



**Joint Donor Statement
July 10, 2008**

An Advance Market Commitment for Pneumococcal Vaccines

In February 2007, a collective US\$1.5 billion for a pilot Advance Market Commitment (AMC) against pneumococcal disease was pledged by the Governments of Italy (US\$635 million), the UK (US\$485 million), Canada (US\$200 million), Russia (US\$80 million) and Norway (US\$50 million), and the Bill & Melinda Gates Foundation (US\$50 million). We welcome the publication today of a report recommending the terms on which this AMC will be offered to help developing countries buy new, more effective pneumococcal vaccines. This represents the culmination of considerable work by experts in health, economics and international development, and a process of consultation with developing countries, industry and civil society groups. It marks a significant step towards preventing the more than 1.6 million deaths from pneumococcal disease every year. Half of these are of children.

Vaccination is the most effective way to prevent pneumococcal disease and the World Health Organization (WHO) has recommended priority inclusion of pneumococcal vaccines in national immunization programs worldwide. But the only available vaccine is ineffective against two of the three disease strains most common in developing countries – where over 90% of the child deaths from pneumococcal disease occur.

A number of companies are currently developing new vaccines that are expected to be highly effective in developing as well as developed countries. The challenge we now face is how to accelerate the process of making these vaccines available to the people who need them most. Experience shows that it can take fifteen to twenty years for new vaccines to become widely available in developing countries at affordable prices. The world's poorest people cannot afford to wait this long. Introducing this vaccine now could save over seven million lives by 2030.

An Advance Market Commitment is an innovative way to accelerate the availability of new vaccines for people in developing countries by offering a guaranteed price for products that are not yet available. We have sought to ensure value for money of our collective investment, balancing the size of the donor contribution against the benefits that it will bring, taking account of the need to provide sufficient incentive to industry to participate and for the vaccine to be affordable.

To strike this balance, we established an Implementation Working Group of leading economists and vaccine experts, together with the World Bank, the Global Alliance for Vaccines and Immunisation (GAVI) and UNICEF, to recommend the terms and pricing of this pilot AMC. Their report builds on a 2005 report to the G8, by Italian Finance Minister Giulio Tremonti, which first recommended the AMC approach. It has also benefited from the work of an independent Economic Expert Group, discussed by donors in Rome in March this year, setting out potential parameters for the pilot.

The report, published today, recommends that each company that chooses to participate in the AMC make a binding commitment to supply vaccines for ten years at \$3.50 per dose or less. In return, the \$1.5 billion contribution from the AMC donors will increase the price to \$7 for the first vaccines provided by each company. These vaccines will save lives at a cost of approximately

\$40 for each Disability Adjusted Life Year (DALY) averted. The World Bank considers development interventions at less than \$100 per DALY averted to be highly cost effective.

The IWG report also recommends that supply agreements include commitments to buy 20%, 15% and 10% of dedicated supply during the first, second and third years respectively of the ten-year supply commitment. This IWG recommendation reflects additional analysis showing that such a measure is a more effective way to increase the incentives for industry participation compared to a higher front-loaded price. For new vaccines where a market has not yet been established it is in line with UNICEF normal practice to consider firm contracting provided that such firm contracting is deemed to help secure supply or ensure better terms. IWG consultations confirmed the importance for industry of such a risk mitigation measure. The demand forecasting work undertaken during development of the IWG recommendations suggests that there is minimal risk of the guarantees having to be exercised.

By complementing traditional donor financing for vaccine research and existing GAVI programmes, we believe the AMC will build a competitive market for pneumococcal vaccines and enable developing countries to plan and deliver long term immunisation programmes.

It is also a pilot for a new approach to public health funding. AMCs could, in the future, be used to help incentivise development and production of vaccines or health interventions for other diseases that are prevalent in the developing world. The proof of the pilot AMC will be whether companies respond to the offer and take on the challenge of supplying the vaccines needed to fight pneumococcal disease. If they do not, no AMC funds will be spent.

With seven years remaining to meet the deadline for the Millennium Development Goals we must take urgent action to prevent the deaths of children around the world. We believe an AMC for pneumococcal vaccines, based on these recommendations, will make a positive contribution.