

Advance Market Commitments (AMCs)

Efforts to increase access to immunisation have saved millions of lives in both industrialised and developing countries. However, in the world's poorest countries gaps in coverage and vaccine availability remain. Sadly, every year, 3 million people die from diseases that could have been prevented by vaccines, 99% of whom live in the developing world.

A number of new vaccines are now -- or will soon be -- available that could prevent many of these deaths. Once introduced in industrialised countries it takes an average of 15-20 years for a new vaccine to become widely available in the developing world. An Advance Market Commitment (AMC) is a results-based and market-driven mechanism that seeks to address this problem by accelerating the introduction of appropriate vaccines in impoverished countries.

Advance Market Commitments (AMCs)

An Advance Market Commitment (AMC) for vaccines is a financial commitment to subsidise the future purchase (up to a pre-determined price) for a vaccine not yet available if an appropriate vaccine is developed and if it is demanded by developing countries. An AMC is not a purchase guarantee, as industry will only receive the subsidised price if the product meets targeted standards and countries demand the product.

A Pilot AMC

A pilot AMC has been designed for pneumococcal vaccines to demonstrate both the feasibility of the AMC mechanism and its impact on accelerating vaccine development, production scale-up, and introduction. Once established, the pneumococcal AMC will support industry and government efforts to prevent unnecessary pneumococcal deaths in developing countries. Importantly, it will also enable stakeholders to quickly assess the impact of the AMC mechanism to determine if AMCs will be able to accelerate other health priorities such as vaccines against malaria.

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. In the absence of an AMC or other financial effort, there would be only limited access to pneumococcal vaccines in the world's poorest countries before 2023. The recommended donor contribution to the AMC is US\$1.5 billion in nominal terms. The first payments are anticipated to begin in 2010 and last for 9-10 years.

The pilot AMC will prevent approximately 5.4 million deaths by 2030.

Vaccine market challenges

It can take up to twenty years and a series of large investments to research candidate vaccines and develop a new product. In industrialised countries, the risks and costs at each of these stages are recouped through sales once the vaccine is on the market. However, in the developing world the market is often both small and risky: poor countries may not be able to afford prices sufficient to cover investment costs and the demand for any given vaccine can be unpredictable.

Too often the challenges of developing country markets mean that vaccine makers do not expect vaccines sold in poor countries to be profitable enough to warrant the amount of investment that would be desirable from a public health point of view. Private investment may be further discouraged by the possibility of political pressures on producers to sell a newly developed vaccine at low prices.

Advance Market Commitments can be part of a solution

By guaranteeing that the funds will be available to purchase vaccines once they are developed and produced, the AMC takes away the risk that a country won't be able to afford to introduce a high-priority vaccine into its national program. The AMC establishes a market that the biotechnology and pharmaceutical industries currently perceive to be too small and too unpredictable.



An AMC is not a general commitment to buy vaccines; it is a specific commitment to subsidise the purchase of vaccines that meet pre-determined standards. The total amount available and the price per dose are established before the industry makes significant investments in the development process so that each firm has clear assurances of the size of the potential market.

Once the initial price commitment is fulfilled, a second-stage pricing arrangement will go into effect, ensuring that developing countries are able to afford additional doses of the vaccine to sustain coverage. To assure predictability, each firm will be required to commit to a post-AMC price for their vaccine at the time that it qualifies for AMC funding and they sign the Supply Agreement.

By establishing a market, an AMC creates incentives for investment in specific vaccines for poor countries that are currently missing. Available evidence suggests that the prospect of a valuable market should increase investment in new vaccines. In this way, an AMC will mobilise additional private resources to fight poverty and global diseases even before donors disburse any money.

How the AMC works

- Donors commit (and sign a legally-binding contract) to fund the AMC for the target vaccine.
- Target vaccine specifications (effectiveness, public health impact), AMC market size, and AMC price per dose are established by the GAVI Alliance, the World Bank, and the Independent Assessment Committee (IAC).
- Any manufacturer may apply for funding and an IAC determines if a vaccine meets the target specifications.
- When a vaccine meets the specifications and countries are interested in introducing the vaccine, donors pay the subsidy and recipient countries provide a small co-payment.
- When the AMC funding is depleted, the individual manufacturer is obligated to continue to provide an established amount at a long-term sustainable, individually pre-agreed price depending on demand.

Pneumococcal Disease

Pneumonia is the leading infectious cause of child mortality worldwide, causing an estimated 1.9 million (or 19%) of the estimated 10 million child deaths that occur each year. Pneumococcal disease is the leading cause of these child pneumonia deaths, as well as the second leading cause of childhood meningitis deaths. It kills more than 1.6 million people including 700,000-1 million children under age 5 every year.

BENEFITS OF AN AMC

An AMC sets the stage for long-term predictability and sustainability

An AMC creates predictable pricing in two stages. Once a vaccine meets the performance standards to be eligible for AMC funding, each firm will be required to set their post-AMC price (prices can always be lowered). AMC funds are used to subsidise the purchase of eligible vaccines demanded by governments. Once the AMC is depleted, the vaccine will be offered at the individually set post-AMC prices.

An AMC encourages competition and development of future generations of vaccines

An AMC will be structured to maintain incentives for second, third, or more entrants into the market to promote continued research on new and improved vaccines and continued investment in vaccine capacity to serve the global needs.

An AMC is complementary with other initiatives

By establishing a valuable market, an AMC provides incentives for private investment in the development of vaccines against diseases that kill millions of people every year. Such a "pull mechanism" is not an alternative, but is highly complementary to other public and philanthropic interventions in the health sector and, more generally, in development aid.

An AMC is particularly effective when combined with "push interventions" – such as the public and philanthropic funding of research through academia, public-private partnerships, and other bodies. The private resources mobilised by a successful AMC would act in synergy with initiatives to expand immunisation (e.g., GAVI and IFFIm) and strengthen health systems.