

FINANCIAL ANALYSIS

I. EXECUTIVE SUMMARY

1. The analysis assesses the financial viability and sustainability of supporting Pakistan's procurement and deployment of coronavirus disease (COVID-19) vaccines under the Asia Pacific Vaccine Access Facility (APVAX) in accordance with the Technical Guidance Note of Financial Analysis and Evaluation by the Asian Development Bank (ADB); ADB's Financial Due Diligence: A Methodology Note; and the APVAX Operations Guidance Note.¹ This includes an analysis of the government's historical health care expenditures to evaluate the impact of the project on the overall expenditures of the Ministry of National Health Services, Regulations and Coordination (MONHSR&C).

2. Pakistan has taken various steps to prevent the spread of the virus, but this has come at a cost to the economy. The outputs under the project are expected to have a positive impact on the population's health and the economic recovery. Basic public health services are provided in Pakistan free of charge. A project financial viability assessment was not undertaken since project outputs are public service goods with no opportunity for cost recovery. Looking at the country's fiscal position, the financial sustainability of its vaccination program is not at risk. The national health care system of the MONHSR&C is financially sustainable because it does not rely significantly on the financing support from its development partners.

II. INTRODUCTION AND METHODOLOGY

A. Introduction

3. The project will provide the Government of Pakistan with immediate and flexible financing for the procurement of the coronavirus disease (COVID-19) vaccine, associated logistics, and capacity-strengthening activities through the APVAX.² The rapid response component supports the vaccine procurement, and the project investment component supports the other activities under the APVAX. The project will assist the implementation of the government's National Deployment and Vaccination Plan (NDVP) for COVID-19 vaccines in line with ADB's Strategy 2030.³ The loan support is \$500 million from ADB. The government will be the recipient of this loan. The MONHSR&C will be the executing agency and Pakistan's Expanded Program on Immunization (Federal EPI) will be the implementing agency and with the recent decision of Economic Coordination Committee (ECC) of the Cabinet dated 31st May 2021 and meeting note with Economic Affairs Department to appoint National Disaster Management Authority (NDMA) as a co-signatory for the procurement contract and negotiator. The project has two outputs:

4. **Output 1: COVID-19 vaccines procured and delivered to designated points.** The project will provide financing to procure vaccines. The government may procure them through direct contracting with manufacturers and/or via the COVAX Facility and/or directly engaging UNICEF. An estimated 39.83 million doses for COVID-19 vaccines will be delivered to provincial

¹ ADB. 2019. [Financial Analysis and Evaluation: Technical Guidance Note](#). Manila; ADB. 2009. Financial Due Diligence: A Methodology Note. Manila; and ADB. 2020. Asia-Pacific Vaccine Access Facility Operations Guidance Note for One ADB team members.

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

³ Islamic Republic of Pakistan, MONHSR&C. 2020. *National Vaccination Deployment Plan*. Islamabad (December). ADB's strategic approach in Pakistan is defined in ADB. 2021. [Country Partnership Strategy: Pakistan, 2021–2025—Lifting Growth, Building Resilience, Increasing Competitiveness](#). Manila.

EPI warehouses.⁴ The expenditure items will include: (i) under the rapid response component, vaccines that meet any of the eligibility requirements in the APVAX policy⁵, including advance payments, and international logistics and related services required for the transportation of vaccines from the place of purchase to the warehouse of federal EPI; and, (ii) under the project investment component, safety boxes, syringes, and other items required for the administration of the vaccines, and national logistics and related services required for the transportation of vaccines from the warehouse of federal EPI to designated delivery points in Pakistan.

5. **Output 2: Vaccine program implementation capacity strengthened.** Under the project investment component, the project will strengthen the capacity of the MONHSR&C and Federal EPI through a project management unit (PMU) to help them implement the COVID-19 vaccine program effectively and efficiently. The PMU will receive essential support from consultants funded by the project, covering project management and coordination; procurement and supply chain management, including distribution; gender mainstreaming; monitoring and evaluation; performance audits; and waste management. Additional international expertise may be organized through existing technical assistance.

B. Methodology

6. The purpose of this analysis is to financially assess whether the government will have adequate cash resources to finance the incremental recurrent cost of Pakistan's health sector and allocate sufficient funds to the operation and maintenance of cold chain facilities and associated equipment.

7. As regards the executing agency (MONHSR&C), the financial analysis also assesses the ministry's overall and health care budgets compared with the support provided by development partners. Current data available during the assessment were the ministry's 2021 draft budget figures, and previous budget figures over 5 years. Additionally, the analysis reviewed the Planning Commission Proforma No. 1 (PC-1) (dated 15 June 2021),⁶ which details the cost allocations per province and expenditure item planned for the COVID-19 vaccination rollout. It shows that Punjab Province has the highest share of the cost allocation (\$354.67 million) for the vaccine procurement, followed by Sindh Province (\$159.41 million), and the remaining \$208.91 million is allocated to the other two provinces of Balochistan and Khyber Pakhtunkhwa, and the federally-administered Islamabad Capital Territory.

III. FINANCIAL ANALYSIS

A. National Budget of Pakistan

8. Under the guidance of the cabinet committees and other national committees involved in COVID-19 vaccination, the MONHSR&C is working on a two-pronged strategy to receive vaccines through COVAX free of charge for 20% of its population, and bilateral agreements to procure doses of safe and effective vaccines for its essential frontline workers and all eligible population segments. In this regard, the Prime Minister of Pakistan has already approved \$150 million for the procurement of vaccines, ancillary goods, and related services.

⁴ Based on assumptions of a unit price of \$11 per dose for COVID-19 vaccines and two doses per patient.

⁵ Asian Development Bank (ADB). 2020. [ADB's Support to Enhance COVID-19 Vaccine Access](#). Manila; and ADB. 2021. [Proposed Amendment to ADB's Support to Enhance COVID-19 Vaccine Access](#). Manila (together, the APVAX policy).

⁶ The PC-1 or Planning Commission Proforma No. 1 is used for project appraisal in Pakistan. A single PC-1 is proposed to combine the COVID-19 vaccine procurement projects of ADB, Islamic Development Bank, and World Bank, to ensure that all efforts complement each other.

9. The NDVP objectives are to (i) protect vulnerable groups, including registered and unregistered refugees, internally displaced persons, and marginalized groups; (ii) interrupt the transmission of COVID-19; (iii) protect critical social and routine health services; (iv) create and maintain effective stakeholder communication during planning and vaccine administration; and (v) ensure a high level of public awareness and regular monitoring of the processes.

10. Pakistan's overall public expenditure on health (% of current health expenditure) is only 35.5%, which is lower than the average 49.7% among lower middle-income countries and the average 71.1% among the member economies of the Organisation for Economic Co-operation and Development (OECD), as shown in Table 1.

Table 1: Country Background

	Pakistan	LMIC	OECD
Total population (midyear, millions)	234.0	58.6	33.3
GDP per capita (post-COVID-19)	1,383.0	2,372.0	41,755.0
MMR immunization rate	71.0	74.8	91.3
Public expenditure on health (% of current health expenditure)	35.5	49.7	71.1
Out-of-pocket expenditure on health (% of current health expenditure)	56.2	38.7	19.1

LMIC = lower middle-income countries; MMR = measles, mumps, rubella; OECD = Organisation for Economic Co-operation and Development.

Note: Population average per country is given for income groups.

Sources: Latest data from ADB's country partnership strategy, 2021–2025 for Pakistan; National Deployment and Vaccination Plan (NDVP) for COVID-19 Vaccines (2021); World Bank; World Health Organization's Global Health Expenditure Database; and the International Monetary Fund's World Economic Outlook, as of 17 February 2021.

11. The analysis of the government's sources of funds allocated to the MONHSR&C for fiscal year (FY) 2017 (ended 30 June 2017) up to FY2020 demonstrates that in FY2017, the budgeted amount was fully utilized, but during FY2018–FY2020, the utilization rate was 50%. In FY2018, the ministry's budget was increased significantly by 71%, but the actual consumption was almost identical to that of the previous year due to its given requirement. In FY2019, the government prioritized other sectors and reduced the funds allocated to the MONHSR&C by 52% from the previous year. In FY2020, the government announced a stimulus package of \$333 million in response to the COVID-19 crisis, which was allocated to the MONHSR&C. Since the ministry had only 3 months left in the fiscal year to spend the amount, only 26.8% of the allocated amount was utilized. The FY2021–FY2025 allocations are projected based on the actual budget utilization and demonstrate the decrease in the government allocation from 99% of total funds in 2017 to 88% for 2022–2025 and an increase in the donors' share from 1% in 2017 to 12% in 2025 (Table 2).

Table 2: Sources of Funds for Health Care System
(\$ million^a)

Source	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	A	B	A	B	A	B	A	B	B	F	F	F	F
Gov't	307	307	277	526	132	252	118	475	227	150	145	155	165
Donors	2	2	8	9	17	17	14	19	18	20	21	22	24
Total	309	309	285	534	149	269	132	494	245	170	166	177	189
Gov't share (%)	99	99	97	98	88	93	89	96	93	88	87	87	87
Donor share (%)	1	1	3	2	12	7	11	4	7	12	13	13	13
Share of national budget (%) ^b	1.16	1.16	1.02	1.92	0.59	1.07	0.57	0.70	1.07				

A = actual, B = budget, F = forecast, G = government.

^a \$1 = PRs104.71 (2016), PRs105.29 (2017), PRs121.57 (2018), PRs150.20 (2019), and PRs161.84 (2020).

^b The national budget percentage was calculated as a percentage of the net federal budget.

Source: Ministry of National Health Services, Regulations and Coordination.

12. From FY2017 to FY2021, the government budget allotted to the health care system does look significantly higher than the fund contributions from donors. In FY 2021, the fund allocations

coming from the donors is only 7.0%, while the government contribution is 93%. However, the overall MONHSR&C health care budget as a percentage of the national budget is still low, ranging from 0.57% to 1.92% in the last 5 years, as indicated in Table 2. This is because Pakistan's health sector is now mostly financed through the provinces after the 18th Constitutional Amendment of Pakistan in 2010 devolved health administration to them.⁷

13. The ministry's forecast fund allocation for FY2022 and FY2023 was taken from Pakistan's medium-term performance-based⁸ budget report, while for FY2024 and FY2025, the allocations are calculated based on the domestic cost escalation rate of Pakistan, which will be 6% in those years.⁹ The fund allocations from the government would decrease to 88% and the donors' contribution share would increase to 12%, mainly because of a stronger focus on the development of the health system.

14. The MONHSR&C developed the NDVP as a COVID-19 vaccination allocation plan, in which about \$422 million are earmarked by the Ministry of Finance (MOF) for COVID-19 vaccination. Of this, ADB will fund \$191 million for vaccine procurement. The government has requested a concessional loan of \$199 million from ADB's ordinary capital resources to help finance the project. ADB will also provide retroactive financing from the loan funds that may be used to reimburse eligible expenditures incurred in connection with national consultants, logistics, and transportation and relating to the delivery of vaccines to designated points, subject to a maximum amount equivalent to 30% of the loan amount. The loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2% per year during the grace period and thereafter; and such other terms and conditions to be set forth in the corresponding loan agreement. The allocations to debt service and repayments in the next 3 fiscal years would range from 73% to 76%. Interest payments related to the ADB loan will not significantly affect the allocation. Principal repayments will not affect the medium-term forecast.

B. Projects of the Ministry of National Health Services, Regulations and Coordination

15. The MONHSR&C projects for 2021 include expenditures on general health care facilities and systems, and COVID-19-related expenditures. Unutilized budget from FY2020 will be used in FY2021 for COVID-19 related projects. The first case of COVID-19 was reported in Pakistan in February 2020, after which (on 25 March 2020) the government announced a stimulus package in response to the COVID-19 crisis and allocated PRs50 billion (\$333 million) to the MONHSR&C (Table 3).

Table 3: Projects of the Ministry of National Health Services, Regulations and Coordination
(\$ million)

Project	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	A	B	A	B	A	B	A	B	B	F	F	F	F
General health projects and expenditures	299	293	265	517	67	253	54	89	90	170	166	177	189
COVID-19 projects							76	333					
Recurring expenditures	19	17	18	18	82	16	3	72	156				
Total	309	309	285	534	149	269	132	494	245	171	168	178	188

COVID-19 = coronavirus disease.

Note: *\$1 = PRs104.71 (2016), PRs105.29 (2017), PRs121.574 (2018), PRs150.2016 (2019), PRs161.836 (2020).

⁷ Constitution of the Islamic Republic of Pakistan, amend. 18, sec. 1.

⁸ [Pakistan's Medium-term Performance Based Budget](#), 2020–2021 to 2022–2023.

⁹ ADB.2021. Domestic Cost Escalation Factors 2021–2025. 2022-7.5%; 2023-7%; 2024-6.5%; 2025-6.5%

Source: Ministry of National Health Services, Regulations and Coordination.

16. **Commitments for COVID-19 vaccines.** Development partners committed to support the government in implementing the NDVP.¹⁰ Table 4 shows the current commitments by Pakistan's development partners to implement the NDVP:

Table 4: Commitments by Development Partners for 2021

Partner	Amount	Type of Support
COVAX	\$1,048.30	Vaccines, cold chains technical assistance, and technical assistance
World Bank	\$153.00	Vaccines, cold chain equipment, additional vaccinators and supervisors, vaccine delivery, and technical assistance
ADB	\$500.00	Vaccines, delivery to regional or provincial centers and capacity strengthening for MONHSR&C
Islamic Development Bank (Potential)	\$70.00	Vaccines, transportation and distribution, risk communication, and training
Government of Pakistan	\$170.71	Vaccine procurement and operation costs
People's Republic of China	\$8.10	In-kind donation of vaccines
Total	\$1,950.11	

ADB = Asian Development Bank, COVAX = COVID-19 Vaccines Global Access, MONHSR&C = Ministry of National Health Services, Regulations and Coordination.

Source: Pakistan's Expanded Program on Immunization (Federal EPI).

IV. CONCLUSION

17. Since basic public health services are provided at a reasonable cost in Pakistan and because the project outputs are not meant to result in direct revenue or cost recovery, no project financial viability assessment was undertaken. The COVID-19 vaccine program is part of Pakistan's Expanded Program on Immunization (Federal EPI); hence, the government is committed to providing funding in the future.

18. Significant efforts are made to strengthen debt sustainability, including re-profiling government debt held by the State Bank of Pakistan into long-term securities to extend the average maturity profile. The government has managed to secure reasonable financing in longer-term domestic government securities, especially from foreign investors, which should promote competition in the local financial market. The government also created a cash cushion to smooth short-term cash flow mismatches. Moreover, it plans to establish a dedicated treasury and debt management wing in the Ministry of Finance to consolidate the debt management function, and to improve cash flow forecasting and management practices.

19. The analysis of the MONHSR&C's incremental recurrent costs indicates that the financial sustainability of the project is not at risk, since the national budget of the government provides adequate allocations to the health care system at a sustainable level and is not heavily reliant on support from development partners, as indicated in Table 2. In 2016–2020, donor funding for Pakistan's health care system was very minimal, varying from 1% to 7% (Table 2). The trend of the past several years shows that funding from donors will not increase substantially in the future. The forecast increase as a result of COVID-19 support is estimated to be 12% in 2022–2025, so the remaining health sector funding of 88% will come from the government budget.

¹⁰ The NDVP allocations were reconsidered as part of the PC-1 form and allocations are defined as per recent PC-1 form.