I. Project Context

Country Context

Vietnam is a densely populated country of about 87 million people which has achieved an impressive record of economic growth and poverty reduction over the last couple of decades. Vietnam is now a lower middle income country with a GNI per capita of about $3,300 (Purchasing Power Parity, 2011). GDP had been growing about 7 percent a year, but has slowed to less than 6 percent in recent years; this is due in part to external factors as well as persistent high inflation and structural factors of the economy. Using a consistent measurement of poverty, the national poverty rate has declined from around 60 percent in 1993 to less than 10 percent in 2010. Applying a new definition of poverty based on an updated basic needs package, the national poverty rate as measured by the Vietnam General Statistics Office and the World Bank is 20.7 percent of the population and concentrated among the ethnic minority population, in rural areas, and in smaller cities.

II. Sectoral and Institutional Context

Market-oriented reforms to promote high and sustained economic growth were critical to Vietnam’s past success, balanced by socially oriented policies in the provision of basic services and access to
opportunities for the poor. Over the same period of impressive economic growth, progress has also been substantial in other dimensions of well-being, such as significant improvements in health status, particularly for women and children. Vietnam is largely on track to meet its health-related Millennium Development Goals (MDGs) although there are concerns with respect to fully meeting the targets for reduction in maternal mortality and neonatal mortality. There are also concerns about growing disparities in health outcomes, particularly with the ethnic minority population not seeming to benefit from the progress that Vietnam has achieved. While these basic health challenges remain, there are also new challenges facing the country and the health sector specifically. Vietnam is an aging country with the population over the age of 60 growing at the fastest rate. Non-communicable diseases (NCDs) account for almost two-thirds of mortality, followed by accident, injury and poisonings (more than 20%). One of the foremost challenges is meeting the growing demands of the population for improved social services delivery and safety nets.

To address the needs of the population for better access to health services, Vietnam chose the route of a national social health insurance system with the adoption of a law in 2008. Children under the age of 6 are covered for free. The state also targeted partial premium subsidies to other vulnerable groups to encourage their voluntary enrollment (near poor – 70%, students – 50%, and agricultural workers with less than an average income at 30%). The state policy of using general revenues to subsidize pro-poor inclusion has continued; in 2012, the Government adopted to increase its subsidy to the “near poor” vulnerable group from 50% to 70% of the premium. Nationally, Vietnam had achieved a commendable 64% coverage rate of the population in 2012. It has set a goal to achieve 80% coverage by the year 2020. The draft Universal Health Coverage Masterplan now being considered by the Prime Minister anticipates a complete subsidy to the near poor in the next few years, depending on the Government’s fiscal capacity, as one of the strategies for achieving this target.

Overcrowding of specific inpatient department/specialty areas is evident. For example, at the central level all departments, both generalist and specialist, demonstrate overcrowded conditions. At the provincial level, high occupancy rates are noted for nearly all specialties but are particularly high for surgery, internal medicine, cardiology, infectious diseases and obstetrics. The Ministry of Health (MoH) reported that in 2010 that 100% of cancer, cardiology, trauma and orthopedics central-level hospitals were overcrowded while 70% of obstetrics and gynecology departments as well as pediatrics departments at central hospitals suffered the same fate. At the district level, pediatrics, infectious disease and obstetrics tend to be overcrowded, but variation is high. Nevertheless, according to the Ministry of Health (MoH) (2012) in 2010 about 76% and 70% of provincial and district hospitals respectively suffered from overcrowding.

A number of reasons have been forwarded as to the underlying reasons for overcrowding. Although it is difficult to tease out the effects of any one reason, main causes can be categorized as follows: (i) increase in demand because of the aging, increasing NCD morbidity, increased health insurance coverage and general economic development as well as inappropriate use of hospitals for basic health care; (ii) revenue enhancing incentives (and consequent behaviors) resulting from hospital autonomy policy, payment mechanisms and investments in medical equipment for profit in public hospitals; (iii) deficient and low quality supply at lower levels, including the perception of poor quality by users; and (iv) inefficient referral, clinical, and patient flow management.

A major cause contributing to overcrowding is the fact that patients skip lower level and go straight to higher level for examination and treatment. A recent analysis of a sample of patient records
shows a high rate of self-referrals. Self-referral rates at general hospitals stands at 41.9% (to provincial hospitals) - 59.4% (to central level hospitals; for the specialist hospitals (pediatrics and obstetrics), this rate is as high as 93.5%. The same report provided the reasons for self-referral as expressed by most patients. The answer was trust – trust to provide proper diagnosis and quality of care. This factor accounted for 74.4% of self-referral cases in central general hospitals; the same rate is 64.2% at provincial level and 59.6% at district level. It was an even bigger factor in case of specialist hospitals. In obstetrics hospitals the rate varied between 84.1% and 89.7%.

The lack of technical capacity of the lower level facilities was one part of the trust equation. In the same analysis, it was estimated that provincial hospitals may not be able to perform about a quarter of the medical functions required of them and in district hospitals the situation could be worse with facilities unable to provide up to a third of the functions according to the Government mandate. Human resources are stretched thinly with maybe one or two persons able to perform certain tests, read scans, or do certain procedures.

It is also understood that trust in quality of care is more than about the availability of medical equipment and even trained human resources, but also about the systems and processes in place to ensure quality. The Vietnam health sector is just at the beginning to focus on the improvement of the quality monitoring and assurance practices. As the 2012 Joint Annual Health Review, -- which had a focus on quality, -- pointed out, the Ministry of Health and related institutions have developed hundreds if not thousands of technical guidelines, protocols, and patient safety related circulars but there has not been a system in place to monitor, enforce or support implementation. Signs of progress are there. The Ministry of Health has recently developed and is about to launch a quality monitoring and benchmarking system focused on improving the patient satisfaction with the overall experience, including waiting times, cleanliness of the facility and attitudes of the health personnel. This is a start to a more comprehensive quality system.

The North East and Red River Delta Regions are two quite distinct regions, both north of Hanoi. Many of the locations are within one day’s travel to Hanoi and, consequently, quite susceptible for the population to self-refer to Hanoi. The Ministry of Health has discussed an approach for developing the health system for both regions. As the Red River Delta is more developed and more densely populated, the Ministry sees the potential for developing higher capacity services that act as a “satellite” of the central level hospitals. With the central level hospitals technical backing and with a sustained strategy of training and capacity development, these satellite facilities would develop a similar branding as the central hospitals and, therefore, inherent some of the trust that comes with that brand. The North East Provinces are less developed, the population more poor, and, as a mountainous region, more remote from Hanoi. The Ministry of Health’s strategy for developing the health providers in the North East is to provide technical support from the central hospitals to ensure that the hospitals can perform the essential care with better quality and thus reducing the need for the population of this territory to incur the out of pocket expense and opportunity cost of travelling to Hanoi.

III. Project Development Objectives
The Project Development Objective is to increase the efficiency and equity in the use of hospital services in selected provinces of the North East and Red River Delta Regions.

IV. Project Description
Component Name
Strengthening the capacity of lower level hospitals to deliver quality services.
Reducing the financial barriers to access health services by the economically vulnerable.
Project management, monitoring and evaluation.

V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>For Loans/Credits/Others</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>7.50</td>
</tr>
<tr>
<td>International Development Association (IDA)</td>
<td>150.00</td>
</tr>
<tr>
<td>Total</td>
<td>157.50</td>
</tr>
</tbody>
</table>

VI. Implementation

The Ministry of Health will be responsible for the overall execution of the project. As per its common practice, the Ministry of Health will establish a Project Steering Committee (PSC) by a decision of the Minister of Health. The PSC will be responsible for providing overall strategic guidance and oversight on the project implementation. The PSC will be chaired by the Minister or a designated Vice Minister of Health, and will be composed of various senior managers of the relevant departments of MoH including, but not limited to the Medical Service Administration, Health Insurance Department and the Project Provinces. A Central Project Management Unit in the MoH will be established under the Department of Planning and Finance to be in charge of the implementation and coordination of the project. The Medical Services Administration would technically be responsible for Component 1 and the Health Insurance Department would technically be responsible for Component 2. The Ministry of Health will sign a Memorandum of Understanding with the proposed 13 provinces participating in the Project detailing the rights and responsibilities of each party. The Provincial People’s Committees will establish Provincial Project Management Units in each project province under the Department of Health which will be responsible for the day-to-day operation of the project activities.

VII. Safeguard Policies (including public consultation)

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>✗</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td></td>
<td>✗</td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td></td>
<td>✗</td>
</tr>
</tbody>
</table>

VIII. Contact point

World Bank
Contact: Kari L. Hurt
Title: Senior Operations Officer
Tel: 5777+384 / -  
Email: khurt@worldbank.org

**Borrower/Client/Recipient**
Name: Socialist Republic of Vietnam  
Contact:  
Title:  
Tel:  
Email:  

**Implementing Agencies**
Name: Ministry of Health  
Contact: Dr. Pham Le Tuan  
Title: Director of Planning and Finance Department  
Tel: (84-4) 3846-4914  
Email: phamtuan2003@yahoo.com

**IX. For more information contact:**
The InfoShop  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-4500  
Fax: (202) 522-1500  
Web: http://www.worldbank.org/infoshop