

FINANCIAL SUSTAINABILITY ANALYSIS

A. Introduction

1. This assessment summarizes the results of a financial analysis undertaken for the Strengthening Rapid Epidemic Response Capacity of Health Systems Project, to be financed by the Japan Fund for Poverty Reduction. The financial analysis was conducted to assess the financial sustainability of the proposed project in accordance with the Asian Development Bank's guidelines on the financial management and analysis of projects.¹
2. The impact will be morbidity and mortality of coronavirus disease (COVID-19) reduced.² The outcome will be COVID-19 detection and containment strengthened. The project has two outputs. Output 1 will improve the testing capacity of 10 molecular biology laboratories by procurement, supply, and installation of laboratory equipment; ensure safe immunization by procurement and supply of personal protective equipment, hand sanitizers, and thermometers to all permanent and temporary immunization units; and print and distribute vaccination record books and certificates. The equipment will upgrade the existing laboratory capacity of seven urban districts in Ulaanbaatar and in remote *aimag* (province) health facilities with necessary equipment and supplies.³
3. Output 2 will improve the capacity for efficient and safe vaccination of COVID-19. This output will support the provision of training of about 44,500 health care and non-health care workers, educators, volunteers, social mobilizers, and journalists involved in the efficient and safe vaccination campaigns, and for post-vaccine surveillance. The health care workers will be trained on the importance of COVID-19 vaccines, related laws and regulations, COVID-19 vaccination preparation and coverage, safe immunization, infection prevention and control protocols, vaccination technique, vaccine management, medical waste management, information and risk communication, contact tracing, and supportive supervision. They will be also trained on post-vaccine surveillance that will include topics on adverse effects following immunization and immunization safety surveillance system including the structure, roles, and responsibilities); reporting; investigating; patient care; and crisis communication and management. Simulation exercises will be done to enhance training retention. The non-health sector and faith-based organization workers (e.g., military and police personnel, teachers and school staff, and workers from other sectors), for whom training is required prior to mobilization, will be trained per standard World Health Organization training protocols on the importance of vaccination and vaccine confidence, immunization target groups, general organization of COVID-19 vaccination, risk communication, and community engagement. The volunteers, social mobilizers, and journalists, who will play an important role in maintaining high levels of trust in vaccination while maintaining community commitment to other protective behaviors against COVID-19, will be trained on the importance of vaccine and vaccine confidence, mobilization of the immunization target groups, general organization of COVID-19 vaccination, risk communication, contact tracing, and community engagement.

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

² Government of Mongolia. 2021. *COVID-19 National Deployment and Vaccination Plan*. Ulaanbaatar.

³ The equipment will be provided to the existing laboratory capacity of seven urban districts in Ulaanbaatar and in remote *aimag* (province) health facilities without reverse transcription polymerase chain reaction laboratory capacity. The seven urban districts are (i) Baganuur, (ii) Bayangol, (iii) Bayanzurkh, (iv) Chingeltei, (v) Khan-Uul, (vi) Songinokhairhan, and (vii) Sukhbaatar. The *aimag* health facilities without reverse transcription polymerase chain reaction laboratory capacity include (i) Bayan-Ulgii *Aimag* General Hospital, (ii) Darkhan-Uul *Aimag* General Hospital, (iii) Mandal *Soum* General Hospital from Selenge *Aimag*, and (iv) Tosontsengel *Soum* General Hospital from Zavkhan *Aimag*.

B. Financial Analysis

4. The financial analysis consists of a sustainability analysis of the laboratory assets that the project will purchase under output 1. The analysis reviewed whether the Ministry of Health (MOH) will be able to financially support the operation and maintenance (O&M) of the laboratory equipment that will be purchased.

5. **Financial sustainability analysis.** Sustainability of the overall project relies on (i) improved skills of officials who will train inoculators for the COVID-19 vaccination, and (ii) reliability and operation of highly technical molecular biology laboratory equipment. This sustainability analysis focused on estimating the sustainability of item (ii).

6. The analysis considered the actual O&M budget for MOH for 2018–2021 and the budget forecast for 2021–2024, 2021–2029, and 2021–2049 and compared these to the additional recurrent O&M that will be required for the laboratory assets purchased under the project.

7. Key assumptions are (i) laboratory equipment is estimated to cost about \$666,600; (ii) laboratory equipment will have a life of 15 years; and (iii) annual O&M cost will be 0.5% of the total capital cost of the equipment.

8. The table shows that for 2021–2024, the average MOH O&M budget was MNT26,898.1 million and the expected annual O&M cost for the assets acquired by the project in 2021–2024, is zero. For 2021–2029, the average MOH O&M budget is MNT31,328.0 million and the expected annual O&M cost for the assets acquired by the project is MNT7.16 million. For 2021–2049, the average MOH O&M budget is MNT62,227.4 million and the expected annual O&M cost for the assets acquired by the project is MNT6.65 million. In each case, the MOH budget should easily allow MOH to fund the O&M of the laboratory assets.

**Ministry of Health's Forecast for Operation and Maintenance Expenditures and Annual Project Cost
(MNT million)**

Item	Average 2021–2024	Average 2021–2029	Average 2021–2049
1. MOH total revenue forecast	3,180,120.10	3,703,862.60	7,357,051.50
2. MOH O&M expenditure forecast	26,898.10	31,328.00	62,227.40
3. O&M as percentage of MOH revenue forecast (%)	0.84	0.84	0.84
4. Project recurrent O&M cost—laboratory equipment	0.00	7.16	6.65
5. Project recurrent O&M cost as percentage of MOH O&M expenditure forecast (%)	0.00	0.02	0.01
Total project recurrent O&M	0.00	7.16	6.65

MOH = Ministry of Health, O&M = operation and maintenance.

Source: Asian Development Bank.

9. **Financial analysis conclusions.** The grant funds will support the purchase of about \$666,600 of laboratory equipment throughout project implementation period. The equipment will continue having sustainable impacts after the project, as the laboratory equipment is expected to have a life of 15 years. The financial sustainability analysis shows that the MOH's budget will allow the MOH to pay the recurrent O&M costs on project assets for at least 15 years in the future, which is the expected life of the assets, and the project is concluded to be financially sustainable. Although the additional burden on O&M is a very small proportion of MOH's current expenditures, there is a substantial risk that MOH will not be able to allocate sufficient funds for O&M. To mitigate

this risk; an assurance will be included in the grant agreement to ensure the Government of Mongolia, through MOH, ensures adequate resources are allocated for the O&M of project assets.