

Advance Market Commitments

What are they?

Advance Market Commitments (AMCs) are meant to tackle a long-standing development problem: persistent failures of the private sector to develop and manufacture products needed in developing countries, owing to market uncertainties or perceptions of insufficient demand.

An AMC is a funding commitment, made in advance, designed to spur the creation of a market that does not yet exist or functions poorly. Generically, an AMC works as follows: Donors first commit to fund an AMC of a specified market size and price for a product with specifications targeting at achieving effectiveness and development impact in poor countries. When candidate products become available, a credible independent body determines if the new product meets the target specifications. If it does, the manufacturer is then entitled to enter into a supply agreement under which AMC funds subsidize the purchase of the target product. When AMC subsidy funding is used up, the manufacturer is required under the supply agreement to provide the product at an established retail price for a specified period to meet continuing demand.

A pilot AMC targeting a pneumococcal vaccine was launched earlier this year at the meeting of G8 Finance Ministers in Italy. Donors including Italy, the United Kingdom, Canada,

Russia, Norway, and the Bill & Melinda Gates Foundation have committed a total of \$1.5 billion to the scheme.

AMCs focus on specific markets, products and service needs. Further work is needed to identify specific market failures within the health sector that might be successfully addressed through an AMC. A new AMC would take 1-2 years to set up. Achieving initial results will take longer, and the time will vary, depending on the project.

Why is the Taskforce supporting them?

Taskforce members support the development of new AMCs for several reasons including the following:

- AMCs aim to create a market for health-care products and services that are needed in low-income countries. An AMC can engage the private sector in researching, developing, manufacturing, and distributing those products and services.
- they are designed in such a way as to have a sustainable, long-term impact
- financing is directly linked to results: an AMC creates incentives for the private sector to develop and deliver the agreed goods and services, and includes quality assurance mechanisms.
- if successfully implemented, AMCs will be pro-poor – the pilot, for example, is pro-poor, because eligibility is limited to low-income countries.

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See also: www.vaccineamc.org