

STRATEGIC PROCUREMENT PLANNING REPORT

Philippines: Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility

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I. SUMMARY OF PROCUREMENT STRATEGY

1. Under the rapid response component (RRC) of the Asia Pacific Vaccine Access Facility (APVAX), the Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility (HEAL 2) will provide the Government of the Philippines with timely financing for safe and effective vaccines. A proposed Asian Development Bank (ADB) loan (\$400 million) will be cofinanced by the Asian Infrastructure Investment Bank (\$300 million) to bring in the total value of the project to circa \$700 million.

2. Procurement under HEAL 2 is restricted to the purchase of vaccines and associated international logistics costs for their delivery to the Philippines. Vaccines will be required to meet ADB's vaccine eligibility criteria and procurement will be undertaken in accordance with ADB's Procurement Policy and the Procurement Regulations for ADB Borrowers.¹

3. This project, which is part of the Philippine National Deployment and Vaccination Plan for COVID-19, will be implemented through a whole-of-government approach. The Department of Health (DOH) will be assisted by an Inter-Agency Task Force (IATF) in the selection, financing and procurement of COVID-19 vaccines. IATF is composed of high-level officials from relevant departments of the government and is chaired by DOH. DOH currently has a capacity constraint in procurement, due to unprecedented demand placed by the response to the COVID-19 pandemic. DOH will be supported by the IATF, engaged procurement consultants and ADB.

4. The government procurement strategy is to procure vaccines through two different avenues to maximize the possibility of receiving vaccines in an efficient manner: i) procurement of eligible vaccines through the COVID-19 Vaccines Global Access (COVAX) facility Advance Market Commitment mechanism and ii) procurement of eligible vaccines through bilaterally negotiated contracts with a number of vaccine manufacturers.

5. United Nations International Children's Emergency Fund (UNICEF) is the procurement coordinator for COVAX. Procurement of additional COVAX doses will require the government to enter into a supply agreement with UNICEF. This agreement will include the procurement of vaccines and related services, including transport of the vaccines from the vaccine origin to a designated entry point stated by the government. For bilateral deals, the government will enter into direct negotiations with vaccine manufacturers. All vaccine agreements shall be subject to prior review to confirm that the terms are acceptable to ADB.

6. Procurement of vaccines through COVAX is determined to be medium risk, given the structure of the facility and the role of UNICEF. UNICEF has vast experience in vaccine procurement and will enter into the legal agreements with manufacturers. Vaccine procurement through bilateral deals is determined to be high risk given the large power of supplier to dictate terms and place the burden of risk under the contract on the buyer. However, it is currently one of the few realistic methods to access vaccine quantities, given the current nature of the COVID-19 market. Given the constrained capacity of DOH, overall project risk is determined as high.

7. Value for money in procurement will be achieved through (i) selecting candidate vaccine types that are best suited to the domestic logistics supply chain and distribution mechanisms; (ii) identifying vaccines that will efficiently meet the project disbursement conditions; (iii) engaging with COVAX and manufacturers that have advantageous vaccine availability and delivery timelines, and (iv) entering into agreements on terms and conditions that are reasonable, noting the currently constrained market for vaccines globally.

¹ ADB. [ADB Procurement Policy](#); ADB. [Procurement Regulations for ADB Borrowers](#).

II. SPP DUE DILIGENCE

A. OPERATING ENVIRONMENT

8. DOH has a fully functional Procurement Service (PS). PS has capacity to handle annual procurement programs for goods and services in accordance with Republic Act No. 9184 (Philippine Procurement Law). However, the surge in transactions brought about by the COVID-19 pandemic has put a significant strain on its capacity causing it to seek help from procurement agents, such as the Procurement Service of the Department of Budget and Management and the Philippine International Trading Corp. Compounding these constraints, many DOH staffing positions, including those in the PS, remain unfilled with existing staff resources fully stretched by DOH's frontline role in the COVID-19 response.

9. For the implementation of Health System Enhancement to Address and Limit COVID-19 (HEAL 1),² DOH will engage the services of United Nations Office for Project Services (UNOPS) as procurement agent. It is also being assisted by a Technical Support Unit comprising of procurement specialists, engaged as individual consultants either thru HEAL 1 or ADB technical assistance. Prior to the start of HEAL 1 in October 2020, DOH has not implemented any ADB financed project in over a decade; hence, engagement of UNOPS as procurement agent and provision of procurement consultants were a core part of the procurement strategy to directly address the strained capacity of DOH as well as lack of familiarity with ADB procurement rules and regulations.

10. DOH is currently undertaking procurement under HEAL 1, with some goods contracts already signed and other agreements (including with UNOPS) under negotiation. To date, all procurement has been acceptable to ADB.

11. DOH has experience in procurement of vaccines under the Philippine Government's National Immunization Program (NIP), but this is limited to routine vaccines for children (i.e., measles, DPT, etc.). In addition, most of the vaccines were historically procured through UNICEF. DOH only recently started to directly procure the vaccines.

12. Under the Philippine Government's whole-of-government approach, DOH will be supported in the procurement of vaccines by the IATF, composed of cabinet-level officials from relevant departments. Two Task Groups under the IATF play a significant role in procurement of vaccines. These are :

- (i) Task Group Scientific Evaluation and Selection, which develop criteria and provide recommendations of the evaluation and selection of COVID-19 vaccines that will be considered for procurement; and
- (ii) Task Group Procurement and Finance, who facilitates procurement through various mechanisms allowed under existing laws, rules and regulations through bilateral, multilateral and other financial modalities (e.g., COVAX Facility and etc.) including price negotiation.

13. The plan is for the Philippine Government to enter into contracts with various vaccine manufacturers and to procure additional volumes from COVAX. DOH as the executing agency/ implementing agency will sign the supply agreements together with the COVID-19 Vaccine Cluster Head under the IATF.

² ADB. [Philippines: Health System Enhancement to Address and Limit COVID-19](#).

14. Even with IATF support, DOH capacity in procurement and management of COVID 10 vaccines contracts is severely limited. To mitigate this risk, the HEAL 1 Technical Support Unit will also be expanded to support DOH's project management team in all stages of Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility (HEAL 2) implementation. In addition, ADB will provide support by providing market intelligence, assisting the government in preparing for negotiations with vaccine manufacturers and, as part of its normal procurement prior review responsibilities for vaccine contracts, identify legal risks in proposed contracts, support with price validation; and inform of any adjustments necessary to the contract for them to be deemed acceptable to ADB.

15. Domestic cold chain capacities of DOH and its partners are limited and need to be augmented. DOH intends to procure the services of third-party logistics providers to handle all domestic customs brokerage, warehousing / cold storage, local transport (reefer/refrigerated van) and return logistics. These services do not form part of the projects and will be procured separately by DOH.

B. MARKET ANALYSIS

16. The options available to the government to source vaccines from the international market include:

- (i) Accessing vaccines through COVAX;
- (ii) Engaging UNICEF to support procurement of vaccines outside COVAX; and
- (iii) Entering into direct bilateral deals with vaccine manufacturers.

17. Prior to becoming eligible expenditures under the project, vaccines will be required to meet ADB's vaccine eligibility criteria.³

18. While the government is prioritizing vaccines that have lower temperature sensitivity (i.e., +2 to +8°C), it is open to purchasing more limited quantities of vaccines requiring ultra-cold chain transport facilities, to be deployed on in certain areas of the country that can effectively manage these sensitive goods.

1. Accessing additional vaccines through COVAX

19. The COVAX facility is an initiative formed by the World Health Organization (WHO), the Coalition for Epidemic Preparedness Innovations (CEPI), and the Global Alliance for Vaccines (GAVI). It encourages global participation to pool demand and resources for vaccine procurement. The Philippines can access free doses, sufficient to vaccinate up to 20% of its population through the COVAX Advanced Market Commitment (AMC). It may additionally self-finance to receive additional doses over and above those that it will receive for free.

20. COVAX expects to have access to a broad portfolio of vaccines at competitive prices with expected availability in 2021. Through its procurement partner UNICEF, it is currently finalizing a number of long-term agreements with vaccine manufacturers. Procurement under COVAX also provides relative cost certainty, standardized contracting formats and access to a no-fault compensation mechanism for severe adverse events. ADB strongly supports countries that wish to utilize additional funding to access vaccines through COVAX. Direct engagement of UNICEF under the COVAX facility is determined as providing value for money in procurement.

³ ADB. 2020. [ADB's Support to Enhance COVID-19 Vaccine Access](#). Manila

21. On 20 January 2021, DOH received confirmation of its participation in the COVAX Facility. It has also received communication from COVAX that the Philippines can expect to receive its first allocation of free vaccine, i.e., up to 5,500,800 doses of Astra Zeneca and 117,000 doses of Pfizer by first quarter of 2021. DOH intends to finance the purchase of additional vaccines under the COVAX facility equivalent to 5% of Philippines population under HEAL 2.

Engaging UNICEF to support procurement outside of COVAX

22. Engaging UNICEF to support vaccine procurement is one method of mitigating the capacity constraints of DOH. They are experienced in vaccine procurement and have established relationships with manufacturers and suppliers of related goods and services.

23. UNICEF is well positioned to manage the complexities of vaccine procurement. They are currently establishing long term agreement with the vaccine manufacturers. UNICEF is considered a partner organization to ADB and the bank enjoys a long-standing relationship with UNICEF across multiple countries in Asia. ADB has approved the use of UNICEF's Supply Manual and associated procurement rules in the implementation of ADB funded projects.

24. The government considers this option to not be optimal given that (i) it is already utilizing the services of UNICEF to procure through COVAX and it is unclear if utilizing UNICEF outside of COVAX would have any additional benefits. In addition, considering that the vast majority of vaccine contracts being entered into globally are via direct contracting, it is not believed that i) the additional costs involved in engaging UNICEF (in a role similar to that of a procurement agent) to undertake bilateral deals would provide value for money and ii) that UNICEF has the capacity to prioritize the needs of the government, given their global responsibilities under COVAX.

2. Bilateral deals

25. Bilateral deals involve direct negotiations with individual vaccine developers/manufacturers. The approach may accelerate access to vaccines depending on the status of vaccine approval, the existing orders the manufacture has and their available manufacturing capacity. In the current constrained market, vaccine manufacturers can dictate agreement terms leading to very one-sided contracts (favoring the manufacturer) in some cases.

26. The Philippine government is actively pursuing bilateral deals with vaccine manufacturers. As of 15 February 2021, it is in negotiations with at least five vaccine manufacturers. The government expects that bilateral deals will provide accelerated access to vaccine doses compared with other procurement options. The government's engagement to date can be summarized as follows:

- (i) It has signed advance purchase agreements with Janssen (Johnson & Johnson), Novavax (or Covovax which will be manufactured by the Serum Institute of India), and Moderna. These agreements require the finalization of supply agreement by end-February 2021, a task that the government is currently working with the manufacturers.
- (ii) Negotiations with AstraZeneca/Oxford for 20 million doses was initially expected to be completed in early January. However, discussions are currently paused, noting difference between the parties regarding the contractual terms and an inability of the manufacturer to commit to supply vaccines in 2021.

- (iii) Discussions are also ongoing with Pfizer although no outcome has been confirmed.

27. The government expects to sign bilateral agreements and provide advance payments to vaccine developers in Q1 2021. Though the discussions with the vaccine developers / suppliers are in advance stage, there is no information yet on confirmed supply agreement with any of the vaccine developers and unit prices remain confidential as the government is bound by vaccine developer's Non-disclosure Agreement. With these agreements, expected earliest possible shipment of vaccines will be June 2021.

Table 1: Philippine vaccine options
(as of 21 January 2021)

Vaccine Manufacturer	Vaccine Platform	No. of Doses	Storage Temp (°C)	Indicative Unit Cost (\$)	Indicative Qty to be purchased (Doses)
AstraZeneca/ Oxford University	Viral Vector	2 doses	+2 to +8	5 – 10	Up to 20 million
Janssen (Johnson and Johnson)	Viral Vector	1 dose	+2 to +8	5 – 10	Up to 6 million
Novavax manufactured by Serum Institute of India	Protein Subunit	2 doses	+2 to +8	10 – 15	Up to 30 million
Pfizer/BioNTech	mRNA	2 doses	-70 to -80	5 – 15	Up to 40 million
Moderna/US NIH	mRNA	2 doses	-20°C	20 – 30	Up to 20 million

Sources: Department of Health, Bloomberg Vaccine Tracker and various media reports

C. RISK MANAGEMENT

28. A Risk Assessment was conducted to identify and assess the main areas of risk associated with the procurement and delivery of vaccines for the Philippines. The risk register in Appendix B identifies the following risks including the mitigation measures to address those key risks and the level of residual risk:

- (i) Severely constrained vaccine supply market exacerbated by large advance orders placed by high income countries.
- (ii) Substantially imbalanced contracts that place large risks on the client.
- (iii) Limited visibility on approvals of candidate vaccines and availability of supply.
- (iv) Vaccines selected do not subsequently meet ADB vaccine eligibility requirements.
- (v) Limited knowledge in procurement and management of COVID-19 vaccines contracts:
- (vi) Inadequate cold chain facility to ensure quality of COVID-19 vaccines.

29. Noting the capacity of DOH, the severely constrained vaccine market, large bargaining power of the vaccine manufacturers, and the reliance of the government on bilateral deals, the procurement risk under this project is rated as high.

D. OPTION ANALYSIS

30. The following options have been considered:

Ref	Description	Modality	F	S	A	Total	Narrative
1	Procurement of additional doses through COVAX	Direct Contracting	10	9	8	27	<ul style="list-style-type: none"> + Terms and conditions under COVAX are equitable. + UNICEF supports procurement and supply + Visibility on when vaccines will be available. + COVAX takes risk on vaccine not getting approval + Access to no-fault compensation mechanism. <ul style="list-style-type: none"> - COVAX will not supply additional vaccines until free doses (20% pop.) are supplied to all AMC countries. - Supply will be constrained as COVAX will distribute in balanced manner. - COVAX will only supply vaccines from portfolio. Other vaccines not in portfolio may be available more quickly.
2	Procurement directly with manufacturers through bilateral deals	Direct Contracting	10	8	8	26	<ul style="list-style-type: none"> + DOH directly in control of procurement process. + Vaccine volumes may be available more quickly. + All costs go towards vaccines (no procurement fees) + Ability of DOH to target emerging vaccines of interest. <ul style="list-style-type: none"> - For deals made prior to vaccine approvals, possibility that vaccine may fail in clinical trials - Contracts may be substantially imbalanced. - Vaccines prices may exceed those available in other options. - Availability may be delayed, due to large order book of manufacturers. - Full reliance on DOH capacity to negotiate deals.
3	Engage UNICEF outside of COVAX to support procurement	Direct Contracting	9	7	5	21	<ul style="list-style-type: none"> + UNICEF has large experience in vaccine procurement + UNICEF may negotiate better terms due to economies of scale. + Use of UNICEF would reduce pressure on DOH proc. team <ul style="list-style-type: none"> - Limited benefit of this approach compared with COVAX - Additional UNICEF procurement fees will apply - UNICEF capacity to prioritize PHI needs unknown due to large workload with COVAX. - Risks related to availability and pricing/terms remain

F = Feasibility; S = Suitability; A = Acceptability

AMC = Advanced Market Commitment, COVAX = COVID-19 Vaccines Global Access DOH = Department of Health, UNICEF = United Nations International Children's Emergency Fund

31. Noting the above available options, the government has confirmed their intention to i) procurement additional vaccines from COVAX. Provisionally, the additional volumes will be equivalent to 5% of the population of the Philippines. The remainder of the governments vaccines needs will be sourced through bilateral deals with vaccine manufacturers.

III. PROCUREMENT STRATEGY

32. The recommended procurement strategy is to adopt a dual approach:
- (i) Procure additional volumes through the COVAX facility. This will require a discussion with COVAX regarding the additional volumes that can be requested and the expected delivery dates for those volumes to determine acceptability to the government. Once confirmed, COVAX will direct the government to engage with UNICEFR to formalize the supply agreement for the delivery of the additional vaccine doses.
 - (ii) For all other needs, enter into bilateral agreement with vaccine manufacturers that have a pathway to meeting ADB's vaccine eligibility criteria in the short-medium term. WHO maintains a register of vaccines it is considering for issuance of Emergency Use License (EUL)
33. Where necessary under either of the above options, the government shall enter into additional agreements for international logistics and related services.
34. ADB's agreement to finance vaccine and related contracts will be subject to confirmation that the goods and related services and eligible expenditures.
35. All procurement shall be subject to prior review.
36. The use of bespoke contracts provided by vaccine manufacturers shall be subject to ADB approval. ADB shall be provided with the complete contents of all vaccine contracts, for review, prior to confirming that they are acceptable to ADB. As a minimum, contracts will be required to include ADB's standard anticorruption and audit terms and where cofinanced with the Asian Infrastructure Investment Bank, include the ability of AIIB to also audit the contracts.
37. The Procurement Regulations for ADB Borrowers (para. 2.18) requires that, after a contract is signed, the borrower publishes certain contract award information.⁴ Similarly, ADB publishes contract award information on its website (www.adb.org).⁵ If the event that the terms of any proposed contract precludes the ability of the government to publish information related to the contract award, it shall immediately inform ADB. Such a condition may prevent ADB from financing the contract. ADB has discussed this matter with the government, who are aware of ADB's requirements.
38. The above procurement strategy achieves value for money for the government through (i) selecting candidate vaccine types that are best suited to the domestic logistics supply chain and distribution mechanisms; (ii) identifying vaccines that will efficiently meet the project disbursement conditions; (iii) engaging with COVAX and vaccine manufacturers that have advantageous vaccine availability and delivery timelines, and (iii) entering into agreements on terms and conditions that are reasonable, noting the currently constrained market for vaccines globally.

⁴ Para. 2.18: "After the contract is signed, the borrower shall publish in an English language newspaper or in English on a publicly and freely accessible website the name of the provider of the goods, works, or services, and the price, duration, and summary scope of the contract. This publication may be done quarterly and in the format of a summarized table covering the previous period."

⁵ ADB publishes contract award information for all goods and civil works contracts with a value greater than \$1,000,000

Appendix A Procurement Plan

Basic Data		
Project Name: Second Health system Enhancement to address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility		
Project Number: 54171-003	Approval Number:	
Country: Philippines	Executing Agency: Department of Health	
Procurement Risk: High	Implementing Agency: Department of Health	
Project Financing Amount: \$ 764.17 million ADB Financing: \$ 400 million Cofinancing (ADB Administered): \$ 300 million (AIIB) Non-ADB Financing: \$ 64.17 million	Project Closing Date:	
Date of First Procurement Plan: 11 February 2021	Date of this Procurement Plan: 11 February 2021	
Procurement Plan Duration: 18 months	Advance contracting: Yes	eGP: No

A. Methods, Review and Procurement Plan

Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, nonconsulting services, and consulting services.

Procurement of Goods, Works and Nonconsulting Services	
Method	Comments
Direct Contracting (DC)	All vaccine contracts will be subject to direct contracting

B. List of Active Procurement Packages (Contracts)

The following table lists goods, works, nonconsulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration.

Goods, Works, and Nonconsulting Services							
Package Number	General Description	Estimated Value (\$m)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
G01	Procurement of COVID-19 Vaccines through COVAX	77	DC	Prior Review	N/A	N/A	No. of Contracts: 1 Domestic Preference: No Advance Contracting: Yes High Risk Contract: Yes COVID-19 Response: Yes Other: Agreement with UNICEF
G02	Procurement of COVID-19 Vaccines through bilateral deals	623	DC	Prior Review			No. Of Contracts: Multiple Domestic Preference: No Advance Contracting: Yes High Risk Contract: Yes COVID-19 Response: Yes

COVAX = COVID-19 Vaccines Global Access, COVID-19 = coronavirus disease, DC = direct contracting, NA= not applicable, UNICEF = United Nations International Children's Emergency Fund

C. Non-ADB Financing

The following table lists goods, works, nonconsulting, and consulting services contracts over the life of the project, financed by non-ADB sources.

Goods, Works and Nonconsulting Services				
General Description	Est. Value (cumulative, \$)	Est. Number of Contracts	Procurement Method	Comments
Procurement of needles, syringes and other COVID-19 vaccine related commodities	14.20	To be confirmed	Competitive	Financed by the Government
3rd Party Logistics Provider (customs brokerage, warehousing / storage, local transportation etc.)	20.00	To be confirmed	Competitive	Financed by the Government

Appendix B Risk Register

Risk Ref.	Risk Description	Risk Impact	Likelihood ("L")(1-5)	Impact ("I")(1-5)	Score (L x I)	Risk Treatment	Proposed Mitigation	Residual Risk	Risk Owner
1	Severely constrained vaccine supply market	Inability of government to receive vaccine in a timely manner	5	4	Extreme (20)	Reduce	<ul style="list-style-type: none"> - Utilize COVAX which has confirmed supply deals for proportion of needs - Identify multiple avenues for procurement to spread risk. - Prioritise unapproved vaccines with smaller order books (balance portfolio) 	High	DOH
2	Substantially imbalanced contracts that place large risks on the client.	Potential for either failure of negotiation or increased costs/liabilities during contract implementation	4	5	Extreme (20)	Reduce	<ul style="list-style-type: none"> - Utilize COVAX for proportion of needs - Enter into negotiations with multiple firms and prioritize deals with more balanced terms, where possible. - Negotiate key terms to redress balance, where possible 	High	DOH
3	Limited visibility on approvals of candidate vaccines and availability of supply.	Some deals entered into may not proceed if vaccine fails trials	4	4	High (16)	Reduce	<ul style="list-style-type: none"> - Utilize COVAX, where possible, as it has portfolio of vaccines - Spread risk across multiple deals - Target vaccine manufacturers at different stages (approved, pre-approval, trials) 	Medium	DOH
4	Vaccines don't meet ADB eligibility criteria	ADB cannot finance vaccines purchase	3	4	High (12)	Reduce	<ul style="list-style-type: none"> - Identify vaccines that have a defined pathway to ADB approval - Ensure broad number of options can access AD financing. 		
5	Limited knowledge of DOH in procurement and management of vaccines contracts	Potential for either failure of procurement and/or contract management	4	4	High (16)	Reduce	<ul style="list-style-type: none"> - utilize COVAX. - IATF and task force, HEAL-1 procurement consultant and ADB to support DOH. 	Medium	DOF
6	Inadequate cold chain facility to ensure quality of COVID-19 vaccines,	Indirect risks of delays in administration of vaccines, and potential wastage of vaccines	3	4	High (12)	Reduce	<ul style="list-style-type: none"> - Prioritize selection of less sensitive vaccines - Engage domestic logistics providers with expertise. - Ensure robust distribution plan in place 	Medium	DOF

ADB = Asian Development Bank, COVAX = COVID-19 Vaccines Global Access, DOF = Department of Finance, DOH = Department of Health, IATF = Inter-Agency Task Force; HEAL-1 =