

COVAX Facility Explainer – Participation Options for Self-Financing Economies

Overview

For all participants, the Facility will serve as an invaluable insurance policy 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 will negotiate for and provide all participants access to the same vaccines as and when they become available, on the same timeline, and based on the participant's elected quantity.

Upon joining the Facility, all self-financing participants will confirm the amount of vaccine it is committing to buy through the Facility as a proportion of its population. A participant may request vaccine sufficient for 10-50% of its population. No self-financing participant will receive doses of vaccine to cover greater than 20% of its population until all self-financing participants have either also been offered doses in an amount to achieve 20% coverage or hit their elected quantity (if lower than 20%).

The Facility will negotiate best possible pricing from manufacturers and pass-through the actual, negotiated price to participants. The cost per dose will vary by vaccine and manufacturer. Manufacturers will dictate the final price of the vaccine and if it is a single flat price or tiered pricing. The Facility will aim to negotiate prices that are similar or below prices achieved in similar tiers in bilateral deals for all participants.

The Facility is also committed to try and meet participants' preferred choice of vaccine, but given the uncertainties of which vaccines will be available, when, and at what scale, it may not be possible to do so. The Facility aims to facilitate trading rights/shares vaccine for all participants, by providing common terms and conditions and through establishment of a COVAX Exchange, a marketplace to trade vaccines—where they are able to be exchanged taking into account regulatory and territorial restrictions that may exist. All vaccines available for purchase through the Facility will have received WHO Emergency Use Authorization or prequalification or been approved by a stringent regulatory authority.

As part of the co-creation process and in response to feedback from some EOI participants, we have evolved the design of the COVAX Facility to offer two ways for self-financing participants to join the Facility. In the first way, the "Committed Purchase" arrangement, participants make a lower upfront payment but they will need to make firm guarantees to procure doses from the Facility without the possibility to opt-out of specific candidates. This option is the original option we have shared previously. In the second way, the "Optional Purchase" arrangement, participants make an upfront payment covering their full pro-rata share of the investments required by the Facility to enter into agreements with manufacturers and accelerate scale/access. These participants have the possibility to opt out of vaccine allocations while still reserving their "options" to receive doses of a subsequent vaccine being provided through the Facility. This option may be more attractive for countries that already have bilateral deals in place and may not be interested in acquiring more of those vaccines.

Option 1: Committed Purchase

The key feature of this option is that participants will commit to procure a certain volume and be willing to accept vaccines from the Facility that have been approved and recommended. In exchange for the firm commitment, these participants will be required to provide a lower upfront payment.

- Participants will make an upfront payment of \$1.60¹ per dose and a financial guarantee (\$8.95 per dose) equal to the estimated all-inclusive cost per dose (\$10.55) minus the upfront payment.
- It is possible that participants will pay less than the estimated average price agreed in the Commitment Agreement for their full share of doses, in which case the balance due to purchase the doses will be less than the financial guarantee. It is also possible that it will cost more to achieve desired coverage. In this case, participants are only committed to pay the estimated amount included in their Commitment Agreement (even if it covers less than the desired coverage of the population), but will have the option to procure doses up to the desired quantity for an additional cost.
- 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 Facility all-inclusive price 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 those vaccines are approved first or, if the expensive vaccine offered specific advantages to certain populations groups, opting not to accept means losing access to the advantageous vaccine for such groups. At the time of allocation, the Facility would try to meet the choice preferences of each participant but cannot guarantee its ability to do so. A participant may also use the proposed COVAX Exchange to trade or sell unwanted doses.

Costing example:

Scenario:

- Population = 60 million
- Elected coverage = 20% of the population
- Two-dose vaccine regimen
- Weighted average vaccine price per dose = \$8.70
- Estimated all-inclusive cost per dose = \$10.55 (Weighted average vaccine price + Speed/access premium + Facility operating cost)
- Upfront payment per dose = \$1.60 (approx. 15% of the estimated all-inclusive cost per dose)

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.

Costing example:

Scenario:

- Population = 60 million
- Elected coverage = 20% of the population
- Two-dose vaccine regimen
- Upfront payment per dose = \$3.10 (\$2.50 per dose for down payments to manufacturers, \$0.35 per dose for tech transfer/scale-up, and \$0.25 per dose for Facility operating costs)
- Upfront risk-sharing guarantee = \$0.40 per dose
- Weighted average vaccine price = \$8.70 per dose
- Estimated all-inclusive cost per dose = \$10.55 (Weighted average vaccine price + Speed/access premium + Facility operating cost)

Total estimated doses = Population (60 million) x Elected coverage (20%) x Two-dose vaccine regimen (2 doses) = 24 million doses

Total upfront payment = Total estimated doses (24 million doses) x Upfront payment (\$3.10 per dose) = **\$74.4 million**

Total risk-sharing guarantee = Total estimated doses (24 million doses) x risk-sharing guarantee (\$0.40 per dose) = **\$9.6 million**

Estimated additional payment upon exercise of options to full elected coverage² = (Estimated all-inclusive cost per dose (\$10.55) – upfront cost per dose (\$3.10)) x Total estimated doses (24 million) = **\$178.8 million**

² This is an estimate. Participants that elect this option will pay the cost per dose set by the manufacturer to receive the balance of doses above doses covered by upfront payment to meet full elected coverage.

Summary of the two options:

What the Facility offers participants		
	Optional purchase model	Committed purchase model
Access to a broad, diversified portfolio of vaccine candidates	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Participation in COVAX Facility governance including full cost transparency	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Facility negotiated prices	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Flexibility to trade doses through the COVAX Exchange	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Relatively low upfront cost with less funding at-risk, remaining payments directly tied to doses		<input checked="" type="checkbox"/>
No procurement guarantee required	<input checked="" type="checkbox"/>	
Ability to opt-out of purchasing allocated doses	<input checked="" type="checkbox"/>	
Ability to opt-out of purchasing high-priced vaccine upon joining the Facility		<input checked="" type="checkbox"/>

COVAX | Green Tech Alliance