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Covid-19: Drug companies charged South Africa high prices for vaccines, contracts reveal

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South Africa's government, desperate to secure covid vaccines when wealthy nations had reserved most of the early supply, was "held to ransom" by three pharmaceutical companies and by Gavi, the Vaccine Alliance, according to South African campaigners who successfully sued the government to force publication of the vaccine contracts.

Gavi, Pfizer, Johnson & Johnson's subsidiary Janssen Pharmaceutica, and the Serum Institute of India imposed "overwhelmingly one sided" conditions of secrecy, restrictions on distribution to other nations, and prices that in some cases exceeded those charged to much richer countries, said the Health Justice Initiative (HJI) in a report analysing the contracts.¹

The documents provide a rare glimpse into a process that in most countries remains hidden behind secrecy clauses demanded by the manufacturers. "We found that in all four contracts or agreements, the pernicious nature of pharmaceutical bullying and Gavi's heavy handedness is evident," the report said.

"In our scramble for desperately needed vaccines, South Africa was forced to hand over unimaginable sums of money for overpriced vaccine doses," said Fatima Hassan, director of HJI, at a media briefing in Johannesburg. "We were bullied into unfair and undemocratic terms in contracts that were totally one sided."

Matthew Herder, a Canadian expert from Dalhousie University who analysed the Pfizer contract for HJI, said that South Africa "was restricted from sharing doses with neighbouring countries who might be in need. They cannot do so without Pfizer's prior and written consent and, unlike other contracts, Pfizer can withhold its consent and for however long and whatever reason it chooses."

The contract demands \$40m in advance, but offers no guarantees on delivery date or even any delivery at all. In the event of failure to deliver, South Africa would receive only a 50% refund of this advance payment.

South Africa agreed to pay \$10 a dose for the Pfizer vaccine, less than the EU (\$15) and the US (\$18), but more than the African Union, which paid \$6.75 per dose. Pfizer has not commented on the report and did not respond to questions from *The BMJ*.

"Extractionist terms"

The "most egregious" contract, HJI found, was that drawn up with Johnson & Johnson, which set "extractionist terms and conditions."

Like Pfizer's, it had extensive secrecy clauses and barred South Africa from sending vaccines to other countries without company approval. But it also

prevented the government from imposing any export restrictions, even on doses produced in the country.

South Africa agreed to pay \$10 a dose for the Johnson & Johnson single shot vaccine, the contract shows, compared with \$8.50 paid by the EU and \$7.50 asked of non-profits.

Johnson & Johnson denied that South Africa had actually paid \$10 per dose. "Efforts to claim that South Africa paid more than other countries or organisations are false. South Africa paid the same price of \$7.50 a dose as every other customer of our vaccine globally," a Johnson & Johnson spokesperson told *The BMJ*.

The Global Alliance for Vaccines and Immunization (Gavi) is an international organisation founded to improve access to vaccines for lower income countries through the Covax system. But HJI alleged that in contract negotiations, Gavi overpromised, underdelivered, and set harsh terms.

Brook Baker, of Northeastern University, who examined the contract between Gavi and South Africa for Pfizer vaccines from Covax, called it "illusory—no guaranteed or disclosed price, no set number of doses, and it only delivered on a tenth of the agreement."

A Gavi spokesperson said, "Covax was designed to ensure every country, in an uncertain and unprecedented global emergency, had options to access covid-19 vaccines. For this reason, Covax included not only lower income countries that received doses free of charge, but also upper-middle income countries such as South Africa, who could self-finance and had access to doses under the agreements negotiated by Covax. South Africa received over nine million doses through Covax. Of these around eight million were dose donations, free of cost."

The spokesperson added that neither Gavi nor Covax had drawn any profits, and said "all costs to countries related to Covax doses are strictly to offset payments to manufacturers."

Asked if South Africa had been "bullied" as HJI alleged, health department spokesman Foster Mohale told *The BMJ* that the covid contracts had numerous clauses that his government did not normally include in other vaccine contracts.

"There is no argument that low and middle income countries around the world, including South Africa, had limited bargaining power to secure vaccine doses and negotiate the price of vaccines for a number of reasons, including the limited number of manufacturers, and vaccine hoarding and

nationalism by high and upper middle income countries.” said Mohale.

“The unequal distribution of vaccines has undoubtedly contributed to deaths which could have been prevented. Given the uncertain circumstances at the time, the South African government took a difficult decision and prioritised saving the lives of citizens. There is no doubt that this decision to make vaccines available despite the difficulties has saved lives.”

Tweet sparks trouble

The biggest apparent markup paid by South Africa was to the Serum Institute of India, maker of the Oxford AstraZeneca vaccine. South Africa paid \$5.35 a dose, compared with the EU’s price of \$2.15.

Not even the European Parliament was allowed to see the prices and delivery schedules of the vaccine contracts the EU signed in late 2020, but Belgium’s budget secretary, accused by domestic opponents of overpaying, attempted to settle a debate by tweeting the EU’s final negotiated prices for a range of vaccines, only to delete it when she realised the information was confidential.²

The tweet made news around the world, not least in South Africa where a senior health official, Anban Pillay, revealed his country’s much higher price. “The explanation we were given for why other high income countries have a lower price is that they invested in the research and development, hence the discount,” he said.

That principle has been applied elsewhere. The EU paid less than the US for the Pfizer vaccine, but more than the US for the Moderna vaccine, whose development the US government had supported.

The limited information available about other countries’ contracts suggests that other features of South Africa’s agreements were also replicated abroad. Secrecy clauses were widespread, in some cases even stipulating that vaccine deliveries will be halted if prices are published. Governments everywhere assumed liability for vaccine injuries. Patents were retained by the companies, even if governments funded the research. This was true of the Serum Institute’s contract with South Africa even though India and South Africa were then jointly leading a campaign to suspend covid vaccine intellectual property rights.

Buyers’ ability to donate doses abroad is restricted in many contracts, even some signed by the EU and the US. This was the case in the EU’s contract with CureVac, whose vaccine ultimately failed to meet efficacy criteria. Until the South African contracts came out, this was the most fully published contract, albeit with many redactions. Knowledge of other contracts comes mainly from officials’ comments.

Even the biggest and wealthiest buyers struggled to obtain guaranteed delivery dates in their contracts. When AstraZeneca failed to meet expected deliveries in early 2020, the EU insisted that it had received contractual assurances on delivery deadlines, but the company said it had merely promised to make its best efforts to meet those dates. With the contract protected by secrecy, the EU could only ask AstraZeneca to publish its terms. The contract was eventually published, but with all the relevant information redacted.³

1 Health Justice Initiative. The big pharma bullies: Secrecy for vaccine supplies in a pandemic. September 2023. <https://healthjusticeinitiative.org.za/pandemic-transparency>.

2 De Bleeker E. 18 December 2020. www.hln.be/binnenland/zoveel-gaan-we-betalen-voor-de-coronavaccins-staatssecretaris-zet-confidentiele-prijzen-per-ongeluk-online~a3dceef4/180355293.

3 Advance Purchase Agreement between the EU and AstraZeneca. 26 August 2020. www.keionline.org/misc-docs/EuropeanCommission-AstraZeneca-Advance-Purchase-Agreement-27Aug2020.pdf.