



Report and Recommendation of the President to the Board of Directors

Project Number: 55084-001
June 2021

Proposed Loan Nepal: Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 June 2021)

Currency unit	=	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.0086076112
\$1.00	=	NRs116.188400

ABBREVIATIONS

ADB	–	Asian Development Bank
AEFI	–	adverse event following immunization
APVAX	–	Asia Pacific Vaccine Access Facility
CIAA	–	Commission for Investigation of Abuse of Authority
COVAX	–	COVID-19 Vaccines Global Access
COVID-19	–	coronavirus disease
DDA	–	Department of Drug Administration
DOHS	–	Department of Health Services
e-LMIS	–	electronic logistic management information system
GDP	–	gross domestic product
HCWM	–	health care waste management
MOF	–	Ministry of Finance
MOHP	–	Ministry of Health and Population
NIP	–	National Immunization Program
NDVP	–	National Deployment and Vaccination Plan
RCCE	–	risk communication and community engagement
RRC	–	rapid response component
SWAp	–	sector-wide approach
TA	–	technical assistance
UNICEF	–	United Nations Children's Fund
WHO	–	World Health Organization

NOTES

- (i) The fiscal year (FY) of the Government of Nepal and its agencies ends in mid-July. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 15 July 2021.
- (i) In this report, "\$" refers to United States dollars.

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CONTENTS

	Page
PROJECT AT A GLANCE	
I. THE PROPOSAL	1
II. THE PROJECT	2
A. Rationale	2
B. Project Description	9
C. Value Added by ADB	9
D. Summary Cost Estimates and Financing Plan	10
E. Implementation Arrangements	11
III. DUE DILIGENCE	12
A. Economic Viability	12
B. Governance	12
C. Poverty, Social, and Gender	13
D. Safeguards	14
E. Procurement	15
F. Summary of Risk Assessment and Risk Management Plan	15
IV. ASSURANCES AND CONDITIONS	16
V. RECOMMENDATION	16
APPENDIXES	
1. Design and Monitoring Framework	17
2. List of Linked Documents	19

PROJECT AT A GLANCE

1. Basic Data		Project Number: 55084-001	
Project Name	Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility	Department/Division	SARD/SAHS
Country	Nepal	Executing Agency	Ministry of Finance
Borrower	Nepal		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55084-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55084-001-PortAtaGlance		
2. Sector		ADB Financing (\$ million)	
✓ Health	Disease control of communicable disease		165.00
		Total	165.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Fostering regional cooperation and integration			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5		Effective gender mainstreaming (EGM)	✓
SDG 3.8			
SDG 5.b		Poverty Targeting	
SDG 10.2		General Intervention on Poverty	✓
4. Risk Categorization: Complex			
5. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		165.00	
Sovereign Asia Pacific Vaccine Access Facility (Concessional Loan): Ordinary capital resources		165.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		165.00	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to Nepal for the Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility (APVAX).

2. The project will provide the Government of Nepal with timely financing for the procurement of safe and effective coronavirus disease (COVID-19) vaccines based on an agreed list of eligible expenditures. The project will utilize the rapid response component (RRC) under the APVAX.¹ Ongoing technical assistance (TA) projects will also provide support in strengthening the vaccine delivery system.² The project is aligned with Strategy 2030 of the Asian Development Bank (ADB) and three of its operational priorities: (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; and (iii) fostering regional cooperation and integration. It is also aligned with the priority areas of ADB's country partnership strategy, 2020–2024 for Nepal on improving access to devolved services, developing human capital, and promoting gender equality.³

3. Nepal has met all APVAX access criteria by (i) demonstrating the adverse impact of the COVID-19 pandemic; (ii) completing a needs assessment, including a vaccination allocation and prioritization plan, and an incremental medical waste management plan acceptable to ADB; (iii) providing a governor's letter confirming the government's commitment to implement the plan and ensure compliance with revised APVAX eligibility criteria for ADB financing;⁴ and (iv) setting up an effective development partner coordination mechanism with a clear role for ADB (para. 20).

Table 1: Compliance with Criteria of Asia Pacific Vaccine Access Facility

Access Criteria	ADB Staff Assessment
1. Demonstrated adverse impact of COVID-19	The COVID-19 pandemic has led to 591,494 infections and 7,990 deaths (7 June 2021) in Nepal. ^a The pandemic disrupted routine health services and adversely affected mental well-being. The country's GDP is estimated to have contracted by 2.1% in FY2020, from a pre-COVID-19 growth estimate of 6.3%. ^b The fiscal deficit widened from 5.0% of GDP in FY2019 to 5.3% in FY2020 because of declining revenue mobilization coupled with expanded social protection and health care measures during the COVID-19 pandemic. ^c An estimated 1.2 million people fell below the poverty line. ^d The impact on the poor, women, and vulnerable was disproportionate, as 3 in 5 employees engaged in micro or small businesses lost their jobs. ^e
2a. Needs assessment completed	A needs assessment through WHO's vaccine introduction readiness assessment tool highlighted that Nepal has a high level of readiness for COVID-19 vaccination. Nepal's NDVP, developed following WHO SAGE framework, is fair, adequate, and equitable. It includes a vaccine allocation and prioritization plan consistent with international norms and safeguards against the exclusion of marginalized and vulnerable groups. The NDVP presents action plans for 10 key focus areas (footnote 29) and identifies specific gaps in monitoring and evaluation systems, biomedical waste management, reporting of adverse effects of immunization, and private sector engagement. The NDVP also provides strategies to address these gaps.
2b. National vaccination plan	MOHP approved the National Vaccination Roadmap, as specified in the NDVP, on 22 January 2021. The plan details financing and implementation steps for vaccinating 21.76 million

¹ The proposed project was prepared under the One ADB approach following the streamlined business processes outlined in the APVAX policy paper. ADB. 2020. [ADB's Support to Enhance COVID-19 Vaccine Access](#). Manila.

² ADB. 2019. [Technical Assistance to Nepal: Portfolio Management and Capacity Development for Enhanced Portfolio Performance](#). Manila (TA 9800); and ADB. 2020. [Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases](#). Manila (TA 9950). The total TA support provided is for \$1.18 million.

³ Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2). ADB. 2019. [Country Partnership Strategy: Nepal, 2020–2024](#). Manila.

⁴ National Vaccination Prioritization and Allocation Plan (accessible from the list of linked documents in Appendix 2).

	people, or 71.62% of the population. It includes a prioritization plan that puts health workers, other essential frontline workers, and the elderly first, aligned with WHO SAGE framework. Further, the plan outlines potential vaccine regulatory pathways and procurement plans, and operational and financing strategies.
2c. Incremental waste management plan	Nepal has specific medical waste management guidelines, including an immunization injection safety policy, and health care waste management in the context of the COVID-19 emergency, and standard operating procedures. The guidelines provide specific measures for the reduction, segregation, disinfection, and transport of waste. MOHP, with support from various development partners, will implement the health care waste management plans.
3. Governor's letter	ADB has received the governor's letter confirming the government's commitment to implement its NDVP, including its prioritization plan, and compliance with the APVAX vaccine eligibility criteria. ^f
4. Effective development partner coordination mechanism with clear ADB role	The government established an effective system for development partner coordination for the health sector in general and COVID-19 vaccination in particular. The ongoing SWAp has a well-coordinated collaboration mechanism, and ADB has been named a key partner to support financing for vaccine procurement, along with the World Bank. As per the government's request, ADB harmonized its support for the vaccination program, including review and reporting, with the World Bank and other relevant partners to increase efficiency.

ADB = Asian Development Bank, APVAX = Asia Pacific Vaccine Access Facility, COVID-19 = coronavirus disease, FY = fiscal year, GDP = gross domestic product, MOHP = Ministry of Health and Population, NDVP = National Deployment and Vaccination Plan, SAGE = Strategic Advisory Group of Experts on Immunization, SWAp = sector-wide approach, WHO = World Health Organization.

^a [Coronavirus COVID-19 dashboard](#) (accessed 8 June 2021).

^b [Central Bureau of Statistics](#). 2021. National Accounts of Nepal 2020-21.

^c [Nepal Rastra Bank](#). 2021. Recent Macroeconomic Situation.

^d Government of Nepal, National Planning Commission. (2020). *Annual Report*. Kathmandu.

^e United Nations Development Programme. 2020. [Rapid Assessment of Socio Economic Impact of COVID-19 in Nepal](#). Latipur.

^f The Governor's letter with the attached NDVP is in Annex 2 of the Country National Vaccination Prioritization and Allocation Plan (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

II. THE PROJECT

A. Rationale

1. The Pandemic

4. **Background.** Since the first case of COVID-19 was confirmed in Nepal on 27 January 2020, a total of 591,494 cases have been confirmed and 7,990 people have died from the virus as of 7 June 2021.⁵ The pandemic resulted in high costs to the country's overall health, well-being, and economy. The disease's infection rate previously peaked in October 2020 with a monthly average test positivity rate of more than 24%. After a subsequent decline, Nepal has been facing a second wave since April 2021, with test positivity above 45%.⁶ On 9 May 2021, Nepal reported 88 deaths from COVID-19, a 52% increase from the day before, surpassing India's per capita death rate.⁷ The crisis is compounded by the country's severe lack of qualified health care workers; there are reports of one nurse caring for 20 critically ill patients.⁸ The lockdown in Kathmandu was extended until 21 June 2021, as case rates and death tolls continued to climb. Recognizing the need for vaccination, the government acted swiftly to roll out inoculations starting 27 January 2021. A total of 2,113,080 people have received the first dose and 691,494 have received the second dose as of 7 June 2021 (footnote 5). Nepal aims to inoculate 71.62% of its total population. However, it has not secured a pipeline for vaccines and faces significant

⁵ [Coronavirus COVID-19 dashboard](#) (accessed 8 June 2021).

⁶ <https://covid19.mohp.gov.np>. This percentage compares with the 5% benchmark set by WHO.

⁷ B. Weissenbach. 2021. *National Geographic*. 12 May. [COVID-19 Spirals out of Control in Nepal](#).

⁸ S. Ferguson. 2021. *Forbes*. 14 May. [Health Systems Strained to the Limit as COVID-19 Surges in Nepal](#).

financing gaps for vaccine procurement. The government requires timely financial support to procure safe and effective vaccines and limit the adverse impacts of the pandemic.

2. Impact of the Pandemic

5. **Costs to the economy.** Following 3 years of an average 7.8% economic growth, the pandemic led to an estimated contraction in Nepal's gross domestic product (GDP) of 2.1% in fiscal year (FY) 2020, compared with a pre-COVID-19 growth estimate of 6.3%.⁹ A decline in revenue mobilization coupled with expanded social protection and health care expenditures during the pandemic widened the country's fiscal deficit from 5.0% of GDP in FY2019 to 5.3% in FY2020.¹⁰ Remittances, an important source of income, dropped by 3.4% in FY2020. Foreign tourist arrivals to Nepal plunged by more than 81% in FY2020. This had a direct effect on critical industries such as transport and storage, which contracted by 13.4%, while accommodation and food services dropped by 37.0%. Wholesale and retail trade declined by 10.7% and construction by 5.0%. Manufacturing decreased by 8.6% in FY2020 after growing by 6.5% a year earlier (footnote 9). Services that contribute to about half of the country's GDP were estimated to have shrunk by 4.0% in FY2020, after expanding by 6.8% in FY2019 (footnote 9). More than 0.9 million individuals lost their jobs in FY2020 as a result of the crisis.¹¹ GDP is expected to modestly expand by 3.1% in FY2021 on a low base effect, the lifting of nationwide restrictions as COVID-19 ebbed earlier in FY2021, and a forecast of global economic recovery.¹² The strict lockdown imposed since 29 April 2021 means that there are significant downward risks to the forecast.

6. **Impact on poor and vulnerable groups.** Pandemic-related employment and income losses hit the poor disproportionately, particularly in the informal sector. Nearly 3 in 5 employees engaged in micro or small businesses lost their jobs.¹³ An estimated 1.2 million people fell below the poverty line in FY2020 (footnote 11). ADB estimates that Nepal's extreme poverty headcount ratio could increase from 3.9% in 2020 to 5.0% in 2021, while the poverty headcount ratio could increase from 27.7% to 31.2% in the same period.¹⁴ The poor and vulnerable groups face multidimensional adverse impacts of the pandemic, including food insecurity and educational losses. A survey reported that 28% of households faced food shortages during the early stages of the lockdown in May 2020.¹⁵ While food availability improved with the lifting of the nationwide lockdown since the beginning of FY2021, 8% of households surveyed reported not getting sufficient food in January 2021, leading to an increased risk of hunger and malnutrition. Poorer households were more likely to report changes in dietary intake.¹⁶ In addition, the nearly year-long school closure put students from poor and rural households without access to connectivity at greater risk of learning losses, which can have lasting impacts on their development.¹⁷

7. **Impact on women.** The COVID-19 crisis in Nepal resulted in a sharp increase in gender disparities in livelihoods, health, and mental well-being—83% of those who lost their job during the crisis were women. The impact was biggest on female day-wage workers, women working in

⁹ National Accounts of Nepal 2020-21. 2021. [Central Bureau of Statistics](#).

¹⁰ Government of Nepal, Ministry of Finance. 2021-2022. 2021. [Budget Speech 2021-2022](#). Kathmandu.

¹¹ Government of Nepal, National Planning Commission. 2021. [Annual Report FY2020](#). Kathmandu.

¹² ADB. 2021. [Asian Development Outlook 2021](#). Manila.

¹³ United Nations Development Programme. 2020. [Rapid Assessment of Socio Economic Impact of COVID-19 in Nepal](#). Latipur.

¹⁴ ADB. 2021. [Asian Development Outlook 2021](#). Manila.

¹⁵ UNICEF, Child and Family Tracker: [Tracking the Socio-Economic Impact of COVID-19 on Children and Families in Nepal](#). The survey covered a nationally representative sample of 7,500 households across the country.

¹⁶ Also, 32% of households earning less than NRs10,000 reported changes in dietary intake, while this figure was 12% among households with earnings of NRs50,000 or above.

¹⁷ ADB. 2021. [Learning and Earning Losses from COVID-19 School Closures in Developing Asia](#). Manila.

hospitality and tourism, and women running their own businesses. The incidence of gender-based violence also increased during the lockdown in 2020, adding to women's mental health toll. A hotline service run by the National Women's Commission received more than twice as many complaints of gender-based violence during April–June 2020 than in the 3 months before the lockdown.¹⁸ Women who are pregnant, postpartum, miscarrying, or experiencing intimate partner violence are at especially high risk of developing mental health problems during the pandemic, given the limitations of redressal mechanisms and coping systems.¹⁹ Furthermore, women make up nearly 46% of public and private sector health workers (primarily nurses) in Nepal, placing them at greater risk of exposure to COVID-19.²⁰

8. Impacts on the health system. The pandemic exacerbated the challenges in Nepal's public health system, such as limited human resources and infrastructure. Public health care became overburdened when most of the private health care providers halted their services temporarily. As of April 2021, more than 7,000 health workers had been infected by COVID-19, further disrupting the health supply.²¹ The supply-side disruptions and demand-side behaviors (such as fear of contracting COVID-19 and mobility restrictions) had an adverse effect on individuals seeking treatment for chronic and noncommunicable health conditions or regular and emergency health care services. Outpatient consultations declined by 12.6% during the lockdown from April to June 2020, compared with the same period in 2019.²² The number of institutional births also declined during the lockdown, elevating infection risks and maternal complications from unsafe delivery methods and unhygienic conditions.²³ Further, routine immunization services were also suspended until June 2020. As a result, about 3 million children aged 9 months to 5 years missed their regular vaccination schedules.²⁴

9. Measures introduced by the government to control the pandemic. The government proactively worked on containing the impact of the pandemic since its onset in 2020. It took several nonpharmacological steps, such as national and regional lockdowns, and public information and awareness campaigns to reduce the spread of the disease. It introduced economic support packages to provide social assistance for the most vulnerable population segments. It is also implementing the National Relief Program for an estimated \$1.26 billion, which consists of social protection, health care, and economic relief measures.²⁵ It set up the COVID-19 Prevention, Control, and Treatment Fund through which institutions, business firms, and individuals make contributions to support the most severely affected. As a member of the South Asian Association of Regional Cooperation, Nepal also committed to a regional response to the pandemic, including contributions to an emergency fund.²⁶ The government initiated the COVID-19 vaccination campaign on 27 January 2021 to expedite the recovery from the pandemic.

¹⁸ M. Dahal et al. 2020. "[Mitigating violence against women and young girls during COVID-19 induced lockdown in Nepal: A wake up call.](#)"

¹⁹ Footnote 18. Also, the Women's Rehabilitation Centre said that since the lockdown, 336 women and children reported incidences of violence; in more than 55% of these cases, violence came from partners, while in 21% of cases, violence came from other family members.

²⁰ Ministry of Health and Population, Nepal Health Sector Support Programme. 2013. *Human Resources for Health: Nepal Country Profile*. Kathmandu.

²¹ Data from Ministry of Health and Population, Health Emergency Operation Center.

²² Data from Ministry of Health and Population, Integrated Health Management Information System.

²³ K.C. Ashish et al. 2020. *Effect of the COVID-19 pandemic response on intrapartum care, stillbirth, and neonatal mortality outcomes in Nepal: a prospective observational study*. Vol 8 (10), E1273-E1281.

²⁴ D.R. Singh et al. 2020. [The perils of COVID-19 in Nepal: Implications for population health and nutritional status](#).

²⁵ ADB. 2020. [Proposed Countercyclical Support Facility Loan Nepal: COVID-19 Active Response and Expenditure Support Program](#). Manila. The program was approved on 23 April 2020 and supports the government's National Relief Program.

²⁶ The South Asian Association for Regional Cooperation (SAARC) COVID-19 Emergency Fund was initiated in March 2020 to mitigate the risks associated with the coronavirus pandemic in the South Asian region.

However, given the resurgence of cases in April 2021, the government imposed a second lockdown and halted domestic and international air travel.

3. Government's Response

10. **Main issues and gaps identified in the needs assessment.** Nepal is leveraging the existing systems, infrastructure, and expertise under its robust National Immunization Program (NIP) for the rollout and expansion of the COVID-19 vaccination campaign.²⁷ The country has a high level of readiness to implement the COVID-19 vaccination program based on the vaccine introduction readiness assessment tool of the World Health Organization (WHO). However, initial vaccination efforts have highlighted several gaps, such as the need for (i) stronger and broader information technology tools to monitor vaccination activities, (ii) digital solutions for the surveillance of adverse events following immunization (AEFIs), (iii) better medical waste management at health facilities, and (iv) an increased engagement of private sector stakeholders in COVID-19 vaccination. The government is currently addressing these gaps (paras. 16–19).²⁸

11. **National vaccine road map, prioritization, and allocation plan.** The government has developed a National Deployment and Vaccination Plan (NDVP) for COVID-19 vaccines based on recommendations from the National COVID-19 Vaccine Advisory Committee.²⁹ The committee was established on 21 September 2020 to guide all aspects of COVID-19 vaccine introduction in Nepal. The NDVP provides a road map for the entire value chain of the vaccination campaign, including population prioritization and vaccine allocation plans; and strategies for deploying and implementing, monitoring, and supervising COVID-19 vaccines.³⁰ The NDVP is inclusive, in line with international standards, and addresses the specific needs of marginalized communities and hard-to-reach and remote areas. The Council of Ministers of Nepal has endorsed the vaccine prioritization plan.³¹ A memo to confirm that Nepal meets the APVAX access criteria was issued on 20 April 2021 by the Sustainable Development and Climate Change Department of ADB.

12. The government aims to vaccinate 71.62% of the population, estimated at 21,756,763 individuals.³² More than 51 million doses are required for this purpose, based on the assumption of 2 vaccine doses per person and 15% wastage rate (1.18 wastage multiplier factor) as per the NDVP.³³ The vaccine prioritization plan, divided into 3 phases, is detailed in Table 2.

Table 2: Vaccine Prioritization Plan

Phase	Target Group	Population Group	% of the total population	No. of Doses (calculated as per 1.18 WMF)
1	Frontline workers of the health and social sectors	911,342	3.00%	2,150,767

²⁷ The coverage rate for routine immunization in Nepal is as high as 92%, and for complete immunization about 78%, which is significantly higher than the 68% average of low- and middle-income countries.

²⁸ Vaccine Needs Assessment (accessible from the list of linked documents in Appendix 2).

²⁹ The NDVP is in Annex 2 of the Country National Vaccination Prioritization and Allocation Plan.

³⁰ The NDVP covers (i) planning and coordination, (ii) lessons from previous vaccine introductions, (iii) regulatory and import requirements, (iv) vaccine safety and surveillance, (v) advocacy and communication, (vi) cold chain and logistics, (vii) service delivery and human resources planning, (viii) supply chain planning, (ix) monitoring and evaluation, and (x) resource needs.

³¹ NDVP, p. 9. The NDVP is in Annex 2 of the Country National Vaccination Prioritization and Allocation Plan.

³² 71.62% of the population includes all individuals above 15 years of age. The estimate of people to be vaccinated is based on projection methods using age quintiles. The NDVP states that only 18 years and above will be vaccinated. This threshold may be changed based on the age recommended for the vaccines that are available.

³³ A wastage multiplier factor of 1.18 is applied assuming that the COVID-19 vaccines need to be discarded within 6 hours after opening the vial; this also takes into account that in remote areas one vial may have to be opened for less than 10 people at a time.

2A	All elderly people aged more than 55 years	3,733,463	12.29%	8,810,973
2B	Persons with comorbidity aged 40–54 years	1,117,912	3.68%	2,638,272
2C	Migrant workers with comorbidity, and refugees	312,894	1.00%	738,430
3A	Remaining persons aged 40–54 years	2,901,104	9.55%	6,846,605
3B	Remaining persons aged 15–39 years	12,780,048	42.07%	30,160,913
Total target group for COVID-19 vaccination		21,756,763	71.62%	51,345,960

COVID-19 = coronavirus disease, WMF = wastage multiplier factor.

Source: Ministry of Health and Population, National Deployment and Vaccination Plan for COVID-19 Vaccines, 2021.

13. **Vaccine regulatory pathways.** The government issued the Drugs (Third Amendment) Ordinance (2020) to amend the Drug Act 1978, which allows for emergency use authorization of vaccines in the context of the COVID-19 pandemic.³⁴ The Department of Drug Administration (DDA) in Nepal follows two vaccine regulation pathways: (i) for vaccines offered by the COVID-19 Vaccines Global Access (COVAX) facility, the Government of Nepal will ensure the issuance of emergency use authorization within 15 days, and the issuance of import licenses from the appropriate authority within 5 days; (ii) vaccines supplied through a non-COVAX mechanism will, if found suitable, undergo expedited mechanism for licensing and approval through the DDA. Following the decision of the Council of Ministers in November 2020, the Government of Nepal's criteria for vaccine selection include quality, safety, efficacy, cost, cold chain storage requirements (from 2°C to –8°C), and availability.³⁵ The government has endorsed the indemnification to the manufacturer, distributor, and development partner.

14. **Vaccine options.** Nepal has been using the AstraZeneca vaccine manufactured by Serum Institute of India and the Sinopharm vaccine manufactured by Beijing Institute of Biological Products, People's Republic of China. The government is also in talks with various manufacturers for a more diversified portfolio of vaccines.³⁶ The DDA has provided emergency use authorization to four vaccines, AstraZeneca, Sinopharm, Bharat Biotech (Covaxin), and Gamaleya (Sputnik V). Others such as Janssen and Novovax are being considered. To effectively respond to the COVID-19 pandemic in Nepal, four options were evaluated for procuring additional vaccines: (i) utilizing the extended service of the United Nations Children's Fund (UNICEF) under COVAX facility; (ii) entering a service contract with UNICEF and other United Nations agencies outside COVAX facility; (iii) reaching bilateral deals with vaccine manufacturers, and (iv) entering into government-to-government contracts.

15. **Financing needs and funding sources.** The government has estimated a total cost of \$452.85 million (including \$27.83 million in operational costs) for the vaccination of its target population.³⁷ Currently, Nepal has procured 2 million doses of the AstraZeneca vaccine from the Serum Institute of India for 2.79% of the population. The Government of India donated 1.1 million doses of the same vaccine (covering 1.53% of the population), while the People's Republic of China provided 1.8 million doses of the Sinopharm vaccine (covering 2.51% of the population). The government has sought support from COVAX, the World Bank, and ADB as the key partners for financing vaccine procurement.³⁸ A funding gap of \$83.41 million was estimated (\$71.75

³⁴ NDVP, p. 18. The NDVP is in Annex 2 of the Country National Vaccination Prioritization and Allocation Plan.

³⁵ The government's criteria for vaccine selection are defined in the NDVP.

³⁶ Serum Institute of India committed 2 million doses of AstraZeneca vaccine, of which 1 million were received so far. Sinopharm is being considered. Bharat Biotech (Covaxin) and Gamaleya (Sputnik V) had not yet received WHO's emergency use listing as of 26 May 2021.

³⁷ Operational costs are estimated at \$2 per person for the first 20% of the vaccinees and at \$1 for the remaining 52%.

³⁸ COVAX committed to provide vaccine doses for 20% of the population (6.07 million individuals). The government applied for 11 million doses from COVAX on a cost-sharing basis. The World Bank will provide vaccine doses for 12.47% of the population alongside \$10.9 million for operational costs. ADB will provide vaccines for 22.3% of the population. ADB is financing \$10 per dose based on government recommendations and estimates. MOHP. 2020. *A Proposal for Ensuring Resource Requirement for COVID-19 Vaccine*. Kathmandu.

million for vaccine procurement to immunize the remaining 10.01% of the population and \$11.67 million for recurrent operational costs). The funding gap, which depends on the vaccine price, will be continuously monitored, and if required, the government might seek additional financing.

16. **Vaccine deployment, planning, and implementation.** The Government of Nepal formed a well-structured planning and coordination mechanism across federal, provincial, district, and local levels for the COVID-19 vaccination campaign.³⁹ Additionally, a federal facilitation committee for COVID-19 vaccination was constituted to support vaccine import, ensure financial resources, and coordinate with the ministries and departments involved. Coordination and monitoring committees as well as task forces were formed at all administrative levels to facilitate the planning, implementation, and monitoring of COVID-19 vaccination. The roles and responsibilities of all working groups, committees, and task forces are clearly defined, and clear budget outlays were earmarked for each level.⁴⁰ Nepal has 5,188 health facilities that will be used to administer COVID-19 vaccines. This can extend to 16,000 outreach sessions per month and 48,000 immunization booths. About 3,000 vaccination centers are operational, based on ongoing vaccination phases and micro planning, to implement the campaign. Nepal has existing 8000 trained vaccinators which have been used in their routine immunization and campaigns like the measles and rubella campaigns. Nepal does not foresee the need for any more vaccinators.

17. **Cold chain, service delivery, and monitoring.** Nepal has a fully operational cold chain system (+2 to +8 degrees Celsius) under the NIP with 85 vaccine stores across the country, which will be leveraged for the COVID-19 vaccination campaign. Currently, the government can maintain an additional stock of 4 million doses (7.85% of the total required COVID-19 vaccine doses) at any one point in time. There is adequate storage capacity at district and subcenter levels. However, there is a storage gap at the federal and provincial levels. The government is augmenting federal and provincial storage capacity by adding 10 walk-in coolers through a GAVI supported cold chain equipment optimization program. For monitoring, a digital immunization management unit system is used to record patient vaccination data. An integrated health management information system provides aggregated reports on the daily number of immunization sessions conducted, the number of immunizations, vials used, and AEFIs (serious or non-serious). The existing electronic logistic management information system (e-LMIS) monitors stock consumption and utilization trends up to the provincial level. Manual reporting is still taking place at the local levels for every vaccine, syringe, and safety box. WHO and the United Nations Development Programme are assisting the government in extending the e-LMIS to the local levels by July 2021. An online pre-registration system was launched on 12 May 2021, which includes creating a unique COVID-19 vaccination identification document, booking vaccination slots at specific centers, following up for a second dose,⁴¹ and issuing a digital vaccination card with a QR Code. The government is also developing online systems for monitoring medical waste management at the facility level and reporting AEFI and adverse events of special interest cases with support from development partners.

18. **Immunization waste management.** Nepal has a set of legal and regulatory guidelines for managing medical and other hazardous waste. For COVID-19, medical waste generated

³⁹ Federal planning and coordination involve macro planning for all key activities, including logistics management, data compilation and transmission, facilitation of communication, support for preparations relating to AEFIs and waste management. The *local levels* mechanism involves micro planning for vaccinations, including providing trained human resources, undertaking communication, and monitoring outreach activities.

⁴⁰ The terms of reference for federal, provincial, and *local levels* facilitation committees include specifics for coordination, such as coordination meetings and reporting arrangements among government tiers as per the NDVP.

⁴¹ As per MOHP during the fact-finding mission (<http://vaccine.mohp.gov.np/>), digital vaccination cards will adhere to global and regional standards to facilitate future recognition by other countries and enable cross-border movement.

during the vaccination campaign will be handled following the (i) National Immunization Injection Safety Policy (2003), (ii) health care waste management (HCWM) guidelines in the context of COVID-19 emergency, and (iii) National HCWM Standards and Operating Procedures (2020). The National Immunization Injection Safety Policy 2003 mandates the use of auto-disable syringes (syringes that cannot be reused) in routine and campaign settings. The government prepared a COVID-19 immunization waste management work plan that includes segregation at the health care facility, collection, and transportation to the waste treatment and designated disposal sites.⁴² Off-site waste management, equipment at health facilities, and stakeholder capacities still need enhancements, supported by development partners and the ADB TA (para. 37).⁴³

19. Reaching women, the marginalized, and hard-to-reach. Ensuring equitable vaccination for marginalized populations and hard-to-reach areas still faces challenges, such as limited accessibility and high transport costs in remote regions, offline model of registration, and possibly low awareness of the vaccination campaign. In addition to leveraging its NIP, the government will set up vaccination centers and outreach camps with trained vaccinators across all administrative levels, including hard-to-reach areas. Mobile vaccination clinics will be established in remote regions to bridge gaps in accessibility. Other innovative methods for service delivery are also being explored—for instance, helicopter services are being used to provide vaccine supplies in the remote Humla region. At least one female health worker or volunteer will support the effort in every vaccination site or outreach center. To increase awareness about COVID-19 vaccination, the government is mobilizing female community health volunteers⁴⁴ to disseminate information among marginalized communities. Community, religious, and political leaders or celebrities are also being engaged to improve the vaccination rates in communities. The Ministry of Health and Population (MOHP) leads the government's media crisis hub with UNICEF, WHO, and other partners to monitor the media and respond to misinformation. This also includes social listening, use of innovative technology, and collaborative approaches.

4. Development Partner Coordination

20. The government has established an effective mechanism for development partner coordination in Nepal's health sector, including the COVID-19 vaccination campaign. Through the existing sector-wide approach (SWAp)⁴⁵ for health, the Ministry of Finance (MOF), MOHP, and development partners closely coordinate the technical and financial support from all partners. WHO and UNICEF take the lead to ensure complementarity and avoid duplication. ADB has a clear role in these activities, fulfilling a significant unmet need for vaccine financing, procurement support, risk communication and community engagement (RCCE), medical waste management, and AEFI reporting. At the government's request, ADB has aligned closely with the ongoing World Bank project to support the vaccination campaign and the SWAp. World Bank's COVID-19 Emergency Response and Health Systems Preparedness Project aims to provide \$75 million which comprises of \$73.5 million for vaccine procurement (\$62.6 million) and operational costs

⁴² The government's immunization waste management plan is in Annex 2 of the Country National Vaccination Prioritization and Allocation Plan (accessible from the list of linked documents in Appendix 2).

⁴³ ADB. 2019. *Technical Assistance for Nepal: Portfolio Management and Capacity Development for Enhanced Portfolio Performance*. Manila (TA 9800).

⁴⁴ Nepal has a cadre of more than 51,000 female community health volunteers who are instrumental in activities such as (i) educating villagers through health promotion; (ii) delivering health services; and (iii) collecting and reporting demographic data to an intermediary in the community. As per the NDVP p. 60, female community health volunteers are highly appreciated by the community and are the trusted source of health information.

⁴⁵ The SWAp serves to coordinate aid provided to developing countries. It requires development partners to provide aid through a common framework by adopting a common approach across the sector.

(\$10.9 million) and \$1.5 million for health system strengthening. ADB is also coordinating with development partners to support the work on health care waste management. The World Bank, ADB, and COVAX have agreed on joint reviews of the vaccination program and harmonized progress reporting to increase efficiency and decrease the transaction costs for the government.⁴⁶ ADB will continue to closely coordinate with the partners and the government and, if requested by the Government of Nepal, consider cofinancing to help meet the additional financing needs.

B. Project Description

21. The project is aligned with the following impact: accelerated health, social, and economic recovery from COVID-19 in Nepal. It will have the following outcome: target populations safely vaccinated against COVID-19.⁴⁷

22. **Output: Safe and effective COVID-19 vaccines delivered.** The project will support the procurement and delivery of safe and effective vaccines against COVID-19 through APVAX's RRC in compliance with ADB's vaccine eligibility criteria. It aims to finance the procurement of about 15.9 million doses of vaccines, which will be administered to about 6.8 million Nepalese by 2024, with data collected and disaggregated by sex and age. If the average unit price of procured vaccines is lower than the estimate, additional doses may be obtained under the project, and more individuals vaccinated, reducing the financing gap. The vaccination campaign for priority phase 1 has already started in January 2021 following the NDVP and vaccination protocols and standards. The government has made plans for appropriate waste management, RCCE, registration, inclusive service delivery, and monitoring of AEFIs. To support inclusive and safe vaccination, at least one female health worker or volunteer will be part of the vaccination teams at the vaccination centers. Awareness about the risks of COVID-19 and benefits of vaccination is expected to increase with the conduct of targeted and inclusive RCCE activities.

C. Value Added by ADB

23. In addition to vaccine procurement for 22.3% of the population, ADB will support activities to build the government's knowledge on available options for procuring vaccines, the global vaccine supply market, and finalizing vaccine contracts. ADB will provide information on the general global vaccine market landscape to guide the government's engagement with vaccine manufacturers. ADB will also advise on procurement-related risks and review draft vaccine supply agreements to ensure alignment with its procurement and anticorruption policies. Responding to Nepal's request of 11 million doses from COVAX on a cost-sharing basis, ADB and World Bank will facilitate discussion with COVAX. ADB is supporting the government to draw up a potential tripartite arrangement between the government of Nepal, COVAX, and ADB. The ADB TA grants⁴⁸ aim to support the following activities: (i) targeted and inclusive RCCE activities to be implemented by UNICEF; (ii) capacity development support to implement the HCWM plan; (iii) development of information technology systems to be implemented by WHO, to monitor adverse events of special interest;⁴⁹ (iv) independent monitoring of the implementation of the vaccination campaign, complementing the evaluations done by the government; and (v) consultant support to strengthen harmonized reporting and, if required, procurement, financial management, and implementation of information technology tools.

⁴⁶ Development Coordination (accessible from the list of linked documents in Appendix 2).

⁴⁷ The design and monitoring framework is in Appendix 1.

⁴⁸ ADB. 2019. Nepal: [Technical Assistance for Nepal - Portfolio Management and Capacity Development for Enhanced Portfolio Performance](#). Manila.

⁴⁹ Data on adverse effects will be shared with WHO's global monitoring platforms, and regional ones as appropriate, to support quicker identification of adverse effects among countries.

D. Summary Cost Estimates and Financing Plan

24. The project is estimated to cost \$165 million. The summary cost estimates are in Table 3. ADB will finance expenditures in relation to the procurement of COVID-19 vaccines that meet the APVAX eligibility criteria. The project will be guided by the Indicative Master List of Eligible Items and Agreed List of Acceptable Expenditure Items (Positive List) for ADB financing under the RRC.⁵⁰ The government has requested a concessional loan of \$165 million from ADB's ordinary capital resources to help finance the project. The loan will have a 24-year term, including a grace period of 8 years; and an interest rate of 1.0% per year during the grace period, and 1.5% per year thereafter; and such other terms and conditions set forth in the draft loan agreement.

Table 3: Summary Cost Estimates

Item	Description	Amount (\$ million)	Share of Cost (%)
A.	Base Cost^a		
	Safe and effective COVID-19 vaccines delivered	159.90	96.91
B.	Contingencies^b	2.03	1.23
C.	Financing Charges During Implementation^c	3.07	1.86
Total Cost (A+B+C)		165.00	100.00

COVID-19 = coronavirus disease.

^a In April 2021 prices.

^b Includes physical and price contingencies and a provision for exchange rate fluctuation.

^c Includes interest during implementation.

Source: Asian Development Bank.

25. **Government contributions to finance the vaccination program.** The government will provide in-kind contributions and share program costs in the form of counterpart staff, logistics, cold chain, and various facilities to support the deployment of ADB-financed vaccines. The government committed that sufficient resources to cover the operational costs of full vaccination will be made available either by the government or by other partners, which is also confirmed through the governor's letter. The budget allocation and utilization for the vaccination campaign will be monitored together with the World Bank and COVAX through joint reviews and joint progress reports. The summary financing plan is in Table 4.

Table 4: Summary Financing Plan
(\$ million)

Source	Project		National Vaccination Program ^a	
	Amount	Share of Total (%)	Amount	Share of Total (%)
Asian Development Bank				
Ordinary capital resources (concessional)	165.00	100.00%	165.00	36.44%
Government ^b	-	-	91.58	20.22%
Others ^c	-	-	196.27	43.34%
Total	165.00	100.00%	452.85	100.00%

^a The COVID-19 vaccination program is financed by government resources, development partners and other funding agencies. The total program cost was estimated, assuming 15% vaccine wastage. Total vaccine costs are estimated at \$425.02 million (vaccine prices ranging from \$4 to \$10 per dose) and total operational costs at \$27.83 million based on \$2 per dose for the first 20% population and \$1 per dose for the remaining population.

^b The government will provide in-kind contributions and share program costs in the form of counterpart staff, logistics, cold chain, and various facilities needed to deploy ADB-financed vaccines.

^c Includes \$73.5 million from World Bank, \$100.37 million from COVID-19 Vaccines Global Access (COVAX) as donation (based on \$7 per dose for 20% of the population), \$4.4 million from Government of India as donation (based on \$4 per dose), and \$18 million from Government of the People's Republic of China as donation (\$10 per dose).

Source: Asian Development Bank.

⁵⁰ Indicative Master List of Eligible Items, and Agreed List of Acceptable Expenditure Items (Positive List), for ADB Financing under the Rapid Response Component (accessible from the list of linked documents in Appendix 2).

26. **Key findings from the debt sustainability analysis.** An updated debt sustainability analysis by ADB suggests that the ratio of public debt to GDP is projected to reach 59.5% by FY2025, before declining to 58.3% in FY2026. Fiscal pressure is mounting because of the need to respond to the pandemic and shift to fiscal federalism in the country.⁵¹ While risks to Nepal's debt sustainability remain contained, the main risks emanate from lower GDP growth and a higher-than-expected primary deficit. The International Monetary Fund noted a low risk of debt distress in Nepal in a recent meeting with the MOF.⁵²

E. Implementation Arrangements

27. The project will be implemented from August 2021 to July 2024. MOF will be the executing agency, and MOHP, through its Department of Health Services (DOHS) and other departments concerned, will implement the project. The DOHS will procure the vaccines. ADB is advising the government on different procurement pathways (para. 14). Nepal has a decentralized planning and coordination mechanism that cascades from federal to provincial, district, and local levels of administration. The multiple layers of administration have worked well and have helped the government successfully introduce new vaccines and implement vaccination campaigns. At the government's request, the ADB investment will use the same implementation arrangements as the World Bank's ongoing vaccine procurement project. No dedicated project management unit will be established. The TA provided by ADB will complement support by other agencies, especially in the context of RCCE, for health care waste management, reporting, monitoring and evaluation, and system development for pharmacovigilance (footnote 2 and para. 23).

28. **Procurement policy.** Procurement will be undertaken in a manner consistent with the simplified and expedient procedures permitted under the ADB Procurement Policy (2017, as amended from time to time)⁵³ and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).⁵⁴ Since the project will be financed under APVAX, ADB member country eligibility restrictions will be waived, and universal procurement will apply. A proportion of the vaccines may be procured through COVAX. Given the severely constrained vaccine market, MOHP also pursues other avenues, e.g., direct negotiations with vaccine manufacturers to agree on bilateral contracts, direct contracting with UNICEF and other United Nations agencies, and government-to-government contracts.

29. **Prior review.** Prior to being confirmed as an eligible expenditure under the loan, ADB will review all vaccine agreements. Value for money in procurement will be achieved by (i) selecting vaccines that are best suited to the domestic supply chain; (ii) identifying vaccines that will efficiently meet the project disbursement conditions; (iii) engaging with manufacturers that have advantageous vaccine delivery timelines; and (iv) entering into agreements on terms and conditions that are reasonable, noting the currently constrained market for vaccines globally. ADB's Anticorruption Policy (1998, as amended to date)⁵⁵ will apply to all contracts to be financed under the loan. The implementation arrangements are summarized in Table 5 and described in detail in the project administration manual.⁵⁶

⁵¹ Debt Sustainability Analysis (accessible from the list of linked documents in Appendix 2).

⁵² On 23 April 2021, the International Monetary Fund presented to MOF the findings from its Public Investment Management Assessment. The International Monetary Fund team noted that while Nepal's ratio of debt to GDP is expected to reach 50% of GDP in FY2021, the public debt remains at a low risk of distress.

⁵³ ADB. 2017. [ADB Procurement Policy](#). Manila.

⁵⁴ ADB. 2017. [Procurement Regulations for ADB Borrowers](#). Manila.

⁵⁵ ADB. 1998. [Anticorruption Policy](#). Manila.

⁵⁶ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Table 5: Implementation Arrangements

Aspects	Arrangements		
Implementation period	August 2021–July 2024		
Estimated completion date	31 July 2024		
Estimated loan closing date	31 January 2025		
Management			
(i) Oversight body	National COVID-19 Vaccine Advisory Committee, and Facilitating Committee for COVID-19 Vaccine		
(ii) Executing agency	Ministry of Finance		
(iii) Key implementing agency	Ministry of Health and Population		
(iv) Implementation unit	Department of Health Services		
Procurement	Direct contracting	multiple contracts	\$159.90 million
Retroactive financing and advance financing	Withdrawals from the loan account for (i) advance financing for up to 6 months of estimated eligible expenditures or 50% of the total loan amount, whichever is lower; and (ii) eligible expenditures in relation to vaccine procurement incurred before loan effectiveness, but not more than 12 months before signing of the loan agreement, provided that (a) the expenditure does not exceed 30% of the loan amount, and (b) the disbursement conditions are met. The combined outstanding balance of advance financing and the percentage approved for retroactive financing may not exceed 60% of the approved RRC financing amount. The Ministry of Finance and Ministry of Health and Population have been advised that approval of retroactive financing does not commit ADB to finance advance payment to vaccine suppliers and/or any vaccine-related procurement costs. Any advance financing and retroactive financing will be subject to the eligibility criteria of the APVAX and other requirements being fully met.		
Disbursement	The loan proceeds of ADB will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time). ^a		

ADB = Asian Development Bank, APVAX = Asia Pacific Vaccine Access Facility, RRC = rapid response component.

^a ADB. 2017. [Loan Disbursement Handbook](#). Manila.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Economic Viability

30. The COVID-19 pandemic is a health, economic, and social crisis, resulting in loss of lives, an increase in morbidity, loss of livelihood, a slowdown of the economy, and disruptions to education and human capital development for long-term economic growth. In the absence of vaccinations, the costs of the pandemic could be prolonged and exacerbated. The potential contribution toward herd immunity from COVID-19 through vaccinations will substantially reduce mortality and morbidity and help get the economy back on track by enabling resumption of economic activities and thus restoring livelihoods.

B. Governance

31. According to ADB's Second Governance and Anticorruption Action Plan, a governance risk assessment was carried out.⁵⁷ ADB's country performance assessment conducted for Nepal in 2020 reported that transparency, accountability, and control of corruption in the public sector remained low at a score of 3.5 out of 6, slightly above the average rating (3 out of 6) of ADB's developing member countries. The government has a strong commitment to improving Nepal's quality of governance and has implemented various measures and a regulatory framework.⁵⁸ The Commission for Investigation of Abuse of Authority (CIAA), established under the constitution, is

⁵⁷ ADB. 2019. [Governance and Institutional Risks and Challenges in Nepal](#). Kathmandu.

⁵⁸ The 2020 Corruption Perception Index of Transparency International suggests a slight improvement in Nepal's ranking (from 124th of 180 countries in 2018 to 117th of 179 countries in 2020).

working on amendments to the Anticorruption Act and the CIAA Act to further integrate good practices (footnote 55). Sound legal frameworks exist to promote transparency, fairness in public procurement, accountability, and reporting and disclosure requirements.⁵⁹ At the executive level, the National Vigilance Center was established under the Prevention of Corruption Act 2002 to promote integrity and good governance and prevent corruption. It may undertake a technical audit of projects to check compliance with laws, regulations, and standards. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government.⁶⁰ The specific policy requirements and supplementary measures are described in the project administration manual. Corruption risks and risks to integrity were also considered in the risk assessment and risk management plan (Table 6).

32. ADB conducted a financial management assessment for the project. The pre-mitigation financial management risk is *substantial* given (i) unprecedented scale and complexity of vaccine deployment, (ii) partial rollout of the e-LMIS to subnational governments, and (iii) MOHP's limited experience in implementing ADB projects and meeting their financial management requirements. The project will (i) finance only vaccines eligible under the APVAX, (ii) have the procurement and financial management activities arranged at the federal government level, and (iii) use direct payment procedures as much as possible. The project will follow existing country systems, harmonize with the financial management setup of the World Bank project at MOHP, and leverage the financial management capacity of MOHP to implement the project. Additional support by a financial management consultant will be provided through the ADB TA if necessary (footnote 2).

33. Measures were designed to ensure proper accountability, transparency, integrity, and good governance, making sure that (i) periodic internal audits of the project will be conducted to ascertain that sufficient internal controls are in place; (ii) annual financial audits of the project will be conducted by the Office of the Auditor General; (iii) annual performance audits focusing on economy, efficiency, and effectiveness will be conducted by the Office of the Auditor General; and (iv) public disclosure of information or services provided and third-party monitoring takes place. MOF will assign a separate sub-budget head for the ADB project to ensure separate tracking and accounting of ADB funds. With the mitigation measures, the financial management arrangements for the project are considered *satisfactory*.

C. Poverty, Social, and Gender

34. **Poverty and social considerations.** The COVID-19 pandemic has had a detrimental impact on incomes and poverty levels in Nepal because it (i) triggered a national lockdown and the closure of some industries, (ii) reduced employment opportunities, and (iii) forced large numbers of migrant workers to return to Nepal. The economic disruption, coupled with low health insurance coverage and high out-of-pocket expenses, could impose significant cost barriers to immunization, which often affect the poor and vulnerable groups the most. The NDVP highlights the measures to be undertaken to minimize the economic impact of immunization on communities. This includes stepping up the vaccination efforts at the community level and through outreach campaigns wherever possible, which will help reduce the barriers to access.

35. **Gender equality and social inclusion.** The project is categorized as *effective gender mainstreaming*. The gender equality and social inclusion action plan is closely aligned with the

⁵⁹ Audit Act; Anticorruption Act, CIAA Act, Financial Procedures Act; Good Governance Act; and Right to Information Act.

⁶⁰ ADB. 2018. *Technical Assistance on Capacity Building and Integrity*. Manila (TA 9703). The TA will support integrity knowledge management session/s for MOF, DOHS and MOHP, and other project stakeholders to increase their awareness and compliance with ADB's Anticorruption Policy.

gender mainstreaming and inclusion activities proposed by the World Bank.⁶¹ The project will ensure the presence of at least one female health worker or volunteer at every vaccination site. The plan aims to provide a safe environment by vaccinating 48,000 female community health volunteers by 2021, so they can assist the outreach activities. Through the ADB TA, targeted and inclusive RCCE activities will increase people's awareness of the need for COVID-19 vaccination; and reporting will be disaggregated by gender, vulnerability, caste or ethnicity, and people with disabilities (footnote 2). The RCCE activities will include the preparation and dissemination of communication materials on the benefits of COVID-19 vaccination and the necessary registration process, applying gender-sensitive and inclusive methods and tools.

D. Safeguards

36. In compliance with ADB's Safeguard Policy Statement (2009),⁶² the project's safeguard categories are as follows.⁶³

37. **Environment (category C).** The project supports the procurement and delivery of COVID-19 vaccines at the designated points in the country. It will not entail any activities with potential to cause adverse environmental impacts. However, the administration of vaccines will generate biomedical waste, which will require safe treatment and disposal. ADB carried out due diligence of the current HCWM status in the country and has drafted a due diligence report.⁶⁴ The government budgeted the cost for implementing the HCWM measures at \$5.8 million for the next 3 years. A technical working group was established with government and development partner support to coordinate and steer HCWM activities at federal, provincial, and local levels. A rapid assessment of prevailing HCWM practices, and efforts to improve infrastructure availability and technical capacity in 141 hospitals designated for the COVID-19 response are ongoing in coordination with development partners. The ADB TA will support the implementation of health care waste management plans, including waste management monitoring (footnote 2).

38. **Involuntary resettlement (category C).** The project will not require any land acquisition or lead to any involuntary resettlement impacts. Improved medical waste management will not result in civil works under the project. Should any civil works or other investments become necessary that could potentially result in impacts on land and resources, those impacts will be screened and, if necessary, avoided, reduced, mitigated, or compensated in line with international best practices and/or the Safeguard Policy Statement (footnote 62).

39. **Indigenous peoples (category C).** While indigenous (*janajati*) communities are present in the country, they will not be targeted as a group of distinct and vulnerable indigenous peoples, as defined by ADB's indigenous peoples safeguard policies. The project will ensure that members of indigenous people groups will not be excluded and will not suffer any disadvantages in targeting because they belong to an indigenous people group. The Government of Nepal treats all citizens with equal significance, and this will be reflected in the vaccination program. The proposed loan is not expected to directly or indirectly impact the dignity, human rights, livelihood systems, or culture of indigenous peoples, or the territories or natural or cultural resources that indigenous peoples own, use, occupy, or claim as an ancestral domain or asset.

⁶¹ Gender Equality and Social Inclusion Action Plan (accessible from the list of linked documents in Appendix 2).

⁶² ADB. 2009. [Safeguard Policy Statement](#). Manila.

⁶³ ADB. [Safeguard Categories](#).

⁶⁴ Due Diligence Report on the Nepal COVID-19 Immunization Waste Management Plan (accessible from the list of linked documents in Appendix 2).

E. Procurement

40. A strategic procurement planning assessment of the executing and implementing agencies was conducted. DOHS, MOHP is authorized to deal with the procurement of vaccines. Nepal has established well-defined public procurement procedures under the Public Procurement Act 2007 and the Public Procurement Regulations 2007. Based on the overall assessment, the procurement risk under this project is rated *substantial*, mainly because of the severely constrained vaccine supply market. To mitigate these constraints, ADB will assist the DOHS with vaccine procurement by advising on the global vaccine supply situation and associated procurement-related risks, reviewing contracts under bilateral agreements, supporting price validation, and assisting the preparations for negotiations with vaccine manufacturers.

F. Summary of Risk Assessment and Risk Management Plan

41. Significant risks and mitigating measures are summarized in Table 6 and described in detail in the risk assessment and risk management plan.⁶⁵

Table 6: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Country-specific. The limited capacity of vaccine suppliers to meet global demand may delay vaccine delivery to Nepal.	The government has signed a contract for 2 million doses with Serum Institute of India. It will continue to engage with different vaccine manufacturers and COVAX. ADB and the World Bank will support advance financing and help explore vaccine manufacturers and suppliers, and also facilitate negotiations.
Project-specific. Vaccine hesitancy in rural and hard-to-reach areas, where awareness and case detection are low.	MOHP is implementing a demand generation and risk communication plan, and engaging with health workers and community organizations supported by the development partners. ADB will support UNICEF in vaccine communication, including in rural and hard-to-reach areas.
Project-specific. Partial rollout of the e-LMIS to SNGs makes inventory monitoring difficult.	Rollout of the existing e-LMIS to SNGs is targeted on or before July 2021, as outlined in the Nepal Health Sector Reform Program. ^a The internal audit scope shall include inventory management and monitoring of procured goods and services.
Project-specific. Lack of national identification document and online pre-registration for phase one of vaccination.	Line listing of health care and frontline workers was undertaken through their respective institutions. Additionally, line listing of age-specific target beneficiaries is being undertaken via voter lists and census databases. An online pre-registration system is being piloted and will be operational prior to the expansion of the vaccination campaign.
Staffing, accounting, and reporting. Constrained financial management capacity to oversee financial management arrangements, and limited experience with ADB projects	MOHP shall coordinate with the Financial Comptroller General's office to ensure adequate financial management staffing. Training on ADB's financial management, disbursement, reporting, and procurement requirements and procedures will be provided. Triannual progress reports, including the status of internal and external audit findings, will be submitted to ADB. If needed, a financial management consultant will be recruited for support.
Public financial management and governance. Weak governance and corruption control	Strong oversight and development partner coordination mechanisms are in place. Other mitigating measures include: (i) assignment of qualified and experienced staff for project implementation, monitoring, and supervision; (ii) scrutiny of ADB's complete sanctions list; (iii) conduct of awareness-raising sessions on anticorruption and integrity by the ADB TA; and (iv) robust monitoring of vaccine rollout using the e-LMIS.
Project-specific. Timely implementation is affected by operational constraints such as logistics, staffing, and resources.	Strong in-country capacity is tapped for implementing new vaccine programs. Adequate cold chain storage is available with plans for expansion at federal and provincial levels. More than 8,000 experienced vaccinators will be leveraged for COVID-19 vaccination campaign. World Bank financing includes operational cost; other development partners indicated the provision of additional resources; and government is committed to providing sufficient resources. IT-based monitoring systems will be strengthened to facilitate troubleshooting.

⁶⁵ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

ADB = Asian Development Bank, COVAX = COVID-19 Vaccines Global Access, COVID-19 = coronavirus disease, e-LMIS = electronic logistic management information system, IT = information technology, MOHP = Ministry of Health and Population, SNG = subnational government (provincial or local levels), TA = technical assistance, UNICEF = United Nations Children's Fund.

^a The Nepal Health Sector Reform Program is being implemented through a sector-wide approach (SWAp). The program aims to invest in expansion of service delivery, in enhancement of equity, and in improvement of government systems for financial management, procurement, and evidence-based decision-making (Government of Nepal, MOHP. 2015. [Nepal Health Sector Strategy](#)).

Source: Asian Development Bank.

IV. ASSURANCES AND CONDITIONS

42. The government has assured ADB that the project implementation shall conform to all applicable ADB requirements, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, financial management, and disbursement as described in detail in the project administration manual and loan documents. The government has agreed with ADB on certain covenants for the project, which are set forth in the draft loan agreement.

43. No withdrawals shall be made from the loan account for financing a contract to supply eligible vaccine(s) until: (i) ADB has received a letter from the government confirming (a) which COVID-19 vaccine(s) have been selected to be procured using the proceeds of the loan; (b) which of the APVAX vaccine eligibility criteria has been satisfied in respect of the COVID-19 vaccine(s) to be procured; and (c) such COVID-19 vaccine(s) have received all necessary authorizations of the government, and have been authorized by the Department of Drug Authorization of Nepal and any other relevant regulatory authorities for distribution and administration within the territory of the country; and (ii) based on information provided in the aforementioned letter, ADB has notified the government that the COVID-19 vaccine(s) to be procured are designated as eligible vaccines.

V. RECOMMENDATION

44. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$165,000,000 to Nepal for the Responsive COVID-19 Vaccines for Recovery Project, from ADB's ordinary capital resources, in concessional terms, with interest charge at the rate of 1% per year during the grace period and 1.5% per year thereafter; for a term of 24 years, including a grace period of 8 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreements presented to the Board.

Masatsugu Asakawa
President

30 June 2021

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with Accelerated health, social, and economic recovery from COVID-19 in Nepal (National Deployment and Vaccination Plan for COVID-19 Vaccine) ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome Target populations safely vaccinated against COVID-19	By 2024: a. About ^b 6.8 million Nepalis (22.3% of the population) vaccinated against COVID-19 based on the national vaccination plan (disaggregated by sex and age) (June 2021 baseline: 691,494) ^c (OP 1.1)	a. Integrated health management information system, digital immunization management unit, and MOHP project progress reports	A: Sufficient resources to cover operational costs made available on time by government and development partners. A: Adequate and effective awareness-raising campaigns ensure that priority populations are willing to get vaccinated. A: Timely rollout of the inventory management system by the Government of Nepal.
Output Safe and effective COVID-19 vaccines delivered	1a. By 2024, about ^b 15.9 million doses of COVID-19 vaccine procured and delivered to the country (2021 baseline: 0) (OP 1.1.2) (Under TA support) ^d 1b. All (100%) of the vaccination sites or outreach centers have at least one female health worker or volunteer supporting vaccination during the vaccination campaign. (January 2021 baseline: 0) (OP 2.3.2) 1c. By 2023, level of awareness of the population on risks of COVID-19 and the benefits of vaccination increased (with data disaggregated by sex, age group, caste, and ethnic groups, and disability). (2021 baseline: to be established with first perception survey in September 2021)	1a. Electronic logistic management information system, and MOHP project progress report 1b. Integrated health management information system, MOHP project progress reports, and TA monitoring reports 1c. Perception surveys, TA progress reports from UNICEF	R: Limited supply of vaccines because of high global demand, inadequate supply of vaccines that meet APVAX eligibility criteria, and low commitments to Nepal lead to delay in vaccine delivery.
Key Activities with Milestones 1.0 Safe and effective COVID-19 vaccines delivered. 1.1 Procure the required number of vaccine doses for ADB financing (Q3 2021–Q2 2024). 1.2 Support international logistics to the point of entry in Nepal (Q3 2021–Q2 2024). 1.3 Provide technical and logistics support to Nepal (Q3 2021–Q2 2024).			

<p>1.4 Train human resources and track biomedical waste management (TA 9800) (Q3 2021–Q3 2022).</p> <p>1.5 Develop online portal for reporting AESIs (TA 9950) (Q3 2021–Q2 2022).</p> <p>1.6 Support the vaccination program in areas of finance, procurement, and IT (TA 9800) (Q3 2021–Q3 2023).</p> <p>1.7 Conduct independent monitoring to complement government evaluation (TA 9800) (Q2 2022–Q3 2023).</p>
<p>Project Management Activities</p> <p>Conduct procurement value for money analysis.</p> <p>Prepare and submit triannual and annual progress reports.</p> <p>Submit annual audited project financial statement and annual performance audit report.</p> <p>Prepare project completion report.</p>
<p>Inputs</p> <p>ADB: \$165 million (loan)</p> <p>ADB: \$1.18 million (technical assistance grant)^e</p>

A = assumption, ADB = Asian Development Bank, AESI = adverse event of special interest, APVAX = Asia Pacific Vaccine Access Facility, COVID-19 = coronavirus disease, IT = information technology, MOHP = Ministry of Health and Population, OP = operational priority, Q = quarter, R = risk, TA = technical assistance, UNICEF = United Nations Children’s Fund.

- ^a Government of Nepal. 2021. *National Deployment and Vaccination Plan for COVID-19 Vaccines*. Kathmandu.
- ^b This will depend on the actual price of the vaccine. The tentative range could be +/- 25%, based on the UNICEF dashboard, which suggests the current price of \$12.50 per dose (25% increase on \$10 per dose estimated by Government of Nepal)
- ^c The vaccines used for this baseline will not be financed by ADB.
- ^d Output 1b is also used by the World Bank. It will be monitored jointly, and the TA facility will support the monitoring. The TA facility will fully finance output 1c. The TA inputs are expected to start in August 2021: ADB. 2019. Nepal: [Technical Assistance for Nepal - Portfolio Management and Capacity Development for Enhanced Portfolio Performance](#). Manila (TA 9800).
- ^e ADB. 2019. [Technical Assistance to Nepal: Portfolio Management and Capacity Development for Enhanced Portfolio Performance](#). Manila (TA 9800) (\$1,000,000); and ADB. 2020. [Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases](#). Manila (TA 9950) (\$180,000).

Contribution to ADB Strategy 2030 Operational Priorities:

Expected values and methodological details for all OP indicators to which this project will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2). In addition to the OP indicators tagged in the design and monitoring framework, this operation will contribute results for OP 2.5.1. Community-based initiatives to build resilience of women and girls to external shocks implemented (number) OP 7.3.3: Measures to improve regional public health and education services supported in implementation (number). Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=55084-001-3>

1. Loan Agreement
2. Vaccine Needs Assessment
3. Project Administration Manual
4. Contribution to Strategy 2030 Operational Priorities
5. Development Coordination
6. Country Economic Indicators
7. Debt Sustainability Analysis
8. Country National Vaccination Prioritization and Allocation Plan
9. Summary Poverty Reduction and Social Strategy
10. Gender Equality and Social Inclusion Action Plan
11. Risk Assessment and Risk Management Plan
12. Indicative Master List of Eligible Items, and Agreed List of Acceptable Expenditure Items ('Positive List'), for ADB Financing under the Rapid Response Component

Supplementary Documents

13. Eligibility Criteria for the use of Funds under the Rapid Response Component
14. Due Diligence Report on the Nepal COVID-19 Immunization Waste Management Plan
15. Streamlined Strategic Procurement Planning
16. Financial Management Assessment
17. Sector Assessment (Summary): Vaccines