Report and Recommendation of the President to the Board of Directors

Project Number: 55085-001
June 2021

Proposed Loans
Democratic Socialist Republic of Sri Lanka: Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 1 June 2021)

Currency unit	–	Sri Lanka rupee/s (SLRe/SLRs)
SLRe1.00	=	$0.00506
$1.00	=	SLRs197.76

ABBREVIATIONS

ADB	–	Asian Development Bank
APVAX	–	Asia Pacific Vaccine Access
CBSL	–	Central Bank of Sri Lanka
COVAX	–	COVID-19 Vaccines Global Access
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
HPB	–	Health Promotion Bureau
IMF	–	International Monetary Fund
MOH	–	Ministry of Health
MSD	–	Medical Supplies Division
NCD	–	noncommunicable disease
NDVP	–	National Deployment and Vaccination Plan for COVID-19 Vaccines
NMRA	–	National Medicines Regulatory Authority
PAM	–	project administration manual
PIC	–	project investment component
PMU	–	project management unit
RRC	–	rapid response component
SPC	–	State Pharmaceuticals Corporation of Sri Lanka
UNICEF	–	United Nations Children's Fund
WHO	–	World Health Organization

NOTE

In this report, "$" refers to United States dollars.

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CONTENTS

PROJECT AT A GLANCE

1. Basic Data

Project Number: 55085-001

Project Name	Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility
Country	Sri Lanka
Borrower	Democratic Socialist Republic of Sri Lanka
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55085-001-CEI
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55085-001-PortAtaGlance
Department/Division	SARD/SAHS
Executing Agency	Ministry of Health

2. Sector

	Subsector(s)	ADB Financing ($ million)
✓ **Health**	Disease control of communicable disease	150.00
	Total	**150.00**

3. Operational Priorities

- ✓ Addressing remaining poverty and reducing inequalities
- ✓ Accelerating progress in gender equality
- ✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
- ✓ Strengthening governance and institutional capacity
- ✓ Fostering regional cooperation and integration

Climate Change Information

GHG reductions (tons per annum)	264.200
Climate Change impact on the Project	Medium

ADB Financing

Adaptation ($ million)	2.48
Mitigation ($ million)	0.37

Cofinancing

Adaptation ($ million)	0.00
Mitigation ($ million)	0.00

Sustainable Development Goals

SDG 3.3, 3.8
SDG 12.5
SDG 13.a

Gender Equity and Mainstreaming

Effective gender mainstreaming (EGM) ✓

Poverty Targeting

General Intervention on Poverty ✓

4. Risk Categorization: Complex

5. Safeguard Categorization

Environment: B **Involuntary Resettlement:** C **Indigenous Peoples:** C

6. Financing

Modality and Sources	Amount ($ million)
ADB	**150.00**
Sovereign Asia Pacific Vaccine Access Facility (Regular Loan): Ordinary capital resources	150.00
Cofinancing	**0.00**
None	0.00
Counterpart	**11.85**
Government	11.85
Total	**161.85**

Currency of ADB Financing: US Dollar

Source: Asian Development Bank

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on the proposed loans to the Democratic Socialist Republic of Sri Lanka for the Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility (APVAX). The project will provide the Government of Sri Lanka with immediate and flexible financing to support the national coronavirus disease (COVID-19) vaccination program through APVAX and from the regular country allocation.[1] The APVAX allocation comprises a rapid response component (RRC) to support the purchase of Asian Development Bank (ADB) eligible COVID-19 vaccines, while the project investment component (PIC) financed by the regular country allocation will support strengthening of the vaccination information dissemination and monitoring systems, vaccine transportation capacity, and vaccine-related medical waste management. The project is aligned with ADB's Strategy 2030 vision for achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific.[2] The project contributes to addressing remaining nonincome and income poverty and to reducing inequalities, accelerating progress in gender equality, strengthening governance and institutional capacity, fostering regional cooperation and integration, tackling disaster resilience, and enhancing environmental sustainability in Sri Lanka.

2. Sri Lanka has met all APVAX access criteria (Table 1).

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

Access Criteria	ADB Staff Assessment
Demonstrated adverse impact of COVID-19	The pandemic has negatively affected the social, health, and economic sectors, mainly because of the interventions taken to curtail the pandemic. The economic growth rate for 2020 was –3.6%. At the end of the first wave of the pandemic, as many as 78% of the sample population were completely affected with loss of income. Among them, 44% lost their jobs while 11% reported loss of their livelihood capital resources. Thirty percent of the surveyed population could not access health services, while as many as 47% could not get services related to maternal and child health.
Completed needs assessment	The government assessed the vaccine logistics and cold-chain maintenance, vaccine information management system, public communications, and safety surveillance.
National vaccination allocation plan	The NDVP was approved by the Presidential Task Force for COVID-19 Vaccination Program in January 2021. The plan details financing and implementation steps for vaccinating up to 50% of the population (11 million people) in 2021. It includes a prioritization plan that puts health workers and the elderly first, and is aligned with the values framework for COVID-19 vaccine allocation of the WHO Strategic Advisory Group of Experts on Immunization.
Incremental medical waste management plan	The MOH issued guidelines for COVID-19-related medical waste management on 20 March 2020 and developed a medical waste management plan for managing COVID-19-related waste (including vaccination waste) in February 2021.
Governor's letter	The governor's letter confirming the government's commitment to implement its NDVP and compliance with the APVAX eligibility criteria for ADB financing was received on 20 May 2021.
Effective development partner coordination mechanism with clear ADB role	The development partners, including ADB, work collaboratively, coordinate, and share experiences via the Development Partners Secretariat. The External Resources Department of the Ministry of Finance coordinates this secretariat, and ADB is recognized as one of the primary financing partners in Sri Lanka.

ADB = Asian Development Bank, APVAX = Asia Pacific Vaccine Access Facility, COVID-19 = coronavirus disease, MOH = Ministry of Health, NDVP = National Deployment and Vaccination Plan for COVID-19 Vaccines, WHO = World Health Organization.
Source: Asian Development Bank.

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

[2] ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

II. THE PROJECT

A. Rationale

3. **Background**. Sri Lanka is an island with a population of 21.9 million.[3] The country stands on the cusp of being an upper middle-income country. It was reclassified as a lower middle-income country in July 2020 after being an upper middle-income country for a year based on its classification as of July 2019.[4] The economy entered the global COVID-19 pandemic in 2020 after suffering a series of shocks that slowed growth. The onset of the pandemic came less than 12 months after the April 2019 Easter Sunday terror attacks that severely impacted tourism and growth. Prior to that, a constitutional crisis in late 2018 and droughts in 2016 and 2017 also weighed heavily on the economy. Sri Lanka's gross domestic product (GDP) growth has shown a recent downward trend and averaged 3.7% during 2015–2019 compared to 6.8% during 2010–2014 on the back of a peace dividend and rehabilitation after the end of the civil conflict in 2009 (footnote 3). The GDP per capita for 2020 was $3,682, down from $3,852 in 2019 (footnote 3).

4. The country has made significant progress in the last few decades on socioeconomic and human development indicators in ensuring access to health services for all. Maternal mortality had fallen to 32.0 per 100,000 live births in 2018 and infant mortality to 10.1 per 1,000 live births in 2019.[5] Sri Lanka's population is rapidly aging, and as much as 16% of the population is over the age of 60 years.[6] The communicable disease burden has been well controlled, with most of the vaccine-preventable diseases (e.g., polio, neonatal tetanus, rubella, and diphtheria) eliminated or nearly eliminated with immunization coverage of the majority of vaccines at more than 99%.[7] Some vector-borne diseases like malaria and filaria have been eliminated, while diseases like dengue and leptospirosis are endemic. The noncommunicable disease (NCD) burden is significant, however, accounting for as many as 75% of all deaths, and 20% of these are people less than 60 years old. NCDs are a serious economic and public health issue in Sri Lanka, with a large proportion of the population exposed to risk factors (e.g., tobacco use, unhealthy diet, harmful use of alcohol, and physical inactivity) with inadequate quality and coverage for early detection and management of NCDs.

5. **Status of the pandemic**. COVID-19 cases were first reported in Sri Lanka in January 2020 and the first wave of COVID-19 was during March–June 2020, the second wave was during September 2020–March 2021, and the ongoing third wave has been going on since 25 April 2021. As of 2 June 2021, Sri Lanka had reported 192,547 confirmed cases and 1,566 deaths.[8] The third wave continues to bring an unprecedented and exponential number of COVID-19 patients to health facilities, with the effective reproduction rate increasing from 0.85 on 1 October 2020 to 1.08 on 2 June 2021. In that period, the number of daily new confirmed cases increased from 0.33 per million people to 135.23 per million people.[9] The reported spread of the new coronavirus variants which are known to be more infectious add to this increasing trend.

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[3] Central Bank of Sri Lanka (CBSL). 2021. *Annual Report 2020 (Special Statistical Appendix)*. Colombo.
[4] Country classification for Sri Lanka in July of any given year is based on data as of the end of December of the previous year. Serajuddin, U. and N. Hamadeh. *New World Bank Country Classifications by Income Level: 2020–2021*. Washington, DC. (accessed 11 April 2021).
[5] Family Health Bureau, Ministry of Health. *National Statistics*. Colombo.
[6] ADB. 2019. *Growing old before becoming rich. Challenges of an ageing population in Sri Lanka*. Manila.
[7] Medical Statistics Unit, Ministry of Health. 2020. *Annual Health Bulletin 2018.* Colombo.
[8] Government of Sri Lanka, Epidemiology Unit, Ministry of Health. COVID-19 Situation Reports.
[9] Our World in Data. Effective reproduction rate (average number of new infections caused by a single infected person, 7-day rolling average) and Daily new confirmed cases per million population (7-day rolling average).

6. **Measures introduced by the government to control the pandemic.** The government has introduced many measures since the reporting of the first COVID-19 positive case in Sri Lanka. Travel restrictions were introduced, the capacity of molecular biology testing was increased, all schools were closed, and personal hygiene measures on handwashing and social distancing have been enforced since March 2020. A nationwide curfew was imposed on 20 March 2020, which continued until 11 May 2020, and a night-time curfew continued until 28 June 2020. With the increasing number of cases because of the second wave since early October 2020, travel restrictions were imposed, selected areas were locked down, intensive contact tracing measures were put in place, and suspected cases were quarantined, but the interventions were much less restrictive given the need to re-open the economy. As the economy is largely tourism dependent, the government has placed the highest priority on vaccines for economic recovery. The COVID-19 vaccination rollout based on the National Deployment and Vaccination Plan for COVID-19 Vaccines (NDVP) was initiated on 29 January 2021 and is ongoing.[10]

7. **Cost for the economy.** GDP contracted by 3.6% in 2020 because of the impact of the COVID-19 pandemic as the economy was hit early with a 1.8% contraction in the first quarter of 2020 and then contracted sharply by 16.4% in the second quarter of 2020 as COVID-19 measures restricted mobility and slowed economic activity considerably.[11] Real GDP for 2020 was $51.4 billion, an estimated $3.8 billion lower than what it would have been without COVID-19.[12] The economy was adversely impacted by the simultaneous demand and supply shocks coming from the global pandemic, which affected most of the major sectors of the economy, with the impact being particularly severe in the second quarter of 2020. As tourism remained shuttered for most of 2020, foreign exchange earnings were affected, which along with an outflow of capital put pressure on the exchange rate and reserves. Containment measures severely affected the services sector, in particular the tourism sector, which contributed on average 10.4% of the GDP during 2015–2019.[13] Exports suffered because of demand shock in major export markets and as a new wave of the pandemic in the last quarter of 2020 affected hubs of manufacturing activity. Remittances grew by 5.8% in 2020, which supported consumption and buttressed foreign exchange reserves, which were $5.7 billion in December 2020 (equivalent to 4.2 months of imports).[14] Economic recovery remains subdued, with a 1.3% growth rate in the fourth quarter of 2020.

8. **Impact on poor and vulnerable groups.** COVID-19 and control measures have made more people vulnerable to poverty. Poverty rates and the number of poor people in Sri Lanka increased during the COVID-19 pandemic, which reverses the trend of reduction in poverty in recent years. The average unemployment rate rose to 5.5% in 2020 from 4.8% in 2019.[15] The poverty rate is estimated to have increased from 9.2% in 2019 to 11.7% in 2020 (at $3.2 in 2011 purchasing power parity) and from 38.6% in 2019 to 42.3% in 2020 (at $5.5 in 2011 purchasing power parity).[16] Of the daily wage-earner households sampled, 65% in April 2020 reported that their income had stopped completely relative to February 2020.[17] Over the medium-term, a slow economic recovery risks raising unemployment levels and suppressing earnings in the informal

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[10] Summary of National Deployment and Vaccination Plan (accessible from the list of linked documents in Appendix 2).
[11] Department of Census and Statistics. *National Account Estimates of Sri Lanka: Gross Domestic Product and Other Macroeconomic Indicators—Provisional Estimates for the Four Quarters (Q1 to Q4) of 2020.* Colombo (accessed 11 April 2021).
[12] ADB staff estimates.
[13] World Travel and Tourism Council. 2020. *Travel and Tourism Economic Impact 2020: Sri Lanka*. London.
[14] CBSL. 2021. *Annual Report 2020 (Statistical Appendix)*. Colombo; and CBSL. 2021. *Annual Report 2020 (Chapter 5).* Colombo.
[15] CBSL. *Special Data Dissemination Standard: National Summary Data Page (Unemployment Rate). Colombo.*
[16] World Bank. 2021. *South Asia Economic Focus Spring 2021, South Asia Vaccinates*. Washington, DC.
[17] United Nations Children's Fund (UNICEF) and United Nations Development Programme Sri Lanka. 2020. *Telephone surveys on the impact of COVID-19 on households in Sri Lanka.* Colombo.

sector. The impacts on family well-being will be significant. At least 30% of the households reported that their food consumption had fallen by early May 2020.[18]

9. **Impact on gender.** Women's well-being and safety worsened with increased care responsibilities and enforced lockdowns. Some women have had to be confined with their abusers with limited access to helplines and support. While 24-hour helplines were available, not all women are aware of these services, are able to make a call, or make the call for various reasons.[19] Before COVID-19 lockdowns and curfews were imposed, about 250 patients were admitted daily to the accident ward of the National Hospital of Sri Lanka for gender-based violence. However, during the lockdown period, this decreased to 66 admissions, including females sexually assaulted by their husbands.[20] Of all women who are gainfully employed, about 51.1% work in the informal sector (compared to 60.8% of all employed men).[21] Because of restricted mobility and the increased (unpaid) care burden, women's earning capacity and productive time, livelihood, and economic activities have been adversely affected.

10. **Impact on the health system.** With the reporting of COVID-19 cases in Sri Lanka, the government reorganized mainly the secondary health care services to manage the increasing COVID-19 patients to minimize the effects on other services. In addition to the National Infectious Diseases Hospital, six other secondary health care facilities initially were converted to COVID-19 treatment hospitals and many more facilities became quarantine centers. In addition, dedicated staff were provided with required personal protective equipment and infection prevention and control training and support. Laboratory services were also scaled up to provide polymerase chain reaction testing for COVID-19. In March 2020, only the Medical Research Institute and a few university research laboratories were capable of testing for COVID-19. There are 38 laboratories (including 27 public ones), which had an initial capacity of 18,000 tests per day but this has increased to more than 28,000 tests per day since the start of the third wave in late April 2021.

11. The first wave of interventions, which introduced frequent handwashing, social distancing, and better personal hygiene practices, indirectly reduced ill-health episodes requiring outpatient care services. But the interventions which controlled population movement—curfew and travel restrictions—severely disrupted the long-term clinic care of approximately 2.5 million mainly NCD patients who seek care at government health facilities each month. While emergency care services were always available and the monthly drug quotas to clinic patients were dispatched via regular mail services, elective surgeries, dental care, eye care, and other treatment options for inpatient services were reduced. Access to regular routine services was also curtailed because of COVID-19-related restrictions, with more than 30% of families reporting that they could not access health services and 47% of families with children under 5 years could not access services because of transport and access restrictions during the first wave of the pandemic.[22]

12. **COVID-19 vaccine needs assessment.** Based on the Vaccine Introduction Readiness Assessment Tool and Vaccine Readiness Assessment Framework assessments completed for Sri Lanka in January 2021 by the World Health Organization (WHO), it was identified that only relatively small gaps in investments need to be filled to carry out a mass vaccination program to cover the eligible population. This includes the need to further expand vaccine-related medical waste disposal services and enhance transport facilities to strengthen cold-chain transport

[18] UNICEF Sri Lanka. 2020. *Tackling the COVID-19 economic crisis in Sri Lanka: Providing universal, lifecycle social protection transfers to protect lives and bolster economic recovery*. Colombo.
[19] United Nations Population Fund Sri Lanka. 2020. *Bringing the shadow pandemic to light*. Colombo.
[20] Mallawaarachchi, A. 2020. Spike in domestic violence cases. *Daily News*. 23 March.
[21] Department of Census and Statistics. 2019. *Sri Lanka Labour Force Survey*. Colombo.
[22] World Vision Sri Lanka. 2020. *Impact of COVID-19 Health Emergency Rapid Assessment*. Colombo.

services for deployment of vaccines from central to regional stores and from regional stores to divisional and vaccination centers.

13. **National Deployment and Vaccination Plan for COVID-19 Vaccines**. The Ministry of Health (MOH) convened the National Coordination Committee for COVID-19 vaccines in November 2020 to work with advisory groups and technical subcommittees on (i) COVID-19 vaccines, prioritization, and targeting; (ii) logistics for COVID-19 vaccination; and (iii) costing for COVID-19 vaccination. The committee developed the NDVP on 18 January 2021, which was based on WHO Strategic Advisory Group of Experts on Immunization (SAGE) recommendations.[23] In 2021, the government intends to make vaccines available, free of charge to all, to cover at the minimum 50% of the population including all frontline workers, comorbid population, working adults, and people over the age of 60 years. By 2023, the government anticipates providing vaccination to 80% of the population.

14. The MOH holds the overall responsibility for oversight, coordination, and implementation of the national COVID-19 vaccination program. Under the MOH, all nine provincial and 26 regional directors of health services covering 354 medical officers of health units across the country are involved in administering vaccines to the population. The MOH is supported by technical units: (i) the Epidemiology Unit for vaccine transportation, vaccination, and monitoring; (ii) the Health Promotion Bureau for public communications; (iii) the Environment Unit for medical waste management; (iv) the Health Information Unit for information systems; and (v) the Medical Supplies Division (MSD) for storage and cold-chain logistics.

15. The National Medicines Regulatory Authority (NMRA) approves and registers new medicines and medical products including vaccines through the NMRA Act No 5 of 2015. The State Pharmaceuticals Corporation of Sri Lanka (SPC), the mandated procurement agency of the MOH, will procure vaccines from bilaterally negotiated contracts with vaccine manufacturers and related consumables (syringes, safety boxes, etc.) from suppliers. The government also has other options to procure vaccines from the COVID-19 Vaccines Global Access (COVAX) Advance Market Commitment mechanism and United Nations Children's Fund (UNICEF).

16. The MSD-managed Medical Supplies Management Information System closely monitors the cold-chain system for the routine immunization program throughout the country at each level for all cold rooms and ice-lined refrigerators storing vaccine at the central stores, the 26 regional medical supplies divisions, and at all 354 medical officer of health areas. Based on the cold-chain capacity assessments, the government has adequate capacity to store approximately 8 million doses of COVID-19 vaccines at 2º–8º Celsius (C) and about 2 million doses at ultra-cold temperature (–70ºC). This is in addition to the routine vaccines.

17. In March 2021, the government issued updated guidelines for managing the vaccination program in the country.[24] At each field vaccination center, a minimum of seven health staff are expected to manage the vaccination and 98 people are to be vaccinated in 1 day across 2,000 vaccination centers, and over a 3-week period the MOH is ready to vaccinate 4.1 million people (20% of the country's population). With the vaccination, a separate communication strategy to reduce hesitancy, manage urgency, and to inform of the probable adverse effects and of vaccination sites will be initiated via UNICEF using the World Bank funds in close collaboration with the Health Promotion Bureau (HPB). The vaccination information will be reported via the routine system using the e-National Immunization Program and via the newly introduced COVID-

[23] WHO. 2020. WHO SAGE Roadmap For Prioritizing Uses Of COVID-19 Vaccines In The Context Of Limited Supply.
[24] MOH. 2021. *Guidelines for COVISHIELD Covid-19 Vaccination Campaign 2021*, issued March 2021.

19 Immunization Tracker. The guidelines that are routinely used—on the adverse effects following immunization and the adverse effects of special interest—will also be used for the COVID-19 vaccination. Relevant staff are continuously trained and updated with new information on adverse effects following immunization and adverse effects of special interest as required, and updated circulars to this effect are continuously issued.[25] The government instructed all health facilities to follow the medical waste management plan used for infectious waste to dispose of COVID-19-related waste.

18. **Access to vaccines.** Even though Sri Lanka was unable to secure advance bookings of COVID-19 vaccines in 2020 because of resource constraints, arrangements are now under way to have sufficient financing upfront to vaccinate the population and be prepared to mitigate the risks from highly contagious variants and future waves to facilitate the reopening of the economy. The government received a donation of 500,000 doses of COVID-19 vaccines from the Government of India (AstraZeneca–Oxford University vaccine manufactured by the Serum Institute of India) on 28 January 2021 and a donation of 600,000 doses of Sinopharm vaccine from the Government of the People's Republic of China on 31 March 2021. From 29 January 2021, the government successfully vaccinated more than 80% of frontline workers with the first dose in less than 3 weeks, and second dose vaccinations were completed by mid-May 2021 for all frontline workers.

19. **Vaccine financing needs**. Sri Lanka is a small, open economy highly dependent on the services sector and tourism, and the government is putting the highest priority on protecting its people with COVID-19 vaccination as a key strategy for economic recovery. Based on the NDVP approved in January 2021, the cost estimate for reaching COVID-19 vaccination coverage of 80% of the population is estimated at $270 million, which includes only the purchase of vaccines, additional cold-chain equipment, and operational costs.[26] It excludes around $28 million for strengthening the information system, expanding cold-chain transportation facilities, staff mobility during the vaccination campaign, and vaccine waste disposal. The proposed project and the World Bank project intend to provide support of $231 million to meet a substantial part of these needs. The government is monitoring the pandemic situation and the vaccine deployment progress to decide the next stage of financing. If required, further external assistance may be sought in the future, including additional financing from APVAX, or cofinancing.[27]

20. **Development partner coordination**. ADB closely coordinates with other development partners through the United Nations-hosted Development Partners Secretariat, which coordinates all development assistance. In addition, ADB is also a regular partner of the development partner discussions coordinated by the MOH. A development partner coordination committee for COVID-19 vaccination was established with WHO, UNICEF, ADB, and the World Bank as members. The committee conducts regular meetings and shares the contributions to the NDVP by each development partner for effective use of financing.

21. The project will collaborate with WHO and UNICEF in terms of technical assistance to support strengthening of immunization tracker systems, cold chains, and logistics. ADB has also been closely coordinating with the World Bank to provide coordinated assistance and to synergize

[25] MOH. 2021. *Reporting of hospital admissions after vaccination,* issued 19 March 2021; and MOH. 2021. *Guidance on information to be given to COVID-19 vaccine recipients*, issued 26 March 2021.

[26] As of 18 May 2021, COVAX vaccines were delayed and with no certainty of arrival. The government had procured 33.5 million doses through bilateral arrangements at a cost of around $311 million. The NDVP costing scenario from January 2021 was based on $7 per dose. Since then the situation has changed, where the cost is now around $10 per dose, and the situation may continue to change.

[27] The Asian Infrastructure Investment Bank has initiated discussions with the government for possible cofinancing.

the results and outcomes. A detailed development partner matrix is included in the development coordination linked document accessible from the list of linked documents in Appendix 2.

B. Project Description

22. The proposed project will support the Government of Sri Lanka to ensure COVID-19 vaccine access to the population to curtail the pandemic, minimize the socioeconomic and health effects that result from it, and initiate the robust economic recovery process. The project is targeting the entire country across all 26 health districts in all nine provinces while ensuring that the geographically, socially, and economically deprived populations are protected from COVID-19 and its effects. The beneficiary population of the project is the total population of 22 million.[28]

23. **Impact and outcome.** The expected project impact will be the enhancement of the resilience and responsiveness of the health system to curtail the COVID-19 virus spread; reduce morbidity and mortality; and reduce the negative health, social, and economic effects of the COVID-19 pandemic in Sri Lanka.[29] The outcome will be priority populations of Sri Lanka vaccinated against COVID-19 as per the NDVP without compromising routine vaccine services and other health services. This outcome will be achieved through the following four outputs.

24. **Output 1: COVID-19 vaccines delivered.** Through the rapid response component (RRC), output 1 will finance procurement of safe and effective COVID-19 vaccines to cover 18.2% of the population (4 million population).[30] By 2021, the government intends to cover at least 50% of the adult population including all frontline workers, comorbid population, working adults, and people over the age of 60. The output will support the government in reaching 80% COVID-19 vaccine coverage by 2023, with data disaggregated by sex, age, and geography.[31] The vaccination campaign has already started following the NDVP and COVID-19 vaccination protocols.

25. **Output 2: Vaccination information dissemination and monitoring systems strengthened.** Through the project investment component (PIC), output 2 will support the Epidemiology Unit in the MOH to improve and enhance the electronic National Immunization Program (e-NIP) and its electronic adverse effects following immunization system under the routine vaccination program to include the COVID-19 vaccination program. This output will also support the Health Information Unit in the MOH to introduce a COVID-19 immunization tracker that will provide real-time individual beneficiary data and will help monitor the COVID-19 vaccine deployment. Although aggregate information is available from e-NIP, the new interoperable systems will enable real-time data on both routine and COVID-19 vaccination coverage by age, sex, and geographic area. Surveillance data will be shared with global and regional partners to

[28] 22 million beneficiaries from all four project outputs (not only the 4 million vaccine beneficiaries under output 1).

[29] Government of Sri Lanka. 2020. *Sri Lanka Preparedness & Response Plan COVID-19*. Colombo; Government of Sri Lanka. 2021. *National Deployment and Vaccination Plan for COVID-19 Vaccines*. Colombo; and ADB. 2020. *ADB's Support to Enhance COVID-19 Vaccine Access*. Manila.

[30] ADB will finance expenditures in relation to the procurement of COVID-19 vaccines that meet the APVAX eligibility criteria stated in para. 29 (including footnotes 28, 29, and 30) of the APVAX policy paper (ADB. 2020. *ADB's Support to Enhance COVID-19 Vaccine Access*. Manila*;* ADB. 2021. *Amendment to ADB's Support to Enhance COVID-19 Vaccine Access*. Manila). 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 Rapid Response Component (accessible from the list of linked documents in Appendix 2).

[31] In addition, the Government of Sri Lanka has requested $80.5 million from the World Bank to meet the cost of vaccines and the rollout of the program for 13.6% of the total population, while the COVAX facility will provide vaccines for 20% of the total population; Government of India in-kind donation for 1.1% of the total population; and Government of the People's Republic of China in-kind donation for 1.3% of the total population.

support a collective response to the pandemic.[32] Under the output, it is therefore intended to purchase and supply laptop computers and tablets to all medical officer of health units (354 units currently, each health unit will receive two laptop computers, eight tablets, and five routers) and provide training for managing the real-time data entry.

26. Output 2 will also support the MSD to purchase the required consumables, supplies, and essential equipment to roll out the vaccination program as described in the NDVP. This output also provides support to the MSD to improve the logistics, regulatory capacity, and procurement capacity by enhancing the existing Medical Supplies Management Information System for managing and tracking all drugs, vaccines, and consumables in the public health system. In addition, this output will support the MSD to collaborate with the Ministry of Finance to initiate e-procurement practices in the health sector. This includes upgrading software programs, purchasing computers, establishing internet connectivity, training, and networking hospitals and related institutions.

27. Furthermore, support is provided to the HPB of the MOH to promote gender equality and social inclusion in access to the COVID-19 vaccination. Activities will include training community groups in reaching out to women and other vulnerable population groups with information on vaccinations (including specific information for pregnant and lactating women, or women with preexisting conditions and disabilities) and providing direct support to vulnerable groups to access the vaccination and related services in the respective medical officer of health areas. Finally, output 2 provides the management and technical support required to implement the project. This includes hiring experts for project management services like finance, procurement, engineering, information technology, and monitoring and evaluation for the project management unit (PMU) of the ongoing ADB-financed Health System Enhancement Project (HSEP).[33] In addition, the relevant MOH technical units (Epidemiology, MSD, HPB, Environment, and Health Information) will each appoint a focal point to oversee respective components of the project.

28. **Output 3: Capacity of vaccine transport systems expanded.** Through the PIC, output 3 will support enhancement of the capacity of the vaccine transport system from central to regional levels and the vaccine distribution system from regional drug stores to the vaccination centers. When vaccines arrive in the country, they are stored in the central cold rooms managed by the Epidemiology Unit of the MOH. The Epidemiology Unit practices a push-out system; regularly trains its staff, including drivers, on cold-chain maintenance; maintains its vehicles; and delivers the vaccines in adequate quantities to each of the 26 regional drug stores in Sri Lanka. The regional drug stores deliver vaccines to the divisional stores for the routine system, but for COVID-19 vaccination program, as it is managed as a campaign, vaccines are delivered to the vaccination centers directly. This requires adequate cold-chain transport facilities for safe and timely delivery of vaccines. Therefore, this output will support the purchase of a small refrigerated truck for each of the 26 regional drug stores and 10 large trucks for the MOH. In addition, to maintain the routine vaccination program alongside the rollout of the COVID-19 vaccination program, transport facilities will be provided to ensure adequate human resources are mobilized for regional stores, divisional offices, vaccination centers, and regional offices for program supervision and management. This output will also provide transport facilities to enable vulnerable women and people with a disability to access vaccination centers.

[32] The Epidemiology Unit reports daily on its website (www.epid.gov.lk) the relevant data and, from March 2021, has expanded the sentinel surveillance sites for tracking COVID-19 cases by testing all COVID-19 suspected patients at all secondary and tertiary care hospitals. The government is expected to share data updates with WHO, South Asian Association for Regional Cooperation (SAARC), and other regional and global entities in the long term.

[33] ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Democratic Socialist Republic of Sri Lanka: Health System Enhancement Project*. Manila.

29. **Output 4: Vaccine-related medical waste management strengthened.** Through the PIC, output 4 will support the implementation of the Medical Waste Management Plan of the MOH. With the expanded COVID-19 vaccination, as many as 32.0 million syringes and nearly 3.2 million vials will need to be discarded. The large number of polymerase chain reaction tests carried out (nearly 2 million) add to the volume of COVID-19 waste. In addition, with the establishment and conversion of secondary care hospitals into COVID-19 managed hospitals, many of these hospitals require well-designed sewerage management for appropriate infection prevention and control. This output will support the establishment of a sewerage system in 26 of the 87 (30%) of the secondary care hospitals in all nine provinces that require such systems.

30. Output 4 will also support improved medical waste management arrangements in six of the nine provinces in the country.[34] Based on the Medical Waste Management Plan of the MOH, in the six provinces of Northern, Eastern, North Central, North Western, Uva, and Sabaragamuwa, the MOH will establish satellite waste management centers in identified secondary and tertiary care hospitals in each of the districts. This output will support the establishment of incinerators and waste segregation at 12 satellite hospitals representing the six provinces.

31. **Value addition.** The project is developed in close collaboration with the government, the World Bank, WHO, and UNICEF. ADB supports the government's commitment to ensure the national vaccination program covers all parts of the country including geographically and economically disadvantaged areas such as post-conflict-affected areas and plantations. The project is also supporting the strengthening of the monitoring system, the cold-chain transport system, and medical waste management related to COVID-19, which helps address all aspects of the vaccination program. Ongoing technical assistance will also help strengthen the vaccine delivery system.[35] The medical waste management component of the project will benefit six provinces which contain a large number of disadvantaged and remote areas. The project is supporting a novel immunization tracker which aims to provide disaggregated data in real time. The ongoing HSEP is supporting the health sector including COVID-19 response activities. The experienced HSEP PMU provides a solid foundation for effective implementation of the APVAX project. Most importantly, vaccination across the country supported by this project is critical for economic recovery and to restore economic growth, especially for tourism and other services sectors. Without vaccination, economic growth will be much lower than currently expected.

C. Summary Cost Estimates and Financing Plan

32. The project is estimated to cost $161.85 million (Table 2), inclusive of taxes and duties, physical and price contingencies, interest, and other charges during implementation. Detailed cost estimates by expenditure category for each output are included in the project administration manual (PAM) in the linked documents in Appendix 2.[36]

33. The government has requested (i) a regular loan of $84 million from ADB's ordinary capital resources under the RRC financed by APVAX and (ii) a regular loan of $66 million from ADB's ordinary capital resources under the PIC financed by the regular country allocation.[37] The loan under the RRC will have a 10-year term including a grace period of 3 years, while the loan under

[34] Medical waste management activities in the three provinces of Western, Southern, and Central (nine districts of Colombo, Gampaha, Kalutara, Kandy, Nuwera Eliya, Matale, Galle, Matara, and Hambantota) are currently managed by a private firm under a contract with the MOH. All medical waste from these provinces is taken by the firm and disposed at a state-of-the-art facility managed by the firm.

[35] ADB. 2020. *Technical Assistance to Sri Lanka for the Support for Human Capital Development Initiative*. Manila.

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

[37] The project will use available space in the country programming and no project in the pipeline will be deferred.

the PIC will have a 29-year term, including a grace period of 8 years. Both loans will have an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per annum, and such other terms and conditions set forth in the draft loan agreements. The government has made its own independent decision to borrow under ADB's LIBOR-based lending facility.

Table 2: Summary Cost Estimates

Item	Description	Amount ($ million)[a]	Cost Share (%)
A.	**Base cost[b]**		
1.	COVID-19 vaccines delivered	84.00	51.9
2.	Vaccination information dissemination and monitoring systems strengthened	34.37	21.2
3.	Capacity of vaccine transport systems expanded	3.28	2.0
4.	Vaccine-related medical waste management strengthened	26.39	16.3
	Subtotal (A)	**148.04**	**91.4**
B.	**Contingencies[c]**		
1.	Physical contingencies	7.40	4.6
2.	Price contingencies	5.18	3.2
	Subtotal (B)	**12.58**	**7.8**
C.	**Financing charges during implementation**		
1.	Interest during implementation	0.99	0.6
2.	Commitment charges	0.24	0.2
	Subtotal (C)	**1.23**	**0.8**
	Total Cost (A+B+C)	**161.85**	**100.0**

COVID-19 = coronavirus disease.
[a] In May 2021 prices; $1 = SLRs196.67 is used.
[b] The project costs are inclusive of taxes and duties ($11.85 million) to be financed in cash by the government.
[c] Includes physical and price contingencies and a provision for exchange rate fluctuation.
Source: Asian Development Bank.

34. The summary financing plan is in Table 3. The full amount of ADB financing for the RRC ($84 million) will finance expenditures in relation to vaccines, while the balance of ADB financing for the PIC ($66 million) will finance vaccine consumables (syringes, safety boxes, etc.), services, equipment, vehicles, and project administration. The government's contribution will cover all applicable direct local taxes (value-added tax).

Table 3: Summary Financing Plan

Source	Amount ($ million)	Share of Total (%)
Asian Development Bank	150.00	92.7
Ordinary capital resources (APVAX RRC loan)[a]	84.00	51.9
Ordinary capital resources (APVAX PIC loan)[b]	66.00	40.8
Government of Sri Lanka	11.85	7.3
Total	**161.85**	**100.0**

APVAX = Asia Pacific Vaccine Access Facility, PIC = project investment component, RRC = rapid response component.
[a] Financed by APVAX.
[b] Financed by the regular country allocation.
Source: Asian Development Bank.

35. Climate change mitigation is estimated to cost $0.37 million and climate change adaptation is estimated to cost $2.48 million. ADB will finance 100% of mitigation and adaptation costs ($2.85 million), excluding taxes and duties. Changes in rainfall may result in wetter or drier conditions that

could contribute to landslides, flooding, or droughts. Details are described in the climate change assessment in the linked documents in Appendix 2.

D. Implementation Arrangements

36. The MOH will be the executing and implementing agency. The project implementation unit, the PMU, will be guided by the project's National Steering Committee, which will be chaired by the secretary of the MOH and have representation from all project stakeholders including the Ministry of Finance. For both ADB and World Bank projects, there are respective PMUs that will closely coordinate with the MOH and its relevant technical units (described in para. 14). Implementation arrangements are summarized in Table 4 and described in detail in the PAM (footnote 36).

37. Procurement will be undertaken in a manner consistent with simplified and expedient procedures permitted under the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). Following the APVAX policy (footnote 1), ADB member country procurement eligibility restrictions will be waived, and universal procurement will apply. The SPC, the mandated procurement agency of the MOH, will conduct direct procurement of vaccines with vaccine manufacturers and ancillary items with suppliers. The SPC is a state-owned entity established in 1971 under the State Industrial Corporations Act Number 49 of 1957. Other goods and services will be procured by the PMU. In addition, the government has other options of vaccine procurement, such as COVAX Advance Market Commitment and UNICEF. Value for money in vaccine procurement will be achieved through (i) selecting candidate vaccine types that are best suited to the domestic logistics supply chain and distribution mechanisms; (ii) engaging with COVAX and manufacturers that have advantageous vaccine availability and delivery timelines; and (iii) entering into agreements on terms and conditions that are reasonable, noting the currently constrained market for vaccines globally. Value for money in procurement of consumables associated with vaccines and others will be achieved by selecting the most suitable procurement methods in terms of size of procurement, consideration of market conditions of the items to be procured, and time allowed for the process.

Table 4: Implementation Arrangements

Aspects	**Arrangements**		
Implementation period	July 2021–June 2024		
Estimated completion date	30 June 2024		
Estimated loan closing date	31 December 2024		
Management			
(i) Oversight body	National Steering Committee comprising all project stakeholders including the Ministry of Finance		
(ii) Executing agency	Ministry of Health		
(iii) Key implementing agency	Ministry of Health		
(iv) Implementation unit	Project management unit		
Procurement	Direct contracting / OCB / RFQ	Multiple contracts	$133.7 million
Consulting services	Individual consultant selection / firm recruitment (CQS)	Multiple contracts	$1.0 million
Retroactive financing and advance financing	Withdrawals from the loan account may be made for (i) advance financing for up to 6 months of estimated eligible expenditures or 50% of the RRC financing 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, equivalent to a maximum of 30% of the loan amount. The combined outstanding balance of advance financing and the percentage approved for retroactive financing should not, at any time, exceed 60% of the RRC financing amount, and the		

Aspects	Arrangements
	advance financing and retroactive financing will not exceed their respective ceilings. The government has been advised that the approval of retroactive financing does not commit ADB to financing the project. Any advance contracting and retroactive financing will be subject to the APVAX vaccine eligibility criteria and other requirements being fully met.
Disbursement	The loan proceeds of ADB will be disbursed following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.

ADB = Asian Development Bank, APVAX = Asia Pacific Vaccine Access Facility, CQS = consultants' qualifications selection, OCB = open competitive bidding, RFQ = request for quotation, RRC = rapid response component.
Source: Asian Development Bank.

III. DUE DILIGENCE

A. Economic and Financial

38. **Economic analysis**. The COVID-19 pandemic is both a health and an economic crisis. The proposed $150 million project is an integral part of and contributes to 50% of the government's $298 million national COVID-19 vaccination program to reach 80% population coverage. With the support from the proposed project, the government can substantially avert the cost of productivity and productive time lost; reduce public spending such as on testing, hospitalization, and quarantine; and bring the economy back to normal by significantly easing the COVID-19 disease burden through the national COVID-19 vaccination program. Accelerating the access to COVID-19 vaccines and enabling a comprehensive, timely, and efficient vaccination program with monitoring in place is considered the fundamental way to substantially reduce mortality and morbidity and lead to a resumption of economic activities. Successful deployment of vaccination is critical for tourism and for the overall economy to recover. Vaccine deployment will also help the government better manage its fiscal and debt situation, as increased growth will allow for revenues to improve.

39. **Financial sustainability**. This project represents only 0.25% of Sri Lanka's public debt and will not affect Sri Lanka's public debt profile. With higher economic growth and a better fiscal position than otherwise, this project will help the government better manage its fiscal and debt situations.[38] The project outputs are considered public goods with positive externalities. As there is no opportunity for cost recovery, a financial viability assessment is not required. Almost 80% of the project base cost will be used to procure vaccines and medical consumables which will be discarded after use, and only about 14% will be invested in developing sewerage systems in selected hospitals as well as in procuring equipment to be repurposed for general use in various medical institutions after project completion. The incremental operation and maintenance requirements of these assets are expected to be negligible, and the funds will be made available by the recipient entities as the facilities provided will strengthen their routine operations. To ensure the project is sustainable, the project will finance the operation and maintenance costs of the sewerage systems created and incinerators procured under the project until project completion. In addition, the government has provided assurance that (i) adequate budget support to cover incremental operation and maintenance will be provided to the respective entities and (ii) all entities receiving equipment will maintain sound asset management practices.

40. **Macroeconomic and debt situation.** Sri Lanka faces significant economic challenges which have been exacerbated by the outbreak of the COVID-19 pandemic, and the central government debt–GDP ratio was 101.0% as at the end of 2020. Macroeconomic and debt

[38] Macroeconomic and Debt Analysis (accessible from the list of linked documents in Appendix 2).

analysis (footnote 38) shows that Sri Lanka's debt remains vulnerable to slower growth, rise in primary deficit, and exchange rate depreciation. The government's medium-term fiscal framework envisages reducing the debt–GDP ratio to 75% by 2025 by reducing the fiscal deficit from 8.8% of GDP in 2021 to 4.0% in 2025. However, the prolonged impacts of COVID-19 and slow economic recovery (1.3% in the fourth quarter of 2020) are affecting its initial implementation, while the government is seeking support of the International Monetary Fund (IMF) and other external financing agencies to bridge the gap.[39] ADB is closely monitoring the macroeconomic and fiscal conditions and consulting with the government, along with the IMF and other development partners, on appropriate means to help achieve the medium-term fiscal framework targets. Vaccination efforts are critical to better managing the fiscal and debt situation. Debt analysis shows that debt is likely to be higher without the vaccination as economic recovery will be slower and the fiscal situation will be weaker.[40]

B. Governance and Anticorruption

41. The government has been strengthening anticorruption measures, including the enforcement of existing anticorruption laws, further empowering institutions to deal specifically with corruption, and implementing the 5-year Anti-Corruption Action Plan with the target of making Sri Lanka a corruption-free nation by 2023. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the MOH. The specific policy requirements and supplementary measures are described in the PAM (footnote 36).

42. The NMRA approves and registers new medicines and medical products including vaccines through the NMRA Act No 5 of 2015. Emergency use authorization for new vaccines is done through the legal provision under section 109 of the NMRA Act No 5 of 2015. WHO also provides a listing of approved vaccines and these recommendations are also considered when the NMRA provides clearance at the country level.

C. Environment and Social Safeguards

43. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.[41]

44. **Environment (category B).** Project outputs 1–3 will not result in any significant adverse environmental impact or significant health and safety risks. The MOH has drafted and implemented a comprehensive national policy on health care waste management. The MOH on 20 March 2020 issued a guide on management of COVID-19 infectious waste including immunization waste. Further, the main regulatory tools implemented under the National Environmental Act No. 47 of 1980 and its amendments (No. 56 of 1988 and No. 53 of 2000)—such as (i) the environmental impact assessment process, (ii) environment protection license and scheduled waste management license procedures, (iii) standards for discharge and waste disposal, and (iv) international good practices as recommended by WHO—are being implemented by the MOH.[42] Therefore, project outputs 1–3 are classified category C for environment. Civil

[39] The specific measures include (i) a $1.5 billion equivalent swap facility by the People's Bank of China in March 2021, (ii) a $500 million loan facility by the China Development Bank in April 2021, and (iii) a proposed new special drawing right allocation by the IMF of $780 million (equal to 0.12% of $650 billion).

[40] ADB has maintained a regular dialogue with the IMF on Sri Lanka's macroeconomic and debt situation. The IMF acknowledges ADB's assistance for vaccination as critical to recovery.

[41] ADB. Safeguard Categories.

[42] WHO. 2014. *Safe Management of Wastes from Health-care Activities*. Geneva; WHO. 2019. *Overview of Technologies for the Treatment of Infectious and Sharp Waste from Health Care Facilities*. Geneva.

works under output 4 are limited to renovating COVID-19 designated hospitals and strengthening medical waste management via the provision of incinerators to satellite hospitals in six provinces.[43] Although civil works will be carried out within existing government hospital facilities, such works have potential for temporary and site-specific adverse environmental impacts, which may qualify as category B as per the ADB Safeguard Policy Statement. Thus, the overall project is classified category B for environment based on output 4.

45. **Involuntary resettlement (category C).** The civil works to improve and strengthen medical waste management will be carried out within existing government hospital facilities. No involuntary land acquisition or land use restriction resulting in any physical or economic displacement is anticipated.

46. **Indigenous peoples (category C).** The project does not affect the dignity, human rights, livelihood systems, or culture of indigenous peoples or affect the territories or natural or cultural resources that indigenous peoples own, use, occupy, or claim as their ancestral domain.

D. Poverty, Social, and Gender

47. Poverty in Sri Lanka is more relative than absolute; 4.1% of the population lived below the poverty line in 2016.[44] Multidimensional poverty levels (based on 10 indicators across the three dimensions of health, education, and living standards) across sectors indicates that 12.4% of estate sector households are multidimensional poor. Further, the vulnerability to multidimensional poverty is observed in 11.9% of households in Sri Lanka, with the estate sector reporting 22.4% of households being vulnerable to poverty and the rural sector reporting 12.7%.[45] Weak market links—evident in limited access to comprehensive, high-quality public services and employment in the formal sector—have placed this poorer group of the population at a disadvantage. Poverty persists in many districts because of multiple variables such as low and/or irregular income, rapid urbanization, high population density (Central province), low education levels, poor health status, rising indebtedness and weak social capital, food insecurity, susceptibility to disasters and resultant low levels of resilience, and weak connectivity.

48. The project is categorized as effective gender mainstreaming. The project will facilitate (i) training civil society organizations to effectively mobilize community support to the national vaccination program targeting women and excluded and vulnerable groups; (ii) improving access of women and excluded and vulnerable groups facing mobility constraints through dedicated transportation facilities; (iii) conducting a survey in six provinces to identify and monitor vaccine hesitancy among vulnerable groups, with 60% of surveyed participants being women; (iv) developing and disseminating public information communication materials addressing identified gender gaps and, through the use of all national languages, ensure effective outreach to women and excluded and vulnerable groups; (v) monitoring and reporting on gender equity and social-inclusion-related information in the COVID-19 vaccination beneficiary database system; (vi) increasing HPB staff capacity to reach out to women and excluded and vulnerable groups with effective communication strategies; and (vii) recruiting a full-time gender equity and social inclusion consultant to support the PMU in implementing and monitoring above activities.

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[43] An environmental assessment and review framework has been prepared to guide the screening, categorization, and assessment of subprojects under output 4. Specific locations of subprojects will be identified following the subproject selection criteria in the framework. Additional capacity building programs will be provided to the MOH, including those on safeguards requirements and medical waste management.

[44] ADB. 2020. *Basic Statistics 2020*. Manila.

[45] Department of Census and Statistics. 2019. Global Multi-Dimensional Poverty for Sri Lanka. Colombo.

E. Financial Due Diligence

49. A financial management assessment of the MOH has been conducted in accordance with ADB's guidelines.[46] An assessment was also conducted on the NDVP in the areas of inventory management, data management, accounting, oversight, and audit. The MOH has an established track record in conducting vaccination programs, and adequate procedures and practices are in place. Moreover, the ongoing HSEP PMU that will implement the APVAX project, has satisfactory financial management performance. However, the premitigation financial management risk is assessed *substantial,* mainly because of (i) the scale and complexity of the project; (ii) potential delays in the release of government counterpart funds; and (iii) the lack of fully integrated systems for tracking the vaccine distribution, including the use of manual systems at the district level to record the vaccine stock. The risk will be mitigated by (i) engaging additional financial staff to support the PMU; (ii) ensuring sound fixed asset, inventory, and vaccine stock management processes and systems are maintained and routine internal audits are conducted at all levels; (iii) including comprehensive financial management information in the quarterly progress reports to be submitted to ADB; and (iv) National Audit Office conducting periodic performance audits on NDVP implementation in addition to annual project financial statements audits.

F. Procurement

50. The MOH and SPC are well-versed with the national procurement guidelines and PMU has experience with ADB procurement practices under HSEP. Despite this, the risks in the procurement of vaccines are inherently high risk. This is because of high global demand, scarcity, and asymmetrical buyer-seller relationships. The project will also improve procurement transparency by publishing procurement information on the HSEP website.

G. Summary of Risk Assessment and Risk Management Plan

51. Significant risks and mitigating measures are summarized in Table 5 and described in detail in the risk assessment and risk management plan.

Table 5: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Project specific. Lack of availability of counterpart funds and adequate budget allocation for implementation of the project.	The government considers the national COVID-19 vaccination program as the utmost priority and has provided timely allocation of funds since the pandemic started. Due to limited fiscal resources, the project reduced the counterpart financing up to all applicable direct local taxes and duties.
Fiscal. Insufficient fiscal resources to ensure the sustainability of the project investments because of high public debt.	The government has committed to allocate adequate fiscal resources and continue policy dialogue with development partners to ensure adequacy of fiscal resources for implementation of the NDVP.
Financial management. The asset management, vaccine stock, and inventory systems of the various entities receiving and storing vaccines are not fully computerized. Moreover, regular project financial audit may not be sufficient to provide the required assurances.	The project will ensure sound asset management practices and systems are in place in the MOH, including (i) use of computerized asset management systems, (ii) periodic inventories and daily vaccine stock take, (iii) reconciliations of the asset and vaccine registers and physical inventories, and (iv) effective and timely reporting. The NAO will conduct periodic performance audits on the implementation of the NDVP.
Procurement. Limited availability of ADB eligible vaccines from manufacturers, which leads to long vaccine lead time.	MOH is engaging with key stakeholders (e.g., COVAX, UNICEF, vaccine manufacturers), identifying required ADB-eligible vaccines, and entering into contracts with manufacturers as early as possible.

[46] ADB. 2015. *Technical Guidance Note on Financial Management Assessment*. Manila*;* and ADB. 2020. ***ADB's Support to Enhance COVID-19 Vaccine Access.*** Manila*.*

Risks	Mitigation Measures
Substantially imbalanced terms of contracts that place large risks on the client.	The government will enter negotiations with multiple firms and prioritize deals with more balanced terms of contracts. Risks of imbalanced contracts have been explained to the government.

ADB = Asian Development Bank, COVAX = COVID-19 Vaccines Global Access, COVID-19 = coronavirus disease, MOH = Ministry of Health, NAO = National Audit Office, NDVP = National Deployment and Vaccination Plan for COVID-19 Vaccines, UNICEF = United Nations Children's Fund.
Source: Asian Development Bank.

IV. ASSURANCES AND CONDITIONS

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

53. 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 Sri Lankan NMRA and any other relevant regulatory authorities for distribution and administration within the territory of the country; and (ii) based on the 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

54. 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

(i) the loan of $84 million to the Democratic Socialist Republic of Sri Lanka for the Responsive COVID-19 Vaccines for Recovery Project, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a term of 10 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board of Directors; and

(ii) the loan of $66 million to the Democratic Socialist Republic of Sri Lanka for the Responsive COVID-19 Vaccines for Recovery Project, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a term of 29 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 agreement presented to the Board.

Masatsugu Asakawa
President

16 June 2021

DESIGN AND MONITORING FRAMEWORK

Impact of the project:
Resilience and responsiveness of the health system enhanced to curtail the COVID-19 virus spread; reduce morbidity and mortality; and reduce the negative health, social, and economic effects of the COVID-19 pandemic in Sri Lanka[a]

Results chain	Performance Indicators with Targets and Baselines	Data and Reporting	Risks and Critical Assumptions
Outcome Priority populations of Sri Lanka vaccinated against COVID-19 as per the NDVP without compromising routine vaccine service and other health services	**By 2024 for all indicators:** a. At least 18.2% of population fully vaccinated against COVID-19 (disaggregated by sex, age, province, and district) (2021 baseline: 0% as of May 2021)[b] (OP 1.1; OP 2.1.4) b. At least 93% coverage of age-appropriate routine vaccination program maintained (2021 baseline: 93% for HPV [for girls]; 98% for MMR [for boys and girls])[c]	a. Routine data from the Epidemiology Unit of the Ministry of Health and the newly introduced VIMS for COVID-19 (COVID-19 immunization tracker) (disaggregated data) b. Annual Health Bulletin of the MOH, immunization coverage by regional directors of health areas, Sri Lanka, and Epidemiology Unit	R: Changes in health-seeking behavior, including COVID-19 vaccine acceptance behavior, may take longer than the project period.
Outputs 1. COVID-19 vaccines delivered	1. By 2024, the number of required COVID-19 vaccine doses for vaccinating at least 4 million people delivered to the central epidemiology unit and the Regional Medical Supplies Divisions (2021 baseline: 0)[d] (OP 1.1.2)	1. Epidemiology Unit	R: Limited supply of vaccine because of high global demand leads to delay in vaccine delivery to Sri Lanka
2. Vaccination information dissemination and monitoring systems strengthened	2a. By 2024, an electronic immunization data management system established and integrated in the national health information system with sex- and age-disaggregated data (2021 baseline: Not available) (OP 6.2; OP 6.2.1) 2b. By 2024, sex-disaggregated age-appropriate immunization data included in annual national health reports (2021 baseline: Not available)[e] 2c. By 2023, at least 90% of the 5,000 participants (60% women) of information campaigns assisted in COVID-19 vaccination in the respective medical officer of health areas (2021 baseline: 0)[f]	2a. Health Information Unit and the Epidemiology Unit with technical guidance from WHO Sri Lanka 2b. Epidemiology Unit, VIMS records 2c. Health Promotion Bureau and quarterly progress reports	

Results chain	Performance Indicators with Targets and Baselines	Data and Reporting	Risks and Critical Assumptions
3. Capacity of vaccine transport systems expanded	3a. By 2022, 36 refrigerated trucks delivered (10 for MOH and one to each of the 26 regional medical supplies divisions) to transport vaccines (2021 baseline: 0) (OP 6.2) 3b. By 2023, mobile communication teams (50% women) in at least 50% of medical officers of health areas reporting increased knowledge of gender and socially sensitive ways of communicating COVID-19 vaccine benefits and risks to women and excluded and vulnerable groups (2021 baseline: 0%) 3c. By 2023, at least 25 district-specific vehicle hire contracts signed for dedicated transport to enable vulnerable women and people with disabilities to access vaccination centers in all nine provinces (2021 baseline: 0)	3a. Epidemiology Unit, medical supplies division data 3b.–3c. Health Promotion Bureau and quarterly progress reports	
4. Vaccine-related medical waste management strengthened	4a. By 2024, 12 satellite hospitals provide clustered HCWM practices (2021 baseline: 0)[g] (OP 3.3.2) 4b. By 2024, sewerage waste disposal improved in 26 COVID-19 managed hospitals (2021 baseline: 0) (OP 3.3.2)	4a.–4b. Quarterly progress reports	

Key activities with milestones

1. Output 1: COVID-19 vaccines delivered

1.1 Consumables required for vaccination rollout procured (Q2 2021)
1.2 Procurement of vaccines to cover 2 million population (9.1%) completed (Q4 2021)
1.3 Procurement of vaccines to cover 2 million population (9.1%) completed (Q2 2022)
1.4 Medical supplies management information system upgraded and replaced (Q2 2023)

2. Output 2: Vaccination information dissemination and monitoring systems strengthened

2.1 Laptop computers and tablets (3,640) to all MOH offices procured (Q4 2021)
2.2 Training of civil society organizations to ensure gender equality and social inclusion on vaccination completed (Q4 2021)
2.3 Project officers and other agreed additional staff (as defined in the project costing sheet) for each technical unit of the MOH (Epidemiology Unit, Medical Supplies Division, Health Promotion Bureau, and Health Information Unit) recruited (Q2 2021)

3. Output 3: Capacity of vaccine transport systems expanded

3.1 Vehicle hiring facilities via 25 district-specific contracts available for all nine provinces (Q3 2021)
3.2 36 refrigerated trucks for MOH and RMSDs (10 to MOH [two to Epidemiology Unit, one to FHB, and seven to MSD] and one to each of the 26 regional medical supplies divisions) procured (Q4 2021)
3.3 Gender consultant and HPB conduct training program on gender and socially inclusive communication for mobile communication teams in medical officers of health areas (Q3 2021)

3.4 Training manuals developed addressing the needs of pregnant and lactating women and women with disabilities, identifying GBV cases, and providing referral support to survivors (Q3 2021) 4. **Output 4: Vaccine-related medical waste management strengthened** 4.1 12 incinerators procured and installed in identified hospitals in six provinces (Uva, Sabaragamuwa, North Western, North Central, North, and East) (Q1 2022) 4.2 Clustered HCWM activities introduced at each of the 12 hospitals (Q3 2022) 4.3 26 sewerage systems in the 26 identified COVID-19 managed hospitals will be reviewed, cost estimated, repaired, and renovated (Q3 2023) **Project Management Activities** Conduct procurement value-for-money analysis and post-review sampling Prepare and submit quarterly and annual progress reports Submit annual audited project financial statements Submit periodic performance audits on NDVP implementation Prepare project completion report
Inputs ADB: $150.00 million (ordinary capital resources loan) Government of Sri Lanka: $11.85 million

ADB = Asian Development Bank, COVID-19 = coronavirus disease, FHB = Family Health Bureau, GBV = gender-based violence, HCWM = health care waste management, HPB = Health Promotion Bureau, HPV = herpes papillomavirus, MMR = measles, mumps, and rubella, MOH = Ministry of Health, MSD = medical supplies division, NDVP = National Deployment and Vaccination Plan for COVID-19 Vaccines, OP = Operational Priority of ADB Strategy 2030, PMU = project management unit, Q = quarter, RMSD = regional medical supplies division, VIMS = Vaccine Information Management System, WHO = World Health Organization.

[a] Government of Sri Lanka. 2020. *Sri Lanka Preparedness & Response Plan COVID-19*. Colombo; Government of Sri Lanka. 2021. *National Deployment and Vaccination Plan for COVID-19 Vaccines.* Colombo; ADB. 2020*. ADB's Support to Enhance COVID-19 Vaccine Access*. Manila.

[b] Aligned with the WHO SAGE Roadmap for Prioritizing Uses of COVID-19 Vaccine in the Context of Limited Supply. November 2020, and Background Paper on Covid-19 Disease and Vaccines (Draft Document - Prepared by the Strategic Advisory Group of Experts [SAGE] On Immunization, Working Group on COVID-19 Vaccines). Technical Document, 22 December 2020.

[c] Sri Lanka's Routine Vaccination Program covers 12 vaccine-preventable diseases: tuberculosis (Bacillus Calmette–Guérin (BCG) vaccine); pentavalent vaccine for hepatitis B; diphtheria; whooping cough; tetanus; Haemophilus influenzae B; poliomyelitis (both the oral polio vaccine and inactivated polio vaccine); measles, mumps, and rubella (MMR vaccine); Japanese encephalitis; human papillomavirus for girls. Average age-appropriate immunization coverage for all vaccines was more than 99% in 2018.

[d] Of 22 million population, ADB will provide vaccine procurement support for 18.2% of the total population, the World Bank 13.6% of the total population, COVAX 20.0% of the total population, Government of India in-kind contribution for 1.1% of the total population, Government of the People's Republic of China in-kind contribution for 1.3% of the total population, and the balance by the Government of Sri Lanka.

[e] Currently, total age-appropriate vaccination numbers are being reported.

[f] Civil society organizations to be engaged will identify these 5,000 people and make them aware of the benefits of vaccination. These people will be provided with transport facilities to and from vaccination centers, and assistance in the vaccination process at the vaccination centers.

[g] Based on the WHO definition and Sri Lanka context, the medical waste management plan envisages to establish a cluster-based waste management system. Currently, three provinces' medical waste is transported and managed at a privately managed off-site location. The Government of Sri Lanka allocates payments for this service. In the other six provinces, the MOH and provincial governments are expected to establish clustered waste management plans with incineration facilities at the apex (higher level) secondary care hospital location. The liquid waste sewerage is expected to be managed at the facility level.

Contribution to 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 project will contribute results for:

OP 2.1.4 Women and girls benefiting from new or improved infrastructure (Expected value: 2,080,000),

OP 2.2.2 Health services for women and girls established or improved (Expected value: 1),

OP 6.1.4 Transparency and accountability measures in procurement and financial management supported in implementation (Expected value: 1), and

OP 7.3.3 Measures to improve regional public health and education services supported in implementation (Expected value: 1).

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/RRPs/?id=55085-001-3

1. Loan Agreement: Responsive COVID-19 Vaccines for Recovery Project - Rapid Response Component
2. Loan Agreement: Responsive COVID-19 Vaccines for Recovery Project - Project Investment Component
3. Vaccine Needs and Health Sector Assessment
4. Project Administration Manual
5. Contribution to Strategy 2030 Operational Priorities
6. Development Coordination
7. Country Economic Indicators
8. Macroeconomic and Debt Analysis
9. Summary of the National Deployment and Vaccination Plan
10. Summary Poverty Reduction and Social Strategy
11. Gender Equality and Social Inclusion Action Plan
12. Risk Assessment and Risk Management Plan
13. 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

14. Eligibility Criteria for Use of Funds under the Rapid Response Component
15. Due Diligence Report on Medical Waste Management in Sri Lanka
16. Environmental Assessment and Review Framework
17. Strategic Procurement Planning
18. Financial Management Assessment
19. Financial Analysis
20. Climate Change Assessment