RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

HEALTH SECTOR DEVELOPMENT PROJECT

CREDIT NO. 3702-GE

TO THE GOVERNMENT OF GEORGIA

NOVEMBER 15, 2011
ABBREVIATIONS AND ACRONYMS

GoG  Government of Georgia
MOLHSA  Ministry of Labor, Health and Social Affairs
MTR  Mid-Term Review
PDO  Project Development Objectives
SIMS  Social Information Management System
SSA  Social Service Agency
1. This Restructuring Paper seeks approval to extend the current Closing Date by 6 months from December 31, 2011 to June 30, 2012. This will be the fourth extension of the Credit. As explained below, previous extensions were due in large part to external events that affected project implementation. The Government of Georgia (GoG) is seeking the extension to enable satisfactory completion of ongoing technical assistance activities and small investments needed for the development of the Ministry of Labor, Health and Social Affairs (MOLHSA)’s social information management system (SIMS). This will help deepen the achievement of the Project Development Objectives.

Project Implementation Progress

2. The project was approved by the Board in August 1, 2002 and became effective on May 6, 2003. The implementation was slow with little disbursement in the first two years, due to frequent changes in the Government’s leadership associated with the political events prior to and after the Rose Revolution of 2003. The implementation improved significantly in 2006 and the project ratings were upgraded to reflect that improvement. During the Mid-Term Review (MTR) that took place in May 2007, the Bank team explored ways with the GoG in which the project could be restructured to respond to changes in the Government’s strategy in the health sector. In 2006 the Government had launched a major reform program in the health sector, which included four main areas: (i) increasing the private sector role in health financing and service provision by privatizing public health facilities; (ii) prioritizing public funds to finance health care for the poor and other vulnerable groups under a health insurance scheme established for this purpose; (iii) channeling public health financing through private health insurance companies, and (iv) strengthening the regulatory role of the MOLHSA. These policy changes had direct implications for the types of investments the Bank-financed project could support. Indeed, the Government decided not to continue to rehabilitate primary health care clinics, but to increase funds to support additional training on family medicine, to revise family medicine guidelines, to strengthen the stewardship functions of the MOLHSA, and to develop a modernized public health information management system. To meet the new requirements of the reform, the Government of Georgia and the Bank agreed to restructure the project. At the MTR mission, it also became evident that the project needed to be extended to complete some of its remaining activities and the Closing Date was then extended for the first time from December 31, 2007 to December 31, 2009.
3. During the restructuring mission in July 2008, the project was re-appraised and re-costed in order to reflect changes in the Government’s priorities. As a result of the restructuring mission, it was proposed to revise the original project objectives, the project name, project components and key indicators in the Results Framework. It was also proposed to consolidate into one Category (Category 7) the remaining undisbursed Credit funds to cover the costs of goods, works, consultants’ services, training and incremental operating costs for the Project. Following the restructuring mission, the restructuring process was interrupted by the Russia-Georgia military conflict in August, 2008. As a result, the Government of Georgia only sent a letter to the Bank requesting formal project restructuring on October 20, 2008. The restructuring was approved by the Board on March 2009 and became effective upon ratification by the Government in June 2009. The closing date was extended for the second time to December 31, 2010, and a third time to December 31, 2011.

4. Since the restructuring of the project in mid-2009, implementation has progressed well under each of the project components, except for the cancellation of the design of communication activities, due to changing priorities in the Government. In the latest Implementation Status Report (ISR) of May 2011, progress towards achievement of Project Development Objectives (PDOs) is rated as "Satisfactory." The most recent implementation support mission held on October 3-5, 2011 found that steady progress in project implementation has been made during the first half of 2011. Disbursement has reached 87 percent of the credit with an additional 5 percent committed, bringing the total disbursement/commitment to 92 percent of the credit. The value of ongoing tenders represents about an additional 1.2 percent of the total credit, which would raise by mid-November the total disbursement/commitment to 93 percent of the credit.

Justification for Closing Date Extension

5. The proposed extension of the Closing Date was discussed with a Bank mission team during October 3-5, 2011, requested by the MOLHSA on October 12, 2011 and the Minister of Finance on November 3, 2011.

6. This extension is necessary both to facilitate an effective use of scarce IDA funds allocated to the health sector and to help deepen the achievement of the project development objectives, particularly by ensuring the full development of the social information management system (SIMS).

7. The development of SIMS has been structured in accordance to a well developed sequence of activities organized in three phases. Phase I covered the MOLHSA’s SSA’s business process analysis and SIMS functional requirements and was completed with USAID support. Phase I produced a business processes requirements report. Phase II was based on the
recommendations of the business processes requirements report. This phase entailed the development of the data model and the technical architecture of the SSA-SIMS, as well as the identification of needed hardware and software investments. Results of a rapid technology needs assessments at the SSA carried out by a Bank team in November 2009 led to an agreement between the Bank and the MOLHSA in early 2010 to advance the implementation of Phase III in parallel with the implementation of Phase II, which was showing good progress. **Phase III** includes the development of the SIMS at the SSA based on the design developed in Phase II. It will provide consolidated automated information about all the registered beneficiaries of the government-funded medical insurance programs, as well as of beneficiaries getting social assistance from the different programs managed by the MOLHSA. Phase III, which was programmed during the April 2009 mission to begin in 2011, was initiated the **second quarter of 2010** with the issuance of a request for proposals (RFP), and the selection and contracting of consultants during the first trimester of 2011.

8. The development of SIMS, by establishing a single beneficiary data base for all social programs, would strengthen the capacity of the MOLHSA to manage efficiently the operation of the Mandatory Health Insurance for the Poor (MIP), as well as of different cash benefits programs, such as state pensions, means-tested targeted assistance, one-time benefits, internally displaced person (IDP) allowance distribution, and country wide child care services.

9. The requirements of **OP/BP 13.30** have been met, namely, (a) the project objectives are achievable; (b) the performance of the Borrower and other project implementing agencies is satisfactory; and (c) the Borrower has prepared a specific Action Plan acceptable to the Bank for completion of the project within the proposed requested extended timeframe, i.e. June 30, 2012. There are no outstanding audits. No new safeguards policies will be triggered.

9. In view of the above considerations, the proposed extension is justified since an integrated management information system is a critical tool to improve the Government’s stewardship function in the health sector--one of the key development objectives supported under the project--particularly to provide required oversight of the operation of private health insurance companies that are under contract with the MOLHSA’s Health Insurance for the Poor Program (MIP).