Fiscal Implications of Vaccinating Sri Lanka against COVID-19

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STATUS UPDATE

- First Wave - Lockdown March-May 2020
- Second Wave - October 2020 onwards
STATUS UPDATE

- Sri Lanka’s National Medicines Regulatory Authority (NMRA) has only approved Oxford’s AstraZeneca vaccine for emergency use in the country.

- Vaccine doses secured/in the pipeline:
  - India’s Neighborhood Friendly Policy donation – 500,000 doses
  - WHO COVAX facility donation – 1.7 million doses
  - Purchase from Serum Institute of India – 10 million doses

- Cabinet decision on COVID-19 vaccination plan – Through a combination of the above, MoH aims to vaccinate 14 million people; approximately 60% of the population.

- Priority groups - Initially healthcare workers, elderly; later included those in 30-60 age group in selected localities deemed vulnerable areas
SCOPE OF THE STUDY

- The study assesses the fiscal implications of reaching a target of vaccinating 80% of Sri Lanka’s population against COVID-19.

  - Assumption - 20% of the population will be vaccinated through donations. Remaining 60% to be financed by GoSL

- Cost of vaccinating the remaining 60% to reach an 80% coverage target will be approximated & associated fiscal trade-offs of using government budget for this purpose will be considered.
ANALYSIS COMPONENTS & DATA

**Costing Exercise**
- Delivery cost data from “Deployment Plan for the Distribution of Pandemic Influenza Vaccine in Sri Lanka 2010”

**Financing Options**
- Assessing the fiscal implications of available funding options

**Economic Impact Analysis**
- Simulating the impact of vaccination strategy on National Output and Employment - using DCS impact analysis tool based on National I-O tables
COSTING

- Total Vaccine Deployment Cost = Vaccine Cost + Immunization Delivery Costs
- Minimum cost estimate using proxy data for IDCs

<table>
<thead>
<tr>
<th>Type of Cost</th>
<th>Cost Item</th>
<th>Cost in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaccine cost</td>
<td>Two doses of AstraZeneca for 60% of the population</td>
<td>100,800,000</td>
</tr>
<tr>
<td>Immunization delivery costs (IDCs)</td>
<td>Management and organization of vaccine deployment</td>
<td>8,337</td>
</tr>
<tr>
<td></td>
<td>Communication and information</td>
<td>176,261</td>
</tr>
<tr>
<td></td>
<td>Human resources</td>
<td>100,040</td>
</tr>
<tr>
<td></td>
<td>Public information</td>
<td>144,701</td>
</tr>
<tr>
<td></td>
<td>Supply chain logistics</td>
<td>88,845</td>
</tr>
<tr>
<td></td>
<td>Collection and disposal of medical waste</td>
<td>n/a</td>
</tr>
<tr>
<td>Total vaccine deployment cost</td>
<td></td>
<td>101,318,184</td>
</tr>
</tbody>
</table>

Note: Adjusted for inflation and reported at 2021 prices.
FINANCING OPTIONS

Reallocating budgetary commitments
- Emergency budgetary allocation - National Budget 2021 has no provisions for the vaccination strategy. But, budget should not replace other essential health services

Targeted tax policy interventions
- Raising taxes on sin goods – no cost to implement, reduces health cost burden, revenue generating potential of inelastic goods

Bilateral/multilateral assistance
- Direct vaccine assistance + financial aid for vaccine initiative – limited
## ECONOMIC IMPACT ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>Initial shock (LKR Mn)</th>
<th>Change in Output (LKR Mn)</th>
<th>Job opportunities to be generated (Number)</th>
<th>Extra Household Income from compensatio n of employees (LKR Mn)</th>
<th>Extra Value Addition generated (LKR Mn)</th>
<th>Extra Demand for imports (LKR Mn)</th>
<th>Extra Fixed capital assets to capital stock (LKR Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Industries</td>
<td>-</td>
<td>128.83</td>
<td>538</td>
<td>49.47</td>
<td>87.00</td>
<td>23.86</td>
<td>0.23</td>
</tr>
<tr>
<td>Manufacturing Industries</td>
<td>-</td>
<td>781.57</td>
<td>235</td>
<td>92.18</td>
<td>332.08</td>
<td>917.66</td>
<td>45.70</td>
</tr>
<tr>
<td>Services</td>
<td>20,036.83</td>
<td>21,447.67</td>
<td>15,707</td>
<td>17,019.19</td>
<td>18,496.01</td>
<td>43.03</td>
<td>1,043.69</td>
</tr>
<tr>
<td>Total Economy</td>
<td>20,036.83</td>
<td>22,358.08</td>
<td>16,479</td>
<td>17,160.85</td>
<td>18,915.09</td>
<td>984.55</td>
<td>1,089.62</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations using DCS impact analysis tool
RECOMMENDATIONS

- A medium-term self-financing strategy through targeted tax policy interventions; complemented with available external financing.

- Given the need to potentially finance continuous vaccination cycles (boosters, new vaccines for new variants, etc.) in the coming years; prudent for GoSL to get fiscal house in order, and implement revenue generation strategies sooner rather than later.

- The challenge for Sri Lanka, similar to many other developing economies; to secure adequate funding without compromising on its investments into broader public health and social welfare initiatives.