



# Report and Recommendation of the President to the Board of Directors

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Project Number: 54171-003  
February 2021

## Proposed Loan Republic of the Philippines: Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 14 February 2021)

Currency unit	–	peso (₱)
₱1.00	=	\$0.02081
\$1.00	=	₱48.0500

## ABBREVIATIONS

ADB	–	Asian Development Bank
AIIB	–	Asian Infrastructure Investment Bank
APVAX	–	Asia Pacific Vaccine Access Facility
COVAX	–	COVID-19 Vaccines Global Access
COVID-19	–	coronavirus disease
DENR	–	Department of Environment and Natural Resources
DOH	–	Department of Health
EUA	–	emergency use authorization
FDA	–	Food and Drug Administration of the Philippines
GDP	–	gross domestic product
HEAL	–	Health System Enhancement to Address and Limit COVID-19
LGU	–	local government unit
NDVP	–	National Deployment and Vaccination Plan for COVID-19 Vaccines
NPI	–	nonpharmaceutical intervention
RRC	–	rapid response component
SAGE	–	Strategic Advisory Group of Experts on Immunization
SRA	–	stringent regulatory authority
UNICEF	–	United Nations Children's Fund
VIMS	–	vaccine information management system
WEDC	–	women in especially difficult circumstances
WHO	–	World Health Organization

## GLOSSARY

ECQ	–	refers to the implementation of temporary measures imposing stringent limitations on movement and transportation of people, strict regulation of operating industries, provision of food and essential services, and heightened presence of uniformed personnel.
GCQ	–	refers to the implementation of temporary measures limiting movement and transportation, regulation of operating industries, and presence of uniformed personnel to enforce community quarantine protocols.
MECQ	–	refers to the transition phase between ECQ and GCQ, where restricted mobility is imposed in select areas and locations determined to be at a high risk for surge of COVID-19 cases.

## NOTES

- (i) The fiscal year of the Government of the Philippines ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 54171-003	
<b>Project Name</b>	Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility	<b>Department/Division</b>	SERD/SEHS
<b>Country Borrower</b>	Philippines Republic of the Philippines	<b>Executing Agency</b>	Department of Health
<b>Country Economic Indicators</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54171-003-CEI">https://www.adb.org/Documents/LinkedDocs/?id=54171-003-CEI</a>		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54171-003-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=54171-003-PortAtaGlance</a>		
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ <b>Health</b>	Disease control of communicable disease		400.00
		<b>Total</b>	<b>400.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Fostering regional cooperation and integration			
		<b>ADB Financing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 1.4		Effective gender mainstreaming (EGM)	✓
SDG 3.3, 3.8			
SDG 5.4, 5.c		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>4. Risk Categorization:</b>	Complex		
<b>5. Safeguard Categorization</b>	<b>Environment:</b> C	<b>Involuntary Resettlement:</b> C	<b>Indigenous Peoples:</b> C
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>400.00</b>	
Sovereign Asia Pacific Vaccine Access Facility (Regular Loan): Ordinary capital resources		400.00	
<b>Cofinancing</b>		<b>300.00</b>	
Asian Infrastructure Investment Bank - Asia Pacific Vaccine Access Facility (Partial ADB Administration)		300.00	
<b>Counterpart</b>		<b>64.17</b>	
Government		64.17	
<b>Total</b>		<b>764.17</b>	
<b>Currency of ADB Financing:</b> US Dollar			

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Republic of the Philippines for the Second Health System Enhancement to Address and Limit COVID-19 under the Asia Pacific Vaccine Access Facility (HEAL 2).

2. Under the rapid response component (RRC) of the Asia Pacific Vaccine Access Facility (APVAX), HEAL 2 will provide the Government of the Philippines with timely financing for safe and effective vaccine procurement and logistics, based on an agreed list of eligible expenditures. It will supplement the initial support of the Asian Development Bank (ADB) to the government's coronavirus disease (COVID-19) response under the Health System Enhancement to Address and Limit COVID-19 (HEAL) project.<sup>1</sup> It will be jointly supported by the Asian Infrastructure Investment Bank (AIIB). HEAL 2 is aligned with three operational priorities of ADB's Strategy 2030: (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; and (iii) fostering regional cooperation and integration.<sup>2</sup>

3. The Philippines has met all APVAX access criteria by (i) demonstrating the adverse impact of the COVID-19 pandemic; (ii) completing a needs assessment and a vaccination allocation and prioritization plan, including an incremental medical waste management plan and procurement arrangements acceptable to ADB, with ADB's receipt of a Governor's letter confirming its commitment to implement the plan and ensure compliance with the APVAX vaccine eligibility criteria;<sup>3</sup> and (iii) establishing an effective development partner coordination mechanism with a clear role for ADB (Table 1).

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

Access Criteria	ADB Staff Assessment
1. Demonstrated adverse impact of COVID-19	In 2020, gross domestic product contracted by 9.5% because of COVID-19, and the proportion of families experiencing moderate to severe hunger at least once in the prior 3 months reached a record high of 30.7%. Unemployment also soared to a record 17.7% by April 2020 and remained high at 8.7% by October 2020. Several sectors of the economy may face serious challenges to recover back to the pre-pandemic levels.
2. Completed needs assessment	The government has used WHO's Vaccine Introduction Readiness Assessment Tool and other tools to complete a needs assessment that identified gaps in cold chain and distribution systems, the VIMS, communications, and safety surveillance. The government has addressed deficiencies in the areas of communications and surveillance, and is completing the procurement of the VIMS and third-party logistics firms to fill the gaps in cold chain and distribution, and tracking of vaccines and vaccinated people.
National vaccination allocation plan	Based on the National COVID-19 Vaccine Roadmap, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases approved the National Deployment and Vaccination Plan for COVID-19 Vaccines on 21 January 2021. The plan details financing and implementation steps for vaccinating up to 70 million Filipinos in 2021. It includes a prioritization plan, which lists health workers and the elderly first and is aligned with the values framework for COVID-19 vaccine allocation of WHO's SAGE.
Incremental medical waste management plan	DOH, with support from the Department of Environment and Natural Resources, will contract a third-party reverse logistics firm for the transport, storage, and disposal of used vaccine vials, syringes, and related waste. A Health Care Waste Management Framework and health care waste management manual, which were updated in 2020, will guide the on-site management of vaccination waste.

<sup>1</sup> ADB. 2021. [Major Change in Loan: Health System Enhancement to Address and Limit COVID-19](#). Manila.

<sup>2</sup> Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

<sup>3</sup> Country National Vaccination Prioritization and Allocation Plan (accessible from the list of linked documents in Appendix 2).



Access Criteria	ADB Staff Assessment
Governor's letter	ADB has received the Governor's letter confirming the government's commitment to implement its National COVID-19 Vaccine Roadmap, including its prioritization plan, and compliance with the APVAX vaccine eligibility criteria.
3. Established effective development partner coordination mechanism with clear ADB role	DOH has established a development partners' coordination mechanism for COVID-19 vaccination. DOH's Bureau of International Health Cooperation coordinates the development partners and integrates partner contributions into a common results framework and operational plan. Among development partners, ADB's role is to help finance the procurement of vaccines and provide technical assistance to support, among other aspects, the implementation of the VIMS.

ADB = Asian Development Bank, APVAX = Asia Pacific Vaccine Access Facility, COVID-19 = coronavirus disease, DOH = Department of Health, SAGE = Strategic Advisory Group of Experts on Immunization, VIMS = vaccine information management system, WHO = World Health Organization.

Source: Asian Development Bank.

## II. THE PROJECT

### A. Rationale

4. **Status of the pandemic in the Philippines.** The Philippines recorded its first case of COVID-19 on 30 January 2020, and the first case of local transmission on 7 March 2020.<sup>4</sup> Given the threat of COVID-19 to national security, a State of Public Health Emergency was declared on 8 March 2020 through Proclamation No. 922, and the National Capital Region was placed under general community quarantine on 15 March 2020.<sup>5</sup> This was escalated to an enhanced community quarantine for the whole of Luzon on 16 March 2020 to mitigate the spread of the virus. On 16 May 2020, the government started to relax the quarantines and the associated nonpharmaceutical interventions (NPIs)<sup>6</sup> because of the observed stabilization of the number of new cases.<sup>7</sup> However, new cases started to rapidly emerge again by July 2020.

5. The rapid surge prompted a re-imposition of stricter quarantine measures and NPIs by August 2020. As a result, the weekly increases in new COVID-19 cases were reduced from a peak of 23,019 during 6–12 August 2020 to 9,203 during 17–23 December 2020. The daily positivity rate—the share of individuals tested and confirmed positive in the total number of individuals tested—dropped from 12.7% on 1 August 2020 to 6.5% on 29 December 2020.<sup>8</sup> Although the NPIs are driving down the number of cases, the risk of rapid spikes in new cases, similar to those in July 2020, remains. The new coronavirus variants, which have been observed to be more contagious, add to this risk. The introduction of COVID-19 vaccination is highly critical to lowering the number of new cases and bringing an end to the pandemic.

6. **Cost to the economy.** The COVID-19 pandemic drove the Philippine economy into recession for the first time since the 1998 Asian financial crisis—its gross domestic product (GDP) for the full year of 2020 contracted by 9.5%.<sup>9</sup> Because of the quarantines, unemployment soared to a record high of 17.7% by April 2020, but came down to 8.7% by October 2020.<sup>10</sup> The adverse impact on employment has been the greatest in services, particularly in contact-intensive

<sup>4</sup> World Health Organization (WHO). [COVID-19 in the Philippines](#) (accessed on 15 December 2020).

<sup>5</sup> Official Gazette. [Proclamation No. 922 s 2020](#) (accessed on 21 January 2021).

<sup>6</sup> NPIs include social distancing measures; face mask and face shield policies; bans on public gatherings; school and workplace closures; transport and travel restrictions; enforcement of large-scale quarantines, including stay-at-home and work-at-home orders; and national lockdowns.

<sup>7</sup> D. Bautista and M. Lopez. 2020. [Timeline: How the Philippines is handling COVID-19](#). *CNN Philippines*. 21 April.

<sup>8</sup> Department of Health (DOH). [COVID-19 Tracker](#) (accessed on 31 December 2020).

<sup>9</sup> Philippine Statistics Authority. <https://psa.gov.ph/national-accounts> (accessed on 2 February 2021).

<sup>10</sup> Philippine Statistics Authority. [Employment situation in October 2020](#) (accessed on 2 February 2021).

industries such as wholesale and retail, accommodation, food services, tourism, and transport, which are not amenable to remote, work-from-home arrangements.

7. **Impact on poor and vulnerable groups.** The proportion of families experiencing moderate to severe hunger at least once in the prior 3 months had risen from 9.3% in 2019 to a record 30.7% in September 2020, affecting an estimated 7.7 million households.<sup>11</sup> Income losses for millions of poor families,<sup>12</sup> particularly those who are unemployed or in vulnerable employment (about 34% among the employed people), became prevalent in industry (particularly construction) and services (especially transportation, accommodation, and food service activities) as a result of the increase in unemployment rates.<sup>13</sup>

8. **Impact on gender.** COVID-19 has exacerbated inequalities between women and men in terms of livelihoods and economic empowerment, personal safety and security, and responsibility for household care roles. More women (77%) are employed in crisis-affected service sectors (tourism, accommodation, food services, and other service-based livelihoods) than men (47%).<sup>14</sup> Under COVID-19 situation, intimate partner violence rates are very likely to have increased, in line with global trends reported—the United Nations Economic and Social Commission for Asia and the Pacific reported 30–50% increase in women calling dedicated gender-based violence hotlines during 2020.<sup>15</sup> COVID-19 also affects mental health: reported cases of anxiety and depression have increased,<sup>16</sup> and women suffer particularly because of their heightened burden of care and risk management.

9. **Impact on the health system.** The pandemic has impacted the health care system by exposing health workers to COVID-19 and overwhelming the bed occupancy levels of health facilities, especially critical care beds. As the identification and treatment of COVID-19 cases became a priority, the public's access to health services for non-COVID-19 conditions decreased: the fear of infection led people (including women, pregnant women, new mothers, and people with chronic diseases) to avoid going to health care providers. Routine immunizations, tuberculosis and HIV services, and sexual and reproductive health services, for instance, were disrupted, which intensified morbidity and mortality<sup>17</sup>—maternal deaths are estimated to have increased by 26% in 2020.<sup>18</sup> COVID-19 has severely affected the elderly, especially those 60 years and older accounting for 62% of all deaths (footnote 8).

10. All these impacts starkly highlight the need for urgent COVID-19 vaccination. However, the limited global supply of and access to safe and effective COVID-19 vaccines are exacerbated by the increasing number of supply agreements reached by high-income countries with vaccine suppliers. Decisions on which vaccines to procure need to consider evaluate the various vaccine

<sup>11</sup> Social Weather Stations. 2020. [Hunger at new record-high 30.7% of families](#). Social Weather Stations, 27 September.

<sup>12</sup> ADB. 2020. [Asian Development Outlook \(ADO\) 2020 Update: Wellness in Worrying Times](#). Manila.

<sup>13</sup> Philippine Statistics Authority. 2020. [Quarterly National Accounts Linked Series \(Q1 2000 to Q3 2020\) – at Current and Constant 2018 Prices, as of November 10, 2020](#). Manila.

<sup>14</sup> Philippine Statistics Authority. 2020. [Labor Force 2019 Annual Estimates](#). 10 August 2020.

<sup>15</sup> UNESCAP. 2020. [The Covid-19 Pandemic and Violence Against Women in Asia and the Pacific](#). Policy paper.

<sup>16</sup> M. Tee et al. 2020. [Psychological impact of COVID-19 pandemic in the Philippines](#). *Journal of Affective Disorders*. 277. pp. 379–391.

<sup>17</sup> WHO and United Nations Children's Fund (UNICEF). 2020. *WHO and UNICEF estimates of national immunization coverage* (2019 revision). Geneva; DOH. 2020. [Decline in reported TB cases an effect of the pandemic](#). News release. 21 July; United Nations Programme on HIV/AIDS. [Ensuring that people living with HIV in the Philippines have access to treatment during COVID-19](#). Geneva.

<sup>18</sup> UNFPA Philippines. 2020. [Significant rise in maternal deaths and unintended pregnancies feared because of COVID-19, UNFPA and UPPI study shows](#). News release. 14 August.

candidates using different platforms<sup>19</sup> and in different phases of development and authorizations. Deployment of vaccines needs to ensure maximum outreach and dissemination to economically, socially, and culturally marginalized groups. Gaps identified in vaccine delivery also need to be addressed. To meet these challenges, the Philippines adopted a whole-of-government approach to securing and delivering safe and effective COVID-19 vaccines. The government organized a COVID-19 Vaccine Cluster under the Inter-agency Task Force for the Management of Emerging Infectious Diseases (IATF) and developed the National COVID-19 Vaccine Roadmap, followed by the preparation of the National Deployment and Vaccination Plan for COVID-19 Vaccines (NDVP).

11. **Needs assessment.** A needs assessment<sup>20</sup> has been completed. The needs assessment was informed by the monthly application of the Vaccine Introduction Readiness Assessment Tool from October 2020 to January 2021, which identified gaps in cold chain and distribution capacity, vaccine management information, communications, and safety surveillance. Gaps in communications and safety surveillance were addressed; others including procurement of a vaccine information management system (VIMS) are being dealt with at present, with a view to achieving completion by March 2021.<sup>21</sup>

12. **National COVID-19 Vaccine Roadmap.** The roadmap defines the key considerations for the selection of vaccines (e.g., safety, efficacy, sensitivity, supply, and cold chain requirement), the process and stages of vaccination from scientific evaluation to monitoring and safety surveillance, and the desired end-state of COVID-19 vaccination. It sets out a prioritization plan in line with the guidance from the Strategic Advisory Group of Experts on Immunization (SAGE) of the World Health Organization (WHO).

13. **Prioritization and allocation plan.** The national government has increased its vaccination targets and plans to vaccinate up to 70 million Filipinos in 2021, and all Filipinos by 2023, with most of the population covered by the end of 2022 (Table 2). It plans to secure up to 148 million doses of COVID-19 vaccines, including free doses from the COVID-19 Vaccines Global Access (COVAX) facility for up to 20% of the eligible population and doses from bilateral arrangements with vaccine suppliers. The government's prioritization and allocation plan (footnote 3) defines target groups, priorities, and eligibility for the vaccination program in line with SAGE and the country context. Group A, the first target group (estimated at 24.7 million or 23% of the total population), prioritizes frontline health workers, senior citizens, people with medical conditions, indigent populations, and uniformed personnel. Group B (up to 44% of the total population) covers teachers and social workers; other government workers (national and local); other essential workers outside health, education, and social sectors; socio-demographic groups at significant risk other than senior citizens and indigent populations (people with disability, persons deprived of liberty, people living in high-density areas); overseas Filipino workers; and the remaining Filipino workforce. Group C covers all people not included in Group A or Group B.

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<sup>19</sup> At least six different technology platforms are used in the development of COVID-19 vaccines, and all employ or produce coronavirus spike proteins to generate immunity to future infections. The most common platforms are nucleic acid technologies used in messenger RNA (mRNA) vaccines (e.g., Pfizer-BioNTech and Moderna vaccines), non-replicating viral vector vaccines (e.g., AstraZeneca, Gamaleya, and Johnson & Johnson vaccines), recombinant protein vaccines (e.g., Novavax vaccine), and inactivated virus vaccines (e.g., Bharat, Sinopharm, Sinovac vaccines).

<sup>20</sup> Vaccine Needs Assessment (accessible from the list of linked documents in Appendix 2).

<sup>21</sup> ADB's Assessment of the COVID-19 Vaccine Introduction Readiness (accessible from the list of linked documents in Appendix 2).

**Table 2: Vaccine Allocation Plan for the Philippines, 2021–2023**

Vaccine Access		2021		2022		2023	
		Eligible Population		Eligible Population		Eligible Population	
		Number (million)	% of total population	Number (million)	% of total population	Number (million)	% of total population
Target	Current year	70	63%	42	37%	2	2%
	Previous year's			70	63%	112	98%
Total population		70	63%	112	100%	114	100%

Source: Inter-Agency Task Force on Emerging Infectious Diseases. *Philippine National Deployment and Vaccination Plan for COVID-19 Vaccines*. 26 January 2021 (p.38). Manila.

14. **Regulatory framework.** To ensure that only safe and effective vaccines are selected for vaccination, only those recommended by the Technical Group on Scientific Evaluation and Selection will be considered for procurement by the government.<sup>22</sup> The Food and Drug Administration (FDA) of the Philippines has been empowered to issue emergency use authorizations (EUAs) for COVID-19 drugs and vaccines<sup>23</sup> with EUAs already issued to Pfizer-BioNTech vaccine on 14 January 2021 and to AstraZeneca vaccine on 28 January 2021.

15. **Financing need and expenditure program.** The government's participation in COVAX will allow it to access vaccines for at least 20% of its population.<sup>24</sup> Only about 5.6 million doses have an indicative delivery schedule.<sup>25</sup> Given its plan to provide vaccines to up to 70 million or about 63% of the country's population in 2021, the government estimates that it needs about ₱82.5 billion (about \$1.70 billion) for 2021. Of this amount, ₱12.5 billion (about \$260 million) has been allocated from its own resources and the remaining ₱70.0 billion (about \$1.45 billion) is expected to be secured through loans from multilateral lenders, bilateral partners, and/or other sources (Table 3).<sup>26</sup> The government estimates that 84.5% will be spent on the procurement of vaccines, and the remainder on related items (e.g., logistics, vaccine campaign, risk communications, and monitoring). The procurement of vaccines will be financed primarily by multilateral agencies and secondarily through bilateral arrangements and government financial institutions (i.e., Land Bank of the Philippines and Development Bank of the Philippines). The government will finance the procurement of logistics and other needs through the ₱2.5 billion (\$52.0 million) general appropriations to DOH and the ₱10 billion (\$208.1 million) continuing appropriation under the Bayanihan to Recover as One Act (Bayanihan 2).<sup>27</sup>

**Table 3: COVID-19 Vaccine Program Financing**

Financing Need	Amount (\$ million)	Source of Financing
Vaccines	1,456.51	Unprogrammed funds: multilateral / bilateral loans and domestic loans
Logistics and other supplies	260.09	20% or \$52.0 million from DOH GAA 2021 80% or \$208.1 million from Bayanihan 2 continuing appropriations

<sup>22</sup> The Technical Group on Scientific Evaluation and Selection, which evaluates COVID-19 vaccine candidates, includes the following members: DOH, Food and Drug Administration (FDA), Research Institute for Tropical Medicine, Department of Trade and Industry, Department of Foreign Affairs, National Development Company, and the Vaccine Expert Panel. CNN Philippines Staff. 2020. [DOST: COVID-19 vaccine could come by mid-2021](#). Manila.

<sup>23</sup> Republic of the Philippines. 2020. [Executive Order No. 121](#), s. 2020. Manila.

<sup>24</sup> The Government of the Philippines has decided to pay the cost-share that will guarantee COVAX vaccine doses for 20% of its population equivalent to 44 million doses. The indicative total amount for the cost-share is \$76,706,755. However, if COVAX is able to secure sufficient funds to provide the 44 million doses for free, the cost-share payment will be used to finance additional COVAX vaccine doses for the Philippines.

<sup>25</sup> Information received by the government from COVAX as of 17 February 2021 included details on when the first vaccine doses for frontline health workers will be delivered.

<sup>26</sup> The government requested loans in the amount of \$400 million from ADB, \$300 million from the Asian Infrastructure Investment Bank (AIIB), and \$500 million from the World Bank. The private sector will fill any gap.

<sup>27</sup> Official Gazette. [Republic Act 11494](#).

Financing Need	Amount (\$ million)	Source of Financing
<b>Total</b>	<b>1,716.60</b>	

DOH = Department of Health, GAA = General Appropriations Act.

Source: Asian Development Bank.

16. **Vaccine options.** The government will access vaccines through the COVAX facility and potential bilateral arrangements with vaccine suppliers such as Pfizer-BioNTech, AstraZeneca, Moderna, Gamaleya, Johnson & Johnson, the Serum Institute of India for the Novavax-developed vaccine, and Sinovac. Pfizer-BioNTech, AstraZeneca, and Moderna vaccines have already received EUAs from a stringent regulatory authority (SRA). As of 17 February 2021, Pfizer-BioNTech vaccines and AstraZeneca vaccines manufactured by the Serum Institute of India and SK Bioscience of the Republic of Korea were also included in the emergency use listing of the WHO.<sup>28</sup>

17. **Tripartite arrangements.** To expand the supply of vaccines, the government developed tripartite arrangements between the national government, the vaccine supplier, and the private sector or local government units (LGUs). Under this arrangement, the private sector or LGUs will purchase and then consign vaccines to the national government. Distribution will be based on the government's prioritization plan and in coordination with the private sector purchasers or LGUs. The implementation guidelines are still being finalized, with around half of the privately purchased vaccines expected to be provided to DOH, and all the LGU-purchased vaccines to those designated by the LGUs. In both cases, the vaccines will be administered in accordance with the government's prioritization plan.

18. **Deployment and vaccination plan.** The government's NDVP details actions to address gaps and to supplement the government's cold chain storage and logistics capacity. The DOH expects to complete engagement of a third-party private logistics firm by the end of February 2021. To strengthen the tracking of vaccines and those who have been vaccinated, the Department of Information Communications and Technology is urgently engaging a firm to design, develop, and manage an electronic VIMS that will interconnect DOH, LGUs, and private sector information systems. The VIMS is expected to be operational by March 2021. Acknowledging potential delays in the contracting of these two firms, the government's contingency plan is to use DOH's existing central and regional vaccine warehouses. It will contract a private forwarding firm to help distribute all types of DOH goods (such as medicines and family planning commodities) to LGUs, and the DOH-developed COVID-19 electronic immunization registry to support the rollout of COVID-19 vaccines until the privately provided solutions are operational. These contingencies are expected to be adequate to help manage the initial limited vaccine deliveries until June 2021. Vaccine communications are being scaled up with private sector support through near-daily townhalls with doctors, other health workers, and other sectors involved. Safety surveillance is being enhanced with the development of guidelines and training modules for reporting adverse events following immunization, and the setting up of VIMS for COVID-19 vaccines.

19. The NDVP also defines the institutional arrangements, roles, and responsibilities at DOH, other agencies of the central government, and LGUs. LGUs will continue to administer most of the vaccines, as they have usually done with all government-provided vaccines. They are now preparing master lists; profiling, screening, and registering their residents; and determining their priority populations. LGUs are scaling up their vaccine workforce, mapping vaccination sites, and preparing local plans. In parallel, hospitals are preparing plans to vaccinate their staff. DOH is

<sup>28</sup> WHO. [WHO issues its first emergency use validation for a COVID-19 vaccine and emphasizes need for equitable global access.](#)

also securing 1 million safety collector boxes, 30 million reconstitution syringes, 100 million 0.5-milliliter auto-disable syringes with needles, and 15 million 3-milliliters syringes for intramuscular injections and will deploy them based on the plans.<sup>29</sup>

20. **Waste management.** A Health Care Waste Management Framework and an updated manual are in place, and on-site management of immunization waste will be implemented. The DOH, with support from the Department of Environment and Natural Resources (DENR), is expected to contract a third-party reverse logistics firm for the transport, storage, and disposal of used vaccine vials, syringes, and related waste.

21. **Effective development coordination and ADB's role.**<sup>30</sup> Development partner coordination on COVID-19 vaccination is carried out at two levels. First, the Department of Finance chairs the development partners' COVID-19 working group on vaccine financing, which comprises DOH, WHO, the United Nations Children's Fund (UNICEF), ADB, AIIB, the World Bank, and Australian Government Department of Foreign Affairs and Trade. The working group meets regularly to discuss policy and technical issues related to vaccine financing and procurement. Second, DOH has set up a development partners' technical working group on COVID-19 vaccination. The DOH's Bureau of International Health Cooperation coordinates with several development partners, including Japan International Cooperation Agency and United States Agency for International Development, and integrates partner contributions into a common results framework and operational plan. This involves regular meetings among development partners to coordinate work on various aspects of accessing and delivering safe and effective COVID-19 vaccines.

22. **Government request.** The government, through the Department of Finance, requested ADB to support its COVID-19 vaccination program. It sought financing for advance payment and advance market commitments for COVID-19 vaccines totaling \$25 million from the ongoing HEAL project,<sup>31</sup> and a new loan of \$400 million to procure safe and effective COVID-19 vaccines for its target groups (para. 13). Similarly, the government requested from AIIB a loan in the amount of \$300 million for joint cofinancing of the proposed HEAL 2. In addition, the government has also requested a loan in the amount of \$500 million from the World Bank for vaccine procurement.<sup>32</sup>

## B. Project Description

23. **Impact and outcome.** HEAL 2 will align with the following impacts: (i) health system performance in addressing public health outbreaks improved;<sup>33</sup> (ii) protection of the public and reduction of COVID-19-related morbidity and mortality fostered;<sup>34</sup> and (iii) economic growth and citizens' confidence restored.<sup>35</sup> It will have the following outcome: priority populations vaccinated against COVID-19.<sup>36</sup>

<sup>29</sup> DOH Undersecretary Myrna Cabotaje's presentation on vaccine deployment updates. 1 February 2021. Manila.

<sup>30</sup> Development Partner Coordination Matrix (accessible from the list of linked documents in Appendix 2).

<sup>31</sup> ADB. [Philippines: Health System Enhancement to Address and Limit COVID-19](#). On 29 January 2021, the ADB Board approved a major change in scope of HEAL, which will enable the government to make advance payments to secure selected vaccines that meet APVAX vaccine eligibility criteria (footnote 1).

<sup>32</sup> The World Bank is proposing an additional financing to an ongoing COVID-19 emergency response project (World Bank. 2020. *Philippines COVID-19 Emergency Response Project*. Washington D.C.), which is expected to be considered by its board by 11 March 2021.

<sup>33</sup> DOH. 2018. [National Objectives for Health, Philippines 2017–2022](#). Manila.

<sup>34</sup> Government of the Philippines. *National COVID-19 Vaccine Roadmap*. 11 January 2021; and DOH. *DOH Strategic Plan for COVID-19 & National Deployment and Vaccination Plan*. 11 January 2021.

<sup>35</sup> ADB. [ADB's Support to Enhance COVID-19 Vaccine Access](#).

<sup>36</sup> The design and monitoring framework is in Appendix 1.

24. **Output: COVID-19 vaccines efficiently and effectively delivered.** The project will support the procurement of safe and effective vaccines against COVID-19 through APVAX's RRC in compliance with ADB's vaccine eligibility criteria and with AIB cofinancing. It will procure a total of up to 110 million doses of vaccines,<sup>37</sup> which will be administered to up to 50 million Filipinos by 2024 based on identified priority populations. The eligible vaccines will be procured through either the COVAX facility or bilateral arrangements with vaccine manufacturers or distributors. The vaccines are expected to be introduced swiftly to priority populations following the NDVP, and according to vaccination protocols and standards, such as those governing waste management and monitoring of adverse events. With the help of ongoing technical assistance,<sup>38</sup> the project team will support the VIMS and DOH's communication management and help develop and disseminate a gender- and socially- inclusive protocol to support last-mile vaccine outreach to marginalized women and women in especially difficult circumstances (WEDC).

### C. Value Added by ADB

25. ADB's support to the Philippines' health sector since 1994 underscored the need to (i) support the country's decentralized health system and its institutional arrangements for local health service delivery; and (ii) include public financial management support to strengthen project implementation, performance, and governance. ADB, under its COVID-19 Active Response and Expenditure Support (CARES) program, approved on 23 April 2020 a \$1.5 billion countercyclical support for the Philippines to help the government mitigate the severe health, social, and economic impacts of COVID-19. ADB supported the health sector in managing COVID-19 through a \$125 million loan under HEAL, a \$3.0 million grant for the COVID-19 Emergency Response, and \$5.0 million in technical assistance for the provision of emergency supplies.<sup>39</sup>

26. HEAL 2 builds on and complements HEAL, which provides \$25 million initial support to the government's COVID-19 vaccination program and strengthens DOH capacity to detect, contain, and treat COVID-19 cases (footnote 1). It complements ADB's ongoing and planned support for universal health care, including a project planned for approval in 2021. ADB will assist the government and DOH with procurement and delivery of certified vaccines in line with APVAX eligibility criteria. It will support ensuring vaccine introduction readiness together with UNICEF and WHO.

27. In addition, technical assistance (footnote 38) will help the government to (i) determine suitable quantity, timing, and procurement arrangements for eligible vaccines; (ii) monitor the implementation of its prioritization plan; (iii) strengthen the implementation of its medical waste management program; (iv) support gender mainstreaming through activities in the gender action plan; and (v) continuously monitor and evaluate the implementation of COVID-19 vaccination, including using the VIMS, to track adverse events after vaccination, disseminate the data and experience within the country as well as the region. It will help the future expansion of other needed vaccinations such as influenza vaccinations for the elderly and people with disabilities.

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<sup>37</sup> This is expected to include 44 million doses from the COVID-19 Vaccines Global Access (COVAX) whose cost-share will be financed by the project, and 6 million single doses of Johnson & Johnson vaccine. The estimated coverage of up to 50 million Filipinos assumes a wastage rate of 10%.

<sup>38</sup> ADB. 2020. *Technical Assistance for Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases*; ADB. 2016. *Technical Assistance to the Philippines for Strengthening Social Protection, Education, and Health Reforms Facility*; and ADB. 2019. *Support for Human and Social Development in Southeast Asia*. Manila.

<sup>39</sup> ADB. [Philippines: Health System Enhancement to Address and Limit COVID-19](#); ADB. [Philippines: COVID-19 Emergency Response](#); and ADB. [Philippines: Implementing a Rapid Emergency Supplies Provision Assistance to Design a Sustainable Solution for COVID-19 Impact Areas in the National Capital Region, through Public Private Collaboration](#).

## D. Summary Cost Estimates and Financing Plan

28. HEAL 2 is estimated to cost \$764.17 million. The summary cost estimates are in Table 4. ADB will finance expenditures in relation to the procurement of COVID-19 vaccines that meet the APVAX eligibility criteria. The project team will be guided by the Indicative Master List of Eligible Items and Agreed List of Acceptable Expenditure Items ('Positive List') for ADB financing.<sup>40</sup>

29. The government has requested a regular loan of \$400 million from ADB's ordinary capital resources under the APVAX RRC, and a loan of \$300 million from AIIB. The loan from ADB will have a 10-year term including a grace period of 3 years; 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 year; and such other terms and conditions set forth in the draft loan agreement. The government has made its independent decision to borrow under ADB's LIBOR-based lending facility and has given an undertaking that this was not made on the basis of any advice from ADB.

30. The AIIB loan will be partially administered by ADB. It will jointly finance supply contracts for vaccines that meet the eligibility criteria under the APVAX.<sup>41</sup> Its terms and conditions will be described in a loan agreement between AIIB and the government.<sup>42</sup> Approval of the AIIB loan is expected after ADB's Board approval of HEAL 2. Prior to the effectiveness of the AIIB loan, the government may request advances from the ADB loan proceeds. Subsequent disbursements following AIIB loan effectiveness will be prorated.

31. The government will contribute \$64.17 million, or 8.4% of the total project cost, to cover \$12.1 million of loan interest and charges and \$52.07 million for other vaccine costs, including injection devices, personal protective equipment, vaccine transportation, storage, waste disposal, and surveillance. The summary financing plan is in Table 5.

**Table 4: Summary Cost Estimates**

Item	Description	Amount (\$ million) <sup>a</sup>	Share of Cost (%)
A.	Base Cost <sup>b</sup> COVID-19 vaccines efficiently and effectively delivered	714.57	93.51
B.	Contingencies <sup>c</sup>	37.50	4.91
C.	Financing Charges During Implementation <sup>d</sup>	12.10	1.58
	<b>Total Cost (A+B+C)</b>	<b>764.17</b>	<b>100.00</b>

<sup>a</sup> The project costs are inclusive of taxes and duties (\$5.58 million) for recurrent cost, which will be financed by the government. Such amount does not represent an excessive share of the project cost. The government will finance all taxes and duties for COVID-19 vaccines through tax exemption and its estimated amount is not included in the project cost.

<sup>b</sup> In January 2021 prices.

<sup>c</sup> Includes physical and price contingencies and a provision for exchange rate fluctuation.

<sup>d</sup> Includes interest, commitment, and other charges on all sources of financing.

Source: Asian Development Bank.

<sup>40</sup> 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).

<sup>41</sup> Eligibility of vaccines for APVAX financing will adhere to the criteria stated in paragraph 29 (including footnotes 28, 29, and 30) of the APVAX policy paper. (ADB. 2020. ADB's Support to Enhance COVID-19 Vaccine Access).

<sup>42</sup> Asian Infrastructure Investment Bank. <https://www.aiib.org/en/treasury/common/download/Sovereign-Backed-Loan-Pricing-Basics-and-Major-Terms.pdf>.



**Table 5: Summary Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (APVAX RRC loan)	400.00	52.34
Asian Infrastructure Investment Bank	300.00	39.26
Government	64.17	8.40
<b>Total</b>	<b>764.17</b>	<b>100.0</b>

APVAX = Asia Pacific Vaccine Access Facility, RRC = rapid response component.

Source: Asian Development Bank.

32. The financial assistance from ADB and AIIB will add only 0.3% (ADB) and 0.2% (AIIB) to the public debt stock and will not significantly affect the debt–GDP ratio and annual debt service obligations. The ADB and AIIB loans jointly will raise the public debt–GDP ratio marginally above the baseline scenario, to 49.1% in 2020 and to 58.4% by 2024. ADB’s debt sustainability analysis concluded that even with the additional loans, the debt–GDP ratio will remain sustainable.<sup>43</sup>

### **E. Implementation Arrangements**

33. The DOH will be the executing agency. It will set up a project management team (PMT) with a project director and a project manager. A technical support unit of individual consultants (health experts, a gender specialist, a financial management specialist, a procurement specialist, and administration staff) will be engaged to assist the PMT.

34. 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). Since HEAL 2 will be financed under the APVAX, ADB member country eligibility restrictions will be waived, and universal procurement will apply. Majority of procurement will be jointly cofinanced with AIIB; ADB will be the lead cofinancier and its procurement policy will apply to all procurement. Some procurement may be financed exclusively by ADB.

35. A proportion of the vaccines will be procured through the COVAX facility. COVAX facility-provided vaccines are eligible expenditures under APVAX. The DOH will also directly negotiate with vaccine manufacturers to agree on bilateral contracts. Prior to being confirmed as an eligible expenditure under the loan, ADB will review the vaccine eligibility criteria and all bilateral vaccine agreements to ensure that the terms are acceptable to ADB. Value for money in procurement will be achieved through (i) selecting candidate vaccine types that are best suited to the domestic logistics supply chain and distribution mechanisms; (ii) identifying vaccines that will meet the project disbursement conditions; (iii) engaging with manufacturers who have advantageous vaccine availability and delivery timelines, and (iv) entering into agreements on terms and conditions that are reasonable, noting the currently constrained global market for vaccines. Taking into account the global supply situation of vaccines, the Philippines’ legal restriction on financing advance payments, and the urgency for the government to secure vaccines, ADB will finance the government’s first 10% advance payment to the Serum Institute of India (SII) for the purchase of Covovax, the Novavax vaccine manufactured by SII, under the supply agreement between the government and SII, notwithstanding that Covovax does not currently satisfy APVAX’s vaccine eligibility criteria. If Covovax fails to satisfy APVAX’s vaccine eligibility criteria by 31 December 2021, or such other date agreed with ADB, the government will repay the 10% advance payment in accordance with the terms of the loan agreement. Notwithstanding the above, in the event that Covovax fails to satisfy the eligibility criteria, and the government secures a refund of all or any

<sup>43</sup> Debt Sustainability Analysis (accessible from the list of linked documents in Appendix 2).

part of the 10% advance payment, the government will refund ADB such amount within 30 days of the government's receipt of the refund, without giving effect to the term of repayment set forth in the loan agreement. This proposal is justified on the basis of an ongoing discussion by COVAX to sign an advance purchase agreement (APA) with SII for Covovax and SII's anticipated application for emergency use listing (EUL) to WHO for Covovax. It is further justified as SII is the world's largest vaccine manufacturer in terms of the number of doses produced for 28 WHO prequalified vaccines; its manufacturing facilities are certified as operating under current the Good Manufacturing Practices (GMP) by WHO; and the AstraZeneca vaccine manufactured by SII (Covishield) has been authorized by Health Canada, the SRA of Canada. ADB's financing of the second advance payment under the supply agreement will be subject to Covovax satisfying APVAX's vaccine eligibility criteria. ADB's financing of the third payment will be subject to Covovax continuing to satisfy APVAX's vaccine eligibility criteria, and Covovax additionally receiving the Philippines FDA authorization, consistent with the loan disbursement conditions for other vaccines (para. 51).

36. Implementation arrangements are summarized in Table 6 and described in detail in the project administration manual.<sup>44</sup>

**Table 6: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	March 2021–March 2025		
Estimated completion date	31 March 2024		
Estimated loan closing date	30 September 2024		
Management			
(i) Oversight body	Department of Finance		
(ii) Executing agency	DOH		
(iii) Key implementing agencies	DOH Central Office		
(iv) Implementation unit	Project management team		
Procurement	Direct contracting	multiple contracts	\$700 million
Retroactive financing and advance financing	Withdrawals from the loan account may made 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, 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 loan amount, and the advance financing and retroactive financing will not exceed their respective ceilings. Any advance financing and retroactive financing will be subject to the vaccine eligibility criteria and other requirements under the Asia Pacific Vaccine Access Facility being fully met.		
Disbursement	The loan proceeds of ADB and AIIB will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government, ADB, and AIIB.		

ADB = Asian Development Bank, AIIB = Asian Infrastructure Investment Bank, DOH = Department of Health.

Source: Asian Development Bank

### III. DUE DILIGENCE

#### A. Economic Viability

37. The COVID-19 pandemic is both a health and an economic crisis, which resulted in loss of lives, an increase in morbidity, and a slowdown of the economy. Containment measures have restricted economic activities, and substantially affected investments and international trade. Herd

<sup>44</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

immunity from COVID-19 must be achieved to avert further loss and move towards economic recovery. Comprehensive vaccination combined with effective suppression measures will substantially reduce mortality and morbidity, and lead to resumption of economic activities, including investment and trade.

## **B. Sustainability**

38. The government's target is to vaccinate up to 70 million Filipinos in 2021 and all Filipinos by 2023. The government has allocated a total of ₱82.5 billion to implement the national vaccination program (para.15). However, given that vaccine supply contracts are still being negotiated, it is difficult to determine whether the appropriation would be adequate to achieve the vaccination targets. Moreover, the full funding requirements for logistics, cold chain facilities, transport services, and the VIMS are still being finalized. To supplement potential funding gap, the government is mobilizing financing from the private sector and LGUs.

## **C. Governance**

39. A financial management assessment was conducted to evaluate the financial management capacity of the DOH to implement the project. An assessment was also conducted on the national vaccination plan in the areas of inventory management, data management, accounting, oversight, and audit. Based on the assessment, the pre-mitigation risk is rated *high* because of the scale and complexity of the project. The DOH has agreed on a financial management action plan to address deficiencies in the deployment plan and mitigate the risks by (i) completing an assessment of LGUs' capacity to oversee vaccine deployment prior to distribution; (ii) setting up an asset register of cold chain facilities; (iii) engaging a third party-logistics provider; (iv) formulating a contingency plan for funding; (v) updating inventory management protocols; and (vi) having Commission on Audit conduct performance, financial, and compliance audits with assistance from ADB.<sup>45</sup>

40. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the DOH. The specific policy requirements and supplementary measures are described in the project administration manual.<sup>46</sup>

## **D. Poverty, Social, and Gender**

41. **Poverty and social.** The poverty rate in the Philippines fell from 25.2% in 2012 to 23.5% in 2015, and to 16.7% in 2018. Despite this decline, the absolute level of poverty and inequality remains high. Nearly 17.6 million people continue to live below the poverty line, and 14.2 million live just above the line and are vulnerable to sliding back into poverty because of exogenous shocks.<sup>47</sup> Because of the adverse impact of the COVID-19 pandemic and the community quarantines (paras. 6–9), the unemployment rate increased from 5.4% (2.4 million) to 10.0% (4.6 million) between July 2019 and July 2020, while underemployment increased from 13.6% (5.8 million) to 17.3% (7.1 million) in the same period. The labor force participation rate was lower for women (45.0%) than for men (72.3%) as of October 2020 (footnote 10). ADB estimated that,

<sup>45</sup> Financial Management Assessment (accessible from the list of linked documents in Appendix 2).

<sup>46</sup> Anticorruption Policy: <https://www.adb.org/documents/anticorruption-policy>.

<sup>47</sup> Philippine Statistics Authority. [Philippine Poverty Statistics – Poverty \(Latest Releases\)](#). Manila.

without substantial financial support to poor and near poor families, the poverty rate could increase from 16.7% in 2018 to 20.7% in 2020 as a result of the pandemic effects on incomes.<sup>48</sup>

42. **Gender.** While most of the priority population groups for vaccination are dominated by women,<sup>49</sup> many marginalized women, WEDC (footnote 18), and women in geographically isolated and disadvantaged areas face significant barriers to accessing COVID-19 health support, including vaccines. The barriers for marginalized women and WEDC include (i) limited time to spend commuting to and waiting in long lines at public health facilities that are stretched beyond capacity; (ii) mobility constraints such as cultural norms governing freedom of movement; (iii) limited access to public transportation to reach health facilities; and (iv) the costs associated with the commute, and time away from productive and household responsibilities. The DOH has expressed concerns that its definition of "social demographic groups at higher risk" may not be sufficiently comprehensive to ensure the last-mile outreach between LGU primary health care facilities and vaccine delivery to marginalized women and WEDC. The DOH also acknowledges the essential role of information, education, and communication campaigns; risk communication; and community engagement to ensure effective vaccine access and uptake.

43. HEAL 2 is categorized as *effective gender mainstreaming*. Through ongoing technical assistance (footnote 38), the project will make sure to minimize the last-mile service delivery constraints for marginalized women and WEDC, to maximize vaccine uptake and immunization. HEAL 2 will help DOH develop, approve, and disseminate a gender- and socially-inclusive protocol to reduce the barriers that now hamper both the willingness and ability of marginalized women and WEDC to access COVID-19 health services and vaccines, and to improve the capacity of LGUs' primary health care facilities to meet the specific needs of these women for effective vaccine delivery. The protocol will be developed in collaboration with multiple DOH bureaus and other government departments and be resourced via LGU gender and development program budgets. In addition, HEAL 2 will support DOH in (i) the analysis of sex-disaggregated data through the VIMS; (ii) specific communication and messaging to marginalized women and WEDC in major cities or geographically isolated and disadvantaged areas; and (iii) online consultations and outreach, especially to marginalized and WEDC, to monitor their awareness of vaccine safety and gather feedback on issues that curtail access to health services. A gender consultant will be recruited to support DOH's gender activities.

## E. Safeguards

44. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.<sup>50</sup>

45. **Environment (category C).** HEAL 2 will support the procurement of vaccines and will not entail civil works or other activities with potential for significant adverse impacts on the environment. The distribution and use of COVID-19 vaccines will result in a temporary increase in immunization waste generation.<sup>51</sup> The NDVP defines immunization waste management

<sup>48</sup> ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Philippines: COVID-19 Active Response and Expenditure Support Program*. Summary of COVID-19 Economic Growth, Employment, and Poverty Impact Assessment (accessible from the list of linked documents in Appendix 2. Manila.

<sup>49</sup> Women comprise 75% of frontline health workers, 71% of indigent senior citizens, 51% of government workers, and 56% of overseas Filipino workers.

<sup>50</sup> ADB. [Safeguard Categories](#).

<sup>51</sup> Due Diligence on the Philippine COVID-19 Immunization Waste Management Plan (accessible from the list of linked documents in Appendix 2).

arrangements and responsibilities and includes a training program for local health care facilities on handling immunization waste. Immunization waste will be managed in compliance with the DOH Health Care Waste Management Manual, DOH Interim Guidelines on the Management of Health Care Waste Generation from COVID-19 Vaccination, and DENR's requirements based on Republic Act 6969 and its implementing rules and regulations.<sup>52</sup> A DENR-licensed third-party service provider will be engaged to collect, treat, and dispose immunization waste that cannot be treated and properly disposed of at the point of waste generation. The movement of immunization waste offsite will comply with DENR's licensing, reporting, and monitoring rules through the existing Hazardous Waste Manifest System.

46. **Involuntary resettlement (category C).** HEAL 2 will not require any land acquisition or lead to any resettlement impacts.

47. **Indigenous peoples (category C).** HEAL 2 is not expected to have any direct or indirect impacts on 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.

## F. Procurement

48. The DOH's overall procurement capacity is limited. It has limited experience with undertaking procurement in accordance with ADB's procurement policies and regulations, as well as limited knowledge in the procurement of COVID-19 vaccines. Compounding these constraints, about 24% of DOH staff positions remain unfilled, so the current staff resources are stretched. To mitigate these constraints, ADB will assist DOH with vaccine procurement by advising on the volatile market and associated procurement-related risks, reviewing contracts under bilateral agreements, supporting with price validation, and assisting in the preparations for negotiations with vaccine manufacturers.

## G. Summary of Risk Assessment and Risk Management Plan

49. Significant risks and mitigating measures are summarized in Table 7 and described in detail in the risk assessment and risk management plan.<sup>53</sup> Considering that risks and the required mitigation measures will evolve as vaccines are rolled out, ADB will work with DOH, IATF, other development partners, and civil society organizations in monitoring the roll out of the vaccines and mitigation measures.

**Table 7: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigation Measures</b>
<b>Country-Specific</b> Limited capacity of vaccine suppliers to meet global demand, including demand from the Philippines, leads to delays in delivery.	Government will continue to engage with vaccine suppliers and endeavor to meet documentation requirements and payment terms (e.g., advance payment) in a timely manner.
<b>Sector-Specific</b> COVID-19 vaccination target of up to 70 million Filipinos in 2021 will result in limited access to other essential health services, including	DOH will continue to strengthen the country's health system with support of development partners. It will work more closely with LGUs to ensure sustained delivery of essential health services. It will maintain adequate storage space for routine vaccines in its

<sup>52</sup> DOH. 2020. [Health Care Waste Management Manual – Fourth Edition](#). Manila; DOH. 2021. Memorandum 2021-0031–Interim Guidelines on the Management of Health Care Wastes Generation from COVID-19 Vaccination. Manila; Government of the Philippines. 1990. [Republic Act \(RA\) 6969. Toxic Substances and Hazardous and Nuclear Wastes Control Act](#). Manila.

<sup>53</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigation Measures
routine immunization. Further, 70 million is a highly ambitious target exposing the government to serious criticism of much lower accomplishments.	warehouses. The government is quite aggressively pursuing arrangements with different vaccine manufacturers. It will also develop a strong communication system to explain any delays that may inevitably emerge besides other implementation challenges.
Target groups—such as elderly, indigent, and people with medical conditions—are not appropriately identified.	DOH will work closely with LGUs, civil society organizations, health professionals, and the Department of Social Welfare Development to ensure proper identification of target groups.
<b>Project-Specific</b> Vaccine hesitancy among the population is exacerbated by social media reporting on side effects.	DOH will improve the design and implementation of its COVID-19 demand and risk communication plan, engage intensively with doctors and health workers to generate willingness for COVID-19 vaccination, strengthen COVID-19 call center and hotline “1555”, and establish grievance mechanisms linked to the call center and hotline.
Weak monitoring and evaluation and ineffective risk management.	DOH will accelerate the rollout of the VIMS and ensure that vaccine suppliers prepare risk management plans, which includes communicating to the Philippines Food and Drug Administration all events undermining vaccination and other updates with explanations and clarifications.
Lack of preparedness for the delivery and administration of vaccines curtails the ability to efficiently distribute vaccines received under the project.	Preparedness activities—including procurement of goods and services needed to deliver and administer vaccines (e.g., safety boxes, personal protective equipment, cold chain equipment)—are monitored and synchronized with the delivery of vaccines. DOH documents lessons from the roll out of the initial COVAX vaccine doses to improve its deployment plan.
Weaknesses in the inventory management system may result in vaccines being lost, damaged, or misappropriated.	Commission on Audit will conduct a performance or compliance audit in addition to the regular financial audit of DOH's financial reports.
Late contracting of third-party logistics and VIMS firms leads to implementation delay.	Government will use its current vaccine logistics and registry systems until the solutions by the private firms are operational. ADB is providing technical inputs to the contracting of the VIMS.
<b>Public Financial Management</b> Limited DOH capacity to effectively oversee financial management arrangements while ensuring fiduciary controls and timely reporting.	DOH will engage a financial management consultant to support its financial reporting. ADB will provide training to DOH finance staff on financial management and disbursements.
<b>Procurement</b> DOH has limited procurement capacity, little familiarity with ADB procurement policies and regulations, and lacks experience in procuring vaccines.	ADB will assist by advising on the volatile market and associated procurement-related risks, reviewing, and providing inputs on contracts, assisting with price validation, and supporting the negotiation process.
<b>Accountability</b> Unclear system of accountability between central and local governments on vaccine financing and delivery.	DOH to roll out the VIMS to capture data on all vaccines financed by DOH and LGUs. Dashboard will be made publicly available for transparency, and third-party assessment will be conducted to ensure performance accountability.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, DOH = Department of Health, LGU = local government unit, VIMS = vaccine information management system.

Source: ADB.

#### IV. ASSURANCES AND CONDITIONS

50. The government has assured ADB that the implementation of HEAL 2 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 HEAL 2, which are set forth in the draft loan agreement.

51. No withdrawals shall be made from the loan account for (i) financing an advance payment for a contract to supply eligible vaccines until 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; and (b) which of the eligibility criteria in the definition of eligible vaccine (footnote 41) has been satisfied in respect of the COVID-19 vaccine(s) to be procured, and based on the information provided in the aforementioned letter, ADB has notified the government that the COVID-19 vaccine to be procured meets ADB's eligibility criteria; and (ii) financing a contract to supply eligible vaccines until ADB has received a letter from the government confirming that in addition to (i)(a) and (i)(b) above, the eligible vaccines have received all necessary authorizations of the government, and have been authorized by the FDA of the Philippines and any other relevant regulatory authorities for distribution and administration within the territory of the country; and based on the information provided in the aforementioned letter, ADB has notified the government that the COVID-19 vaccines to be procured are designated as eligible vaccines. As an exception, withdrawals may be made from the loan account to finance the government's first advance payment of 10% of the value of the supply agreement with the SII for the Covovax vaccine. In addition, no withdrawals shall be made from the loan account for the second and third payments to SII under the supply agreement unless the conditions described in (i) and (ii) above, respectively, have been met.

## V. RECOMMENDATION

52. 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 \$400,000,000 to the Republic of the Philippines for the Second Health System Enhancement to Address COVID-19 under the Asia Pacific Vaccine Access Facility, 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 up to 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; and
- (ii) the arrangements allowing payment of the 10% advance for the Covovax vaccine, as described in paragraph 35.

Masatsugu Asakawa  
President

18 February 2021

## DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Project is Aligned with</b>			
Health system performance in addressing public health outbreaks improved ( <i>National Objectives for Health, Philippines 2017–2022</i> ) <sup>a</sup>			
Protection of the public and reduction of COVID-19-related morbidity and mortality fostered ( <i>National COVID-19 Vaccine Roadmap</i> ) <sup>b</sup>			
Economic growth and citizens' confidence restored ( <i>ADB's Support to Enhance COVID-19 Vaccine</i> ) <sup>c</sup>			
<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<b>Outcome</b> Priority populations <sup>d</sup> vaccinated against COVID-19	By 2024: a. Up to 50 million Filipinos <sup>e</sup> (43.8% of the total population) vaccinated against COVID-19 (2021 baseline: 0) <i>[disaggregated by gender, age, and priority group]</i> (OP 1.1; OP 1.3)	a. DOH COVID-19 vaccination coverage report; WHO and UNICEF immunization estimates; ADB project monitoring and progress report.	R: Political pressure shifts priority populations to different target groups at national and local levels.  A: Adequate and effective campaign and delivery system ensure that priority populations are willing to get vaccinated.
<b>Output</b> 1. COVID-19 vaccines efficiently and effectively delivered	By 2024: 1a. Up to 110 million <sup>f</sup> doses of COVID-19 vaccines procured and delivered to the country (2020 baseline: 0) (OP 1.1.2)  (Under TA Facility) <sup>g</sup> 1b. Vaccine information management system launched (providing data disaggregated by gender, age, and priority group) (2020 baseline: not applicable) (OP 7.3.3)  1c. Gender- and socially-inclusive protocol and guidelines on the deployment and administration of vaccines, addressing the specific needs of marginalized women and women in especially difficult circumstances, developed, approved, and disseminated <sup>h</sup> (2020 baseline: not applicable) (OP 2.3.2)	1a–1c. DOH updates, project survey and project progress report, data from vaccine information management system.	R: Limited vaccine suppliers' capacity to meet global demand, including commitments to the Philippines, lead to delays in vaccine delivery.  A: Vaccine doses are delivered with required cold storage (both cross-country and in-country), thereby maintaining quality and efficacy against COVID-19.
<b>Key Activities with Milestones</b> <b>COVID-19 vaccines efficiently and effectively delivered</b> <ol style="list-style-type: none"> <li>1. Finalize national COVID-19 vaccine deployment plan (Q1–Q2 2021).</li> <li>2. Develop end-to-end logistical arrangements (cross-country and in-country shipping), transportation, and delivery of vaccines from point of manufacture to designated central and/or regional hub or storage facility (Q1–Q3 2021).</li> <li>3. Develop COVID-19 vaccination delivery system, including operational plans relating to safeguards and medical waste management (Q1–Q3 2021).</li> <li>4. Set up central and regional cold chain system and storage facilities that meet temperature and equipment requirements (Q1 2021–Q2 2022).</li> </ol>			



5. Update effective vaccine management protocols and procedures for COVID-19 vaccination and national immunization programs (Q1–Q4 2021).
6. Develop, approve, and disseminate gender- and socially- inclusive protocol (Q2 2021–Q1 2022).
7. Procure the required number of vaccine doses for ADB financing and AIIB cofinancing (Q1 2021–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 statement  
 Prepare project completion report

#### Inputs

ADB: \$400,000,000 (loan) and \$500,000 (TA)<sup>f</sup>  
 AIIB: \$300,000,000  
 Government: \$64,170,000

A = assumption, ADB = Asian Development Bank, AIIB = Asian Infrastructure Investment Bank, COVID-19 = coronavirus disease, DOH = Department of Health, OP = operational priority, Q = quarter, R = risk, TA = technical assistance, UNICEF = United Nations Children's Fund, WHO = World Health Organization.

<sup>a</sup> DOH. 2020. *National Objectives for Health, Philippines 2017–2022*. Manila.

<sup>b</sup> Government of the Philippines. *National COVID-19 Vaccine Roadmap*. 11 January 2021; and DOH. *DOH Strategic Plan for COVID-19 & National Deployment and Vaccination Plan*. 11 January 2021.

<sup>c</sup> ADB. 2020. [ADB's Support to Enhance COVID-19 Vaccine](#). Manila.

<sup>d</sup> The government has set target groups and prioritized eligible populations for the vaccination program in line with the WHO's Strategic Advisory Group of Experts on Immunization (SAGE) and its values framework for the allocation and prioritization of COVID-19 vaccination, and the Philippines' country context. Group A (estimated at 24.7 million or 23% of the total population), the first target group, prioritizes frontline health workers, indigent senior citizens, remaining senior citizens and indigent populations, and uniformed personnel. Group B, the second target group (up to 44% of the total population), covers teachers and social workers; other government workers (national and local); other essential workers outside health, education, and social sectors; socio-demographic groups at significant risk other than senior citizens and indigent populations (persons with disability, persons deprived of liberty, persons living in high-density areas); overseas Filipino workers; and the remaining Filipino workforce (as may be determined by government agencies). Group C are the remaining Filipinos not included in Group A or Group B.

<sup>e</sup> Up to 110 million doses of COVID-19 vaccines are to be procured under the project. The coverage of up to 50 million Filipinos assumes a waste rate of 10%.

<sup>f</sup> This is expected to include 44 million doses from the COVID-19 Vaccines Global Access (COVAX) whose cost-share will be financed by the project, and 6 million single doses of Johnson & Johnson vaccine. The estimated coverage of up to 50 million Filipinos assumes a wastage rate of 10%.

<sup>g</sup> Output indicators 1b and 1c will be financed by the following TAs: ADB. 2020. *Technical Assistance for Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases*; ADB. 2016. *Technical Assistance to the Philippines for Strengthening Social Protection, Education, and Health Reforms*; and ADB. 2019. *Support for Human and Social Development in Southeast Asia*. Manila.

<sup>h</sup> In alignment with the WHO SAGE equity principle, these protocols and guidelines acknowledge that specific groups of the population are less able to access information and services than others. To ensure broad-based coverage of information and equity in vaccine access, the gender- and socially-inclusive protocols and guidelines will specifically target marginalized women, women in especially difficult circumstances, and people in geographically isolated and disadvantaged areas as defined by the Magna Carta of Women, Sections 4 (d) and 30. The selected LGUs in big cities or geographically isolated and disadvantaged areas will be determined during the inception mission.

#### Contribution to the ADB Results Framework:

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).

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=54171-003-3>

1. Loan Agreement
2. Vaccine Needs Assessment
3. Project Administration Manual
4. Contribution to Strategy 2030 Operational Priorities
5. Development Partner Coordination Matrix
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 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 Use of Funds under the Rapid Response Component
14. Due Diligence on the Philippine COVID-19 Immunization Waste Management Plan
15. Streamlined Strategic Procurement Planning
16. Financial Management Assessment
17. Sector Assessment (Summary): Vaccines
18. ADB's Assessments of the COVID-19 Vaccine Introduction Readiness