COVAX Financing Mechanisms

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16 December 2020

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What is the investment?

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What does it cost the Facility to make this investment?

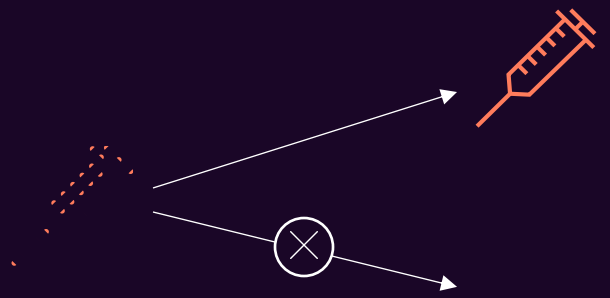
3

What does it cost for participants?

No single vaccine is guaranteed to succeed or has enough capacity …

For planning purposes, the Facility is targeting to 2 B doses by end of 2021

- Many vaccines in development – none guaranteed to succeed
- No single manufacturer has the capacity to supply the global volume required

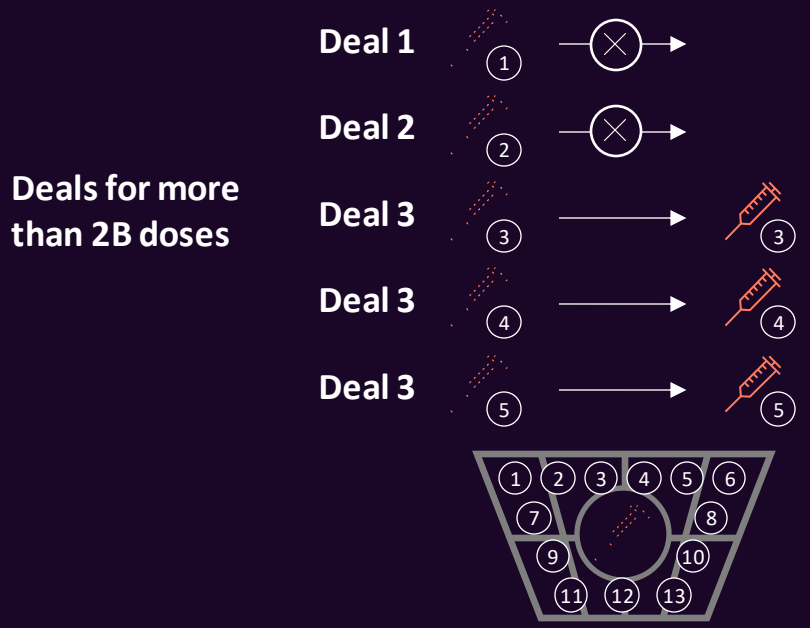


Single deals might fail

A diversified portfolio is needed to diversify risk and create capacity to scale

… COVAX thus selected a basket of vaccines to mitigate these risks

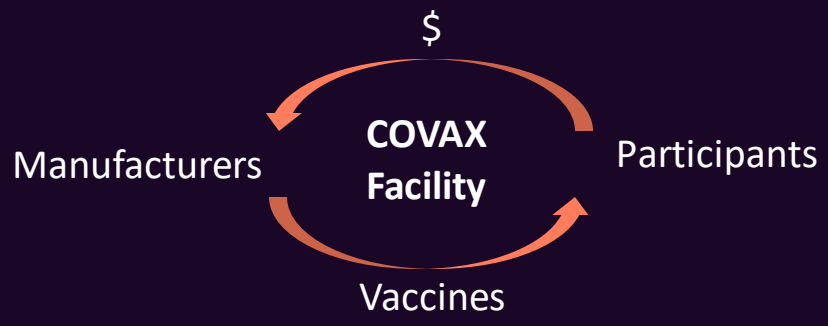
- A **basket of deals is needed** to increase the chances of delivering 2B doses by end of 2021
- **Deals for more than 2 B doses are needed** to account for the risk of unsuccessful development



COVAX is creating a basket of 10-15 vaccines

The overall financial structure of the Facility

The COVAX Facility cost principles



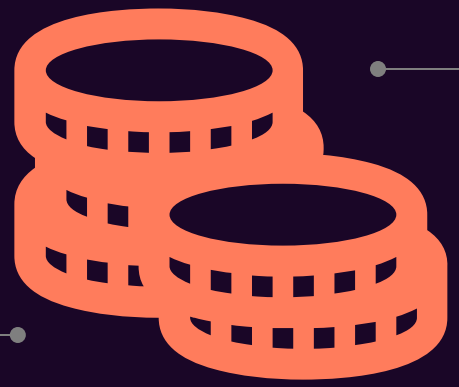
- **Negotiate to achieve minimal returns pricing**
- **Costs passed through to participants "as-is"**
- **Full transparency**
- **Participants involvement in Facility governance**

Three COVAX Facility cost categories

Speed / access premium
Payments made to manufacturers:

- To accelerate investments manufacturers would otherwise delay (e.g., technology transfer)
- As down payments for Advance Purchase Agreements

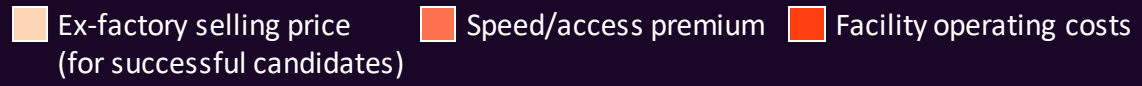
Ex-factory cost
Variable cost to manufacturers of producing the doses



Facility operating costs

- Cost of limiting risk exposure and reducing upfront payment requirements (e.g., insurance and interest associated with debt financing)
- Management fees (e.g., headcount, lights-on)

How is the COVAX price per dose calculated and what does it include?



Estimated COVAX Facility cost for 2 B doses, in $B

Payments to manufacturers

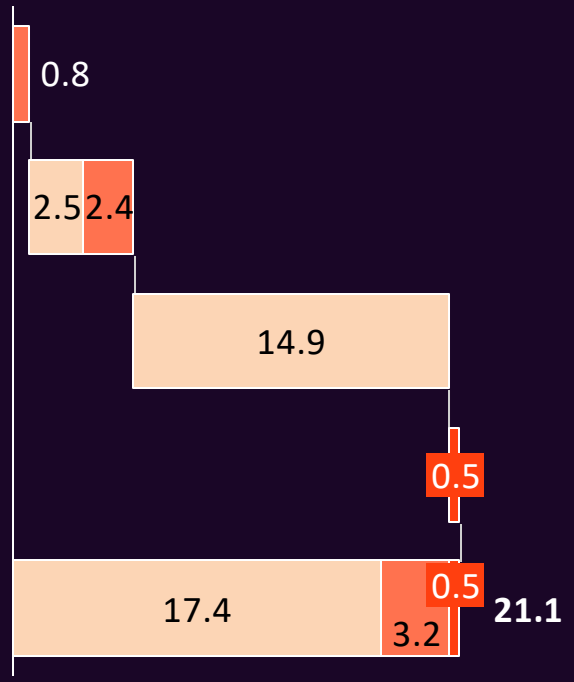
PRE-APPROVAL fixed costs (tech transfer, scale-up/-out)

PRE-APPROVAL variable costs (reservation fees, APC down payments)

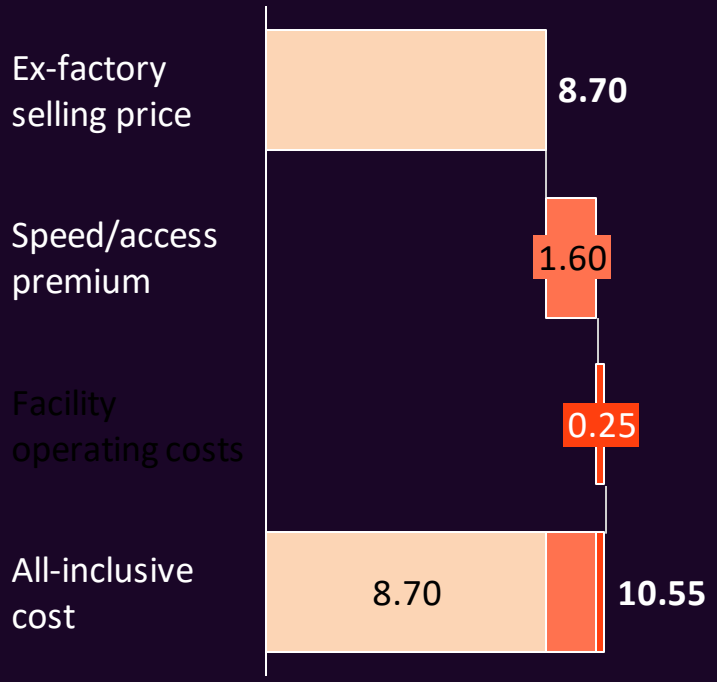
POST-APPROVAL costs (regular purchases, net of any pre-approval variable costs)

Facility operating costs, (incl. financing and insurance)

Total all-inclusive cost



Estimated all-inclusive cost, in $/dose



$21.1B all-inclusive cost for 2B doses at $10.55/dose including:

- **$8.70/dose ex-factory selling price**
- **$3.2B speed/access premium amortized as $1.60/dose**

AMC92: Cost-sharing goals and considerations

Goals

- Foster **Participant ownership and solidarity** in the global fight against COVID-19
- Enable Participants to reach **greater population coverage if desired**, complementing donor resources

Considerations

- Participants expected to cost-share on **delivery** (complementing initial TA and CCE resources allocated by Gavi), and have opportunity to cost-share on **vaccine doses** (as described in this presentation)
- Participants can leverage **multilateral development bank financing** (e.g., World Bank COVID-19 financing) to support cost-sharing
- Recognizing urgency and fiscal pressures, cost-sharing on vaccine doses will **not prevent or delay the introduction** of COVID-19 vaccines for any Participant
- Cost-sharing focuses on the **acute phase of the pandemic**; a model more in line with Gavi's traditional co-financing will be implemented if COVID-19 vaccines are routinized longer-term

Cost-sharing approach

Donor-funded doses will be distributed across AMC-eligible Participants, "jumpstarting" introductions

- **Fully subsidized donor-funded doses** will be distributed across AMC-eligible Participants, in line with the WHO Fair Allocation Framework, until donor resources are exhausted
- The current aspiration is for **donor-funded doses to reach ~20%** of AMC Participants' populations, depending on, e.g., vaccine development success, dose price, vaccine characteristics, and available resources

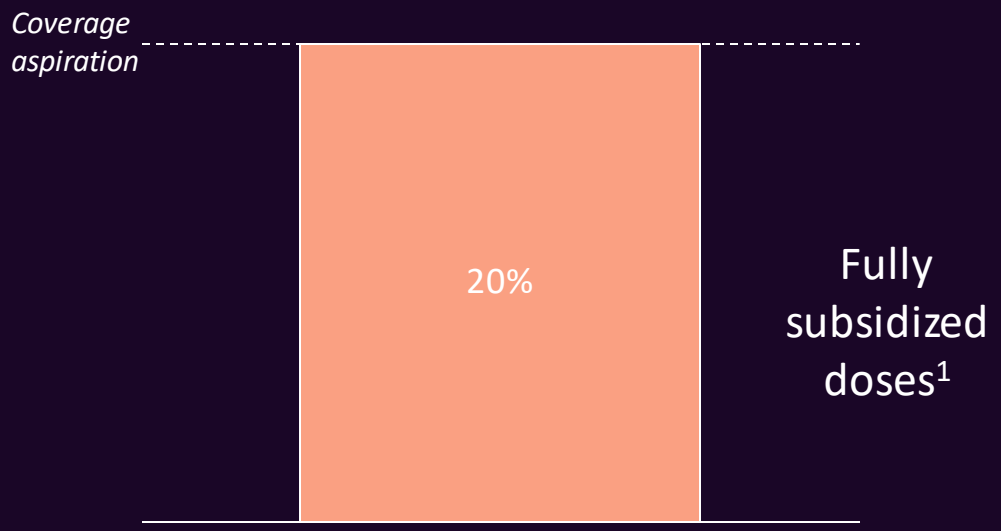
Cost-sharing will then "top-up" donor resources, enabling higher population coverage

- Participants will have the opportunity to cost-share to purchase **supplementary doses**, beyond what donor resources cover[1]
- These additional doses will be **fully paid for by cost-sharing funds** (i.e., not donor-subsidized)
- This will help Participants reach a **greater share of their populations**, if desired
- Participants who do not cost-share would **still receive their share of donor-funded doses**, but no additional doses

1. Given projected supply constraints for 2021, additional doses beyond 20% will be subject to availability and may be distributed in 2022.

Cost-sharing approach: example

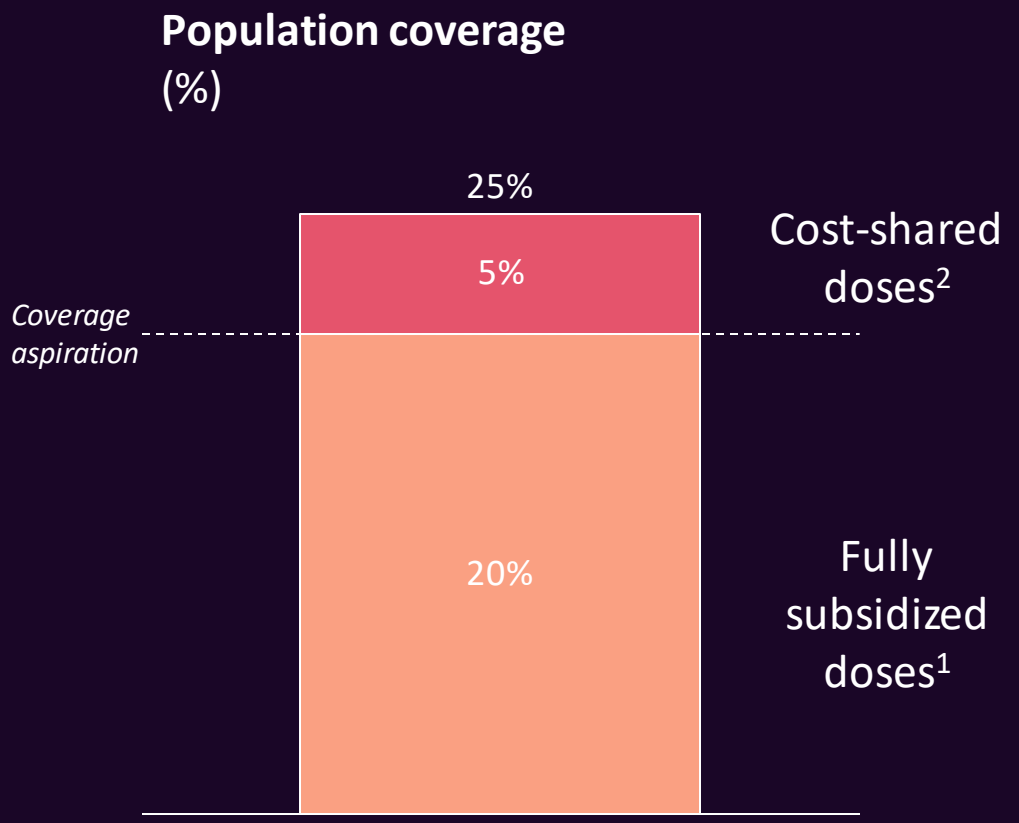
Population coverage
(%)



ILLUSTRATIVE

1. The current aspiration for fully subsidized doses is 20% population coverage; actual coverage will vary depending on, e.g., vaccine development success, dose price, vaccine characteristics, and available resources.

Cost-sharing approach: example

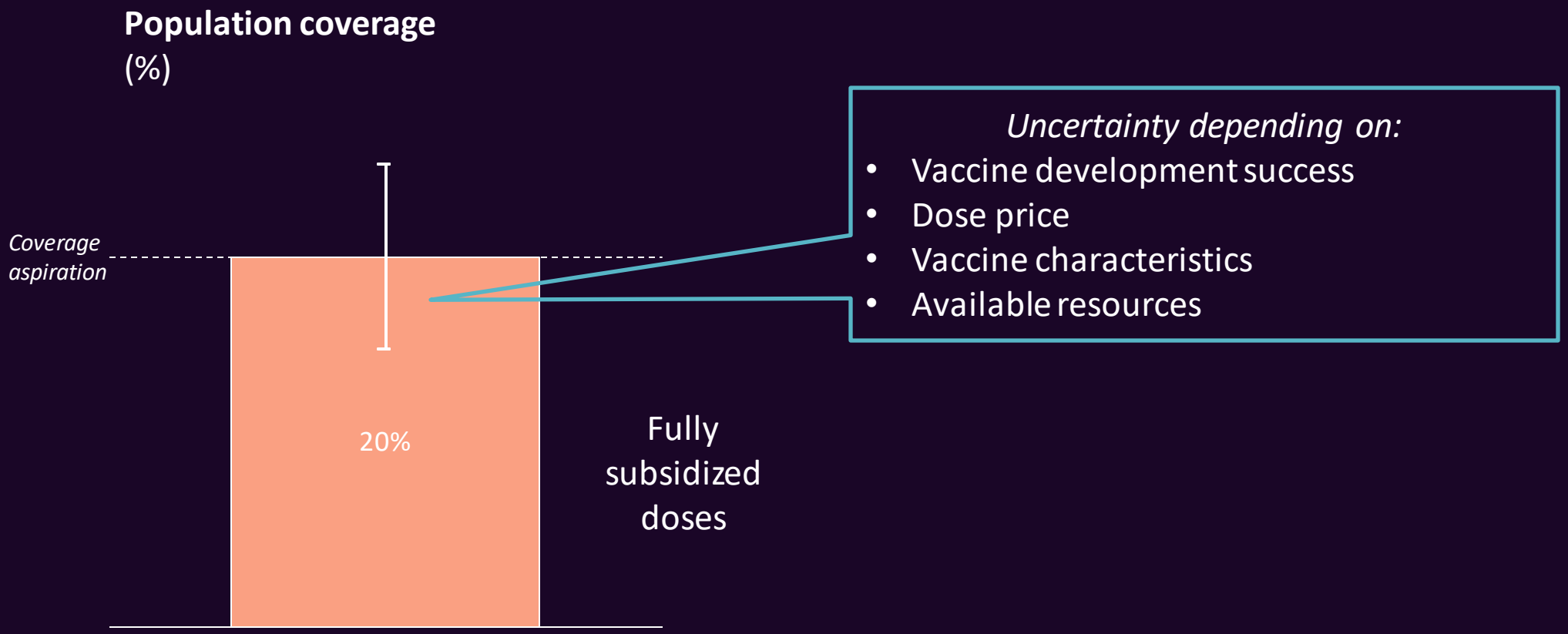


% population coverage via cost sharing[3]		*Population (illustrative)*		*Doses per regimen[4]*		*Full dose cost (estimated)[5]*		*Allocated cost-share funds*
5%	×	1M	×	2	×	$7	=	$700k

ILLUSTRATIVE

1. The current aspiration for fully subsidized doses is 20% population coverage; actual coverage will vary depending on, e.g., vaccine development success, dose price, vaccine characteristics, and available resources. 2. Given projected supply constraints for 2021, additional doses beyond 20% will be subject to availability and may be distributed in 2022. 3.. Example only. Participants will indicate desired percentage of population to cover via cost-sharing. 4. Assumption. Dose regimen will vary by candidate. 5. Indicative estimated fully loaded dose cost, subject to change; actual price will vary by technology. Participants will pay the actual cost of the vaccine.

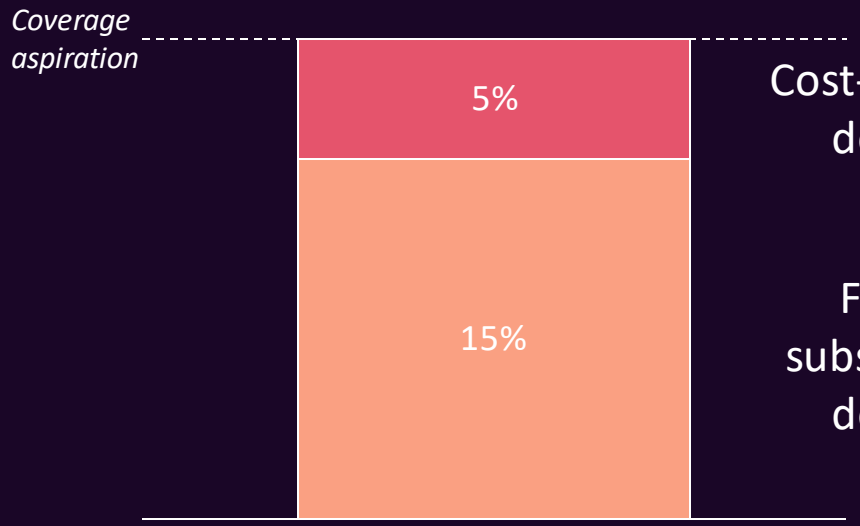
Cost-sharing approach: example



ILLUSTRATIVE

Cost-sharing approach: example

Population coverage
(%)



Cost-shared doses

Fully subsidized doses

We recommend cost-sharing ~4%-5% to maximize the probability of reaching or exceeding 20% coverage, even amidst uncertainty

e.g., $700k[1]

ILLUSTRATIVE

1. Illustrative example based on Participant with 1M population choosing to cost-share to cover 5% additional population, assuming $7/dose and 2 dose regimen.

Catalytic Questions

- **How have you been navigating alignment of the urgent needs vis-à-vis your normal budgeting cycles?**
- **For those that have made the 'down payment', and will ultimately be navigating future advance payments, how was this accomplished?**
- **For SFPs, some countries have had difficulty in providing financial guarantees for the balance of the commitment amount – for those having difficulties, what are the bottlenecks and for those who have successfully deployed, what were the strategies?**
- **For AMC92 and SFPs, how are you budgeting or financing the delivery costs? What are your considerations with regards to on-budget vs. MDB financing?**

Back-Up Slides

Advantages of procuring additional doses via COVAX Facility

- **Streamlined process** for accessing donor-funded doses for highest risk groups and additional doses, if desired, to protect a higher proportion of the population
- Access to large, diverse, actively managed portfolio of vaccine candidates, **maximizing chances of receiving effective, high-quality vaccines** near-term
- Access to **second generation candidates** that may have benefits in terms of cost, ease of use, or scalability
- Access to **COVAX-negotiated prices:** cost-sharing allocations will pay for vaccines as priced by the manufacturer, with the Facility serving as a "pass through"
- **Assurance of safety and efficacy** through WHO pre-qualification or stringent regulatory approval

Frequently asked questions

What percentage of the population can we expect the COVAX AMC to cover?

- The AMC aims to provide fully subsidized vaccines to cover 20% of AMC economies' populations.
- The ultimate percentage of the population the AMC is able to cover will depend on many factors that are uncertain (e.g., price, vaccine characteristics, resources).
- Participants cost-sharing to cover at least ~4-5% of their populations will maximize the probability of reaching or exceeding 20% coverage, even amidst uncertainty.

Can participants cost-share to go beyond 20%/25% population coverage?

- Yes. We recommend that participants channel requests to purchase additional doses to reach higher population coverage via the Facility, which offers several advantages as previously described. These additional doses will be paid in full by the participant.

What costs are included in the donor-funded doses? What costs are included in the cost-shared doses?

- AMC donor-funded doses will include devices (syringes and safety boxes), procurement fees, and international freight (to the port of entry). Domestic logistics and delivery costs are not included and should be budgeted for.
- The average price estimate for allocating funds for cost-shared doses, $7, also includes devices, procurement fees, and international freight. For cost-shared doses, this price will be fully paid by participants (leveraging MDB funds), with no donor subsidy. Note that participants will pay the COVAX-negotiated price (which may be higher or lower than the estimate) for cost-shared doses, with the Facility acting as a pass-through mechanism (i.e., no markup).

When is a financial commitment required for cost-shared doses?

- More information on the process for securing financial commitments for additional cost-shared doses will be shared soon. In the meantime, we recommend that participants work with the World Bank and other multilateral development banks to allocate appropriate funds for both cost-shared doses and delivery.