

# **GAVI Alliance Support for Access to Appropriate Pricing for GAVI Graduates and Other Lower Middle Income Countries**

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*Technical Briefing Session for the GAVI Alliance Board  
Geneva, Switzerland, 17 June 2014*



# Purpose of technical briefing

- Provide background and progress update on this work
- Review outcome of PPC meeting and explain next steps
- Address questions and receive any initial Board input

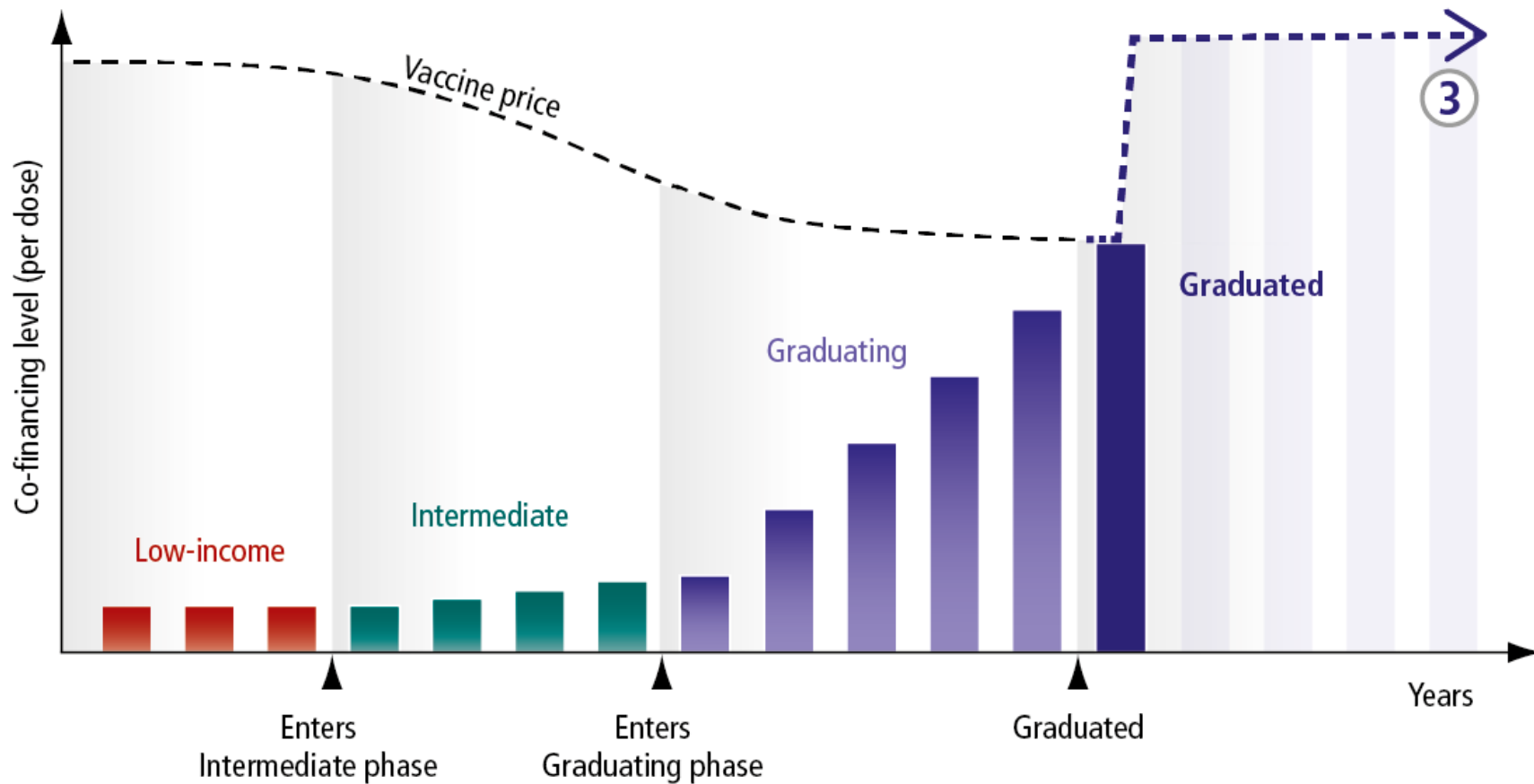
# Problem statement and Board request

- As countries graduate, critical they can sustain immunisation programmes begun with GAVI Alliance support and be able to introduce new life-saving vaccines
- Alliance implementing comprehensive strategy to support countries to achieve successful graduation
- Many countries concerned about increasing vaccine prices after graduation; asking for Alliance support to access appropriate, sustainable prices
- In November 2013, GAVI Board requested the Secretariat “to conduct analyses and consultations to develop and propose instruments to support access to affordable prices for all Lower Middle Income Countries (LMICs), including graduated countries and non-GAVI LMICs”

# Context within GAVI Alliance strategy 2016-2020

Mission	<p><i>To save children's lives and protect people's health by increasing equitable use of vaccines in lower income countries</i></p>	
Principles	<ul style="list-style-type: none"> <li>▪ Country-led</li> <li>▪ Community-owned</li> <li>▪ Globally engaged</li> <li>▪ Catalytic &amp; sustainable</li> <li>▪ Integrated</li> <li>▪ Innovative</li> <li>▪ Collaborative</li> <li>▪ Accountable</li> </ul>	
Goals	<p><b>Accelerate equitable uptake and coverage of vaccines</b></p>	<p><b>Increase effectiveness and efficiency of immunisation delivery as an integrated part of strengthened health systems</b></p>
	<p>1</p> <ul style="list-style-type: none"> <li>▪ Coverage and equity</li> <li>▪ Introduction and scale-up of new vaccines</li> <li>▪ Flexible response to special needs of fragile countries</li> </ul>	<p>2</p> <ul style="list-style-type: none"> <li>▪ Integrated comprehensive immunisation systems</li> <li>▪ Supply chains, health information systems, demand generation and gender sensitive approaches</li> <li>▪ Engagement of civil society, private sector and other partners</li> </ul>
Goals	<p><b>Improve sustainability of national immunisation programmes</b></p>	<p><b>Shape markets for vaccines and other immunisation products</b></p>
	<p>3</p> <ul style="list-style-type: none"> <li>▪ National and sub-national political commitment</li> <li>▪ Allocation and management of national human and financial resources</li> <li>▪ Sustained performance after graduation</li> </ul>	<p>4</p> <ul style="list-style-type: none"> <li>▪ Adequate and secure supply</li> <li>▪ Appropriate and sustainable prices</li> <li>▪ Incentivise development of suitable and quality products</li> </ul>
Strategic enablers	<p>A) Country leadership management &amp; coordination</p>	
	<p>B) Resource mobilisation</p>	
	<p>C) Advocacy</p>	
	<p>D) Monitoring &amp; Evaluation</p>	

# What happens to vaccine pricing after GAVI graduation?



Source: GAVI Alliance 2014

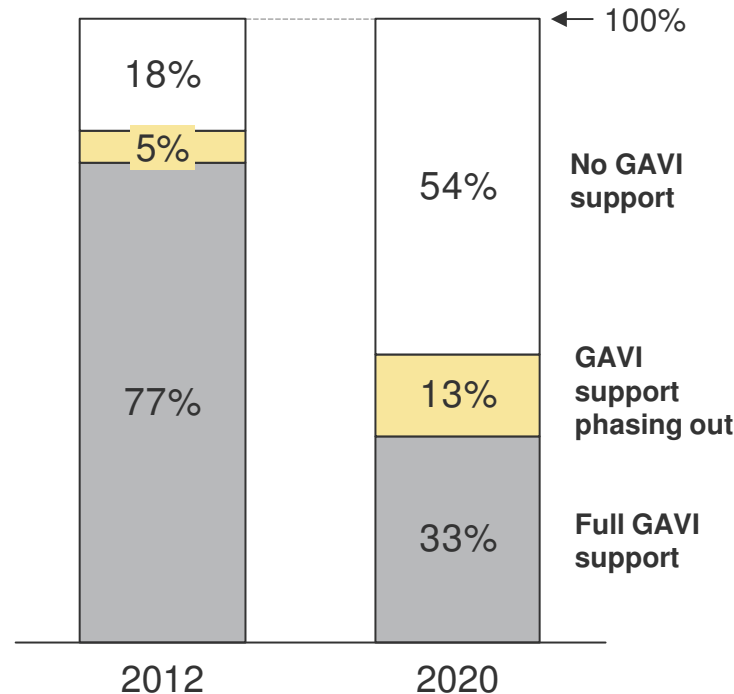


# Shifting global demographics highlights opportunity associated with supporting LMICs: share of poor people living in GAVI-supported countries decreasing

## People living with less than 1.25\$ a day

Global distribution, all countries for which data available

- Ineligible and graduated
- GAVI graduating
- Eligible for full GAVI support



Sources: UN population division (2020 projections), Projections of future poverty rates based on World Bank latest available poverty rates, crossed with estimated future poverty rate changes for India and China illustrated in Chandu, Ledlie and Penciakova (Brookings Institution), The Final Countdown: Prospects for Ending Extreme Poverty by 2030, Brookings Policy paper 2013-04 (mid-point estimates (2014) applied to the period 2012-2020)

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# Approach

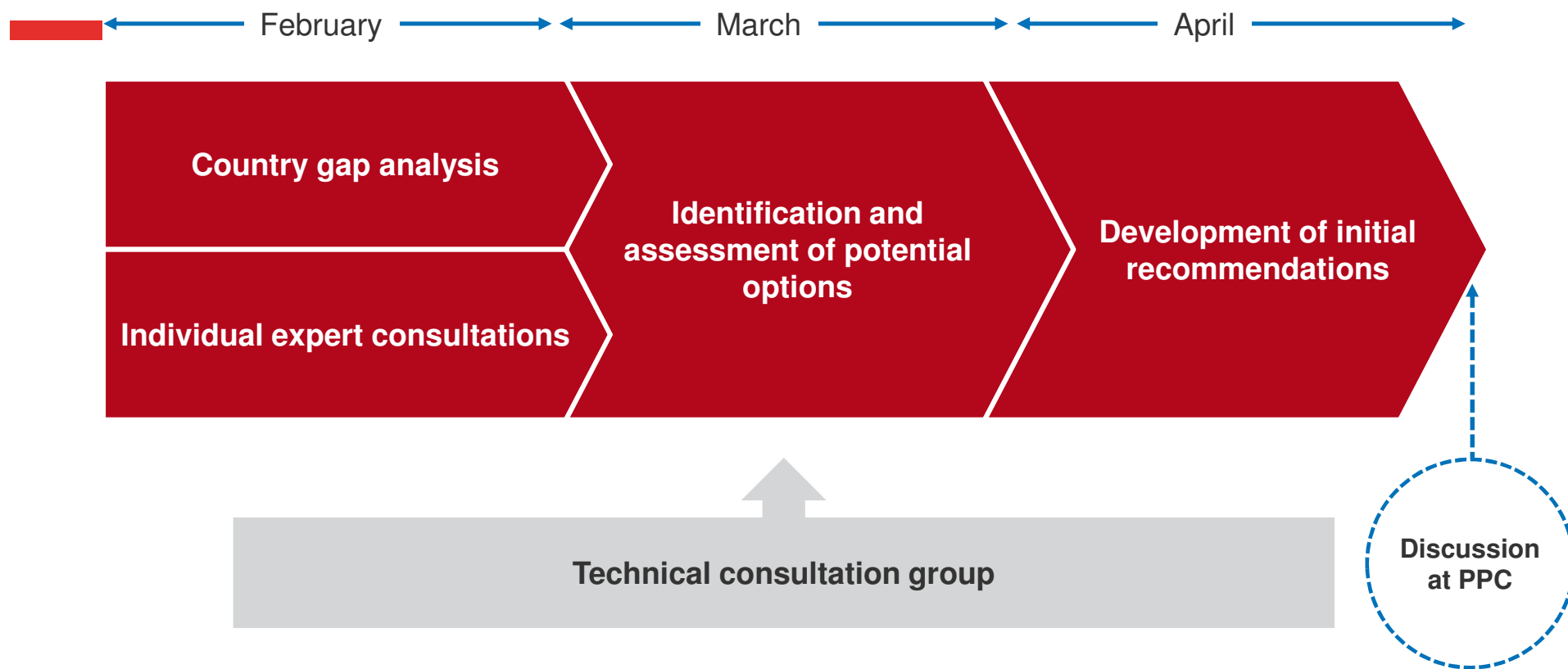
## Work to date – “Phase 1”

- Identify specific challenges faced by countries
- Define range of potential options to support countries
- Assess options and recommend range of options to carry forward for further analysis

## To be completed – “Phase 2”

- Conduct detailed analyses and consultations to identify optimal solution
- Define operating model for solution, including roles and responsibilities of Alliance partners

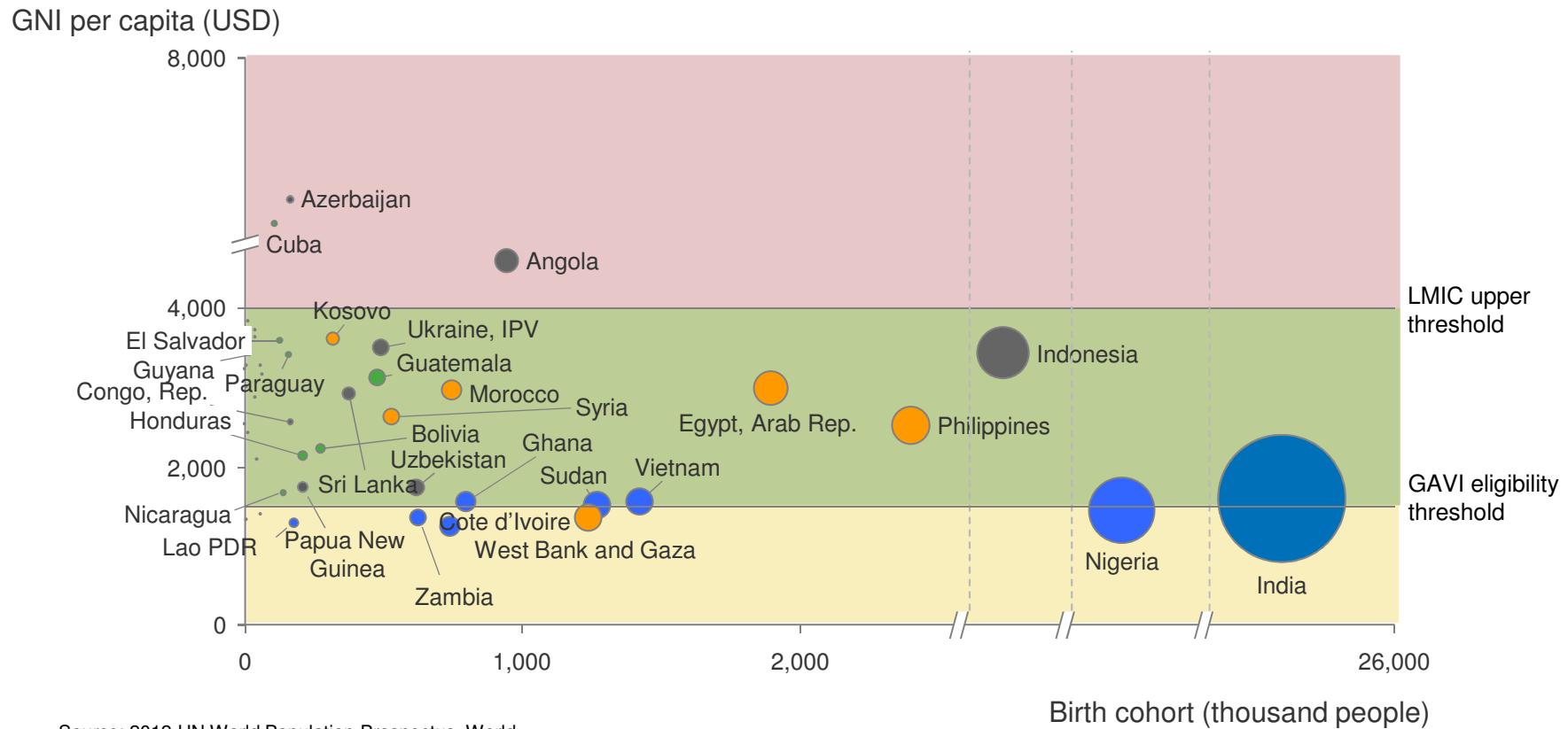
# Phase 1 process





# 44 heterogeneous countries with a birth cohort of 54 million

- Currently graduating GAVI countries (n = 15)
- GAVI-eligible entering graduation by 2020 (n = 10)
- Non-GAVI LMICs (n = 11)
- PAHO LMICs (n = 8)



Source: 2012 UN World Population Prospectus, World Bank 2012 GNI/capita Atlas method (extracted in Feb. 2014)

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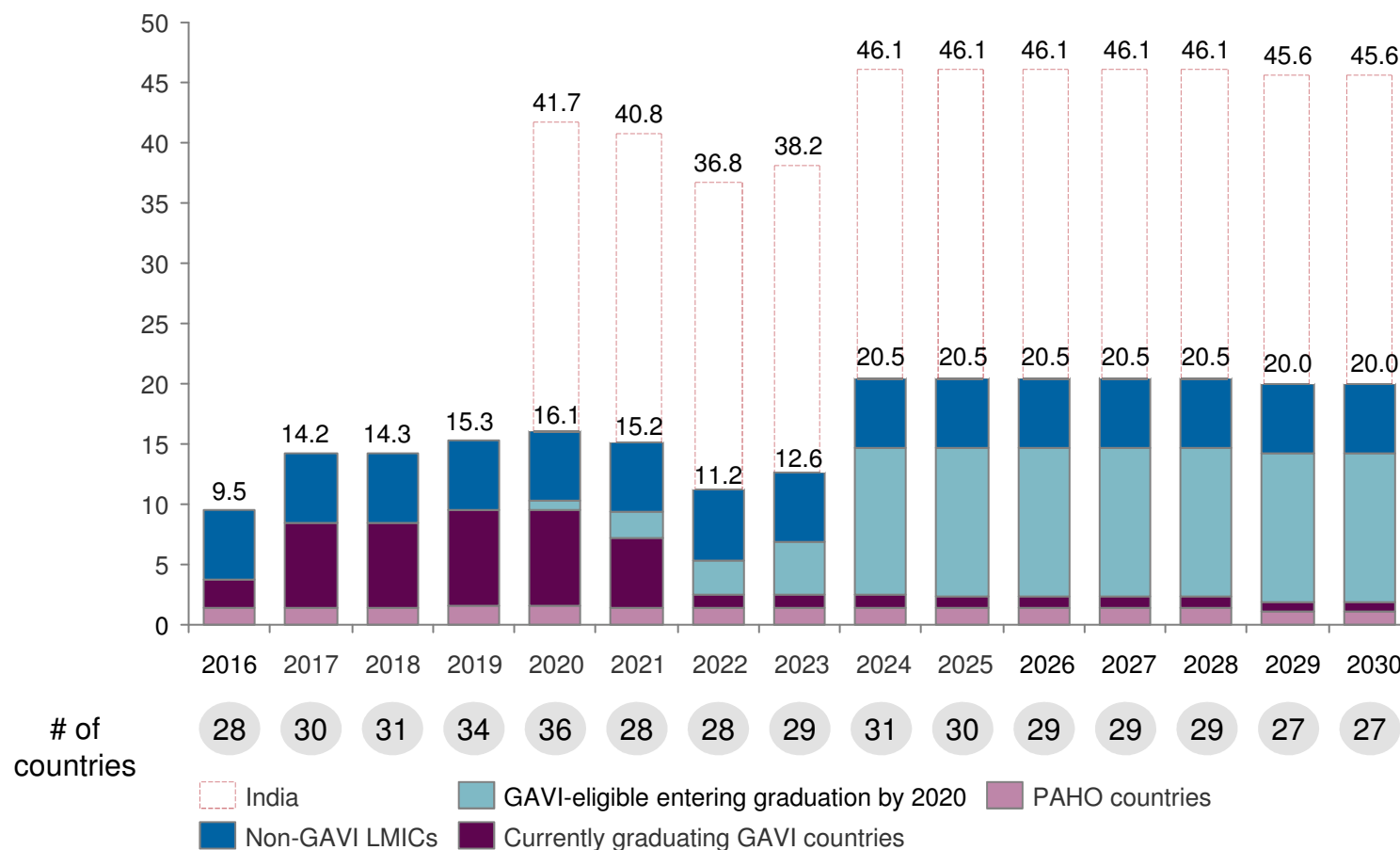
Birth cohort (thousand people)

● Size of birth cohort



# The number of countries would vary year-by-year as countries graduate from GAVI support and others meet a pre-defined exit criterion

Annual birth cohort (Million)



Note: Exit criteria applied in this analysis is that countries exit when they reach UMIC status, but at the earliest 5 years after graduation for GAVI countries; all birth cohorts are from 2013, no projections

Source: GAVI projections of graduation and income status; World Bank; IMF GDP projections; UN World Population Prospectus

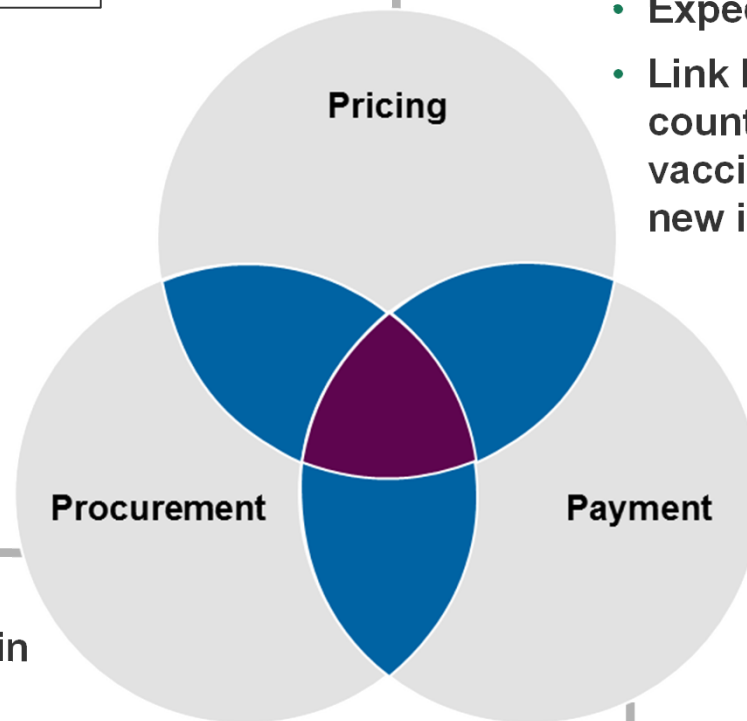
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# Country gap analysis performed along three dimensions: Pricing, Procurement, Payment

## **Methodology**

- Procurement mechanisms currently in use
- Procurement capabilities
- Country's interest in self- vs. pooled-procurement
- Obstacles to pooled procurement



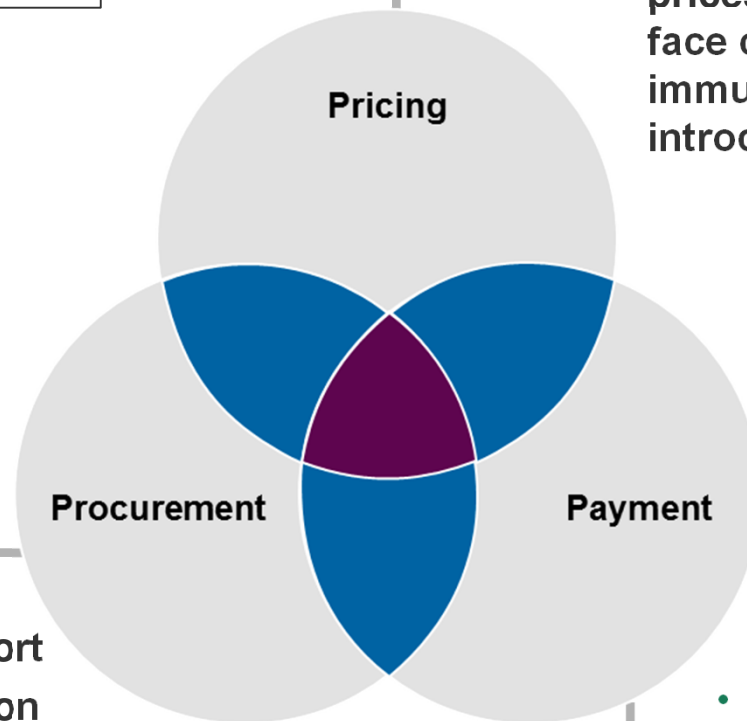
- Current vaccine prices
- Expected future prices
- Link between price and country's ability to maintain vaccination programmes and/or new introductions

- Fiscal space to accommodate vaccine purchases
- Access to hard currency
- Ability to make pre-payments
- Credit worthiness

# Country gap analysis performed along three dimensions: Pricing, Procurement, Payment

## **Findings**

- Large majority of countries require support
- Insufficient information on vaccines market
- Limited procurement capabilities
- Low bargaining power



- Without access to appropriate prices, most countries likely to face challenges sustaining immunisation programmes and introducing new vaccines

- Major needs observed regarding ability to make pre-payments and access hard currency

# Countries can be grouped in clusters with common characteristics

## Small countries with long term needs

**~15 countries, ~3% of birth cohort<sup>1</sup>**

- Countries with small birth cohort, thus low bargaining power and procurement capability; expected to face challenges for a long period

## Countries with variable needs

**~10 countries, ~20% of birth cohort<sup>1</sup>**

- Low procurement capabilities or low ability to absorb large price increases without an external intervention; may eventually be able to procure self-sufficiently

## Large countries with own production potential

**~3 countries, ~30% of birth cohort<sup>1</sup>**

- Countries generally relying on their own production; may benefit from near term support as they transition to efficient local production of required vaccines

**~3 countries, ~40% of birth cohort<sup>1</sup>**

- Countries have manufacturing potential but currently lack capabilities; require support as they continue to plan

## Countries with less need

**~5 countries, ~5% of birth cohort<sup>1</sup>**

- Countries likely to efficiently procure vaccines without any additional support

1. Analysis of 35 countries (current GAVI graduating; GAVI eligible but projected to enter graduation by 2020; non-GAVI LMICs), excluding India and PAHO countries; 2013 birth cohort

# Summary of industry perspectives

## Engagement with LMICs

- LMICs small proportion of current business (<20%), but important for long-term growth
- Manufacturers sell to LMICs through various channels (e.g., UNICEF SD, directly to governments, local distributors)

## Tiered pricing

- General support, but variable application and lack of specificity on factors and weighting used
- Reluctance to increase transparency into actual prices

## Elements that mitigate their risk

- Pooled procurement adds value for manufacturers *without* in-country presence
- Revolving fund seen as effective way to mitigate payment risk, but may not significantly reduce prices
- Demand guarantees seen as attractive way to bring lower pricing

## Manufacturer view on GAVI support for LMICs

- Role for the Alliance could be (1) advocacy to increase political will; (2) regulatory harmonization; (3) increasing country procurement capacity
- Ability to implement individual pricing strategy a priority for any Alliance solution

# Five principles guided identification of options

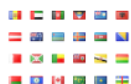
1. **Accountable**: GAVI will not provide direct funding to countries to purchase vaccines
2. **Country-led**: participation by countries is voluntary
3. **Integrated**: should include elements of pricing, procurement and payment
4. **Catalytic**: should support potential for countries to transition to independent procurement, as desired
5. **Collaborative**: seek synergy with existing Alliance partner initiatives and leverage Alliance's deep and relevant experience

# Four potential options identified which take a variety of approaches to support countries

Option	Description
<b>1</b> <b>Commitments from manufacturers</b>	Alliance negotiates with manufacturers to obtain pricing commitments to countries based on tiered pricing principles
<b>2</b> <b>Backing of manufacturer contracts</b>	In exchange for manufacturers offering appropriate prices based on tiered pricing, Alliance financially backs their contracts with countries (e.g., insuring payment; demand guarantee)
<b>3</b> <b>Pooled procurement</b>	Alliance operates a pooled procurement mechanism including tiered pricing for participating countries
<b>4</b> <b>Pooled procurement w/ revolving fund and risk mitigation structures</b>	Alliance operates pooled procurement mechanisms with elements such as a revolving fund and demand guarantees to mitigate manufacturer risk and further improve pricing



# Each option was assessed against a set of criteria



**Impact on countries:** extent to which addresses countries' barriers to accessing appropriate prices



**Participation of manufacturers:** extent to which manufacturers are likely to participate



**Financial and operational requirements:** extent to which requires external financial support and is operationally intensive



**Comparative advantage of GAVI:** extent to which there is a comparative advantage of the Alliance playing a coordinated role



**Sustainability and flexibility:** extent to which option provides sustainable long term solution to countries

## 4 Pooled procurement with revolving fund and risk mitigation structures

### Benefits

- Option that delivers most impact across diverse set of countries
  - Risk mitigation structures incentivise manufacturers to participate and provide lower prices than pooled procurement alone
  - Meets small country needs by addressing their low bargaining power
  - Larger countries also benefit from pooled procurement through attractive pricing
- Leverages Alliance's collaborative model and experience in innovative finance, pooled procurement and market shaping

### Risks

- Brings financial risk to the Alliance and is operationally intensive
- Demand guarantees may set unwanted precedent with manufacturers
- Could delay some countries in improving their own procurement capabilities

This option was recommended to the PPC to take forward with additional analyses and consultations

# Supporting ongoing activities would provide foundation for success of recommended option

## Market-focused

**Development of tiered pricing framework**

**Fostering competition in vaccine markets**

## Country-focused

**Providing information to strengthen decision-making**

**Technical assistance to strengthen procurement capacity**

# PPC action

The GAVI Alliance Programme and Policy Committee:

- (a) Requested** the Secretariat, working closely with Alliance partners, countries and key stakeholders, to conduct consultations and analyses to develop proposal(s) for a pooled procurement facility. This may include tiered pricing, a revolving fund, demand guarantees or similar risk-mitigating structures in contracting, taking into account comments and issues raised at the Programme and Policy Committee meeting. The pooled procurement facility would apply to GAVI graduated countries and potentially to non-GAVI lower middle income countries (LMICs). The analyses should include the roles, responsibilities, financial and legal requirements, sources of funding, risks and costs. The proposal(s) would take into account a phased approach to solutions for short-term and long-term timeframes.
  
- (b) Requested** that a technical briefing session be held before the June 2014 Board meeting.

# Path forward

- The Secretariat is in the process of engaging with Alliance partners to define a joint approach for Phase 2
- This will include close engagement and consultation with stakeholders in each of your constituencies

## Key takeaways (1/2)

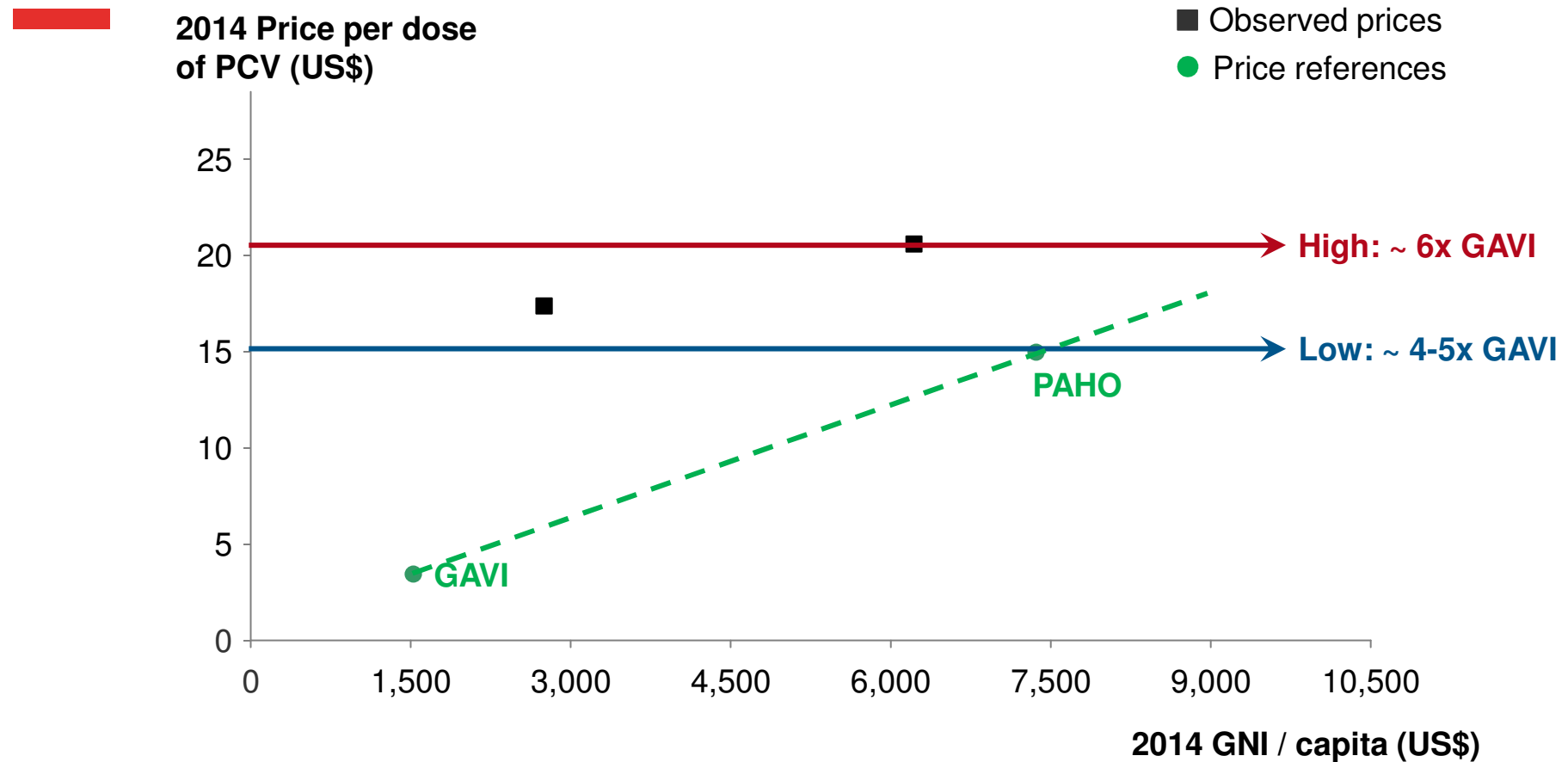
- Countries concerned about increasing vaccine prices after graduation; seeking support from the Alliance
- To date, Secretariat has performed analyses and consultations to identify a range of potential options to support countries
- Next phase of work will involve finalizing a solution and defining an operating model closely with Alliance partners
- To determine how to best support countries in accessing appropriate pricing, must also consider procurement mechanism and payment terms
- Gap analysis has revealed that majority of countries have significant need for access to appropriate pricing to sustain and extend immunisation programmes
- Many countries also exhibit low procurement capabilities, low bargaining power and face challenges in making timely payments

## Key takeaways (2/2)

- Overall countries are quite heterogeneous with regards to support required
- Range of options identified to support countries – assessed based on impact to countries, impact to the Alliance and potential for manufacturer participation
- The option to be taken forward in further analyses and consultations is a pooled procurement mechanism, which may include elements of tiered pricing, a revolving fund, demand guarantees or other risk mitigation structures
- This option best balances impact on countries, the Alliance and manufacturers, but comes with potential risks which require further analysis
- Ongoing Alliance partner initiatives are an integral part of the overall solution and critical to success
- The Secretariat is currently engaging with Alliance partners to define a joint approach to the next phase of work

# PCV example: prices accessed by GAVI graduates may be as much as 6x GAVI price

## PCV example



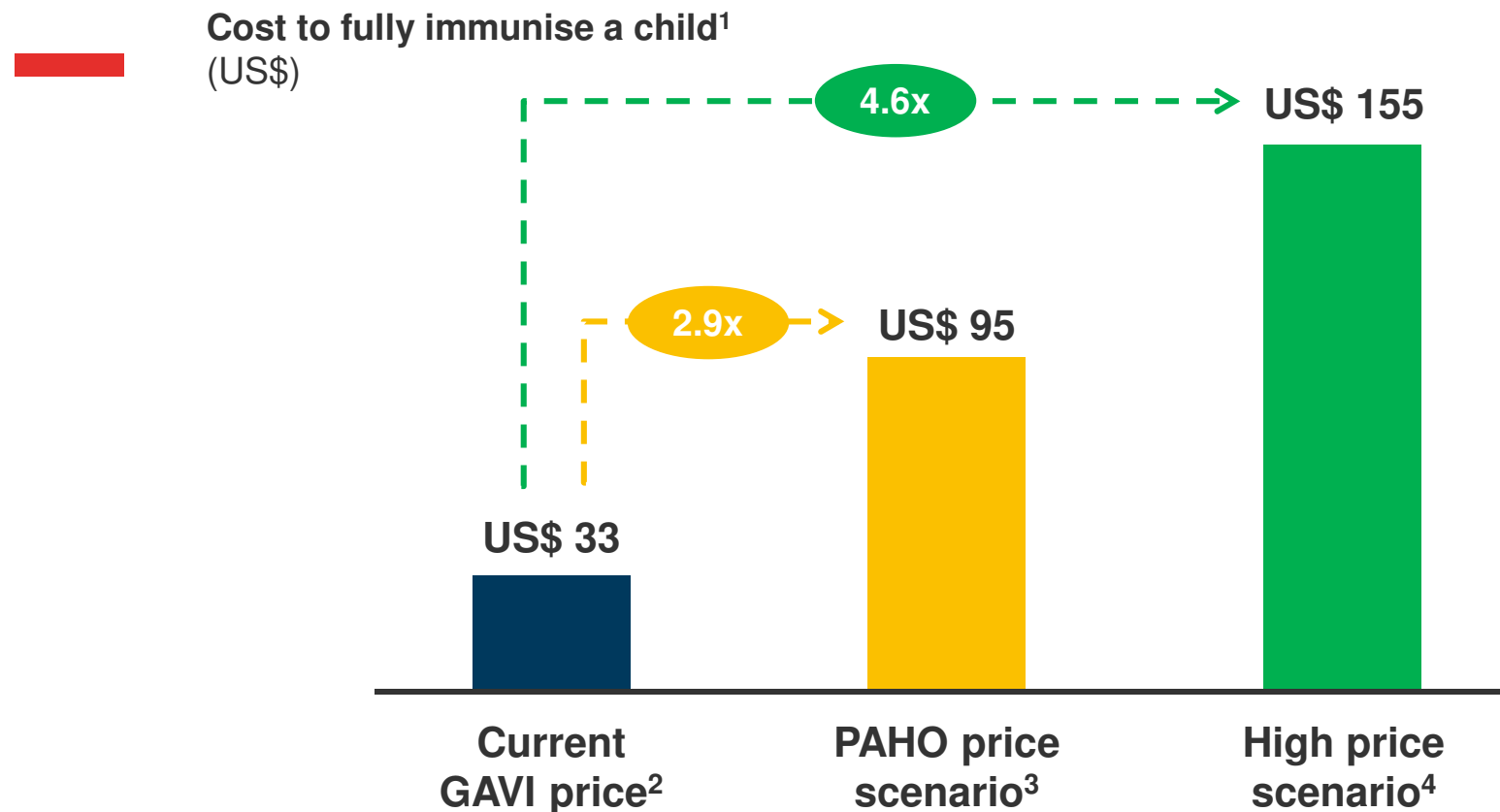
Note: Tiered price estimated for each vaccine based on the relationship between price and weighted average GNI per capita for GAVI and PAHO; GAVI price does not include AMC top-up  
 Source: GAVI co-financing team GNI per capita forecast, GAVI and PAHO public price information; BCG analysis

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# Country example: at current prices, cost to fully immunise a child could be over US\$ 100 after graduation



1. Only includes vaccine cost, not supplies or freight; fully immunised child assumed to include 1 dose Yellow Fever, 2 doses MR, 3 doses penta, 3 doses pneumo, full course of rota, 2 doses HPV; IPV not included in the analysis
  2. Based on actual 2013 weighted average price (WAP) for GAVI/UNICEF across suppliers and product presentations for a vaccine
  3. Based on 2014 average PAHO prices
  4. Based on highest observed price for GAVI graduating and LMICs (6.0x GAVI for PCV; 5.5 for HPV, 3.1 for Rota, 3.3 for Penta); for MR and Yellow Fever vaccines, use PAHO price
- Source: PAHO public price information; UNICEF SD; team analysis

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