1. Key development issues and rationale for Bank involvement

Vietnam is one of the best performers in the region in relation to health millennium development goals. The country is on track for achieving all health related MDGs. As the country moves forward the nature of health system challenges changes. Due to epidemiological transition, non-communicable diseases (NCD) have become the major disease burden responsible for 60% of total morbidity, followed by injuries (25%). A great deal of premature mortality and morbidity from NCDs and injuries are preventable with effective health interventions.

In response to changing epidemiological, demographic, and socio-economic context the government of Vietnam has been trying to modernize its health system since mid 90s. There is a lot of room for improving financial risk protection of the population, quality of care, access to health services, patient satisfaction, skills and knowledge of human resources, efficiency of resource utilization, equity, etc. Addressing these challenges requires drastic institutional reforms, reorganization of health financing, service delivery and governance systems.

The proposed operation intends to support the North East and Red River Delta (NERRD) provinces with additional financing to scale up delivery of the essential health interventions and strengthen the basic health service infrastructure at the district level. The Bank team and the MoH considered various financing mechanisms for the new project and agreed that a Specific Investment Lending (SIL) instrument with a mix of output and input based financing elements would be best suited for the given operation. Output based financing will be used to scale up delivery of essential health interventions, strengthen commune level health services, and improve the financial risk protection of the population. Input based financing will be used for strengthening the district level health service infrastructure and health workforce production capacity. The support to the district level health care delivery infrastructure contributes to the scaling up of essential health services, because the district level facilities are the front
line facilities responsible for providing basic curative health care to the population and supervising the commune level health services. Thus the two elements of the project – the output based and input based components – will enhance and reinforce each other.

The World Bank is in good position to support the proposed project because there is a significant amount of experience accumulated in the organization on output based or blended operations. Most of this experience is from other regions but the World Bank can effectively facilitate the exchange of knowledge between Vietnam and other countries which have successfully tried output based financing.

The proposed operation is in line with the Government strategy to address the health system challenges at two levels – national and regional. Policy development and selective investments for programs that are cross-regional in nature are addressed at the national level. On the other hand, investments in health infrastructure and pilots/testing of the new policies and programs are done using a regional approach. The regional approach has provided the government with the ability to (a) address the specific needs of each region better; (b) build capacity at the provincial and regional levels; and (c) provide a good mechanism to test some of the policy options that can in turn help with the policy formulation at the national level.

2. Proposed objective(s)

The project development objective is to improve the population’s access to essential health services in the provinces of North East and Red River Delta in accordance to the national health system development strategy. This development objective will be achieved through supporting district level health service capacities in the project provinces. In addition the project will support provinces in increasing population coverage with health insurance and strengthening their capacity for health workforce production.

3. Preliminary description

The proposed project is considered as Specific Investment Lending (SIL) operation in the amount of US$180 million IDA credit. The project will cover 18 provinces in the NERRD Region with the total population of 35.8 million people. The NERRD provinces are very diverse in terms of their economic development and health sector capacities. Even though the project is proposed as SIL, the bulk of the project funds will be disbursed based on outputs. The outputs will be related to some essential health services included in the primary health care package. Selection of the health services and related outputs will be done during the preparation phase.

The project will consist of three components.

**Component One – Output based financing of essential health services (US$100 mln)**

This component will support through output based financing four types of activities: (a) essential health services, (b) refurbishment of the Community Health Stations (CHS), (c) enrolment of uninsured into the social health insurance scheme, and (d) training of health care professionals.

**Essential health services** – From the list of the essential health services that constitute the primary care package in Vietnam some key health services will be selected for the project support. The exact list of services to be supported by the project will be agreed on during the preparation. For each of the health service one or several specific outputs will be identified. The outputs shall be highly relevant to the selected health services, easily measurable (countable) through the routine health information system, and estimation of the unit cost of the output shall be straightforward and feasible.
Refurbishment of the community health stations – The project will consider refurbishment of the CHS as an output eligible for funding through the output based funding. This will include fixing the physical structure of the CHS and supplying lacking medical instruments/equipment and furniture.

Enrolment of uninsured population in the social health insurance scheme – Increasing health insurance coverage is high priority goal for the government of Vietnam. The project will provide incentives to the Vietnam Social Security Administration (VSS) to identify and enrol the near-poor and the rest of the eligible population into the scheme. For the purposes of the project, each additional individual enrolled in health insurance will be considered as a project output eligible for financing.

Training of health care professionals – The project will finance training of health care personnel based on outputs. Unit of the output will be “one health care professional trained through a short-term training” or “one level-1 specialist trained through two-year training”.

The component will be implemented in the following manner:

Each province will develop an annual plan where the amount of outputs and the required costs will be specified. The provinces will receive an advance payment (e.g. 40% of the estimated costs) from the Central Project Management Unit (CPMU). At the end of the year verification of outputs will be conducted by an independent verification agent (the exact TORs and institutional profile of such agent to be agreed on during the preparation). Payment of the remaining funds will be executed based on the actual outputs produced and verified. Provinces which demonstrate a higher implementation rate will be allowed a higher budget ceiling during the subsequent planning cycles. Those provinces that demonstrate below 70% implementation rate will face a reduction of the budget ceiling amount for the next planning cycle.

Component Two – Strengthening provincial level health services (US$65 mln)

This component will be implemented through a traditional input based financing. The component will support district hospitals with basic medical equipment in the poorest districts of the region. Only those districts will be selected which have not received adequate funding from the so called “government bond program”. According to the preliminary estimates the total number of such district hospitals will be 60-80. The size of the medical equipment package per district hospital will be about US$200,000, which is in line with the district hospital medical equipment packages financed in the most recently approved project in the Central North region.

The proposed project will also support the medical universities (total 5 universities in the NERRD region) and some medical colleges with the educational materials and teaching equipment. This activity will contribute to improving the quality of health care workforce and reducing the shortage of medical professionals in remote districts. This assumption is line with the recent analytical work conducted by the World Bank, which demonstrated that the medical graduates from the provincial level medical schools are more likely to seek employment at the district level facilities then those who receive training in Hanoi or HCMC.

Component Three – Management capacity building (US$15 mln)

This component will consist of activities aimed at building capacities at the MoH level and Provincial Departments of Health in planning, program budgeting, and monitoring and evaluation. The component will support training in management, health systems analysis, and program monitoring and evaluation. Under the component provinces and the CPMU will receive technical assistance aimed at improving their planning and program management capacities. The component will also support strengthening routine
health information reporting systems, and incremental operating costs related to the supervision, coordination and day-to-day management of the project activities. The component will fund the central level Project Management Unit (CPMU), which will be adequately staffed to exercise supervision and monitoring and evaluation of the province level activities.

The project will provide technical assistance to the MoH and the Provincial Departments of Health in developing 5-year health sector development plans and medium term expenditure frameworks. Vietnam has joined the multidonor supported global initiative called “Joint Assessment of National Health Strategies”. This initiative envisages provision of technical assistance to the country in order to develop high quality national health strategy. The Project will support expansion of this activity to the NERRD provinces.

The bulk of the funds under this component will be devoted to monitoring and evaluation, particularly on the auditing and independent verification of the project outputs. The proposed project design requires very strong monitoring and auditing arrangements. This includes auditing of financial management as well as independent verification of the program outputs.

4.  Safeguard policies that might apply

The proposed project’s is classified as category B projects for the environmental and social safeguards perspective. Planned investment in district hospitals may trigger the World Bank’s safeguard policy on environmental assessment (OP4.01) because of medical waste management issues that may arise in relation to upgrading district hospitals with new technologies. Apart from that, the project activities are not expected to have any negative impact on environment.

As in all other provinces of Vietnam, there are some ethnic minority groups living in the NERRD provinces as well. Unlike Northern Upland and Central Highland provinces, ethnic minorities in NERRD provinces constitute a small share of the population and they are well assimilated and blended with the main ethnic groups. The project activities will not have any negative implications for ethnic minorities. All ethnic groups will equally benefit from the project. The project design however will favor the poor population given the emphasis of the project on the essential health services and commune and district level care, most frequently used by the poor. Based on these considerations the project is unlikely to trigger safeguards policy on Indigenous People OP4.10. However this will be reconfirmed as the preparation of the project starts.

5.  Tentative financing

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<td>International Development Association (IDA)</td>
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6.  Contact point

Contact: Bukhuti Shengelia
Title: Sr Health Spec.
Tel: (202) 458-0520
Fax: 
Email: bshengelia@worldbank.org