

FINANCIAL MANAGEMENT ASSESSMENT

A. Executive Summary

1. A financial management assessment (FMA) has been conducted for the Ministry of Public Health (MOPH), the executing agency of the project funded by the Asian Development Bank (ADB), in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and ADB's Financial Due Diligence: A Methodology Note,¹ for the purpose of Afghanistan COVID-19 Vaccine Support under the Asia Pacific Vaccine Access Facility.² The FMA focuses on vaccination plan, funds flow, staffing, accounting policies and procedures, internal controls, financial reporting and monitoring, and internal and external audit. The purpose of this updated FMA is to ensure that adequate financial management arrangements are in place for the proposed project.
2. A supplementary assessment on the financial management systems has also been conducted as a requirement of the project investment component (PIC) that will focus on the critical diagnostic and analytical work to prepare for vaccinations, payments to COVID-19 Vaccines Global Access (COVAX), procurement of vaccines, and logistics for bringing vaccines from the place of purchase to the developing member country (DMC).
3. Financial management assessment concluded that the overall pre-mitigated financial management risk of the project is *Substantial* owing in part to the risk associated with weak internal control system and limited experience with ADB projects. To address these weaknesses the following mitigation measures agreed with the MOPH: (i) financial management consultants will be engaged to support MOPH; (ii) training will be provided by ADB to MOPH project implementation unit (PIU) staff on ADB financial management and disbursement guidelines and policies; (iii) deploying PIU staff with prior ADB or World Bank project experience; (iv) information system is in place to track vaccines and monitor implementation; (v) strengthening internal controls and financial reporting based on detailed assessments and (vi) independent auditors will conduct both project financial reporting and performance audit.

B. Introduction

4. The project will support the procurement of COVID-19 vaccines, delivery to designated points and capacity strengthening. The government has requested grant not exceeding \$50 million from ADB's Special Funds resources (Asian Development Fund) to help finance the project. ADB will finance the expenditures in relation to COVID-19 vaccine procurement and delivery to designated vaccine administration points and consulting services. The government provided assurance to cover any shortfall in the finances required. The government will contribute \$2 million to cover taxes and duties through exemption, and provide office space and counterpart staff, as agreed with the government.
5. The review used the existing World Bank's 2018 MOPH financial management assessment and ADB's assessment for Emergency Assistance for COVID-19 Pandemic Response. The assessment took into consideration the lessons learned during implementation of past and existing projects, various sector level governance assessments, and interviews with project management unit and other relevant government staff. In addition, a national plan for

¹ ADB. 2015. [Financial Management Assessment Technical Guidance Note](#). Manila; and ADB. 2009. [Financial Due Diligence: A Methodology Note](#). Manila.

² COVID-19 is the abbreviated form of "the coronavirus disease".

COVID-19 vaccination in Afghanistan under the National Expanded Program on Immunization (NEPI) of the MOPH has been evaluated for this assessment.

C. Project Background

6. The first case in Afghanistan was confirmed on 22 February 2020, prompting the government to implement control measures. Following a first wave in May–June 2020, with a peak of 1,231 reported COVID-19 cases on 17 June 2020, a second wave started in late 2020.³ As of 11 March 2021, the government reported 55,917 cases and 2,451 deaths of COVID-19.⁴ The extent of the pandemic is underreported in the country because of limited testing capacity. The reported case fatality rate is 4.4%. Only 0.2% of cases have been treated in intensive care units because of limited bed capacity.⁵

7. Coalition for Epidemic Preparedness Innovations (CEPI); GAVI, the Vaccine Alliance (GAVI); and World Health Organization (WHO) launched COVAX, a global platform and risk-sharing mechanism for pooled procurement and equitable distribution of eventual COVID-19 vaccines and reach those in greatest need, whoever they are and wherever they live. Multilateral Development Banks (MDBs) are providing financing to top up through cost-sharing and support deployment of COVID-19 vaccines.

8. The project will provide the Government of Afghanistan with immediate and flexible financing for COVID-19 vaccine procurement and logistics, and capacity-strengthening activities through the Asia Pacific Vaccine Access Facility (APVAX). The PIC under the APVAX will be utilized. The project will support the implementation of the National Plan for COVID-19 Vaccination In Afghanistan (NPCVA) in line with ADB fragile and conflict-affected situations (FCAS) approach and Strategy 2030.⁶ It is aligned with the following operational priorities (OP) of the Strategy 2030: (i) addressing remaining poverty and reducing inequalities through increasing access to COVID-19 vaccines (OP1); (ii) generating skilled jobs for women (OP2); and (iii) helping break the chain of COVID-19 transmission in the Asia Pacific region (OP7). The proposed project is part of an integral package of development partner support and will further help the government's emergency efforts to mitigate the significant health, social, and economic impacts of the COVID-19 pandemic.

9. There are two outputs under this project:

- (i) **Output 1: COVID-19 vaccine procured and delivered to designated points.** Under this output at least 6 million doses, assuming 2 doses per person, of COVID-

³ WHO. COVID-19 Dashboard. [Afghanistan](#) (accessed 8 February 2021).

⁴ United Nations Office for the Coordination of Humanitarian Affairs and WHO. 2021. [Afghanistan—Strategic Situation Report: COVID-19](#). No. 92. Kabul (11 March). As of 11 March, only 314,516 people had been tested for COVID-19 out of the population of about 38.9 million. A study by the Ministry of Public Health (MOPH) conducted in 2020 found that one-third of the population was likely to have been infected by COVID-19.

⁵ Corona Tracker. [Afghanistan](#) (accessed 22 February 2021). In other countries, about 12% of patients were admitted to intensive care units based on J. Phua et al. [Intensive Care Management of Coronavirus Disease 2019 \(COVID-19\): Challenges and Recommendations](#). *The Lancet Respiratory Medicine*. (8) 5. pp. 506–517.

⁶ Islamic Republic of Afghanistan, Ministry of Public Health (MOPH). 2020. *National Plan for COVID-19 Vaccination in Afghanistan*. (February); ADB's strategic approach in Afghanistan is defined in the country partnership strategy for 2017–2021 and focuses on achieving inclusive growth in FCAS. ADB. 2017. [Country Partnership Strategy: Afghanistan, 2017–2021—Achieving Inclusive Growth in a Fragile and Conflict-Affected Situation](#). Manila. Strategy 2030, ADB's long-term corporate strategy, recognizes the special needs of FCAS and calls for following a differentiated approach to this group of countries. ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

19 vaccine (with syringes and safety boxes) procured through the COVAX-AMC (Advanced Market Commitment) facility with UNICEF support, as well as procurement of vaccines by UNICEF outside of the COVAX-AMC facility, if required, and delivered to designated delivery point. UNICEF will also be engaged to provide transportation and logistics services to designated points to support the overall COVID-19 vaccine rollout under NPCVA, which will be carried out in accordance with UNICEF's Supply Manual⁷.

- (ii) **Output 2: Vaccine program implementation capacity strengthened.** This output will support strengthening the capacity of the MOPH to manage COVID-19 vaccine implementation effectively and efficiently. The output will provide essential consultant support for MOPH to manage the process including national coordinator for introduction of the COVID-19 vaccine, national planning expert, national communication expert, regional coordinators, and provincial COVID-19 vaccine focal points. Subject to demand from MOPH the project might support engagement of other experts such as those related to inventory control, accountability mechanisms, vaccine recall plans and procedures.

D. Summary of Results of Existing Country Financial Management Systems Assessments

6. According to ADB's country partnership strategy, 2017–2021, the insurgency in Afghanistan continues to shape the country's development trajectory and adversely affects all aspects of life in Afghanistan. Economic growth has slowed considerably since 2014 and is not high enough to counter the country's rapidly growing population, resulting in increased poverty. Afghanistan is also grappling with high numbers of internally displaced persons and the millions of refugees returning from neighbouring countries, which place a greater strain on the already limited services and capabilities of the government. Insufficient infrastructure limits private sector activity and prevents greater access to basic services. The operating and development budgets are financed mainly by donor assistance because the government has low revenue generation capacity. Conditions have improved since 2002 in some aspects of health and education, but gender disparity in Afghanistan remains among the highest in the world. Government capacity is improving but needs further support to make development assistance more effective.

7. Afghanistan has a large informal economy. In addition, Afghanistan remains dependent on donor aid that has underpinned reconstruction and economic growth since the Taliban were removed from government. In 2016, donor grants covered about 63% of government expenditure. Over half of government expenditure goes toward security, leaving limited fiscal resources for development. GDP growth in Afghanistan averaged 8.7% annually during 2003–2013. However, growth has slowed greatly since 2014, averaging less than 1.4% annually during 2014–2016. The rapid decline in growth in 2014–2016 is mainly attributed to the impact of the withdrawal of most foreign troops from Afghanistan at the end of 2014, political instability that began with the 2014

⁷ ADB. 2010. *Strengthening the Partnership between the Asian Development Bank and the United Nations Children's Fund: Procurement Arrangements*. Manila. Under this Board-approved paper, ADB agrees to the use of UNICEF's Supply Manual and UNICEF's Human Resources Manual for the procurement of associated goods, equipment, and services (including consulting services); and the procurement of goods, equipment, and services in a nonmember country or the procurement of goods, equipment, and services produced in a nonmember country.

presidential election and has continued under a tenuous power-sharing arrangement, and deteriorating security conditions.

8. Widespread corruption and poor governance continue to hinder the effectiveness of state bodies and undermine confidence in the government. Enforcement of anti-corruption laws still faces significant challenges and does not always target key corruption risks. Strengthening the institutional structure and building the capacity of anti-corruption bodies remain as a top priority.

9. A substantive public expenditure and financial accountability (PEFA) assessment was undertaken in 2018. The Afghanistan's public financial management (PFM) faces a lot of challenges including low budget credibility, imperfect disclosure of public finances, poor asset and liability management, anomalies in budget execution, low standard of financial reporting, and lack of audit independence. Afghanistan has progressed to a largely disciplined PFM system after executing measures for strengthening PFM with an enabling environment for improving transparency. The legal, institutional, and operational framework for PFM and ancillary functions, the introduction of modern budget tools and automated payments, improved public procurement, and the establishment of the independent joint anticorruption monitoring and evaluation committee have gradually strengthened confidence in PFM, leading to the increased use of national systems by development partners.

D. Vaccination Plan Financial Management Systems Assessment and Identified Risk

10. MOPH has developed the NPCVA in consultation with ministries, institutions, provinces, and partners. The NPCVA follows the format of the Vaccine Introduction Readiness Assessment Tool (VIRAT) of WHO and UNICEF, and the Vaccine Readiness Assessment Framework (VRAF) of the World Bank and is aligned with the WHO Strategic Advisory Group of Experts on Immunization (SAGE) on global COVID-19 policies and strategies. The NPCVA objectives are to (i) protect vulnerable groups from morbidity and mortality due to COVID-19 disease (ii) interrupt transmission and outbreaks of COVID-19, and (iii) protect critical social and routine health services. The program aims to vaccinate 20% of the population by December 2021, and another 40% in 2022, subject to vaccine availability.

11. **Budget.** On the 2nd Draft of National Budget for 2021, which was approved by cabinet and sent to parliament last 12 January 2021, the government has allotted USD171.60 million (AFN13,255.18 million) for MOPH, such allotment does not yet include COVID-19 vaccine allocation amounting to USD320 million⁸. Table 1 below shows the sources of funds of MOPH for fiscal year 2021.

Table 1. Sources of Funds

Sources	Amount in million AFN	Amount in million USD*	Percentage
Government	4,375.18	56.64	33%
Donors	8,880.00	114.96	67%
Total	13,255.18	171.60	

Source: 2021 (Year 1400) [MOF Budget](#) (in Dari)

*USD 1 = AFN 77.25

⁸ Government's National Expanded Program on Immunization

12. MOPH's projects for 2021 are allotted to construction of health care facilities and systems, capacity strengthening and COVID-19 related projects. However, support for COVID-19 vaccine was not included in the list. Based on Public Financial Management Law, cost related to the national vaccine program cannot be added to the national budget yet until the grant agreement is approved and signed. In case of additional expenditures not included in the list, the government will explore options in sourcing its funds such as seeking funding from its development partners. Table 2 below are list of projects for 2021.

Table 2. Ministry of Public Health List of Projects

Projects*	Amount in million AFN	Amount in million USD**
General Health Project	8,212.02	106.32
Construction	1,372.16	17.76
Capacity Strengthening	1,114.00	14.42
Routine Immunization	200.00	2.59
COVID-19 projects	2,357.00	30.51
Total	13,255.18	171.60

Source: 2021 (Year 1400) [MOF Budget](#) (in Dari).

* Project categorization were not from MOF. It was merely derived from the project title.

** USD 1 = AFN 77.22

13. Development partners has committed to support Afghanistan in their National Plan for COVID-19 Vaccination. Table 3 are the current commitments by Afghanistan's development partners:

Table 3. Commitments by Development Partners

Partner	Amount	Type of Support
COVAX	\$ 84 million	Vaccines Cold chains technical assistance Technical assistance
World Bank	\$ 63 million	Vaccines Cold chains equipment Additional vaccinators and supervisors Vaccine delivery Technical assistance
ARTF	\$ 50 million	Co-financing with World Bank
ADB	\$ 50 million	Vaccines and related items Delivery to regional or provincial centers and other points designated by MOPH Capacity strengthening for MOPH
Gap on the plan vs funding	\$ 112 million	Vaccine supply and distribution Operating cost Transport to provinces Infrastructure TA + provincial capacity cost

ADB = Asian Development Bank, ARTF = Afghanistan Reconstruction Fund, COVAX = COVID-19 Vaccines Global Access, MOPH = Ministry of Public Health, TA =technical assistance.

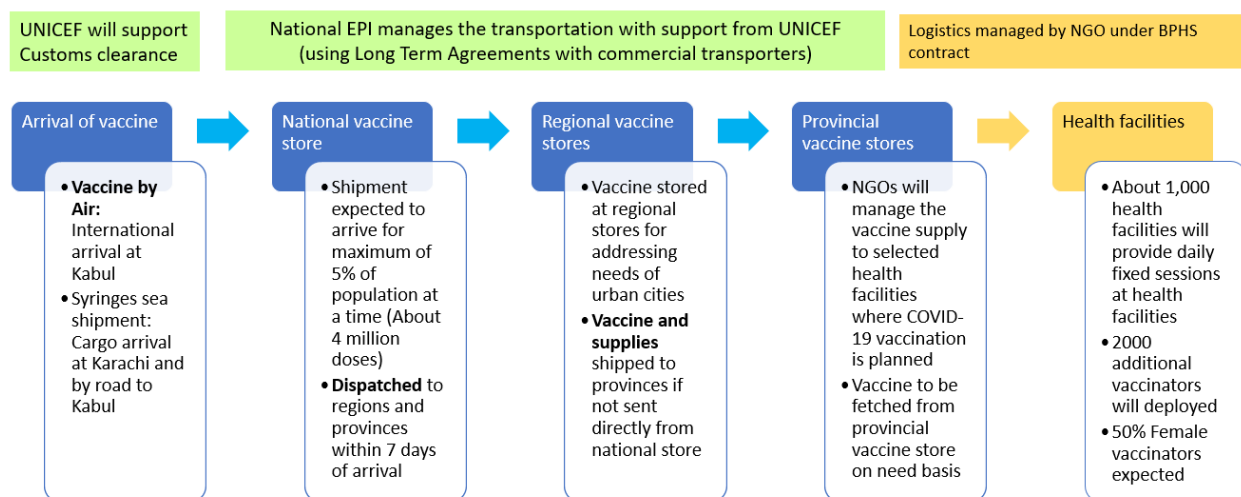
Source: Government's National Expanded Program on Immunization

14. As basic public health services are provided free in Afghanistan, project financial viability assessment was not undertaken since project outputs are not meant to produce cost recovery direct revenue. The COVID-19 vaccine program is part of the National Expanded Program on Immunization, hence, the government is committed to obtaining grant assurances.

15. While MOPH incremental recurrent cost analysis indicates that the financial sustainability of the project is at risk, the national budget of the government when it comes to Health Care System is not sustainable and will rely on the support from its development partners.

16. **Supply Chain.** Supply chain logistics for COVID-19 vaccine will be under the overall management of National Vaccine Logistics Working Group which was established in 26 October 2019. The group shall be responsible for planning and forecasting vaccine requirements, cold chain infrastructure needs, planning, coordination and distribution of vaccines and supplies, and monitoring and reporting. UNICEF provides support on the distribution mechanism for COVID-19 vaccine from custom clearance to management of transport with NEPI as well as other operational cost.

Figure 1. Distribution mechanism for COVID-19 vaccine



(i) **Transportation.** Transportation is provided mainly by commercial transport services.

- **National level.** All COVID-19 vaccine will receive via air shipment at Kabul International Airport. UNICEF has contracted a custom clearing agent responsible for the custom clearance. On the same day of arrival, it will be transported via road at a national vaccine store which is 60 minutes away from the airport in normal traffic circumstances. Upon arrival at the national vaccine store, it will immediately store in a cold room facility. The batch-number and quantity of vials, where designated storekeepers are assigned to maintain accountability and transparency during registration of COVID-19 vaccines in the stock-cards and vaccination supplies stock management (VSSM). The NEPI cold chain manager will adhere with standard operational procedures at the time of vaccines distribution to regional and provincial storage facilities.

There is a contingency transit cold chain facility at the airport for emergency purposes.

Vaccine paraphernalia such as syringes and dry supplies will arrive via sea shipment at Karachi Port in Pakistan. The transport from Karachi to Kabul will be arranged by UNICEF Supply Division.

- **Regional and Provincial.** There are 7 regional vaccine stores in Afghanistan located in Kabul (Central), Kandahar (South), Herat (West), Balkh (North), Kunduz (North East), Nangarhar (East) and Paktya (South East). A standard mode of transportation will be used to transport from national to regional and provincial cold rooms depending on the target population estimated in the provincial micro-plan. At the provincial storage facilities, the storekeepers will receive the vaccines as per the authorized documents and check the quantity, batch numbers, expiry date and other specifications, to ensure that vaccines are not misused, damaged, destroyed, or lost during the transportation.
 - **Health Facility Level.** The Provincial and Regional EPI Management Teams (REMT and PEMT) will coordinate with the Sehatmandi Service Providers (SPs) to deliver the vaccines from the provincial cold room to the vaccination centers that already established, based on the provincial micro plan. Nongovernment organization (NGOs) will collect the vaccines at provincial vaccine stores as need basis.
- (ii) **Storage.** The existing cold chain system in Afghanistan at a national, regional and provincial level can store up to -20° C while the health facility level (HF) can store only up to +2° C and +8° C. The cold chain equipment from national to service delivery level are WHO prequalified.

There will be temperature loggers that will trace the temperature of vaccines right from point of arrival in country and random samples of monitoring up to service delivery point. The transportation of vaccines between supply chain levels need to be monitored using freeze indicators and temperature recorders. An estimated 10,000 freezer indicators and 500 30 DTR would be required for temperature monitoring purposes. These devices would be recycled for a period of at-least two years.

- **National level.** The national vaccine store and central regional vaccine stores are located within the same compound in Kabul city. A 3-story national vaccine store building is being constructed and will be operating at full occupancy by December 2021. The first floor of new building will operate as national cold store with provision of 20 cold rooms and freezer rooms and ice pack freezers. Central region cold store will be transferred to present national store and central region will use the cold rooms currently used by national vaccine store. Currently, 4 cold rooms of 40m³ are required at the new vaccine store building.
- **Regional and Provincial.** The 7 regional vaccine stores will supply their respective provincial cities. These regional vaccine stores will also store and

supply vaccine for health center of their respective provinces. Regional vaccine stores have only enough storage for routine vaccine activities and they require additional 6 cold rooms of 40m³ for the 6 regional vaccine stores. While 20 cold rooms of 30m³ and 42 ice lined refrigerator at provincial level plus 20 stores require upgrading to cold storage buildings.

- **Health Facilities.** There are 2,227 health facilities recognized by Expanded Program on Immunization (EPI) fixed service center. Of which, 241 require upgrade from gas based refrigerator to solar refrigerator. There are 173 facilities require additional vaccine storage capacity to accommodate COVID-19 vaccine.
- (iii) **Security.** Security of vaccine during storage, transportation and at the distribution points are being applied through accountability and transparency by the storekeeper at the national level. At the provincial level, storekeeper has control measures to ensure that vaccines are not misused, damaged, destroyed, or lost during the transportation through documents and quantity checks.
- (iv) **Data Management.** The NEPI program will utilize the existing data monitoring mechanisms available at the MOPH to monitor the COVID-19 vaccine introduction. A new tool was developed to accommodate the COVID-19 vaccine introduction indicators such as registration, cards, etc. Their program will have developed process indicators (% of trained vaccinators, % trained supervisors, % on time vaccine delivery, etc.), input indicators (% vaccine availability, %vaccinator availability, etc.), and output indicators (% of health workers received COVID-19 1st and 2nd dose, % of vaccine wastage, etc.) to monitor implementation of the vaccine. NEPI has developed seven data collection forms which will be used to monitor progress and coverage among the different at-risk categories and ensure timely reporting from the HFs.

17. **Inventory Management and Control.** From national to provincial level, UNICEF has provided support in the inventory management through monitoring of vaccine supplies and stocks, reporting stock levels to GAVI and support the government in rationalizing the supplies. Afghanistan has VSSM software for their routine immunization which are being used at their cold chain facilities at national to provincial level. This system is a WHO tool for recording stock transactions and key functions of stock management. The goal of this system is to improve management of the supply chain in order that vaccines and diluents and other related commodities neither suffer from being over stocked and avoid that any item is out of stock. It also provides the managers with a remaining net capacity for different storage areas.⁹ The same platform will be used for COVID-19 Vaccination Program which will be used at national, regional and provincial level. Stock taking and recording outside the cold chain facilities are being done manually. On their accountability framework, regional level is responsible for reporting and accounting of stock being delivered to provincial level. From provincial level, it would be NGOs' accountability. A monthly report is being submitted to provincial, regional and national level. These are hard copy reports being submitted and information are being uploaded in DHIS2¹⁰, a central

⁹ Pan American Health Organization. 2010 [Vaccination Supplies Stock Management](#). *Immunization Newsletter*.32 (6).

¹⁰ District Health Information Software 2 (DHIS2) is an opensource health management information system.

platform. There is also Health Management Information System (HMIS), being used by each NGO for reporting various parameters which includes stock levels. Another supervision software is being installed in the mobile phone, where a team of supervisor were trained and currently being expanded to province by province to collect data which includes stock level information of vaccines.

18. Involvement of Nongovernment Organizations (NGOs). Basic primary health service (BPHS) and essential primary health services (EPHS) are being run by NGOs which will includes the COVID-19 vaccine administration. NGOs are responsible for vaccination reporting, information management, recruitment of vaccinators, maintenance of cold chain as well as waste management. For the COVID-19 vaccine program, there will be no new NGOs to be selected. The current list of NGOs, which are mostly local, will be contracted out and the same process will be applied. In selecting existing NGOs, MOPH has the third-party monitoring firms (TPM) who will verify the work of those NGOs through survey and sampling. Balanced scorecards are being used for the monitoring of NGOs performance. Payment and re-contracting of NGOs are based on their current performance. NGOs and Sehatmandi project FM staff perform budgeting, accounting, disbursement, liasing with Ministry of Finance (MOF) and the donors for FM related issues of the project, making disbursements to the project suppliers, preparing and reporting the financial activities to the related stakeholders and facilitating during the financial audit of the project. There is no specific accounting system by NGOs. The NGOs just maintain the financial records using the financial management information systems. Reconciliation mostly happens on monthly and quarterly basis in the implementing agencies with NGOs at field level. NGOs are obligated to provide quarterly financial reports to MOPH/PIU. Further, MOPH also engage the independent auditor to carry out the audit of Sehatmandi project implemented by NGOs in relevant provinces. Moreover, NGOs also engaged independent auditors to audit the project and accordingly share the report with MOPH. Besides, the Sehatmandi project submits a quarterly financial reports (IUFRRs) to the donor.

19. Human Resource. The program plans to hire 1,000 teams of vaccinators with two members at the provincial level using the proportion to size selection method. There will be two types of training, a two-day training covering theoretical and practical sessions for the newly hired vaccinators and a 1-day training for the existing vaccinators. Trainings will be facilitated by EPI and technical partners. There will be a technical group within PIU to oversee the implementation of the program. Under financial management, one finance manager and two staff will be dedicated for the accounting and reporting of the program.

20. Accounting and Reporting. The government is already implementing a nationwide routine immunization program. The same accounting and financial reporting system will be patterned for the proposed support for the COVID-19 vaccine. MOPH uses cash accounting methods in their regular and project operations. Current accounting policies abide with the national guidelines as issued by the MOF, which complies with International Public Sector Accounting Standards. Finance of PIU are involved in preparing monthly and quarterly reports of financial data of field offices and NGOs. As a way of control, segregation of duties is being practiced at field level, zone level and central level. All the financial management and administrative operations flows from field to zone and from zone to central unit for flow of fund and for control of payments to contractors. There is also a reconciliation of records in between levels on a monthly and quarterly basis.

21. **Oversight.** High-Level Health Programme Oversight Committee (HLHPOC) body chaired by Minister of Public Health has its oversight role for the implementation of this plan. HLHPOC is also the coordination body that keeps the President up-to-date of all the progress, provides policy recommendations to the concerned committees and negotiates with donors to ensure funding. The program has established a Monitoring and Logic framework. Activities in the whole program for HR, cold chain, communication, vaccines, service delivery, monitoring and surveillance, management and funds mobilization are being reported on a set frequency.

22. **Verification.** Since the system is so new, there has been no verification activities done. There will be a survey to check if the plan is being implemented.

23. **Audit.** At entity level, the Office of Supreme Audit of Afghanistan conducts the external audit using the standards for Supreme Audit Institutions. The external auditors for the project financial statements would be recruited following ADB's procedures for recruitment of consultants. MOPH also engage the independent auditor to carry out the audit of Sehatmandi project implemented by NGOs in relevant provinces. Moreover, NGOs also engaged independent auditors to audit the project and accordingly share the report with MOPH.

24. **IT system for tracking COVID 19 vaccination.** DHIS2, a free, open-source software platform for collecting, analysing, visualizing, and sharing data is being utilized by MOPH to collect data and disseminate results of COVID-19. Another system that is currently being negotiated, Smart Paper Technology (SPT) system, that will collect real-time data from health facility.

E. Project Financial Management Systems Assessment and identified risk

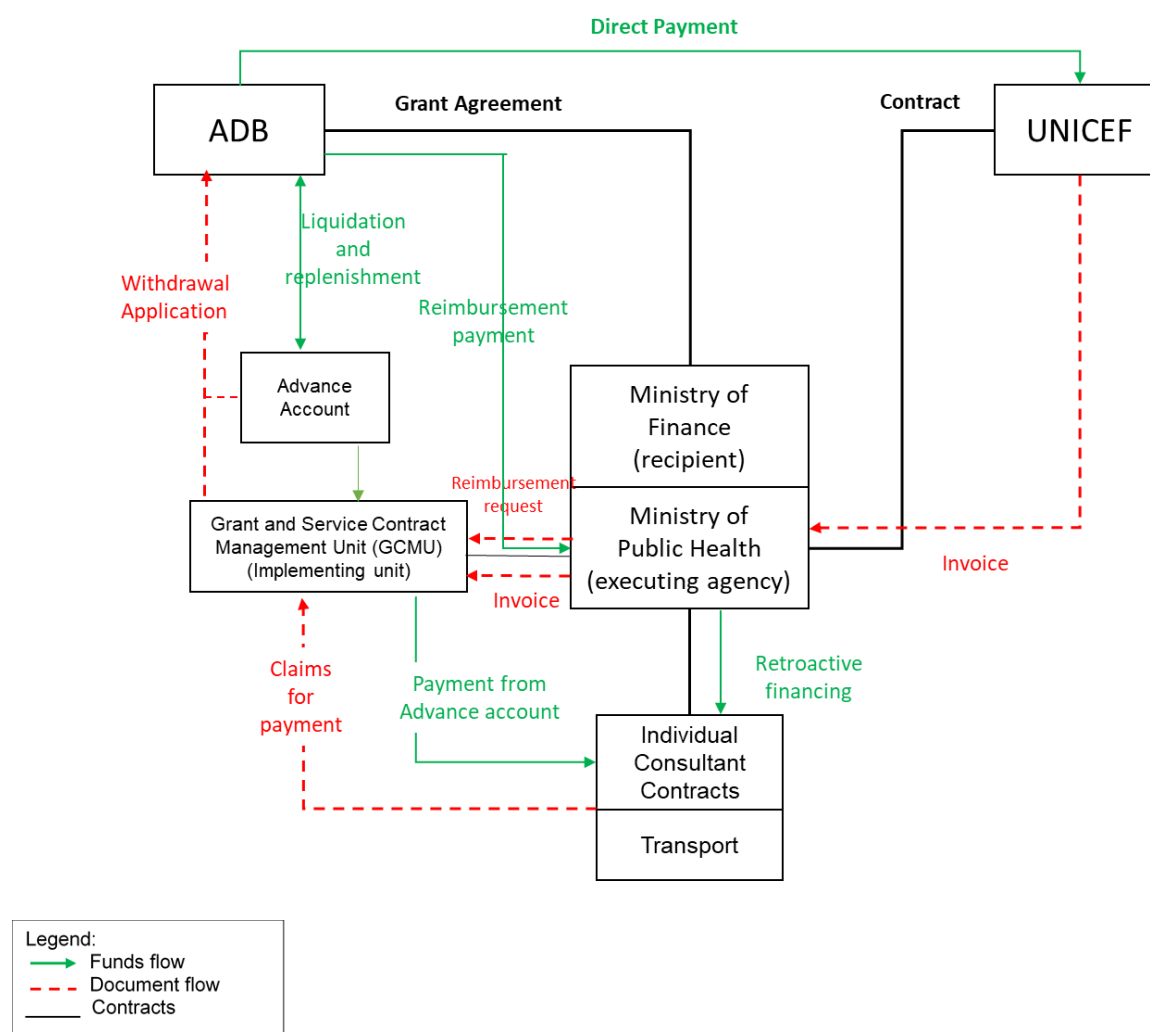
25. **Overview.** The project will be implemented by MOPH with support from High-Level Health Programme Oversight Committee (HLHPOC) body chaired by Minister of Public Health. Though MOPH staff is knowledgeable of donor-funded projects policies and procedures. The project will be managed by a PIU within MOPH, which will include dedicated managerial staff and technical experts assisted by project management consultants.

26. **Strengths.** MOPH's experience has been built up in project financial management by implementing the World Bank projects. MOPH has also implemented multiple donor-funded projects since 2004. In 2020, MOPH has implemented ADB emergency assistance grant (EAG) which gave them some experience in implementing ADB projects.

27. **Weaknesses.** Project implementation requires the recruitment of an accountant and financial management specialist. Currently, the project specific capacity and their knowledge of ADB financial procedures cannot be validated, despite of the on-going project with ADB. Also, the current internal audit function is not very effective, due to lack of resources and focus on transaction level compliance.

28. The following figure shows the disbursement arrangements and funds flow mechanism.

Figure 2: Funds Flow



29. **Personnel.** The government will ensure the appointment and retention of required staff at the PIU. A dedicated staff will be responsible for the financial management and accounting functions. Ideally, the personnel appointed will be experienced in applying ADB procedures. However, if this is not possible, it is essential that arrangements are made between the government and ADB to ensure that required financial management training is provided to staff immediately upon appointment. Currently, there are 12 financial management staff working under projects implementation responsible for overall FM activities. Under the emergency assistance grant, the hiring of FM expert is still underway due to some salary scale issues but currently FM activities are handled by Sehatmandi FM unit staff who are funded by the World Bank.

30. **Accounting policies and procedures.** MOPH uses cash accounting methods in their regular and project operations. Current accounting policies abide with the national guidelines as issued by the Ministry of Finance (MOF), which complies with International Public Sector

Accounting Standards. With ADB projects categorized as on-budget expenditures, payment data uploaded to Afghanistan financial management information system (AFMIS) provide the backbone for the accounting system for report generation, along with the bank reconciliation of MOPH imprest account. However, the PIU does not have direct access to AFMIS and, as such, has to use an electronic spreadsheet or accounting software for record keeping. Some projects using MS Excel while some other projects use QuickBooks as their accounting software. ADB's emergency assistance grant uses the same tools which are MS Excel, QuickBooks and AFMIS.

31. The PIU staff, with assistance of implementation support consultants, particularly a financial management specialist, will prepare supporting documents for expenditures, payment approvals, and submissions to MOF and ADB.

32. **Internal control and internal audit.** The internal audit function is weak across the government. MOPH has an internal audit function carried out by the MOPH internal audit unit. Staff of the internal audit unit of MOPH are qualified and experienced in audit and have received regular training.

33. Currently, the internal audit unit is not auditing the World Bank project. However, the project will be included in the work plan of the internal audit unit, with detailed scope of work agreed between the parties. The scope of work will be more than compliance audit and will also consider the performance of the project.

34. **External audit.** The external auditors for the project financial statements will be recruited following ADB's procedures for recruitment of consultants. They will carry out an audit following the International Standards of Auditing and provide an opinion on the project financial statements. In addition, they will be required to provide an opinion on the use of grant proceeds and compliance with financial covenants. They will also provide a management letter highlighting any weaknesses identified during their audit of the internal control systems. The government has been made aware of ADB's approach on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.

35. **Financial reporting systems, including use of information technology.** As ADB projects are on-budget expenditures, AFMIS is used for the budget, allotment, and payment processes. Although AFMIS is in place at the line ministry for streamlined processing of payments for project, the PIU does not have direct access to the system. The PIU and finance department staff of MOPH update and upload data from reports and payment requests submitted by the PIU. Only MS Excel and QuickBooks are being used by MOPH for their financial accounting and reporting system which is only stand alone and can only be used by Finance and Admin Dept. No enterprise system is being used.

F. Risk Description and Rating

36. The FMA considered inherent risks and control risks. The key risks identified are presented in the table below:

Table 4: Financial Management and Internal Control Risk Assessment

Risk	Risk Assessment	Risk Description	Mitigating Measures or Action Plans
Inherent Risk			
Country-specific risks	H	Insufficient budget for operations and maintenance (O&M) expenditures to financially sustain health facilities operations after COVID-19.	The government under the grant agreement committed that it would ensure sufficient O&M financing for health facilities post-COVID-19 operations.
	H	Widespread corruption and poor governance	The project implementation will be aligned with the Anticorruption Strategy through the High Office of Oversight and Anticorruption (HOOAC). The anticorruption plans of the Ministry of Public Health (MOPH) will be monitored. The project financial management system has been designed to encourage accountability and minimize risks of corruption and will include requisite review of primary payment documentation supporting the expenditures before endorsing for payment.
	S	Weak internal control framework with focus on financial compliance instead of systemic issues and internal controls	The MOF Internal Audit Department supports capacity building of internal audit units in line ministries including drafting of an audit charter, manuals, and guidelines.
Entity-specific risks	S	MOPH has only experience with Asian Development Bank (ADB) in financial management and audit requirements during the implementation of EAG, however, no result has been assessed yet.	Training will be provided by ADB to MOPH PIU staff on ADB financial management and disbursement guidelines and policies. Financial management consultants will be engaged under ADB technical assistance to support MOPH. An independent auditor will conduct project financial reporting and performance audit using ADB reviewed terms of reference.
	M	Inadequate benefits of staff cause staff turnover and lack of staff efficiency.	After the implementation of national technical assistance (NTA) salary scheme in 2016, the government started the implementation of another reform for employees benefits under the name of Rutub wa Maashat. However, this reform

Risk	Risk Assessment	Risk Description	Mitigating Measures or Action Plans
			started at director level only with the intention of being implemented also for the rest of the employees. The donor agencies will discuss the impact of such reforms with MOPH to prevent the negative impact in project implementation in the long term.
Overall inherent risk: HIGH			
Control Risk			
Implementing entity	S	Political interference in awarding contracts to suppliers for medical supplies and staff trainings	Direct contracting to UNICEF for vaccine supply, safety boxes, syringes and other related items and delivery to designated points as well as the transportation and logistics to designated point of delivery to support the overall COVID-19 vaccine rollout under NPCVA.
Funds flow	S	The on-budget funding mechanism causes lots of challenges including slow processes, waste of resources and delay in project progress.	Direct payment method will be used in procurement and advance account will be used to manage the cash flow constraints of contracts, after sufficient due diligence and consideration of ADB policies and procedures.
	S	The payment processing within the Budget and Treasury Department of the Ministry of Finance (MOF) is slow especially due to the changes in personnel and signatories	An agreement will be established with MOF regarding the milestones of projects and expedited release of payments to vendors to avoid unnecessary delays.
	S	There is a risk of misappropriation of fund resources by non-government organizations (NGOs) due to the MOPH's inability to monitor the work of NGOs.	MOPH will be obligated to consult NGOs of good reputation to implement the project in regional health facilities. Further, the TPM firm will monitor the health facilities.
	S	Double payment of retroactive financing related to transportation and logistics to designated point of delivery to support the overall COVID-19 vaccine rollout	MOPH shall provide additional reconciliation document from other donors who procured the vaccine delivered.

Risk	Risk Assessment	Risk Description	Mitigating Measures or Action Plans
		under NPCVA from other donors.	
Staffing	M	Current staff may be overburdened due to additional project related to vaccine.	New FM staff will be recruited, trained on ADB financial management requirements and systems, and integrated into PIU to management financial management of ADB-funded projects
Accounting policies and procedures	S	As there are NGOs in the field offices and accessing field offices by MOPH staff is impossible in some instances due to security concerns, reconciliation of the general and subsidiary ledgers will be difficult.	All financial records of ADB-funded projects will be maintained at central PIU and new FM staff will be recruited for that purpose. Third-party monitoring firm are being deployed to check performance of NGOs
	S	As per World Bank's financial management assessment (FMA), MOPH has no mechanism in place to trace and resolve the audit observations.	Excel-based data sheet will be developed to oversee the audit issues and management action plan.
Internal audit	S	Significant issues may not surface as the internal audit function is not auditing the finance function and PIU.	The internal audit unit will be obligated to audit the ADB funds and the detailed scope of this audit will be agreed with MOPH to consider various aspects of ADB funds.
External audit	S	Audit observations not resolved will continue exposing the PIU to significant risks in term of weak asset management and financial records.	A detailed financial management action plan will be developed and regularly monitored to resolve the audit observations. An auditor's management letter will be required to enable PIU financial management specialist to follow up and resolve all audit observations. The resolution of audit observations will be monitored using the annual audited project financial statements along with reconciliation of project records with ADB disbursement records.
Reporting and monitoring	M	Inaccurate and incomplete financial information due to spreadsheet monitoring for some projects which uses MS Excel while some other	Implement accounting software for the project to reduce errors.

Risk	Risk Assessment	Risk Description	Mitigating Measures or Action Plans
		projects use QuickBooks as their accounting software. ADB's emergency assistance grant uses the same tools which are MS Excel, QuickBooks and AFMIS	
Information systems	S	Lack of/inaccurate, standard financial data, which would cause delay in producing financial data at project and entity level.	In collaboration with World Bank, a new information system will be considered for MOPH to ensure timely financial information.
Vaccination program performance	H	Allocation are not being implemented in accordance to plan.	ADB will recruit a performance auditor to assess the implementation of the vaccine program.
	H	Given the security situation of the country, no security personnel mentioned to guard the transit of vaccines.	Provide security personnel during the transit of vaccines from national to administration point. Service providers will ensure adequate security arrangement for vaccines at the service delivery sites. If needed, MoPH will get prompt police support for safe storage/transport of the vaccines
	S	Inaccurate inventory information where manual inventory system that is being used at health facility level where the actual vaccine administration took place.	Ensure that MOPH and service providers has fully utilized the function of VSSM, DHSI2 and HMIS up to the health facilities.
	H	Vaccine theft and misappropriation.	SOP for storekeepers and vaccinators with established accountability and transparency framework
	S	Information theft from archive room where only janitors act as guards at archive rooms where data and information are stored.	Trained security personnel shall be hired to protect data as well as the storage and facilities.
	M	Inaccurate reports and data	Strengthen data collection capability through monitoring and verification
	S	Insufficient storage facilities	Upgrades and expansion at national and provincial are being constructed.

Risk	Risk Assessment	Risk Description	Mitigating Measures or Action Plans
Overall control risk: SUBSTANTIAL			

Notes: H = high risk, L = low risk, M = moderate risk

ADB = Asian Development Bank, AFMIS = Afghanistan Financial Management Information System, APVAX = Asia Pacific Vaccine Access Facility, COVID-19 = coronavirus disease, DHIS2 = District Health Information Software, EAG = Emergency Assistance Grant, EPI = expanded programme on immunization, MS = Microsoft, MOPH = Ministry of Public Health, NGO = nongovernment organization, O&M = operations and maintenance, PIU = project implementation unit, SCO = Sehatmandi Coordination Office, SRA = Stringent Regulatory Authority, UN = United Nations, UNICEF = United Nations Children's Fund, VSSM = vaccination stock supplies management tool established by WHO, WHO = World Health Organization

G. Proposed Time-Bound Financial Management Action Plan

37. To mitigate the above risks, the following actions are discussed and agreed with the government:

Table 5: Time-Bound Financial Management Action Plan

Area	Risk Mitigating Activity	Timeline	Responsible Entity
Staffing	Dedicated and competent financial management and accounting staff are appointed to PIU and trained on ADB financial management and disbursement guidelines and policies.	Before grant effectiveness	MOF and MOPH
Capacity support	Financial management consultants will be engaged under ADB technical assistance to support MOPH.	Before grant effectiveness	ADB and MOPH
Detailed financial management capacity assessment	A financial management consultant will conduct a detailed financial management capacity assessment and prepare detailed mitigation plans and action plans to address risk area for the PIU. The financial management consultant will prepare and support PIU in adopting written procedures covering PIU expenses as guidance on (i) qualifying expenses, (ii) authority limits, (iii) liquidation of advances, and (iv) payment review process.	2 months after grant effectiveness	MOPH
Information system	A project monitoring system and MIS will be established by the PIU to monitor implementation, funds flow, accounting, audit, and reporting functions. The financial management consultant will provide support.	2 months after grant effectiveness	ADB and MOPH
Internal audit	MOPH's internal audit unit will be obligated to audit the ADB funds and detailed scope will be agreed with MOPH to consider various aspects of ADB funds.	2 months after grant effectiveness	ADB and MOPH
Periodic financial management report	Prepare quarterly reports for the ADB project with financial and disbursement information, as well as variance analysis of physical and	Every quarter	MOPH

Area	Risk Mitigating Activity	Timeline	Responsible Entity
	financial progress. The report should include the status of the financial management action plan.		
Financial and Performance Audit	An independent auditor will conduct project financial reporting and performance audit using ADB reviewed terms of reference.	At the end of each covered fiscal year.	MOPH
Vaccination program performance	ADB will recruit a performance auditor to assess the implementation of the vaccine program and support MOPH through engagement of consultants under ADB technical assistance.	2 months after grant effectiveness	MOPH

ADB = Asian Development Bank, COVID-19 = coronavirus disease, MIS = management information system, MOF = Ministry of Finance, MOPH = Ministry of Public Health, PIU = project implementation unit, TPM = third-party monitor.

H. Suggested FM Covenants and/or Conditions to disbursement/effectiveness

38. ADB and the government will jointly undertake reviews of the project at least twice a year. These reviews will include a review of the disbursement progress and status of the financial management plan. A capacity development plan shall be executed by ADB on (i) financial management and reporting requirements, (ii) ADB loan disbursement procedures, (iii) anticorruption training, and (iv) training on ADB procedures. Financial management experts will be engaged and funded by the grant to monitor the project. In addition to annual financial statements audit, an annual performance audit shall be carried out.

39. The government shall ensure that (i) adequate financial management systems to manage, control, account, report, and audit expenditures for vaccination of the priority population in line with the national plan for COVID-19 vaccination are maintained throughout project implementation; and (ii) the Financial Management Action Plan, which sets out specific time-bound actions, as summarized in the project administration manual, is implemented in accordance with its terms.

40. To ensure the promotion of economical, effective and efficient governance under the project, the government, through MOPH, shall ensure that an independent auditor is engaged to undertake a special performance audit, focusing on project economy, efficiency, and effectiveness and shall cause the MOPH to provide the necessary reports and information that may be required for such audit. Such audit shall be carried out annually, and the report on such audit shall be submitted to ADB through MOPH within 6 months after fiscal year end.

I. Conclusion

41. The assessment concludes that there are substantial financial management and internal control risks in MOPH. Consequently, the project has proposed a series of targeted mitigation measures to manage and monitor these risks, especially to ensure transparency and accountability in project financial management and adherence to the government and ADB standards for financial management. It is expected that with the implementation of the proposed risk mitigating measures, the MOPH financial management capacity will be further strengthened and will become satisfactory. Notwithstanding the identified weaknesses, MOPH has a sound record in implementing externally funded projects and programs and has a considerable experience in implementing international donor projects.