Annex B: Details of key terms amended in follow up to PPC discussions

Introduction

At its meeting in October 2023, the Programme and Policy Committee (PPC), considering feedback received from stakeholders on the original base proposal for the African Vaccine Manufacturing Accelerator (AVMA), asked for further analysis and consultation to be carried out ahead of the December 2023 Board meeting on three specific elements of the AVMA's design. This process has resulted in three changes being proposed for the new base proposal that is now before the Board for approval:

1. **Extending the list of "Priority Vaccines"**
2. **Increasing the value of the incentive for fill-finish-only vaccines**
3. **Excluding vaccines whose DP or DS steps rely on arrangements with a CMO (Contract Manufacturing Organisation)**

Rationale

1. Extending the list of priority antigens to include Yellow Fever and 'B+' competitive product profiles

AVMA is designed to provide support to all Gavi-financed vaccines – including COVID-19 and any that join the portfolio as a result of a positive Vaccine Innovation Strategy (VIS) outcome – an important feature allowing African Manufacturers choice to develop the routine vaccines that make sense for them and the continent. However, AVMA also prioritises vaccines against certain pathogens and produced with certain technology platforms, by offering higher value incentives where appropriate to send clear signals to encourage new entrants likely to benefit market health. This allows for an instrument offering support to a broad set of vaccine categories, but with tailored incentives that help direct investment towards markets where new entrants are contributory to global market health – including markets with reasonable likelihood of commercial success.

As part of Pillar 1 of Gavi's Regional Manufacturing Strategy, Gavi has, together with partners, assessed vaccine markets, categorising them as follows:

A. Markets where one or more additional suppliers are expected to be contributory to global market health.

B. Markets presenting opportunities for additional suppliers whose product profile is at least as competitive as the current product with the most attractive profile.

C. Markets expected to present very limited opportunity for additional suppliers (already highly competitive and/or limited scope for product profile enhancements).

The result of the categorisation conducted under Pillar 1 of Gavi's African Manufacturing Strategy has been a selection of vaccines assessed as suitable for

prioritisation under AVMA. Under the categorisation, four “Category A” vaccines were identified, where a new entrant would benefit market health, namely Oral Cholera, Malaria, Measles-Rubella, and Hexavalent (wP). These are consequently included as AVMA Priority Vaccines. However, extensive consultations presented differing views on whether the four Category A vaccines would sufficiently capture the full scope of market health needs, or indeed lead to inefficient crowding into these markets.

For this reason, markets defined in Category B were further explored. “Category B” vaccines represent markets where new entrants with improved product profiles (e.g., better thermostability or higher strain/serotype coverage), would be considered contributory to market health, analogous to a new entrant in “Category A”. Ultimately, this would promote more attractive product profiles in the respective market, which is considered a healthy competitive outcome. It is therefore proposed that three of these specific product profiles should also be incentivised as Priority Vaccines. Furthermore, additional assessment and stakeholder discussions led to Yellow Fever being added to the list of Category A vaccines, with no stipulation on any particular profile attributes.

The Secretariat is therefore **proposing to extend the list of Priority Vaccines under AVMA** to include those presented in Table 1.

Table 1: Product profiles proposed for priority

Category	Vaccine	Product profiles considered priority
A	Measles-Rubella	All product profiles
	Malaria	All product profiles
	OCV	All product profiles
	Hexa	All product profiles
	Yellow Fever	All product profiles
B	Ebola	Indication against at least 2 Ebola species and thermostability at -20C or above
	Rotavirus	Single-dose Blow Fill Seal (BFS)
	Pneumococcal	Minimum 13 valent

Full product profiles for eligibility will be detailed in 2024. All other B and C antigens will still be eligible for support from AVMA (but not at the higher value incentive levels) as set out in the key terms in Annex A.

In addition, during the next phase of AVMA’s operationalisation, a mechanism will be established so that additional Priority Vaccines may be added to this list as part of the process to finalise AVMA’s governance, such as may be strategically desirable for new vaccines that join the Gavi portfolio post-VIS. This will be necessary to ensure AVMA has the ability to respond to significant market changes during its proposed 10-year lifespan.

2. Increasing the value of the incentive for fill & finish-only

Though the majority of AVMA funds are intended for Drug Substance (DS) operations on African soil, some incentives for Fill and Finish-only (F&F) are included in the design to better enable pathways to sustainable DS production and contribute towards overall continental F&F capacity, as a means to enhance pandemic responsiveness.

The October 2023 PPC and related consultation process revealed divergent views on the adequate level of support for F&F-only operations. This included both concerns about overcapacity and that current incentives are inadequate to support a viable F&F-to-DS 'capacity development pathway'.

Following the October 2023 PPC, the Secretariat has conducted additional analysis and modelling, including scenarios of the costs incurred by F&F facilities.

These analyses showed:

- **A rationale for increasing F&F incentive levels:** Whilst the current F&F incentive of US$ 0.3 per vial may adequately compensate lower dose presentations, it risks significantly underpaying for multidose vials, potentially seeing manufacturers fail in the initial years, before they can transition to Drug Substance.
- **The benefits and drawbacks of per-dose subsidies:** A *per dose* subsidy better mitigates this risk of over or underpayment than a per vial subsidy since it better reflects the differences in production costs between presentations and filling technologies. However, as costs do not increase linearly with presentation there is a risk of over-incentivising multi-dose vials.
- **A potential solution through a cap per vial:** Specific analyses of the incentive values showed that a per dose incentive with a cap on the maximum received balances the risk of under- and over-payment and appropriately compensates manufacturers across presentations.

Based on the findings of the additional analysis, the Secretariat **proposes to set the value of the incentive for fill-finish-only vaccines from US$ 0.30 *per vial* to US$ 0.30 *per dose*, with a cap of US$ 1 per vial**.

When modelling the expected effects of this proposal, the implications on overall AVMA sizing was found to remain relatively unaffected, with potentially more manufacturers reaching their F&F manufacturer cap and slightly higher F&F-only payouts occurring in earlier years. Significantly, the proposed levels were also found to **sufficiently account for the higher Costs of Goods Sold (COGS) of more costly secondary manufacturing steps such as lyophilisation (where applicable)**.

3. Excluding Contract Manufacturing Organisation (CMO) dependent models

The Secretariat has extensively considered the eligibility of vaccines manufactured through Contract Manufacturing Organisation (CMO) arrangements, where a license holder who does not otherwise produce vaccines on the African continent may contract a manufacturer for part of production (either F&F or DS) on the African continent.

There are valid arguments both for inclusion and exclusion, and views among stakeholders diverge significantly:

- Excluding any business model risks narrowing the already challenging path to developing manufacturing capacity in Africa, in particular given that working capital and capability requirements for such CMOs may make them an easier entry model. Physically localising any production capacity is likely to contribute to supply security in a pandemic.
- However, there remain significant doubts about whether certain CMO models, where the Market Authorisation holder does not own or control a key DS or DP facility (although in practice this means almost exclusively DP), will contribute to a) sustainable businesses or, b), allow manufacturers to develop sustainable Drug Substance capabilities. The negative perception of substantial incentives going "offshore" – even where shared with the CMO via CMO fees – is an additional consideration.

In practice, there are a wide range of different models referred to as CMO, making definitions and suitable eligibility criteria challenging.

Based on the concerns around sustainability, perception and contribution to AVMA aims: At this stage, the intent is to exclude from AVMA incentives, those products whose drug substance or drug product manufacturing depend on Contract Manufacturing Organisations; noting this will be subject to further analysis of these arrangements in the first half of 2024.