

Audited Project Financial Statements

Project Number: 50282-001

Loan and Grant Numbers: L3736 and G0626

Period covered: 1 July 2019 to 31 December 2020

Regional: Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project

Prepared by Ministry of Finance and Economic Management

For the Asian Development Bank

Date accepted by ADB: 21 January 2022

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*Project Title: Regional Systems Strengthening for Effective Coverage of New Vaccines
in the Pacific*

Project Location: Vanuatu

Grant Agreement: 0626-REG (SF)

Loan Agreement: 3736-REG (COL)

FINANCIAL STATEMENTS

FOR THE

SYSTEMS STRENGTHENING

FOR EFFECTIVE COVERAGE OF

NEW VACCINES IN THE

PACIFIC

For the 18 Months Period from 1 July 2019 to 31 December
2020 as at October 2021

Prepared Under IPSAS: Financial Reporting Under the Cash Basis Accounting

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PROJECT BACKGROUND

The Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project is a regional project funded by the Asian Development Bank (ADB) to support the introduction of three new vaccines. The project is governed by two Agreements, the Grant Agreement (Special Operation) G0626 REG (SF) executed on the 28th February 2019 and the Loan Agreement (Ordinary Operation Concessional) Loan 3736 also executed on 28th February 2019. The Agreements set out the rights and obligations of each party (the Republic of Vanuatu and the Asian Development Bank). There is a total of \$11.25m US from an ADB allocation \$4.5m (50% loan/grant) and a Regional health security grant of \$6.75m.

The Ministry of Finance and Economic Management (MFEM) is the executing agency, and the Ministry of Health is the implementing agency. UNICEF has a significant role in the project, with responsibility for procuring the vaccines and cold chain equipment, and in supporting implementation through policy, training, and communication. The role of the IPM (Integrated Program Management) team is to support the Ministries of Health and Finance to introduce three new vaccines into their routine immunization schedules. The activities of the IPM includes the local procurement of goods, and services.

The project has three outputs:

Output 1: Regional vaccine procurement strengthened.

This output will support Vanuatu to procure Human Papilloma Virus (HPV) vaccine, Pneumococcal Conjugate Vaccine (PCV) and Rotavirus (RV) vaccine through the Vaccine Independence Initiative (VII). Across the project duration of five years, a phased counterpart financing approach starting in year two will be implemented with the Vanuatu government as to ensure sustainability beyond the life of the project. The project will finance the countries VII credit-line in year one where required. The output will also support the procurement of WHO and UNICEF Performance, Quality and Safety certified cold chain equipment and associated supplies through VII. The output will support microplanning and procurement forecasting for all vaccines including emergency

preparedness planning to ensure a buffer stock is maintained at both regional and national levels. This will enable rapid responsiveness to outbreaks and will also compensate for wastages during new vaccine introduction. Procurement capacity building will contribute to the overall procurement planning and process for health commodities.

Output 2: Health systems strengthened

This output will use the introduction of vaccines to strengthen primary health care and address inequities in access to health services. It will support:


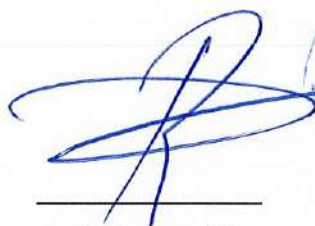
- i) updating immunization and cold chain policies, guidelines, and training materials and reporting;
- ii) training health workers through workshops and on-the-job training in vaccine administration, routine and adverse event reporting, cold chain and waste management, preventative maintenance, and supportive supervision and, where opportunities exist, better align cold chain within supply chains for primary health care commodities;
- iii) building the capacity of health system in evidence-based planning, bottom-up budgeting for routine integrated outreach with an equity focus;
- iv) sex-disaggregated immunization reporting and integrated within the broader health information system; and
- v) Evidence generation through nationwide immunization coverage surveys and other surveys to assess the quality and equity of the vaccine management.

Output 3: Community awareness improved.

This output will support the Ministries of Health, to leverage existing community structures through partnerships with other Ministries (for example education and women), non-government and civil society organizations (CSO), community and church leaders and other local community groups to improve public health knowledge, attitude and practice for better overall health seeking behaviour, sexual reproductive health, and vaccine acceptance. A community engagement grant will support the proposed mobilization activities. The output will enhance community mobilization supported by context specific education and communication strategies on the importance of vaccination in addition to

other essential health promotion messages.

This report provides the financial statements for the Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project for 18 months period ended 31 December 2020. The project commenced in January 2019 and will end on 30 November 2023 with an extension up to May 2025.



Posikai Samuel Tapo

Acting Director General & Director Planning & Policy

Ministry of Health

Date: 22/12/21



Audit Opinion on the

“System Strengthening for Effective Coverage of New Vaccines in the Pacific Project” (Project Code 50282-001 REG) Administered by the Ministry of Health

For the 18-month period from 1 July 2019 to 31 December 2020

In accordance with Article 25(5) of the Constitution of the Republic of Vanuatu and Section 27 of the Expenditure Review and Audit Act No.3 of 1998 (as amended), I have audited the Statement of Cash Receipt and Payments & Statement of comparison of budget and actual expenditure of the “System Strengthening for Effective Coverage of New Vaccines In the Pacific” Project (Grant # 0626) & (Loan #3736) administered by the Ministry of Health for the 18 month period from 1 July 2019 to 31 December 2020.

The Financial Statement for the System Strengthening for Effective Coverage of New Vaccines in the Pacific Project were prepared based on International Public Sector Accounting Standards (IPSAS) Cash requirements.

Respective Responsibilities of the Implementing Agency and the Auditors

The Ministry of Health through the Integrated Program Management (IPM) is responsible for the preparation of the Financial Statement of the System Strengthening for Effective Coverage of New Vaccines Project in accordance with the IPSAS reporting requirements. It is the responsibility of the Auditor-General to form an independent opinion based on its audit of the Financial Statements for the Pacific Resilience Project under the Pacific Resilience Program (International Development Association).

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI 2000) issued by the International Organisation of Supreme Audit Institutions (INTOSAI). ISSAI 2000 incorporates the International Standard on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB).

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statement. In this instance, audit was carried out on the revenue and expenditure of the System Strengthening for Effective Coverage of New Vaccines Project.

Our audit is to provide an opinion on the proper use of these Funds by the implementing agency which is the Ministry of Health on behalf of the Vanuatu Government.

Unqualified Opinion

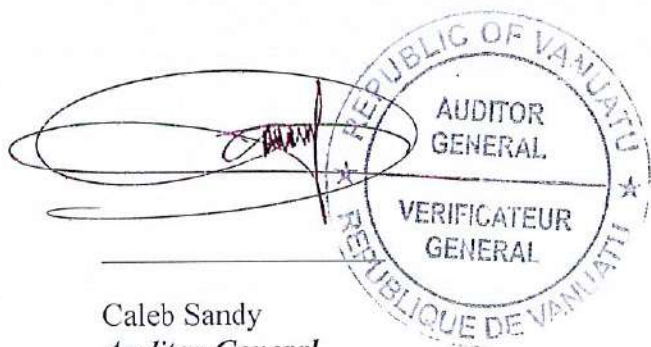
In our opinion:

- The Financial Statement of “System Strengthening for Effective Coverage of New Vaccines Project”:
 - is in accordance with the conditions specified in the particular covenants of the grant and loan agreement; and grant and loan proceeds have been used in all material respects for purposes of the project.
 - give a true and fair view of:
 - the Project’s cash position as at 31 December 2020; and
 - the results of its operations for the 18 months period ending on that date.
- Based on our examination, the Project kept proper accounting records and managed the Project funds in accordance with Vanuatu legislation, regulations and policy guidelines and ADB requirements.

Independence

We are the auditor of the Vanuatu Government of which the Ministry of Health are the preparers of the financial statements we audit. Other than this audit, we have no relationship with or interests in the “System Strengthening for Effective Coverage of New Vaccines in the Pacific Project” or the Ministry of Health.

When carrying out the audit, we adhere to the independence requirements of the Vanuatu Office of the Auditor-General, which incorporates the independence requirements of the International Organization of Supreme Audit Institutions (INTOSAI).



Caleb Sandy
Auditor-General

22 December 2021

FINANCIAL STATEMENTS OF SYSTEMS STRENGTHENING FOR EFFECTIVE COVERAGE OF NEW VACCINES IN THE PACIFIC

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE 18 MONTHS PERIOD FROM 1 JULY TO 31 DECEMBER 2020

	NOTES	Receipts / Payments Centrally Controlled (VUV)	Receipts / Payments 3rd Party Controlled (VUV)	Total Cumulative (VUV)
CASH RECEIPTS				
ADB Grant No. G0626	3	5,307,365	309,135,125	314,442,490
ADB Loan No. L3736	3	-	86,013,283	86,013,283
TOTAL CASH RECEIPTS		5,307,365	395,148,408	400,455,773
CASH & DIRECT PAYMENTS				
Investment cost	3	-	395,148,408	395,148,408
Government Contribution In-Kind	4			
Recurrent Costs	5	-	-	-
Contingencies	6	-	-	-
Financing charges	7	-	-	-
TOTAL CASH PAYMENTS		-	395,148,408	395,148,408
CASH RECEIPTS LESS CASH PAYMENTS		5,307,365	-	5,307,365
INCREASE / (DECREASE) IN CASH		-	395,148,408	395,148,408
CASH AT 1 JANUARY		-	-	-
CASH AT 31 DECEMBER 2020	8	5,307,365	-	5,307,365

This statement is to be read in conjunction with the accompanying notes and accounting policies.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL EXPENDITURE

FOR THE 18 MONTHS PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2020

	NOTES	ACTUAL (VUV)	BUDGET (VUV)	VARIANCE
CASH INFLOWS				
ADB Grant No. G0626		314,442,490	1,125,000,000	810,557,510
ADB Loan No. L3736		86,013,283	281,250,000	195,236,718
TOTAL CASH RECEIPTS	9a	400,455,773	1,406,250,000	1,005,794,227
CASH OUTFLOWS				
Investment cost		395,148,408	851,250,000	456,101,593
Government Contribution In-Kind		-	-	-
Recurrent Costs		-	427,500,000	427,500,000
Contingencies		-	118,750,000	118,750,000
Financing charges		-	8,750,000	8,750,000
TOTAL CASH PAYMENTS	9b	395,148,408	1,406,250,000	1,011,101,593
NET CASH FLOWS		5,307,365	-	5,307,365

This statement is to be read in conjunction with the accompanying notes and accounting policies.

STATEMENT OF ACCOUNTING POLICIES AND NOTES

1. POLICIES

1a Reporting Entity.

The Systems Strengthening for Effective Coverage of New Vaccines Project is implemented by the Ministry of Health with the Ministry of Economic and Financial Management being the executing Agency. The Grant and the Loan for the Project has the objective to increase immunization coverage of vaccines in the Pacific Region.

The Project consists of the following outputs:

- (i) Output 1: Regional vaccine procurement strengthened.
- (ii) Output 2: Health Systems Strengthened
- (iii) Output 3: Community awareness improved.

1b Authorization Date

The Financial Statements of the Grant 0626-REG(SF) and Loan 3736-REG(COL) was for the 18 months period from 1 July to 31 December 2020 and was authorized for issue on November 2021 by Mr. Letlet August for the Ministry of Finance and Economic Management. No other body has the power to amend these Financial Statements once they have been issued.

1c Basis of Preparation

The Financial Statements of the Grant and Loan have been prepared in accordance with requirements of the Public Finance and Economic Act [CAP.244] which includes the requirement to comply with generally accepted accounting practice.

The financial statements comply with IPSAS cash "Financial Reporting under the Cash Basis of Accounting" for the year ended 31 December 2020.

As this is the first period of reporting for the project, there are no comparative figures.

1d Presentation currency

The financial statements are presented in Vanuatu Vatu (VUV).

1e Foreign currency

The receipts from the Asian Development Bank are in foreign currency (USD) and the Financial Statements have been converted by the Reserve Bank of Vanuatu at the rate of the day of transaction.

1f Cash and Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

MEFM received the Grant proceeds amounts from ADB through the Vanuatu Government Development Account which is managed by the Vanuatu Reserve Bank. There are two payment streams;

1. Direct payments are used for contracts pertaining to the supply of vaccines, equipment, and consulting services. This includes the payment to UNICEF for the procurement of vaccines, cold chain equipment, VII payments, for the Integrated Project Management Team and for large expenditure items such as medical equipment and transportation assets. Direct payments disbursements are prepared by the MOH and authorized by the MEFM before being uploaded into the ADB Client Portal for Disbursements for payment. Direct payments are classified as “in-kind” and are not part of Smart Stream.
2. Advance payments are used for financing small activities such as outreach and immunization surveys, transportation and accommodation, small scale medical equipment, community engagement, project administration and communication. The MEFM authorizes the financing into the Advance Account with the MOH being responsible or the two administration the Advance Account. The Vanuatu’s Enterprise Reporting Platform (ERP) Smart Stream keeps track of the transactions going via the Advance Account.

Under this arrangement the Ministry of Health does not control the grant and loan funds via a separate bank account but the MEFM will make payments on behalf of the Ministry after appropriate authorization and documentation. These transactions have been disclosed in a separate column in the “Statement of Cash Receipts and Payments.”

1g Property, Plant & Equipment

Purchases of fixed assets have been included in the statement of Cash Receipts and Payments.

Fixed assets are valued at fair value at the date of purchase.

There are no fixed assets purchased on hire purchase schemes and no depreciation is being charged.

1h Budget

The budget was prepared on a cash basis when cash is expected to receive and paid. The classification of the budget is prepared on the common revenue sources and expenditure is classified on the nature of expenditure normally incurred by the project. The final budget is the budget that was approved by the ADB in September 2018 and included in the Project Administration Manual in October 2018.

The approved budget is developed on the same accounting basis, classification basis, as the Financial Statements. The budget presented has been prepared for the whole project period.

The Grant and Loan Agreement identified the category codes (budget and actuals) the following components to be procured under the project.

Cost Category 1: Vaccines (3501-3504)

Cost Category 2: Credit line, medical equipment, assets, and supplies (3101)

Cost Category 3: Printing & Communication materials, and survey (3701)

Cost Category 4: Community engagement grants (3701)

Cost Category 5: Regional implementation and monitoring services (3701)

Category 6: UNICEF services (3101)

Category 7: Administration and operations (3901)

Category 8: Contingencies (4901)

Category 9: Financing Cost (4801)

Category 10: Unallocated (4901)

The budget is in USD and was converted into VUV at the average rate of USD 1= VUV 125 as per the Summary of Disbursements.

1i Changes in accounting policies

There have been no changes in accounting policies during the fiscal year.

2. DONOR GRANT AND LOAN ASSISTANCE

In February 2019, the Vanuatu Government through the Ministry of Finance and Economic Management as executing agency of the project and the Ministry of Health as the implementing agency of the project, signed a Grant Agreement (Grant No. 0626-REG(SF)) and Loan Agreement (Loan No. 3736-REG(COL)) with the Asian Development Bank.

The purpose of the project is to strengthen and increase immunization coverage of vaccines in the Pacific Region with the arrangement for VUV 1,125,000,000 (USD \$ 9,000,000) Grant and VUV 281,250,000 (USD \$ 2,250,000) Loan for 2019 to 2023 allocated for Vanuatu. The Loan proceeds will be used to procure the HPV, PCV and RV vaccines with relevant cold chain equipment and materials. The Loan has a principal repayment period of 24 years and a grace period as defined in subsection c of the Loan agreement. The Grant proceeds will be used to finance the project expenditure that associate with the 3 outputs of the project.

The grant agreement specifically sets out the allocation and withdrawal of Grant proceeds of which;

- USD \$ 1,430,000 allocated for Vaccines from Year 3 to Year 5
- USD \$ 4,500,000 allocated for increase to VII credit line, other Goods and Consulting Service
- USD \$ 1,930,000 allocated for Communication materials. Community engagement grants and implementation and monitoring services
- USD \$ 550,000 allocated for Administration and operations

- USD \$ 70,000 allocated for Interest charge
- USD \$ 520,000 is classified as unallocated

The loan agreement specifically sets out the allocation and withdrawal of loan proceeds of which;

- USD \$ 2,250,000 allocated for the Vaccines from Year 2 to Year 3

The allocated Funds to each category listed above does not include the Vanuatu Government contribution. For Reporting purposes, the Financials will only report on the Grant and Loan which is the actual funds received from ADB.

As at 31 December 2020, actual grant received into the Vanuatu Government Development Fund account is VUV 5,307,365 (USD 49,002 at the rate of 108.31).

3. INVESTMENT

An amount of VUV 86,013,283 (USD 688,106) was disbursed as direct payments to suppliers from the proceeds of Loan, and VUV 309,135,125 (USD 2,473,081) was disbursed to suppliers from the proceeds of Grant. This gives a total of VUV 395,148,408 (USD 3,161,187) as direct payments from ADB and disbursed to suppliers. These payments were done based on the ADB withdrawal application requests for direct payments issued and signed by the Government of Vanuatu as the verifiers and approvers.

In total VUV 400,455,773 (USD 3,210,189) have been transferred under this financial agreement from ADB to UNICEF and the Ministry of Health.

Cash and Disbursement Summary

WA #	Date	Grant or Loan	Recipient	Description	Amount paid in USD.	VUV
WA A0001	20/7/20	G0626	UNICEF	VII Top up	\$ 850,000.00	VT 106,250,000.00
WA A0002	21/9/20	G0626	UNICEF	Output Agreement	\$ 1,623,081.00	VT 202,885,125.00
WA A0005	17/12/20	G0626	VanGovt - Dev fund acct	50K Advance account - Van Govt D	\$ 49,001.62	VT 5,307,365.46
WA A0004	18/12/20	L3736	UNICEF	VII UNICEF - NVI Inv# 3	\$ 688,106.26	VT 86,013,282.50
					\$ 3,210,188.88	VT 400,455,772.96

**Expenditure Category
summary**

Investment Cost	Vuv
Vaccines	
Vaccines (Y2)	86,013,282.50
Vaccines (Y3)	
Vaccines (Y4)	
Vaccines (Y5)	
Sub-Total	86,013,282.50
Credit-line, medical equipment, assets and supplies	106,250,000.00
Printing & communication materials, and surveys	
Community engagement grants	
Regional implementation and monitoring services	
UNICEF services	202,885,125.00
Total Investment Costs	395,148,407.50

4. GOVERNMENT CONTRIBUTION IN-KIND

The Grant and Loan Agreements state the level of counterpart funding required of the Government of Vanuatu:

1. USD \$1,170,000 for VAT and Customs over the life of the project
2. USD \$ 1.020,000 Co contribution for Vaccines from Y2 via UNICEF VII Scheme.

The grant and Loan agreement is VAT exempted as part of the Government In-Kind contribution.

5. RECURRENT COST - OPERATING EXPENDITURE

As at 31 December 2020, there were no local purchase made out from the Advance Account proceeds. Administration and operation costs for audits over the life of the project, as well as printing, communication, and office operational costs.

Direct payment under recurrent costs will be used for contracts for the supply of vaccines and equipment and for consulting services. This will include payments to UNICEF for the procurement of vaccines, cold chain equipment, VII payments, cold chain surveys, trainings and Goods and Consulting Services associated with vaccines.

UNICEF services

309,135,125

6. CONTINGENCIES

These are generally used later in the project cycle or for new procurement plans and require a budget re-allocation.

7. FINANCING CHARGES

ADB agrees to lend to the borrower from ADB's ordinary capital resources an amount of USD 2,250,000. The loan has a principal repayment period of 24 years and grace period prior to the first principal payment date which is scheduled on the 15 April 2027. The interest rate is charged at 1% per annum during the grace period and 1.5% per annum thereafter.

8. YEAR END CASH BALANCE

The cash balance held in the advance account of the project at 31 December 2020 is VT 5,307,365 (USD 49,002)

9. BUDGET

The budget variance compares the actual revenue and expenditure compared to the current year actual of the same period under review

9a. Revenue variance between budget and actual

There was a variance of VT1,005,194,227 which represents the actual amount received less than the budget for the project for 5 years. The reason was the actual received was for the 18 months of the project ending 31 December 2020 with remaining 3 years of the project budget which makes up the variance for the year.

9b. Expenditure variance between budget and actual

There was an underspend of VT1,011,101,593 against the budget of VT1,406,250,000. The reason for this underspend relates to the expenditure to the ADB project being delayed. The actual cash spent during the 18 months period of the project was VT395,148,408. The remaining variance will be used up during the remaining 3 years of the project.

10. RELATED PARTIES

There are no related parties during the year.

11. FIXED ASSET SUMMARY

No fixed asset purchased locally under the grant during the year. Procurement of cold chain equipment were carried out by UNICEF under the delivery of output agreement between the Vanuatu Government, ADB and UNICEF. The cold chain equipment was procured from the proceeds of the Grant and Loan stated in the delivery of output agreement and were disbursed to UNICEF. All cold chain equipment was delivered to the Expanded Program of Immunization (EPI) and stored at the National Storage room.

12. COMMITMENTS

The current commitments are listed below. There is one on-going commitment with the IPM team with Abt Associates (G21667) for \$1.9m USD. It is a time and material contract. The UNICEF contracts GA21655 and G21656 are output contracts and where paid in full upfront. UNICEF is committed to delivering the Outputs under the MOU within the agreed contracted amount.

Contract	Contract Amount	Amount of ADB-financing	Category/ Category Code	PCSS No.
UNICEF Outputs Agreement	\$1,623,081	\$1,623,081	2/ 3101	G21655
UNICEF VII Agreement	\$850,000	\$850,000	2/ 3101	G21656
Abt IPM contract	\$1,900,000	\$1,900,000	3/ 3701	G21667