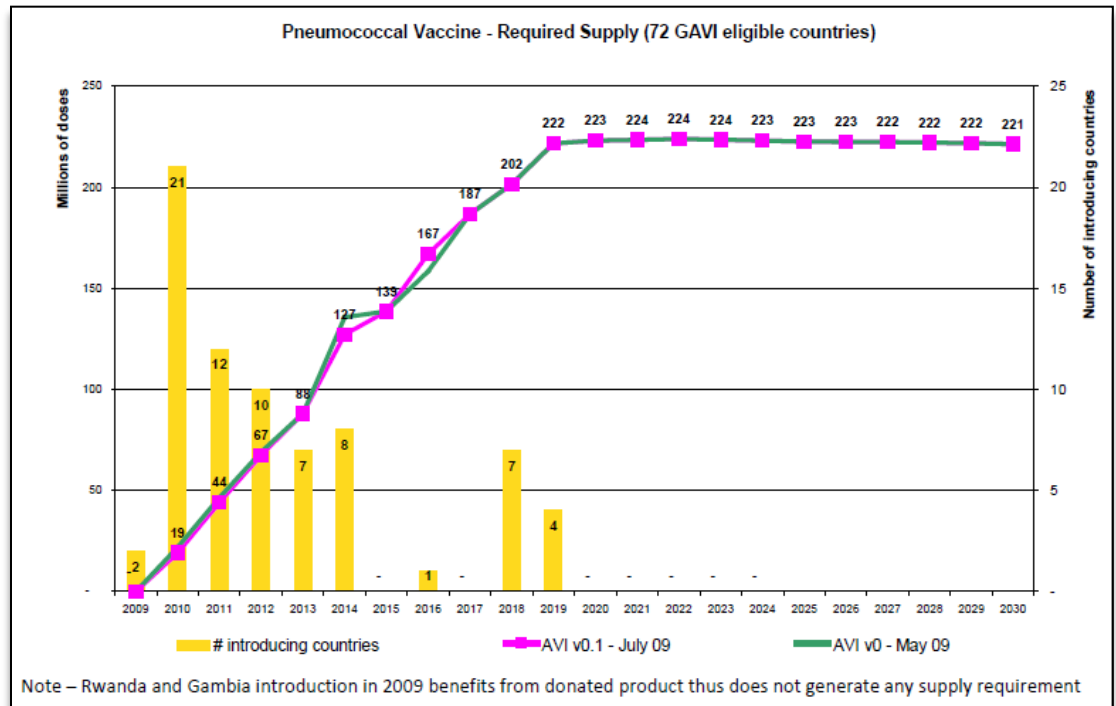
# Pneumo AMC Pilot Impact

**OBJECTIVE: Accelerate vaccine uptake through predictable vaccine pricing for countries and manufacturers**

- 34 GAVI-eligible countries submitted expression of interest letters in 2007
- 11 GAVI-eligible countries have been approved for pneumo vaccines

*The Accelerated Vaccine Initiative (AVI) forecasts adoption by 60 GAVI-eligible countries by 2015*

Source: [www.gavialliance.org](http://www.gavialliance.org)  
[www.vaccineamc.org](http://www.vaccineamc.org)



# Pneumo AMC Pilot Impact

**OBJECTIVE: Test the AMC concept for potential future applications**

| AMC Benefits  | AMC Challenges   |
|---|--|
| <ul style="list-style-type: none"><li>• Ensures developing country needs are addressed via required target product profile</li><li>• Commits vaccine financing upfront</li><li>• Motivates demand creation</li><li>• Increases country confidence in financing availability and supply security</li><li>• Accelerates price decline via tail price ceiling and competitive supply environment</li></ul> | <ul style="list-style-type: none"><li>• Difficult to understand mechanism – lots of nuances</li><li>• Relatively complex and dynamic process</li><li>• Requires significant data gathering processes and systems to appropriately administer</li><li>• Requires significant management oversight across multiple organizations</li></ul> |

# Pneumo Pilot AMC Implications

- Should there be an AMC 2?
- If so, what disease?

| <b>Under Current Consideration</b> | <b>Likely Not to Be Considered</b> | <b>Currently Overlooked</b>  |
|------------------------------------|------------------------------------|------------------------------|
| Malaria<br>TB                      | Rotavirus<br>HPV<br>HIV/AIDS       | Cholera<br>Dengue<br>Typhoid |