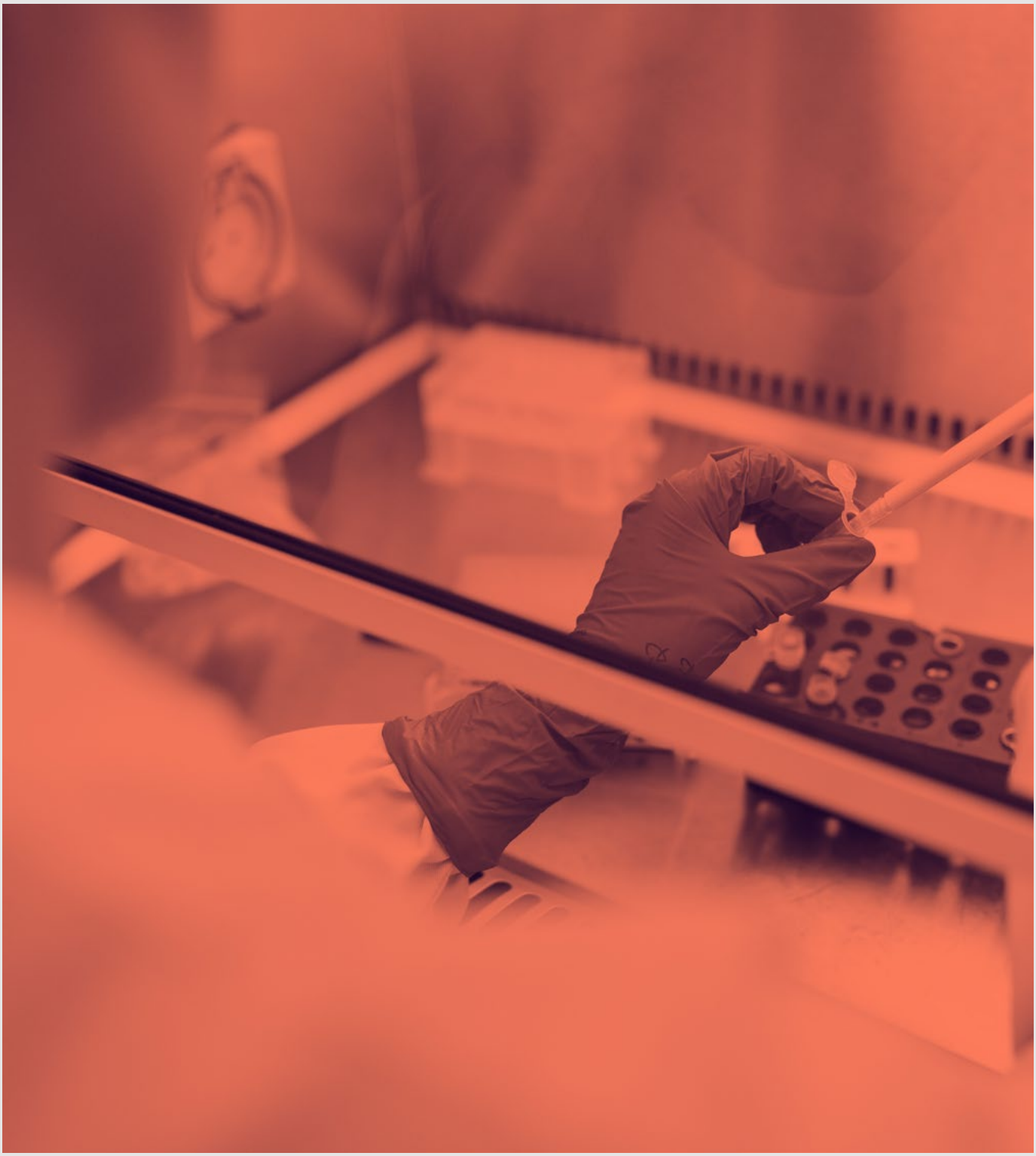
COVAX



COVAX Facility Explainer

Participation Arrangements for Self-Financing Economies

Overview

The goal of the COVAX Facility is to ensure equitable access to all economies and ensure that income is not a barrier to access. The COVAX Facility serves as an invaluable insurance policy for participants to secure access to safe and effective COVID-19 vaccines through its actively managed portfolio of vaccine candidates across a broad range of technologies. The Facility provides all participants access to the same vaccine candidates, on the same accelerated timeline in an effort to end the COVID-19 pandemic as quickly as possible.

Upon joining the Facility, a self-financing participant will be requested to indicate the share of its population (between 10-50%) it wishes to cover through vaccine doses provided by the Facility. Recognising that the Facility will be operating in a supply constrained environment for some period of time, a consistent methodology is required to decide how available vaccine supply is allocated to self-financing participants and COVAX AMC Eligible Economies. The Facility will apply the Allocation Framework, under development by WHO, as the basis for allocation decisions, subject to periodic review by self-financing participants and COVAX AMC Eligible Economies. However, funding limitations, insufficient readiness to receive vaccines, or decisions to defer or forego an allocation on the part of one participant will not delay allocations to other participants.

The Facility is also committed to meeting a participants' preferred choice of vaccine and will endeavor to do so despite uncertainty about which vaccines will be available, when, and at what scale. The Facility aims to facilitate trading of allocations of vaccine for all participants through the establishment of a proposed COVAX Exchange. This is envisaged to be a marketplace to trade allocations of vaccines to allow each participant to optimise for their individual needs taking into account regulatory and territorial restrictions that may exist. COVAX Exchange will be co-created with both self-financing participants and COVAX AMC Eligible Economies. Approved vaccines available for purchase through the Facility require WHO prequalification or on an exceptional basis, at a minimum, licensure/ authorisation from a stringent regulatory authority in place. A vaccine which has an emergency use authorisation or WHO Emergency Use Listing may also be purchased if agreed to by the participant.

The Facility will negotiate Advance Purchase Agreements with vaccine manufacturers on behalf of participants to secure access to vaccine doses in specified volumes, delivery timetables and prices. The Facility will endeavor to negotiate the best possible pricing from manufacturers that is lower than or at least no higher than pricing manufacturers have agreed in bilateral deals. The cost per dose will vary by vaccine and manufacturer and the Facility will pass-through the actual, negotiated price to participants. The deals negotiated between the Facility and the manufacturers will dictate the final price of the vaccine and whether the pricing structure is flat/ single or tiered.

The Facility has set out plans to make $5.7 billion of investments into the acceleration of manufacturing scale-up to secure 2 billion doses and vaccinate 1 billion people (assuming a 2-dose regimen). These investments include down payments on Advance Purchase Commitments with manufacturers, inventory and reservation fees, manufacturing scale-up, and tech transfer. The Facility estimates that an additional $500 million is needed for financing, insurance, and Facility operating/management costs (the latter estimated to be $50m or ~0.2% of total expected Facility costs). Therefore, the total investments required for the Facility to get started are $6.2 billion or $3.10 per dose or $6.20 per person. Any unused funding will be returned to participants.

The COVAX Facility is offering two arrangements for self-financing entities wishing to join. In the "Committed Purchase" arrangement, participants make a lower upfront payment of $1.60/dose or $3.20/person and provide a financial guarantee of $8.95/dose or $17.90/person. A Committed Purchase participant may only opt out of candidates if it indicates in its Commitment Agreement that it is not interested in purchasing vaccines with prices exceeding $21.10/dose, which is twice the all-inclusive estimated weighted average cost per dose.

In the "Optional Purchase" arrangement, a participant makes an upfront payment covering its full pro-rata share of the investments required by the Facility to enter into agreements with manufacturers and accelerate scale/access ($3.10/dose or $6.20/person as outlined above). In return, these participants receive the ability to decide which candidates they are interested in purchasing from their allocation of the Facility's portfolio. While the upfront payment for the Optional Purchase is larger than for the Committed Purchase, the all-inclusive costs are expected to be the same for both arrangements.

The governance and decision-making rights of self-financing participants are the same under both arrangements.

Participants will purchase vaccines either through their own processes or through mechanisms such as UNICEF Supply Division or PAHO Revolving Fund and will be subject to the terms of the arrangement between the participant and the procurement agent or manufacturer. Any cost associated with utilizing such a mechanism will be paid separately by the participant.

Detailed descriptions of the two arrangements

Committed Purchase Arrangement

In this arrangement, participants will commit to purchase allocations of approved vaccines from the Facility. Because participants provide a financial guarantee, they are asked to make a lower upfront payment.

- **Upfront payment**: Participants will make an upfront payment of $1.60 per dose or $3.20 per person and will provide a financial guarantee of $8.95 per dose or $17.90 per person.[1] The firm commitments of these participants will be used by the Facility to leverage different financial instruments to complement the lower upfront payment (e.g., debt financing).

- **Committed purchases**: Participants will procure the full number of doses of the allocated vaccine at the actual price agreed with the manufacturer. If the actual price is lower than the estimated all-inclusive cost which is the basis for the participants financial guarantee, participants will pay less than the financial guarantee and may choose to have that guarantee returned or use to procure additional volumes (if available). If the actual price is higher than the estimated all-inclusive price, participants are only committed to pay the total commitment amount set out in the Commitment Agreement (even if this covers less than the indicated coverage of the population), but will have the option to procure doses up to the desired quantity for an additional cost.

- **Opting-out**: Participants will have the ability to opt-out of candidates based on price only. To do so, a participant will have to indicate in their Commitment Agreement that they will not accept a price greater than double the estimated all-inclusive price per dose of $10.55. This means that the Facility would not reserve doses for a participant for any vaccine costing more than $21.10 per dose. This could cause a participant to experience delays in receiving vaccines if more expensive vaccines are approved first.

[1] Approximately 15% of the estimated all-inclusive cost per dose. The quoted cost estimates are determined by the Office of the COVAX Facility based on proxy data and latest available pricing information from manufacturer engagement for the portfolio of vaccines under consideration.

Committed Purchase Arrangement Example:

Scenario

Population
70 million

Elected coverage
30% of the population

Two-dose vaccine regimen

42M

Full allocation
42 million doses
Population (70 million) x Elected coverage (30%) x Two- dose vaccine regimen (2 doses)

Down payment
$1.60 per dose

Financial guarantee
$8.95 per dose

Required by Oct. 9th, 2020

$67.2 million

Total down payment
Total estimated doses (42 million doses)
x
Down payment ($1.60 per dose)

$375.9 million

Financial guarantee
Total estimated doses (42 million doses)
x
Financial guarantee ($8.95 per dose)

Optional Purchase Arrangement

In this arrangement, a participant will be able to decide whether to purchase any approved vaccine allocated to them, while retaining the ability to receive its full share of doses of other approved vaccines, subject to supply becoming available. Deciding not to purchase a particular candidate may delay the time until a participant receives doses particularly in the initial phase where there may only be one or two approved vaccines available and the quantities could be limited.

- **Initial payment**: Participants will pay the full upfront payment of $3.10 per dose, which is equivalent to $6.20 per person assuming a two-dose regimen, to reserve options to purchase vaccine doses through the Facility. In this arrangement there will not be any need to use other financial instruments like debt to fund the pre-approval costs incurred by the Facility, as the participant covers their full pro rate share of the pre- approval costs. A regional organisation could provide payments on behalf of its Member States.

- **Options**: Participants will be able to a decide which vaccines it will purchase, for example taking into consideration national vaccine strategies. If a participant decides not to purchase a specific vaccine, it is possible that it could lead to a delay in receiving doses from the Facility until volumes of different approved vaccines are secured.

- There will be two windows in time that the participant may decide on a certain candidate – either 1) before the COVAX Facility enters into an agreement with a manufacturer, or 2) at the point at which the Facility confirms orders with manufacturers.

- **Decision window 1**: Before the Facility signs a deal with a manufacturer, participants will have a window to indicate their interest in purchasing vaccine from that manufacturer. If a participant decides that it is interested, it will be issued an option to purchase doses from that deal in the second decision window. Conversely, if a participant decides that it is not interested, it will not be issued an option to purchase doses from that deal.

- **Decision window 2**: The second window to decide whether to purchase a vaccine will coincide with the point at which the Facility confirms orders with manufacturers (later in the clinical development process of the vaccine candidate). If a participant exercises its option and the vaccine candidate achieves regulatory approval, the participant will receive doses that have been "pre-paid" out of its upfront payment and can purchase the remainder of its allocation at the price per dose agreed between the Facility and the manufacturer in its supply agreement. If a participant is not interested in exercising its option, it can in the first instance trade its allocation on the proposed COVAX Exchange or donate its allocation to other participants or the COVAX AMC at its discretion. If the participant ultimately decides not to exercise its option, it will not be committed to purchase its allocation. However, the Facility will also not refund its share of the upfront payment invested in this candidate.

- **Risk sharing guarantee**: Participants that have chosen the Optional Purchase Arrangement will be asked to provide a risk-sharing guarantee of $0.40 per dose to help protect the Facility against any liabilities resulting from participants deciding not to purchase a particular vaccine candidate after the Facility has already entered into a contract with the manufacturer. If a participant fails to provide the risk-sharing guarantee before October 9th, it will only be able to decide whether to purchase a vaccine during the first decision window, i.e., before deal signature, and not the second decision window. The Facility would only draw upon this risk-sharing guarantee in the scenario that the Facility does not absorb the liability resulting from participants waiving options for doses the Facility has committed to purchase from manufacturers. The guarantee will be released back to the participant should the Facility not incur such liabilities. The Facility will mitigate the risk of incurring such liabilities by, among others, endeavoring to negotiate with manufacturers a high proportion of options to purchase doses vs. commitments and through the proposed COVAX Exchange.

Optional Purchase Arrangement Example:

Scenario

Population
70 million

Elected coverage
30% of the population

Two-dose vaccine regimen

42M

Full allocation
42 million doses
Population (70 million) x Elected coverage (30%) x Two- dose vaccine regimen (2 doses)

Upfront payment
$3.10 per dose

Risk-sharing guarantee
$0.40 per dose

Required by Oct. 9th, 2020

$130.2 million

Total upfront payment
Total estimated doses (42 million doses)
x
Upfront payment ($3.10 per dose)

$16.8 million

Risk-sharing guarantee
Total estimated doses (42 million doses)
x
Risk-sharing guarantee ($0.40 per dose)

Summary of the two options:

Fig.1 Comparison of benefits to each arrangement

Participants are offered different advantages depending on the arrangement selected

	Optional Purchase Arrangement	Committed Purchase Arrangement
Access to a broad, diversified portfolio of vaccine canditaties	✓	✓
Participation in COVAX Facility governance including full cost transparency	✓	✓
Facility negotiated prices	✓	✓
Flexibility to trade doses through a proposed COVAX Exchange	✓	✓
Relatively low upfront cost with less funding at-risk; remaining payments directly tied to doses		✓
Low financial guarantee	✓	
Ability to decide on certain candidates	✓	
Ability to opt out of purchasing high priced vaccine upon joining the Facility		✓