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# How Should Sri Lanka Finance the Vaccination Rollout?

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## essential government spending initiatives such as non-essential small-scale infrastructure projects

By Harini Weerasekera and Kithmina Hewage

An effective vaccination strategy is a necessity for countries to move beyond COVID-19. However, it also requires careful policymaking to balance the financial cost of purchasing and delivering vaccines while stimulating economic growth. This article, based on a re-analysis, provides an overview of the approximate costs associated with the COVID-19 vaccination rollout in Sri Lanka and evaluates policy options to finance the initiative.

### Assessing Costs

While there is no universally agreed level, considering the emergence of new variants, experts agree that a country should vaccinate around 80% of its population to achieve herd immunity against COVID-19. This translates to 17.5 million Sri Lankans. Thus far, Sri Lanka has received or is expected to receive vaccine donations and other financial assistance from the likes of the World Health Organization's COVAX Facility to cover approximately 80% of the population.

Based on publicly available proxy data, as detailed in Table 1 below, assuming that the remaining 20% of the population will be financed through the WHO COVAX scheme, the total cost of vaccinating another 60% of the population is USD 139.1 million. These costs include both the cost of purchasing the cheapest vaccine (AstraZeneca-Oxford) and the immunisation delivery costs.

In a recent study, the World Bank estimates that for the South Asian region, the average person vaccination cost amounts to USD 12 to receive one dose of the COVID-19 vaccine under certain assumptions. This costing consists of the full vaccine deployment cost per person, which includes the vaccine dosage cost along with the international airfare and delivery costs.

Using this basis of costing, financing two doses of the vaccine for 60% of Sri Lanka's population would amount to USD 336 million. This is over double the minimum estimated cost.

made earlier using local p  
 As such, a range of USD 1  
 million (LKR 27-66 billion)  
 treated as a minimum and  
 estimate range for financing  
 term vaccination strategy  
 Lanka. This amounts to 0  
 total government expenditure  
 2020, which is a relatively  
 proportion of the country's  
 government expenditure.  
 the health sector was allocated  
 of total government expenditure  
 2020. That said, the estimated  
 range between 12 and 29%.  
 Ministry of Health's total  
 for 2021.

Furthermore, given difficulties in securing all necessary vaccines from a single provider (AstraZeneca) due to supply shortages, Sri Lanka has already moved towards purchasing Sputnik V and Pfizer vaccines, which are more expensive than AstraZeneca, and this will increase costs. The cost increase will be significant given that other vaccines are ten times more expensive than a dose of Astra-Zeneca (Table 2).

Given these realities, Sri Lanka will need to cover these costs through one or a combination of: (a) reallocating existing budgetary commitments; (b) receiving more bilateral and multilateral vaccine donations or financial assistance; or (c) self-financing through tax policies and future borrowings.

### Reallocating Budgetary Commitments

Notably, the government did not budget for a vaccination strategy in its National Budget 2021. As such, any spending would have to be allocated through an emergency budget allocation. The government could potentially reallocate funding from other sectors or reallocate from within the health sector. These reallocations, for example, could be used to create built-in fiscal space for public investments in the budget, postponements or revisi

essential government spending initiatives such as non-essential small-scale infrastructure projects.

However, the extent to which such revisions can be incorporated is greatly limited by economic conditions under which this vaccination initiative is taking place. Some small-scale infrastructure projects, for instance, are geared towards stimulating the

Sri Lanka's post-COVID-19 economic recovery is dependent on adequate government spending to stimulate growth, and there has already been a significant amount of rationalisation that has taken place. Furthermore, the government will be required to ensure that the broader public health sector is not compromised in any form simply to fund the COVID-19 vaccination initiative as that may have further severe long-term repercussions.

### Self-Financing

Given the current economic climate, the government is unlikely to increase direct taxes in the immediate future. Increasing indirect taxes such as import tariffs are also likely to be unproductive since imports are restricted. Rather, a tax rationalisation on luxury goods and a sin-tax rationalisation on alcohol and cigarettes could generate a significant amount of revenue that can be directed towards the vaccination drive.

For instance, a recent study by IPS estimated that government revenue could be increased by LKR 17 billion by 2021, and LKR 37 billion by 2023, if taxes on cigarettes are steadily raised in line with inflation. This additional revenue can finance the vaccination drive until it reaches the midpoint of the study's cost estimation range of LKR 20-67 billion.

A targeted tax intervention achieves the dual aim of raising the required funds to fund the vaccination drive from the public while simultaneously ensuring that the government's broader macroeconomic stimulus initiatives can continue unimpeded. If the government is unwilling to finance the entire cost through a targeted tax intervention, even a partial self-financing measure can reduce the necessity for the government to depend on further loans to cover the cost.

### Best Option

A basic economic impact analysis by IPS found that the vaccination rollout would generate an additional 30.6 billion in national output, and an extra value addition of LKR 26 billion.

Besides, the country's economy will benefit additionally due to the indirect impact with the public health benefits of a vaccinated populace.

Considering these factors, the government is best off pursuing a medium-term solution through targeted tax interventions and if required, through external financing. A major challenge for Sri Lanka is to secure adequate funding without compromising on its investments in broader public health and social welfare initiatives as weaknesses at the frontiers can undermine the success of vaccinating the public from COVID-19.

From a budgetary perspective, the cost of vaccinating the public fast will also be compared to the cost of continuous PCR testing, managing quarantine centres and cluster associated lockdowns over a prolonged period. In addition to securing funding, receiving an adequate supply of vaccine doses for the country to reach its vaccination coverage targets remains uncertain as we progress further into 2021.

To learn more, read IPS' Policy Discussion Brief (PDB) 'Fiscal Implications of Vaccinating Sri Lanka Against COVID-19'.

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