

STREAMLINED STRATEGIC PROCUREMENT PLANNING

Nepal

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I. SUMMARY OF PROCUREMENT STRATEGY

1. To effectively respond to the COVID-19 pandemic in Nepal, four options have been considered. procuring additional vaccines through:
 - (i) utilizing the extended service of UNICEF under COVAX facilities;
 - (ii) entering into service contract with UNICEF outside COVAX facilities;
 - (iii) direct bilateral deals with vaccine manufacturers, and
 - (iv) entering into Government to Government (G2G) contracts.
2. Out of these four options, the recommended procurement strategy involves entering into service contract with UNICEF outside COVAX facilities.
3. The DOHS has proven effective in managing the COVID-19 vaccination program for phases I and II with gratis vaccines' supply from India and the GAVI program.
4. The main procurement packages under this project include:
 - (i) Vaccines following the qualification requirements of ADB APVAX financing.
 - (ii) Cold chain logistics from international vaccine manufacturers to the Tribhuvan International Airport. DOHS to manage the vaccine's final delivery to the specified locations.
 - (iii) Supply of ancillary items that are complementary to vaccine implementation (e.g. syringes, safety boxes, PPE, etc)
5. This approach is considered optimal and represents **Value for Money** as UNICEF is best positioned to manage vaccine purchasing complexities and the intricate logistics requirements for these temperature-sensitive items. UNICEF has been assisting for a long period in supporting the vaccine procurement for Nepal's National Child Immunization Program.
6. The recommended procurement strategy is focused on delivering quality vaccines in a risk-managed way, utilizing a trusted partner organization in UNICEF with the knowledge, capacity, experience, existing working relationship with the Government, and track record to provide procurement services for this emergency.

II. SPP DUE DILIGENCE

A. OPERATING ENVIRONMENT

7. Following tracing the first COVID-19 case in Nepal on 27 January 2020, Nepal swiftly moved towards establishing necessary precautionary measures to contain COVID-19 cases. As of 25 May 2021, the country has reported 528,848 confirmed cases with total COVID-19 related deaths totaling 6,700. The COVID-19 has caused a significant adverse impact on the economy of the country. To mitigate adverse impacts on the country's economy and people's livelihoods, the Government announced a USD 1.26 billion relief package on 29 March 2020. National Relief Program (NRF) is targeted on three fronts, mainly (i) USD 347 million for the medical and health response, (ii) USD359 million for the social protection for the poor and vulnerable, and (iii) USD 555 million for the economic support for the affected sectors.
8. Over the past decade, Nepal's economy has performed reasonably well. Real GDP growth averaged 4.7 percent¹ (at market prices) over 2015-20. According to the economic survey, the

¹ International Monetary Fund, 2020

agriculture sector contributed 27.4% in FY 1019/20, thus constituting a larger GDP share². Following the COVID-19 impact, the economy has slowed down in FY 2019/20. However, following the gradually diminishing of the COVID-19 impact, economic activity has resumed³. Collection in government expenditure and revenue is gradually improving. Revenue collected at customs points has increased. Foreign aid commitments have increased by 31%. Although there has been some contraction in imports, generally exports have recorded a modest gain. The share of exports in the total merchandise trade has increased to 8.7 % from 7.6 % of the last fiscal year. The trade deficit has improved by 10.9 %. The balance of payments position is in surplus. Overall, the stability of the external sector has become more assertive. NEPSE⁴ index and market capitalization have recorded significant improvement. Insurance premium collection has also increased. Financial sector indicators remain positive during the last five months of this FY 2020/21.

9. Nepal aims to cover 22 million population under the COVID-19 nation-wide vaccination program. COVAX facilities under GAVI have ensured the vaccination to cover 20% of Nepal's population. Under the first COVAX allocation, the COVAX Facility will deliver 1.92 million vaccine doses to Nepal by the end of May 2021, supporting Nepal's nation-wide vaccination campaign.

10. Nepal's COVID-19 vaccination program commenced on 27 January 2021 after receiving 1.0 million gratis doses of "Covaxin Oxford AstraZeneca Vaccine" from India. The vaccine "Covishield" was manufactured by the Serum Institute of India (SII). The first and second phase program covered the first dose of vaccination of the health officials and frontline workers and volunteers, including senior citizens aged 65 and above. Nepal bought 1.0 million doses of Covishield from SII to provide continuity to the program, which arrived on 7 February 2021. Under the COVAX facilities, Nepal has received 348,000 doses of the AstraZeneca' Covishield' vaccines manufactured by the Serum Institute of India (SII). Besides, Nepal has contracted SII directly to purchase 4 million additional doses of Covishield with the advance payment of 80% of the contract amount. The program has lately suffered⁵ a jolt due to the non-compliance of delivery schedule as per the contract signed between Nepal Government and SII.

11. Nepal has established well-defined public procurement procedures under Public Procurement Act 2007 and Regulation 2007. It is mandatory for all Government and semi-government entities where resource management from the treasury is concerned. Public Procurement Act has undergone the first amendment after the promulgation, while the regulation has undergone the 10th revision since its first publication in 2007.

12. ADB carried out a procurement assessment study in 2015 and subsequently updated in 2018 covered five specific sectors (Transport, Agriculture/Irrigation, Education, Energy, and Urban/Water). Based on the overall assessment, the procurement risks were rated as "substantial" at the country level and "moderate to substantial" at the sector level.

1. Borrower Capacity and Capability Assessment

13. The Implementing Agency (IA) for this proposed project is the Ministry of Health and Population (MOPH) and its divisions/units namely PPMD, HCD, HEOC and Administration Division /Finance Section. Implementation unit is Department of Health Services (DHS) and specifically its Family Welfare Division (FWD) and Management Division (MD) NHEICC, EDCC, etc. ADB has been working with the MOHP since March 2020 for the preparation and delivery of

² Economic Survey Report, MOF, Nepal

³ Economic Bulletin, December, 2020

⁴ Nepal Stock Exchange

⁵ SII is not responding on its commitment as of 25th March 2021.

a \$3.0 million grant from its (APDRF) to support Nepal in its fight against the coronavirus disease (COVID-19) pandemic. ADB's further engagement with MOHP continued to prepare and implement a CARES Program of concessional loan USD 250 million to support National Relief Program (NRP) announced by the Government on 29 March 2020. To monitor and report the activities on progress of NRP, the Government has constituted a Steering Committee under the chairship of MOF's Joint Secretary. Both ADB and MOHP are serving members of that committee. TA consultants under the ADB TA CARES are providing support to the Steering Committee. During monitoring and reporting CARES activities, the ADB TA team has established a strong rapport with MOHP. Asia Pacific Disaster Response Fund (APDRF) to support Nepal in its fight against the coronavirus disease (COVID-19) pandemic. ADB's further engagement with MOHP continued to prepare and implement a CARES Program of concessional loan USD 250 million to support National Relief Program (NRP) announced by the Government on 29 March 2020. To monitor and report the activities on progress of NRP, the Government has constituted a Steering Committee under the chairpersonship of MOF's Joint Secretary. Both ADB and MOHP are serving members of that committee. TA consultants under the ADB TA CARES are providing support to the Steering Committee. During monitoring and reporting CARES activities, the ADB TA team has established a strong rapport with MOHP.

14. The health sector has been managing its activities under the Sector-Wide Approach (SWAp). The health sector outcomes have greatly enhanced since its introduction in 2004. According to the assessment⁶ conducted by MoF in 2018, the major findings include: a) There has been a significant increase in investment in the education and health sector since 2004 after the introduction of SWAp; b) formulation and implementation of long term policies in health and education sector greatly contributing to alignment with national priorities and also ensuring government ownership; c) a fair amount of success in ensuring government ownership, harmonization and alignment but with limited progress on Managing for Development Results (MfDR) and Mutual Accountability; d) SWAp is considered by Development Partners (DPs) as a powerful and unified instrument in using resources to achieve the intended results; e) DPs interest in using Joint Financing Arrangement (JFA) in cases where the prevailing procurement-related laws do not help in implementing SWAp.

15. The health sector is one of the few government sectors that carry out centralized procurement to procure works, goods (medicine, medical equipment, etc.), and services. The Management Division under the Department of Health looks after four sections, namely a) Integrated Health Information Section; b) Environmental Health and Health-related Waste Management Section; c) Health Infrastructure Development Section (HIDS); and d) Logistics Management Section (LMS). The Health infrastructure Section deals with centralized procurement of works, and the Logistics Management Sector is responsible and authorized to deal with the procurement of goods. The first-class gazetted Officer heads the Management Division.

16. A study⁷ carried out in 2016 states that Nepal's health logistics development has been possible through sustained policy focus, cooperation and support from the international aid agencies, and better implementation. It has been the backbone of the successfully implemented public health programs. However, the challenge is to withstand the growing demand to deliver products and services. The study concludes that International aid agencies have been supportive and instrumental in setting up the health logistics management system in Nepal. However, the

⁶ An Assessment of Sector Wide Approach (SWAp) in the Health and Education Sectors of Nepal, MoF, 2018

⁷ Health programmes logistics and international aid in Nepal: an overview of processes improvements, By Bhuvan KC, Susan Heydon, Pauline Norris, 2016

onus now is on the Nepalese Government to create a sustainable and decentralized logistics management system that relies on its people, institutions, and organizations' technical capabilities and network.

17. DOHS has been receiving bi-lateral technical support for managing the procurement of goods, especially the logistics and medicine. The Section has been regularly procuring and managing vaccines to implement National Immunization Program. As a result, Nepal is polio-free since 2010 and has switched to bOPV from tOPV since 17 April 2016. Maternal and neonatal tetanus elimination status has been sustained since 2005. The health sector's success story includes: a) reducing the burden of Japanese encephalitis successfully; b) eliminating measles; c) progress on control of rubella /congenital rubella syndrome. A new measles case-based surveillance and Rubella/CRS control guideline has been drafted and underway to endorsement.

18. The Logistics Management Section (LMS) is solely responsible for the procurement of goods (like medicines supply, vaccines, kits and other medical logistics, etc.) on behalf of the Ministry of Health and Population and the Department of Health Services (DGHS) and its Management Division. The overall mandate of this LMS⁸ includes a) support to the Ministry of Health and Population to construct laws, policies, directives, quality criteria, protocols regarding purchases and supplies; b) support the Ministry of Health and Population to prepare and update national standards, health and equipment criteria, and specification banks at the national level; c) purchase of essential health materials such as vaccinations and family planning equipment and supply at the state level; d) purchase and supply of essential tools, equipment and medicines at the provincial and local level; e) coordinated and co-coordinating institutionalizing national level Supply Management Information Systems (SMIS); and f) managing essentials materials in the departments.

19. LMS has a fully functional procurement and clearance system with high-level English language proficiency and experienced staff. It has also maintained effective logistics, including transportation and storage chain extended to all seven provinces in Nepal. The health sector activities are further extended from the federal capital Kathmandu to every health center through Provincial and Local Government linkages. The procurement is carried out following the Nepal Public Procurement Act/Regulations⁹ or the donor guideline if specifically mentioned in the agreements with development partners. However, the surge in transactions brought about by the COVID-19 pandemic has put a significant strain on its capacity. Many LMS staffing positions are fully stretched by the Department's frontline role in the COVID-19 response and other procurement activities. The following chart provides the organizational set-up of DOHS.

⁸ <https://dohs.gov.np/logistic-management-section/>

⁹ Nepal Public Procurement Act, 2007 with first amendment and Nepal Public Procurement Regulations, 2007 with 10th amendments.

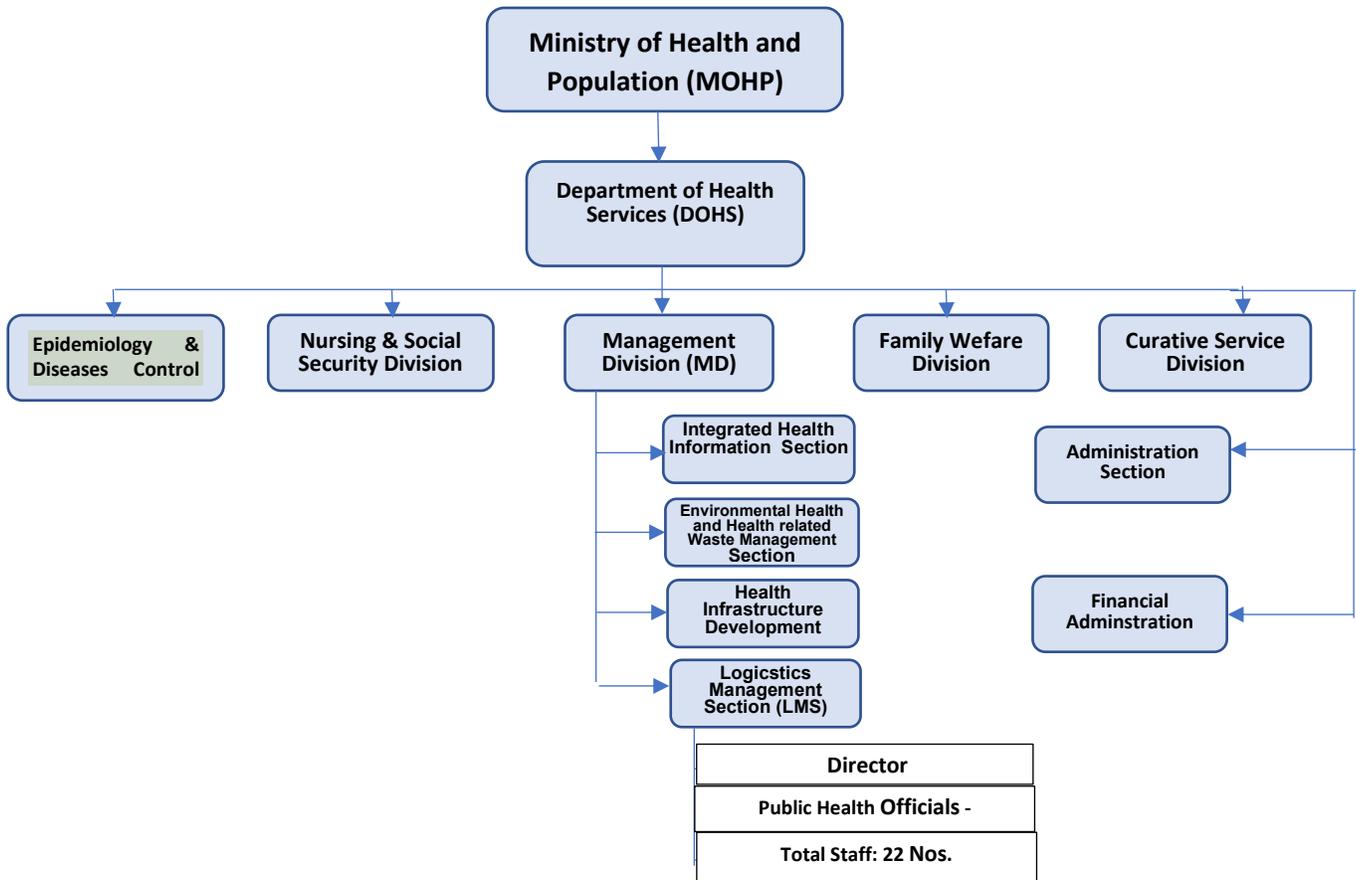


Figure-1: Organization Set-up of DOHS

20. The key risks associated with this project relate to i) ensuring vaccines to be purchased meet ADB's APVAX policy requirements, ii) product "leakage" within the supply chain from origin to final destination, and iii) maintaining and compiling and sharing sex-disaggregated information on vaccine recipients.

21. To adequately address these risks, DOHS may need professional support. The existing Health Management Information System (HMIS) needs customization to record data and share it.

Table-1: Capacity and Capability Assessment of the Borrower

Strengths	Weaknesses
<ul style="list-style-type: none"> • DOHS is procuring vaccines from time to time as per the need. • Centralized agency for procuring and providing logistics • Long procurement experience • Health sector under SWAp. • Significant development partner coordination for vaccine support (COVAX/GAVI, WB, ADB, UNICEF, WHO). • Existing contract template already in use with UNICEF for procurement agent services. • Procurement Needs assessment completed. • The Government has issued COVID-19 Vaccines Immunization Guideline • Vaccination program for first phase progressing with well-coordinated network of Federal, Provincial and Local Levels. • Key stakeholders acknowledge the emergency and urgent strategic need for the project. • International bidders have participated in several contracts earlier in health projects. • The Management Division of DOHS has its system for transporting and distributing medicine and medical equipments to the lowest level of health centers in the country. • Well-coordinated support of Development Partners under SWAp • Experience designing operational supply chain for vaccine import/storage/delivery. • 	<ul style="list-style-type: none"> • Have less familiarity with ADB Procurement Policy, Regulations, and Procedures. • Not sufficient staff to conduct extra procurement activities. • All the facilities are not sufficient. • Process and duration of approval of any decision like committee formation, official cost estimate, evaluation report, contract etc. • Low in-house procurement trained staff • Limited trained professional in procurement • Manual record-keeping system. • Frequent transfer of key officials
Opportunities	Threats
<ul style="list-style-type: none"> • UNICEF has worked closely with DOPH under COVID-19 ADB Emergency Grant and is familiar with the organization. • Active Support from other Key Development Partners: WHO, UNICEF, Gavi, World Bank, ARTF, ADB, EU, USAID • Strong sponsorship and support of vaccine program at highest level of Government • Availability of skilled labor. • Like WHO, UNICEF, and UNOPS, UN agencies can potentially be directly contracted to deliver medical supplies and equipment on a fast-track mode. • Procuring vaccines through Government to Government (G G) method 	<ul style="list-style-type: none"> • Public concern with the COVID-19 outbreak and the need for a solution can create reputational issues • Contracts for vaccines are heavily weighted in favor of manufacturers; buyers have poor negotiating positions • Specific periods of the year would have issues with the work delivery due to the monsoon season.

22. **Transportation of Logistics:** Only one International Airport in Kathmandu is available for current air connectivity with the rest of the world. Air connectivity within the country is excellent, with 30 domestic airports spread over from east to west and north to east offering regular commercial flights. In addition to that, commercial helicopter services are available for any emergency. Out of 753 Local Levels (LLs), only 283 LLs are yet to be connected to the direct road transport services, but 97 % of the population in Terai and 77% of the population in Hills/Mountains are accessible within two to four hours of walking from the nearest motorable road

network. MOHS has a record of experience in transporting essential medical supplies to remote places and when situations arise.

B. MARKET ANALYSIS

23. Out of 184 vaccines under the pre-clinical stage, only 13 vaccines have received approval from WHO. These include Pfizer, Moderna, Johnson and Johnson (JJ), and Oxford AstraZeneca manufactured in the UK, India, and South Korea, approved by WHO or SRA countries, including Australia, Japan UK, USA. As per the ADB APVAX guideline, the Government can procure vaccines from manufacturers pre-qualified by WHO or, at a minimum, have marketing authorization from an SRA. The possible options are:

- (i) Accessing additional vaccines through COVAX;
- (ii) Engaging UNICEF to support procurement of vaccines outside COVAX; and
- (iii) Entering into direct bilateral deals with vaccine manufacturers.
- (iv) Entering into Government to Government (G2G) contract for procuring vaccines.

24. Before becoming eligible expenditures under the project, vaccines will require to meet ADB's vaccine eligibility criteria.¹⁰

25. The Government has limited choice for vaccines to opt with lower temperature sensitivity (i.e., +2 to +8oc). It is open to purchasing more limited quantities of vaccines requiring ultra-cold chain transport facilities to be deployed in some regions of the country to manage these sensitive goods effectively.

2. Accessing additional vaccines through COVAX

26. The COVAX facility is an initiative formed by the World Health Organization (WHO), the Coalition for Epidemic Preparedness Innovations (CEPI), and the Global Alliance for Vaccines (GAVI). It encourages global participation to pool demand and resources for vaccine procurement. Nepal is eligible to receive free doses sufficient to vaccinate up to 20% of its population (1.92 million) through the COVAX Advanced Market Commitment (AMC). Nepal has received a first consignment of 342,000 million doses of Covax Oxford AstraZeneca vaccine on 7 March 2021. The rest of the delivery of vaccine doses is to reach Nepal by May 2021.

27. COVAX expects to access a broad portfolio of vaccines at competitive prices with expected availability in 2021. Through its procurement partner UNICEF, it is currently finalizing several long-term agreements with vaccine manufacturers. Procurement under COVAX also provides relative cost certainty, standardized contracting formats, and access to a no-fault compensation mechanism for severe adverse events. ADB strongly supports countries that wish to utilize additional funding to access vaccines through COVAX. Through UNICEF's direct engagement under the COVAX facilities, the procurement provides a good value for money for both the ADB and the Nepal Government.

28. Nepal is eligible to join the COVAX AMC countries to secure the additional supply of COVID-19 vaccine(s). Nepal has applied to the GAVI initiatives to secure additional 11 million doses of vaccines on payment. A formal understanding is yet to be reached with CEPI/GAVI to supply additional vaccine doses.

¹⁰ ADB. 2020. [ADB's Support to Enhance COVID-19 Vaccine Access](#). Manila

3. Engaging UNICEF to support procurement outside of COVAX

29. Engaging UNICEF to support vaccine procurement is one of the methods of ensuring vaccine supply efficiency. UNICEF's experience in vaccine procurement and its established relationships with manufacturers and suppliers of related goods and services can efficiently expedite the early procurement process of vaccine supply.

30. The Government of Nepal has an option to utilize UNICEF's experience in various activities like advocacy, communication and demand promotion; operationalization of communication Interventions; crisis communication; vaccine and logistic stock management; assist different working groups; procurement of vaccine etc.

31. UNICEF is well-positioned to manage the complexities of vaccine procurement. They are currently establishing long-term agreements with the vaccine manufacturers. UNICEF is considered a partner organization to ADB, and the Bank enjoys a long-standing relationship with UNICEF across multiple countries in Asia. ADB has approved the use of UNICEF's Supply Manual and associated procurement rules in the implementation of ADB-funded projects.

32. Despite the UNICEF's performance of providing vaccines through COVAX is rated high, the Government still may consider that other options may prove to be more beneficial and greater value for money. Given the current situation, it is not very likely that other options could be of greater value than procuring through UNICEF. The reasons are:

- The manufacturer's local agents have already started the supply's ring-fencing by making a compulsion to introduce commissions/agent fees. The manufacturers' future supply through local agents will be of high quoted value to include commission or agent fee charge compared to what UNICEF has negotiated and maintained the additional charge over vaccines' cost.
- The market for vaccines is becoming more competitive. They are looking for full advance payment but failing to deliver the consignment as per the agreed schedule. Political dictates have become the overriding factor for maintaining supply by the manufacturers. A recent case with SII India for the supply of vaccines against 80% advance payment has demonstrated how the manufacturer failed to respond to the contractual obligation signed between the manufacturer and the Government of Nepal.

4. Procurement under Direct Contract with Bilateral deals

33. Bilateral deals involve direct negotiations with individual vaccine developers/manufacturers. The approach may accelerate access to vaccines depending on vaccine approval status, the manufacturers' existing orders, and their available manufacturing capacity. In the current constrained market, vaccine manufacturers can dictate agreement terms leading to very one-sided contracts (favoring the manufacturer) in some cases. There is a strong possibility of not acknowledging the fiduciary and anti-corruption provisions in their signed contract.

34. As more vaccines get approval from WHO, the respective Government's control over the manufacturer becomes less, the risks of monopolizing the business by the manufacturer are bound to increase. It will increase the fiduciary risks as well as malpractices within the supply chain.

35. Recently Nepal bought 2.0 million doses of vaccines from SII India under the bilateral negotiations. SII has defaulted in its commitment to the supply of vaccine doses as per the agreed schedule.

36. Even though the Nepal government faces challenges to maintain the vaccination program's pace starting from 23 January 2021, the supplier's failure to supply the vaccine as per the agreed schedule has deterred the program. The Government seriously considers a diplomatic channel with the Indian Government to intervene and instruct the SII to deliver the vaccine consignment within the agreed schedule.

37. The Government expects bilateral deals to accelerate access to vaccine doses compared with other procurement options. On the contrary, it has created more issues than solutions. The Government's engagement to date can be summarized as follows:

- (i) It has signed advance purchase agreements with Serum Institute of India (SSI) with 80 percent payment made as an advance. These agreements require fulfillment of the supply agreement by the end of March 2021, a task that the Government is currently working with the manufacturer.
- (ii) Negotiations with AstraZeneca/Oxford were expected initially to be completed in early March. However, discussions are currently paused, noting the difference between the parties regarding the contractual terms and the manufacturer's inability to commit to supply vaccines in 2021.
- (iii) Discussions are also ongoing with other manufacturers, including Moderna, Sinopharm, Bharat Biotech of India, Oxford AstraZeneca from the Republic of Korea, and J & J, but, so far, no progress has been achieved.

5. Procurement under Government to Government Arrangement (G2G)

38. Procurement of vaccines from G2G arrangement with India and People's Republic China is still a possible option for the Government. But it needs strong commitment and coordination from both sides of the country.

39. India's current commitment with other friendly and neighboring countries for gratis supply is constrained by the increase in domestic demand for vaccination in light of increasing COVID-19 cases. Recently India has imposed a ban on the supply of vaccines on a commercial basis. On a bilateral grant basis, India has provided 1.0 million doses of vaccines to Nepal.

40. The vaccine "Sinovac¹¹" produced by the People's Republic of China is considered one of the costliest vaccines in today's world. It is even costlier than Moderna. In this context, Nepal may not venture out to buy vaccines from People's Republic of China unless Government of the People's Republic of China is willing to consider vaccine supply to Nepal on a preferential discount basis.

41. Utilizing available funding from the ADB on G2G procurement method may need some weaver on APVAX arrangement regarding depositing the payment to the respective supplier's country's treasury.

¹¹ <https://www.bbc.com/news/world-asia-china-55212787>

Table 2: Budget and expected resources for vaccine purchaseⁱ
(as of XX April 2021)

Total population:	29 million	
Total nos. of people to be vaccinated	22 million	
COVAX option:		
	Vaccination coverage	
	3% of the eligible	7 % of the eligible
Option 1 (@\$1.6/ dose vaccine cost)		
Vaccine cost for 2 doses (including 10% wastage)		
Operational cost for 2 doses (@\$4/person)		
Total govt co-financing share:		
Option 2 (@\$2/ dose vaccine cost)		
Vaccine cost for 2 doses (including 10% wastage)		
Operational cost for 2 doses (@\$2 person)		
Total govt co-financing share:		
Engaging UNICEF to support procurement outside of COVAX		
Option 2 (@\$7/dose vaccine cost)		
Vaccine cost for 2 doses (including 10% wastage)		
Operational cost for 2 doses (@\$2/person)		
Total cost:		
Option 2 (@\$10 /dose vaccine cost)		
Vaccine cost for 2 doses (including 10% wastage)		
Operational cost for 2 doses (@\$2/person)		
Total cost:		
Option 3 (@\$10.0/ dose vaccine cost)		
Vaccine cost for 2 doses (including 10% wastage)		
Operational cost for 2 doses (@\$20/person)		

Note- Vaccine cost is calculated for COVAX as the formal letter has not yet been received by the country on waiver of vaccine cost.

Sources:

Table 3: Summary table of estimated operational cost

Programmatic Area	Total amount (USD)
Planning and Coordination	
Regulatory, vaccine safety and Adverse Events Following Immunization (AEFI) detection and response	
Prioritization, targeting and COVID-19 surveillance	
Service delivery, training and supervision	
Monitoring and evaluation	
Vaccine, cold chain and logistics	
Advocacy, demand generation and communication	
Grand Total	

Sources: National Deployment and Vaccination Plan for COVID-19 Vaccines

C. RISK MANAGEMENT

42. A Risk Assessment was conducted to identify and assess the main areas of risk associated with Nepal's procurement and delivery of vaccines. The risk register in **Appendix B** identifies the following risks, including the mitigation measures to address those key risks and the level of residual risk:

- (i) Severely constrained vaccine supply market exacerbated by large advance orders placed by high-income countries.
- (ii) Substantially imbalanced contracts with significant risks placed on the client.
- (iii) Limited transparency on approvals of candidate vaccines and availability of supply.
- (iv) Vaccines selected do not subsequently meet ADB vaccine eligibility requirements.
- (v) Cold chain facility constraints in ensuring quality of COVID-19 vaccines.

43. Noting the capacity of LMS of DOHS, experience gained so far in managing the vaccination program, the severely constrained vaccine market, the large bargaining power of the vaccine manufacturers, reluctance in letting management contracts to UN agencies, including UNICEF, and the reliance of the Government on bilateral deals, the procurement risk under this project is rated as **High** as per the ADB's Procurement Risk Framework.

D. OPTION ANALYSIS

44. The following options have been considered:

Ref	Description	Modality	F	S	A	Total	Narrative
1	Procurement of additional doses through COVAX	Direct Contracting	10	9	8	27	+ Terms and conditions under COVAX are equitable. + UNICEF supports procurement and supply + Visibility on when vaccines will be available. + COVAX takes risk on vaccine not getting approval + access to no-fault compensation mechanism.

Ref	Description	Modality	F	S	A	Total	Narrative
							<ul style="list-style-type: none"> - COVAX will not supply additional vaccines until free doses (20% pop.) are supplied to all AMC countries. - Supply will be constrained as COVAX will distribute in a balanced manner. - COVAX will only supply vaccines from the portfolio. Other vaccines not in the portfolio may be available more quickly.
2	Procurement directly with manufacturers through bilateral deals	Direct Contracting	10	8	8	26	<ul style="list-style-type: none"> + CMSD, DGHS directly in control of procurement process. + Vaccine volumes may be available more quickly. + All costs go towards vaccines (no procurement fees) + Ability of CMSD and DGHS to target emerging vaccines of interest. - For deals made prior to vaccine approvals, possibility that vaccine may fail in clinical trials - Contracts may be substantially imbalanced. - Vaccines prices may exceed those available in other options. - Availability may be delayed due to the large order book of manufacturers. - Full reliance on CMSD and DGHS capacity to negotiate deals.
3	Engage UNICEF outside of COVAX to support procurement	Direct Contracting	9	8	8	25	<ul style="list-style-type: none"> + UNICEF has large experience in vaccine procurement + UNICEF may negotiate better terms due to economies of scale. + Use of UNICEF would reduce pressure on CMSD, DGHS proc. team - Limited benefit of this approach compared with COVAX - Additional UNICEF procurement fees will apply - UNICEF capacity to prioritize PHI needs unknown due to large workload with COVAX. - Risks related to availability and pricing/terms remain

Ref	Description	Modality	F	S	A	Total	Narrative
4	Procurement under Government to Government Arrangement (G2G)	Direct Contracting					

F = Feasibility; S = Suitability; A = Acceptability

AMC = Advanced Market Commitment,

COVAX = COVID-19 Vaccines Global Access,

CMSD = Centre of Medical Stores Depot

DGHS = Directorate General of Health Services,

UNICEF = United Nations International Children's Emergency Fund

The above options were chosen among the whole range of options listed in the figure below:

Procurement Options - COVID-19 Vaccines 	1a	1b	2	3
	Procure additional vaccines through COVAX (AMC)	Procure additional vaccines through COVAX (SFP) ¹¹	Procure through UNICEF outside COVAX ¹²	Bilateral Deal with Manufacturer
Acceptable to ADB ¹	Yes	Yes	Yes	Yes
Access to portfolio of vaccines ²	Yes	Yes	Possible	No
Competitive procurement ³	Yes	Yes	Possible	No
Country indemnifies manufacturer ⁴	Yes	Yes	Yes	Yes
Access to no-fault compensation mechanism ⁵	Yes	No	No	No
Risk of unbalanced contracts ⁶	Less likely	Less likely	Possible	More likely
DMC takes on contracting risk ⁷	No	Yes	No	Yes
Pricing is competitive ⁸	More likely	More Likely	Possible	Less likely
DMC responsible for logistics ⁹	No	Yes	Possible	Possible
Procurement fees apply ¹⁰	Yes	Yes	Yes	No

Legend: AMC = Advance Market commitment, COVAX = Covid-19 Vaccine Global Access, DMC = developing member country, SFP = self-financing participant, UNICEF = United Nations International Children's Emergency Fund.

¹ Acceptability is subject to the vaccine meeting ADB's vaccine eligibility criteria and being confirmed as being an eligible expenditure under a project.

² COVAX is entering into agreements with a range of manufacturers before vaccines get regulatory approval. This allows them to have various options for supply. A portfolio approach mitigates the risk of one or more vaccines failing to receive regulatory approval. Most DMCs cannot mitigate their risks in this manner. This risk will reduce as more vaccine are approved.

³ UNICEF has undertaken a competitive procurement exercise to solicit formal offers from manufacturers and finalize the terms for supply agreements. Agreements arising from this process may be used by COVAX and by UNICEF for agreements outside COVAX. For bilateral deals, direct negotiation is the dominant form of engagement in the current constrained market.

⁴ As of the date of this file note, it is standard practice that governments receiving vaccines fully indemnify manufacturers from liability for any adverse events that arise due to administration of vaccines. DMCs are therefore fully responsible for addressing any issues that arise in the country during vaccine administration, even if they relate to the quality of the vaccine itself.

⁵ The no-fault compensation mechanism (NFCM), created by COVAX, is available to AMC members, but only for vaccines distributed through the COVAX facility. Its purpose is to offer a mechanism for quickly addressing compensation claims from individual that experience a "severe adverse event" after receiving a vaccine. Applicants can access the NFCM instead of going through litigation via their national court system. NFCM should offer quicker resolution of claims.

⁶ Albeit unbalanced contracts have been observed across the world, there is an expectation that ADB DMCs with low bargaining power will be more susceptible to such issues than large international organizations such as COVAX/UNICEF. To date, ADB has observed that DMCs are taking on board large amounts of risk in vaccine contracts (high price uncertainty, unsecured advance payments, unclear vaccine availability, waiver of liability for manufacturers etc.)

⁷ UNICEF will enter directly into supply agreements with manufacturers on behalf of COVAX AMC members and under bilateral agreements with DMCs. UNICEF will separately have a service agreement with the DMC. For COVAX SFPs, the SFP will negotiate a supply agreement with manufacturers, using a template provided by COVAX.

⁸ Vaccines accessed through COVAX are expected to be provided at some of the most competitive prices available on the market, since: (i) vaccine prices may reflect large advance payments made by COVAX to accelerate development; (ii) COVAX made large advance commitments; and (ii) large volumes will be procured through COVAX between 2021 and 2023, over and above initial commitments made. DMCs entering the market late will not have access to the same leverage factors.

⁹ COVAX will manage the logistics components for AMC members (through UNICEF). COVAX SFP are responsible for organizing logistics. The responsibility for logistics for options 2 and 3 will depend on the parties' agreement in each specific contract/agreement.

¹⁰ UNICEF charges a fee (< 3% of vaccine cost) to manage the procurement and delivery of vaccines to a DMC.

¹¹ SFP countries are currently limited to procuring vaccines for 50% of their population.

¹² The term "possible" is used for this option under several headings as UNICEF can support DMCs in a number of ways including (i) providing vaccines through its own established framework agreements for vaccines; and (ii) negotiating other bilateral deals with manufacturers, identified by DMCs, on their behalf.

45. Noting the above available options, the Government has confirmed their intention to i) procure additional vaccines through UNICEF outside the COVAX facilities. Provisionally, the additional volumes will be equivalent to X% of the population of Nepal. The rest of the Government's vaccine needs will be sourced through bilateral deals with vaccine manufacturers or G2G arrangements.

III. PROCUREMENT STRATEGY

46. The procurement strategy to engage UNICEF to procure vaccines for Nepal in addition to the quantities committed under the COVAX AMC facilities seems to be the best in the present context. The arrangement will not only minimize the risk associated with the other method of vaccine procurement but also ensures a) a timing matching the time of arrival of vaccine under COVAX facilities; b) quality of the vaccines; c) continuity of the current vaccination program; d)

APPENDIX A

Procurement Plan

Basic Data		
Project Name: Responsive COVID-19 Vaccines for Recovery Project under the Asia Pacific Vaccine Access Facility		
Project Number: 55084-001	Approval Number:	
Country: Nepal	Executing Agency: Ministry of Finance	
Procurement Risk: Substantial	Implementing Agency: Ministry of Health and Population	
Project Financing Amount: \$ 165.00 million ADB Financing: \$ 165.00 million Cofinancing (ADB Administered): Not Applicable Non-ADB Financing:	Project Completion Date: 31 July 2024	
Date of First Procurement Plan: 7 June 2021	Date of this Procurement Plan: 7 June 2021	
Procurement Plan Duration: 18 months	Advance Contracting: Yes	e-GP: No

A. Methods, Review and Procurement Plan

Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, non-consulting services, and consulting services.

Procurement of Goods, Works and Non Consulting Services	
Method	Comments
Direct Contracting (DC)	All vaccine procurement contracts will be subject to direct contracting and prior review

B. List of Active Procurement Packages (Contracts)

The following table lists goods, works, non-consulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration.

Goods, Works, and Non consulting Services							
Package Number	General Description	Estimated Value (\$m)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
G01	Procurement of COVID-19 Vaccines through COVAX	50.0	DC	Prior Review	N/A	N/A	<p>Estimated value here is preliminary and indicative only, and does not reflect any decision by the implementing agency.</p> <p>No. of Contracts: single or multiple Domestic Preference: No Advance Contracting: Yes High Risk Contract: Yes COVID-19 Response:</p>

Goods, Works, and Non consulting Services							
Package Number	General Description	Estimated Value (\$m)	Procurement Method	Review	Bidding Procedure	Advertisement Date	Comments
							Yes Other: Agreement with UNICEF under COVAX
G02	Procurement of COVID-19 Vaccines through bilateral deals, including international logistic handling	80.0	DC	Prior Review	N/A	N/A	Estimated value here is preliminary and indicative only, and does not reflect any decision by the implementing agency. No. Of Contracts: Multiple Domestic Preference: No Advance Contracting: Yes High Risk Contract: Yes COVID-19 Response: Yes
G03	Procurement of COVID-19 vaccines through UNICEF or other UN agencies	30.0	DC	Prior review	N/A	N/A	Estimated value here is preliminary and indicative only, and does not reflect any decision by the implementing agency. No. Of contracts: single or multiple Domestic Preference: No Advance Contracting: No High Risk Contract: No COVID-19 Response: Yes

COVAX = COVID-19 Vaccines Global Access, COVID-19 = coronavirus disease, DC = direct contracting, NA= not applicable, UNICEF = United Nations Children's Fund.

C. Non-ADB Financing

The following table lists goods, works, non-consulting, and consulting services contracts over the life of the project, financed by non-ADB sources.

Goods, Works and Non-consulting Services				
General Description	Est. Value (cumulative, \$)	Est. Number of Contracts	Procurement Method	Comments
Procurement of needles, syringes, and other COVID-19 vaccine related commodities		To be confirmed	Competitive	Financed by the Government
3rd Party Logistics Provider (customs brokerage, warehousing / storage, local transportation to provincial and local level)		To be confirmed	Competitive	Financed by the Government

Goods, Works and Non-consulting Services				
etc.)				

APPENDIX B

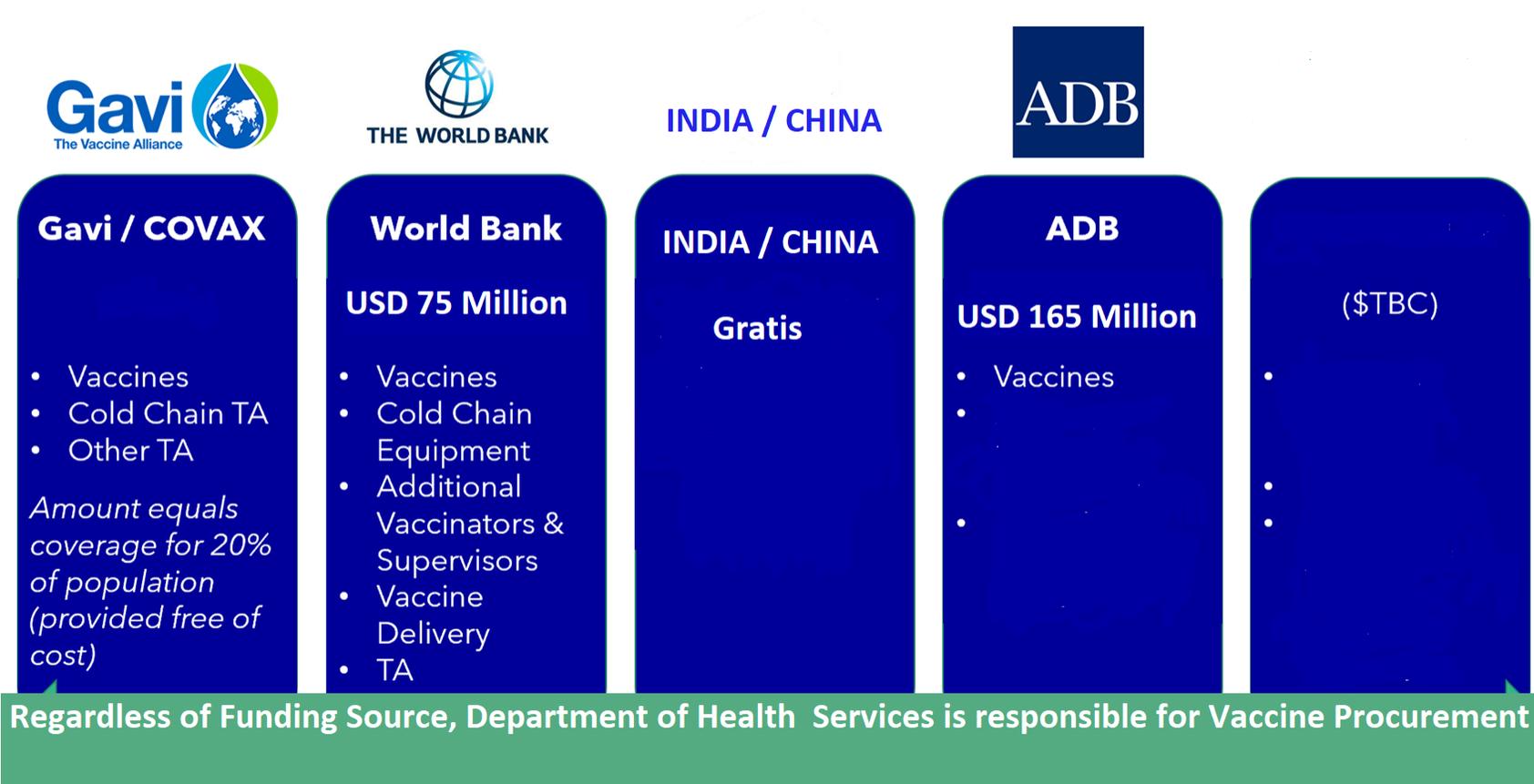
Risk Register¹

Risk Ref.	Risk Description	Likelihood (L) (1-5)	Impact (I) (1-5)	Risk Score (L x I)	Risk Strategy	Proposed Mitigation	Risk Owner
1	Prolonged decision-making process undermines national vaccine plan	3	4	12	Accept / Minimize	Prior engagement with likely partners (e.g. UNICEF and SCO); parallel discussions with ADB management on implementation strategy; early engagement with MOHP to streamline Nepal approvals	EA / ADB
2	Vaccines not meeting APVAX qualification criteria	2	5	10	Accept / Transfer	Use of experienced procurement agent to understand APVAX criteria; education by ADB project leads to qualification requirements.	EA
3	Vaccine lead-times too long and undermine national vaccine plan	4	4	16	Accept / Transfer	Use of experienced procurement agent with existing relationships with vaccine manufacturers and experience handling logistics in Nepal.	EA
4	Lack of oversight burdens project implementation timelines and undermines the national vaccine plan	3	4	12	Accept / Transfer		EA
5	Cold chain integrity - prolonged incursions outside of temperature regime will drastically reduce vaccine efficacy	3	5	15	Accept / Minimize	Insist on less temperature-sensitive vaccine. Use of tri-wall boxes and dry ice for air cargo with replenishment plan in transit. Use of TMDs when required. Refrigerated storage and trucking within Nepal with backup generators	EA
6	Site readiness for final delivery locations; sufficient receiving and storage capability required at final sites	4	4	16	Accept / Minimize	MOHP to focus on this critical aspect of national vaccine strategy - it's implementation. Site surveys can be conducted leading up to the delivery of vaccines at the provincial and local levels.	EA
7	Theft / shrinkage of product in-transit	3	2	6	Accept / Minimize	Ensure product remains in custody and control of procurement agent (i.e. UNICEF) for as far as possible in the supply chain; some degree of shrinkage is inevitable at the provincial and district levels. Keep low profile on shipments to avoid unwanted attention; consider use of sealants/tapes that cannot be replaced; cargo insurance	EA
8	Physical security	3	5	15	Accept	The operating environment in Nepal is comparable better and risk associated is minimal.	EA

¹ Refer to the ADB Guidance Note on Procurement Risk Framework for further information (Available at <https://www.adb.org/documents/procurement-risk-framework>)

APPENDIX C

Development Partner Coordination



Appendix D

Positive List under Project Investment Component (PIC)

Description	Comments
Vaccines	Procured under UNICEF Supply Manual; Must comply with qualification requirements per APVAX policy paper ¹³
Syringes	Procured under UNICEF Supply Manual;
Safety boxes	Procured under UNICEF Supply Manual;
Personal Protective Equipment (PPE)	Procured under UNICEF Supply Manual;
Other ancillary items for vaccine administration	Procured under UNICEF Supply Manual;
Multi-modal logistics (cold chain & ambient)	Procured under UNICEF Supply Manual; logistics from origin of goods to delivery locations (regional or provincial sites); logistics services for vaccines procured by others can also be performed.
Consulting services (capacity building & strengthening for MOPH) Office furniture and equipment for PIU	

¹³ As per para 29 of the Policy Paper [ADB's Support to Enhance COVID-19 Vaccine Access](#)

Appendix E

External Influences Analysis

The key components of the analysis are set out in the figure below:

: Project Procurement Structure



<p>Governance</p>	<ul style="list-style-type: none"> • 5-year election cycle provides political stability. • Currently no conflict within the nation. • Rule of Law – Rule of law exists and is transparent. Since Nepal’s political transition to a federal inclusive polity and elections in 2017, there has been political and policy stability in the country. Nepal has consistently ranked in the WJP index among the top performers in the regional level and globally ranks 61 out of 128 countries.ⁱ • Bureaucracy – The new Constitution adopted a three-tier structure of federal government; and the newly elected government in 2017 has initiated a progressive devolution of powers, responsibilities and resources to local governments, particularly in the water supply and sanitation services. However, overreliance on committees for transparency and oversight and involvement of multiple levels of bureaucracy slows progress of awarding contracts and contract administration.
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	<ul style="list-style-type: none"> • The State is the principal actor in the economy and the government provides most public goods and services. Private sector involvement in the economy is being actively encouraged. • Nepal ranked 113 out of 180 countries in Transparency International's (TI) 2019 Corruption Perceptions Index; and received a score of 34 on a scale of 0 (highly corrupt) to 100 (very clean).ⁱ • Regulatory framework and oversight agencies address all aspects of procurement.
Economic	<ul style="list-style-type: none"> • The political and policy stability of recent years has enabled an average 7.3% GDP growth annually during FY2017–FY2019 and brought unemployment down to 11.4% in 2019.ⁱ However, the ongoing global COVID-19 pandemic could potentially shrink the national GDP by 7%.ⁱ • Inflation rate has stabilized since 2017 between 4.1% to 4.6%. • There is potential for volatility due to need for import of equipment and components due to potential domestic unavailability and due to COVID-19 pandemic. • Well defined price index for different kinds of price adjustments. (National Consumer Price Index; annual and monthly Series, Wholesale Price Index; annual and monthly Series, National Salary and Wage Rate Index)ⁱ
Sustainability	<ul style="list-style-type: none"> • Climate change resilience is an essential design principle of the project outputs. Smart water management systems (SWMS), early warning system and decision support systems are proposed for water supply infrastructure which will improve reliability, enhance climate and disaster resilience and support smooth operation and help carrying out preventive maintenance of the entire water supply system. • Waste disposal – Local Environmental regulations will be incorporated into the design. • Environmental impacts – IEE and EIA practised. • COVID-19 impacts – prevention of communicable diseases during works contracts execution to be ensured.
Technology	<ul style="list-style-type: none"> • The Project is based on proven medium level technology. • Both the IAs are flexible and open to adoption of new technologies, particularly for performance management and climate and disaster resilience of systems. • Currently the use of eGP is approved by ADB for use of packages valued up to \$10 million. PPF is currently assessing the eGP system for packages above \$10 million.