



ADVANCED MARKET COMMITMENTS (AMCs)

Moderator's Summary from the 6 February 2007 Roundtable Discussion at the Second Plenary Meeting of the Leading Group in Oslo

Fast tracking an idea to everyday-thinking?

- December 2005: Italian initiative supported by UK Brown at G8 meeting. Supported by the World Bank and GAVI.
- Pilot project launched by 2006. Independent expert committee looked into relevant diseases for AMC pilot.
- December 2006: proposal made by WB and GAVI on pneumococcal vaccines.
- February 2007: launch of first pilot AMC on pneumococcal vaccines.

A response to market failures hampering development in poor countries

- Communicable diseases take million of lives each year in developing countries, destroying human capital, constraining development and economic growth.
- Vaccines/immunization programmes proved the most effective and efficient solution.
- Vaccines not developed, and if developed, not accessible to most developing countries due to the high investment costs, lack of reliable and stable funding and uncertain markets.
- The purpose of AMCs is to create a market for vaccines in developing countries by accelerating the development and supply of vaccines.

“Innovative or not – that is the question”

- Depends on the definition of the term ‘innovative’.
- AMC contains two components of innovation: raising more long-term money and the way the money is used.
- As regards more money: the mechanism is market-based by providing resources in advance, stimulating firms to initiate non-rentable research that benefits developing countries and development.
- As regards the way the money is used: AMC is result-based in terms of donors disbursing funds only if products that comply with the profile/specifications are developed and demanded by developing countries.
- Additionality not ensured, but encouraged. Several countries strive at complying with 0,7 per cent of GNI to ODA.

A pretty good proposal, provided that some issues are dealt with

- The size of the AMCs: Firms' motivation to develop vaccines relates to the award they get for the work. Motivation equally proportional with the amount committed up front by the donors, not at least given the precondition of disbursements only taking place if a vaccine that meets the profile is developed.

- On the other hand, a more moderate commitment could stimulate competition allowing firms from developing countries a place at the table, and the development of second, third and even fourth generation vaccines.
- AMCs address the ability to afford the vaccine, while the ability to absorb and demand the vaccine is addressed by complementary mechanisms like GAVI. Important to keep in mind, particularly if donors replace funding to other areas of health sector with funding to AMC.
- AMCs are based on developing countries expressing demand for vaccines through the channels established by, among others, GAVI. Important to continue/ strengthen the financial support to existing mechanisms, which will positively affect the realization of AMCs.
- Demand depends on national decisions to purchase vaccines. Necessary to strengthen health sectors and capacity in developing countries in order to stimulate demand.
- Post-AMC: important to ensure predictable supply and pricing of vaccines.

Suggested next steps for policymakers

- Continue financial support to other necessary and complementary investments in the health sector in developing countries.
- When nailing down the terms and structure of AMCs, focus on balancing the need of different stakeholders – donors, developing countries, firms.
- Ensure coordination with other health mechanisms like GAVI, IAVI and IFFIm – and make sure to utilize and benefit from the complementarities between them.
- Address concerns raised regarding structures hampering fair competition among firms; developing countries' participation in the establishment of the mechanism; transparency in estimating prizes for vaccines; and non-sustainable mechanisms of co-payments to be made by developing countries.

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