Key Points

- Developing countries may self-procure or obtain vaccines through pooled procurement mechanisms, such as UNICEF. The main advantage of pooled procurement is lower prices. Disadvantages include the inability to obtain certain vaccines, difficulties in complying with bulk procurement policies, and diminished capacity for self-procurement.

- Legal requirements for developing or strengthening national procurement capacity pertain to adherence to international agreements, development of national regulations for procurement and customs clearance, and the existence of provisions that encourage multi-year contracts and price transparency.

- To obtain the lowest possible vaccine prices, countries should consider multi-year tenders, public offers, and price-only criteria. Countries may include “delivery causes” in contracts with manufacturers to protect against vaccine stock-outs.

Background

Vaccines are among the most cost-effective public health interventions [1-3]. However, the cost of fully immunizing a child in developing nations has increased from <$1 in 2001 to $21 for boys and $35 for girls in 2014, largely due to new vaccine introduction [1]. As a result, many GAVI-supported countries have struggled to keep up with the rising prices. Vaccine-related costs are also vulnerable to budget cuts, since the benefits of immunization are realized in the long term and may be underappreciated in the absence of the very diseases they are intended to prevent [2-3]. These factors underscore the need for strong legal frameworks to ensure the procurement of high-quality vaccines at the lowest possible prices.

Developing countries either self-procure or obtain vaccines through pooled procurement mechanisms, such as UNICEF’s Supply Division or the Pan American Health Organization’s (PAHO) Revolving Fund. A summary of each fund’s key features can be found at the end of this document [4-7]. Pooled procurement mechanisms are widely credited with ensuring a steady supply of life-saving vaccines in developing countries. Accordingly, some Latin American and Caribbean (LAC) countries (such as Bolivia and Costa Rica) have passed legislation requiring the purchase of vaccines through the Revolving Fund [8].

However, depending on a country’s priority and situation, pooled procurement mechanisms may pose disadvantages. These include the inability to obtain certain vaccines, potential difficulties in complying with...
bulk procurement policies, situations in which countries must accept more doses than needed resulting in vaccine wastage and diminished national capacity for self-procurement [7,9]. As a result, many developing countries wish to strengthen their national capacity to procure vaccines. Doing so, however, requires overcoming several barriers. Foremost among is that multinational pharmaceutical companies may be less interested in establishing contracts with small countries with limited resources. Countries may also face legal and policy barriers, including challenges related to decentralized procurement, advanced payment or multi-year contracts, and vaccine supply in the private sector [7, 9-10].

The legal basis for developing self-procurement capacity includes compliance with international agreements on the procurement of goods and the development of national regulations for vaccine procurement and customs clearance. To strengthen this capacity and obtain the lowest possible prices, countries are encouraged to develop regulations and laws permitting multi-year contracts, price transparency, and (if applicable) preference for local procurement. Additionally, WHO, UNICEF, and immunization officials in European countries have identified the following best practices to help countries to strengthen their self-procurement capacity; many of these pertain to regulations and legal provisions [7,9-10]:

**Best Practices for Vaccine Procurement**

- Compliance with international agreements on the procurement of goods and services, particularly those of the World Trade Organization
- Regulations regarding public procurement to promote transparency and competition
- Legislation on the public procurement of vaccines and related supplies
- Written procedures with criteria to assess pre-qualification
- Central Committee for public procurement in the Ministry of Health, with procedures in place to manage conflicts of interest
- Legal mechanism for in-country vaccines and vaccine supplier registration
- Legal system to regulate pharmaceuticals including vaccines
- Capacity to enter into multi-year contracts with suppliers
- Delivery causes stipulating that failures to deliver the required number of doses are the manufacturer’s responsibility and that the company must pay the difference in price for doses obtained through a competitor

**Case Studies**

Below, we describe the experiences of two European nations in strengthening the legal framework underlying their vaccine procurement and distribution system.

**Finland**

**Approach/provisions:** Program obtains low vaccine prices through multi-year public tenders and price-only criteria and prevents stock-outs with “delivery causes” in contracts.

In coordination with Finland’s NITAG and other national committees, the Ministry of Social Affairs and Health is charged with procuring all vaccines on behalf of the Finnish population. The Ministry typically issue multi-year tenders with price-only criteria in bids to obtain the lowest possible prices. Additionally, the Ministry
publishes public tenders that contain several key legal clauses considered critical to the program’s success. These include “2+1” contracts and “delivery clauses.” The “2+1” contracts allow Finland to purchase the vaccine in a question at a given price for two years, with the option of purchasing additional doses at the same price for a third year. The “delivery clauses” stipulate that if the vaccine manufacturer fails to deliver the required number of doses, Finland has the right to buy replacement doses from a competitor and the original company must pay the difference in price. This policy has helped to prevent vaccine stock-outs.

Per national officials, Finland’s procurement policy has resulted in low vaccine prices for a high-income country. As of 2014, one fully vaccinated boy in Finland costs approximately €180, compared to €367 in France, €626 in England, and €1,110 in Germany [3].

**Latvia**

**Approach/provisions:** Program’s strong procurement supported by regulations identifying role of government actors, with centralized forecasting and tendering and vaccine distribution outsourced to the private sector, resulting in greater efficiency, decreased administrative burden, and possible cost savings.

Per Latvia’s [Vaccination Regulations](#) (2001), the country’s CDC is responsible for vaccine forecasting and its National Health Service is responsible for tendering [11]. The CDC uses two-year tenders with price-only criteria and requires that medicines be registered under the European Medicines Agency.

About 10 years ago, Latvia’s government passed novel legislation requiring the distribution of vaccines to be transitioned from the government to the private sector [12]. National officials implemented this approach due to concerns that vaccines were not being equally distributed to poorer populations and because private companies, which were already distributing all other medicines, were believed to be better able to coordinate vaccine delivery and logistics.

The figure below shows Latvia’s system for vaccine forecasting and distribution as regulated by Section 13 of its [Vaccination Regulations](#) (2001) [10-11]. According to national officials, the advantages of the system include its high quality, potential cost-effectiveness (evaluation is ongoing), and the decreased administrative burden for national organization staff. Challenges include maintaining a reserve stock of immunizations and insufficient notice of potential vaccine shortages from manufacturers [12].
# Comparison between pooled procurement mechanisms: PAHO Revolving Fund & UNICEF Supply Division

<table>
<thead>
<tr>
<th></th>
<th>PAHO Revolving Fund</th>
<th>UNICEF Supply Division</th>
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<tbody>
<tr>
<td><strong>Countries</strong></td>
<td>- Mostly middle-income countries in Latin America</td>
<td>≈100 low- and middle-income countries</td>
</tr>
<tr>
<td><strong>Key financial features</strong></td>
<td>- Country-funded</td>
<td>- National funds + GAVI support, NGOs, international partners</td>
</tr>
<tr>
<td></td>
<td>- 3.5% fee for shipping, insurance</td>
<td>- Tiered pricing based on country income</td>
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<td></td>
<td>- Largely secured through legislation</td>
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<tr>
<td></td>
<td>- Payments within 60 days of vaccine receipt (exception of large countries)</td>
<td>- 5-year vaccine forecasting</td>
</tr>
<tr>
<td><strong>WHO-prequalified vaccines</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Tenders / contracts</strong></td>
<td>Annual</td>
<td>Biannual</td>
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<tr>
<td><strong>Pricing</strong></td>
<td>Published online</td>
<td>Published online</td>
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<tr>
<td><strong>Participating manufacturers</strong></td>
<td>Global suppliers from USA, Europe, India, Korea and Brazil.</td>
<td>Global suppliers from USA, Europe, India, Indonesia, among others.</td>
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References


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