

FINANCIAL ANALYSIS

I. EXECUTIVE SUMMARY

1. Financial analysis was conducted to assess the financial viability and sustainability of the Vaccine Support under the Asia Pacific Vaccine Access Facility in accordance with the Technical Guidance Note of Financial Analysis and Evaluation by the Asian Development Bank (ADB)¹. This includes an analysis of historical and projected government healthcare expenditures to evaluate the impact of the project on Ministry of Public Health (MOPH) overall expenditure.

2. The fragile healthcare system of Afghanistan has been shaken by the effects of coronavirus disease (COVID-19). Afghanistan has applied various measures to prevent the spread of the virus, however, there is a negative effect of such measures on the country's economic situation. The outputs under the project are expected to have a positive effect on the population's health and economy. Basic public health services are provided in Afghanistan free of charge. Project financial viability assessment was not undertaken since project outputs are public service goods with no opportunity for cost recovery. The financial sustainability of the country's vaccination program is at risk due to the country's fiscal limitations. The national health care system is not financially sustainable since it fully relies on the support from development partners.

II. INTRODUCTION AND METHODOLOGY

A. Introduction

3. 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).² The project investment component (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's fragile and conflict-affected situations (FCAS) approach and Strategy 2030.³ The grant support is \$50 million from ADB. The government's in-kind contribution which includes office accommodation, and taxes and duties exemption is for \$2 million. The government will be the recipient for this grant. The MOPH will be the executing agency. The project has two outputs:

4. **Output 1: COVID-19 vaccine procured and delivered to designated points.** Under this output, at least 6 million doses, assuming two doses per person, of COVID-19 vaccine (with syringes and safety boxes) will be procured through the COVID-19 Vaccines Global Access (COVAX) Advanced Market Commitment (AMC) facility with United Nations' Children's Fund (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

¹ ADB. 2019. *Financial Analysis and Evaluation: Technical Guidance Note*. Manila.

² The proposed project was prepared under the One ADB approach following streamlined business processes outlined in the APVAX policy paper [R195-20], including an abbreviated Board circulation period. ADB. 2020. *ADB's Support to Enhance COVID-19 Vaccine Access*. Manila.

³ Islamic Republic of Afghanistan, Ministry of Public Health (MOPH). 2020. *National Vaccination Deployment Plan*. December; 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.

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 Manual.⁴

5. **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.

B. Methodology

6. The purpose of this analysis is to financially assess whether the government will have adequate cash resources to finance incremental recurrent cost of Afghanistan's health sector.

7. For MOPH's COVID-19 vaccine support, the financial analysis scope includes analysis of the government's overall and health care budget compared to the support provided by the development partners. The current available data during the assessment were 2021 draft budget and list of projects of MOPH.

III. FINANCIAL ANALYSIS

A. National Budget of Afghanistan

8. On the 2nd Draft of National Budget for 1400 (2021), which was approved by cabinet and sent to parliament last 12 January 2021, the government has allotted AF13,255 million for MOPH, such allotment has not yet included COVID-19 vaccine allocation amounting to \$319 million to reach 60% of population.⁵ Table 1 below shows the sources of funds of MOPH from actual and budget for 2016 to 2020, and budget and forecast for 2021 to 2023.

**Table 1: Sources of Funds
(in million \$)**

Per Sources	A	B	A	B	A	B	A	B	A	B	Budget	Forecast	
	2016		2017		2018		2019		2020			2021	2022
Government	48	58	55	66	88	99	56	61	79	91	57	94	94
Donors	138	198	162	184	163	170	146	150	199	223	115	7	6
Total	186	256	217	250	251	269	202	211	278	314	172	102	100
% of Government's Share	26%	23%	25%	26%	35%	37%	28%	29%	28%	29%	33%	93%	94%

⁴ 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 United Nations International Children's Emergency Fund's (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

⁵ National Expanded Program on Immunization - National Plan for COVID-19 Vaccination in Afghanistan

Per Sources	A	B	A	B	A	B	A	B	A	B	Budget	Forecast	
	2016		2017		2018		2019		2020			2021	2022
% of Donor's Share	74%	77%	75%	74%	65%	63%	72%	71%	72%	71%	67%	7%	6%

A = Actual; B = Budget.

Note: \$1.00 = AF77.95 (2019); AF77.25 (2020); AF77.20 (2021); AF79.35 (2022); AF81.53 (2023); 2016-2018 amount were provided in USD.

Source: Ministry of Public Health.

9. From 2016 to 2021, 65%–77% was funded by development partners. The government's forecast information for years 2022 and 2023 does not have enough data on how much funding will be secured from the development partners. In the meantime, MOPH marked those funding under government's contribution. Due to the country's fiscal limitations, there is a high probability that the funding from donors will need to be continued. During the 2020 Afghanistan Conference, which was attended by 66 countries and 32 international organizations, Afghanistan's partners renewed their long-term commitment to Afghanistan and pledged about \$3.3 billion for 2021, with annual commitments expected to stay at the same level year-on-year until 2024 (aggregate around \$12 billion for 4 years).⁶ Based on these strong commitments, the development partner support for the health sector in Afghanistan is highly likely to continue.

B. Ministry of Public Health Projects

10. MOPH's projects for 2021 were allotted to construction of health care facilities and systems, capacity strengthening and COVID-19 related projects. However, support for COVID-19 vaccine was not yet included in the list. Based on the 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 from 2016 to 2023.

**Table 2: Ministry of Public Health Projects
(in million \$)**

Per Cost Category	A	B	A	B	A	B	A	B	A	B	Budget	Forecast	
	2016		2017		2018		2019		2020			2021	2022
General Health Project	159	210	185	202	217	226	177	182	176	190	106	75	74
Construction	25	44	30	46	32	41	23	27	42	50	18	22	22
Capacity Strengthening	0	0	0	0	0	0	0	0	0	0	14	0	0
Routine Immunization	2	2	2	2	2	2	2	2	4	4	3	4	4
COVID-19 projects	0	0	0	0	0	0	0	0	57	70	31	0	0
Total	186	256	217	250	251	269	202	211	278	314	172	102	100

A = Actual; B = Budget; COVID-19 = coronavirus disease.

Notes:

1. \$1.00 = AF77.95 (2019); AF77.25 (2020); AF77.20 (2021); AF79.35 (2022); AF81.53 (2023); 2016-2018 amount were provided in USD.

2. Project categorization were not from the Ministry of Finance. It was merely derived from the project title.

Source: Ministry of Public Health.

⁶ Government of Afghanistan, Government of Finland and UN Assistance Mission in Afghanistan. 2020. [2020 Afghanistan Conference Communiqué](#). Geneva.

11. **Commitments for COVID-19 vaccines.** Development partners have committed to support the government 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 designated points Capacity strengthening for MOPH
Gap on the plan vs funding	\$76 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: National Expanded Program on Immunization - National Plan for COVID-19 Vaccination in Afghanistan

IV. CONCLUSION

12. 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 on obtaining grant financing.

13. MOPH incremental recurrent cost analysis indicates that the financial sustainability of the project is at risk. The financing of the health care system remains highly depended on the development partners support. In the past 5 years, around 65%–77% of funding for health care system relied on donor support. During the 2020 Afghanistan Conference, Afghanistan’s partners renewed long-term commitment to Afghanistan and pledged about \$3.3 billion for 2021, with annual commitments expected to stay at the same level year-on-year until 2024 (footnote 6). Based on these commitments, the development partner support for the health sector in Afghanistan is highly likely to continue.