



1. Project Data:		Date Posted : 09/30/2003	
PROJ ID: P036089		Appraisal	Actual
Project Name: Health Sector Transition	Project Costs (US\$M)	19.4	17.1
Country: Macedonia	Loan/Credit (US\$M)	16.9 million	14.5
Sector(s): Board: HE - Health (54%), Central government administration (34%), Health insurance (12%)	Cofinancing (US\$M)		
L/C Number: C2889; CP983			
	Board Approval (FY)		96
Partners involved :	Closing Date	03/31/2000	03/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
E. Hazel Denton	Howard Nial White	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The objectives are: (i) to improve the health of the population by enhancing the quality of basic health services; and (ii) to support an initial phase of policy reforms to increase cost-effectiveness, fiscal sustainability and patient choice within the health system.			
b. Components			
The components, with estimated base costs, support the policy reform agenda outlined in the Government's Letter of Development Policy:			
1. Health Finance and Management (\$4.2 million) To achieve reform of health financing mechanisms and upgrade management capacity, project would provide support for technical studies, strengthening of management skills in the Ministry of Health, the Health Insurance Fund, and health facilities, and the development of management information systems.			
2. Basic Health Services (\$7.8 million) To achieve reforms in Primary Health Care (PHC) aimed at providing cost-effective care of high quality, project would support reform initiatives, equip rural PHC centers, upgrade the skills of PHC personnel, and supply essential materials to five high-priority prevention programs (Immunization, Tuberculosis, AIDS Prevention, Blood Donation, and Maternal and Child Care).			
3. Pharmaceutical Policy and Supply (\$6.4 million) To achieve reforms aimed at rational drug use and establishment of a national drug policy, project would support procurement of essential drugs for PHC, and provide technical advice, training, and equipment to improve public procurement, reimbursement, and quality control, including upgrading the present drug quality assurance system.			
c. Comments on Project Cost, Financing and Dates			
The project cost was reduced from \$ 19.4 million to \$17.1 million, of which \$15.5 million was financed by the credit, and \$1.6 million provided by government. \$0.8 million was cancelled from the credit, and the remaining \$ 1.6 million was the result of changes in the SDR/\$ exchange rate. Project closed two years later than expected. A Mid-Term Review was held in October 1999 which restructured and simplified the project, although the objectives remained unchanged. Of the 17 sub-components, 7 were cancelled; 4 of the remaining 10 were scaled back. In particular, there was a significant reduction of pharmaceuticals procurement.			
3. Achievement of Relevant Objectives:			
<ul style="list-style-type: none"> The Health Insurance Law, developed with project support, incorporates several policy reforms including mixed-capitation payment to physicians, copayment by users, and priority prevention programs. Systems have been developed under the Health Insurance Fund for hospital contracting, finance and information management. The cost effectiveness of health services have been enhanced. Indicators include a decrease in average length of hospital stay and an increased number of consultations per physician in outpatient care. Patient choice has improved through patient enrolment and capitation-based payments to private family medicine practices (although no evidence has been gathered on changes in patient access). A program of Continuing Medical Education has been developed; so far, 40% of PHC physicians have attended. 			

- Procurement and installation of the health sector management information system has been very slow, but is expected to become fully operational.
- Basic primary health care services have been improved through upgraded equipment and training programs.
- The National Perinatal Program has been significantly strengthened, and a local training program established to support on-going improvements.
- The National TB Control Program has been established, with equipment financed by the project, and training and technical assistance from WHO.
- A national drug policy has been developed, a drug information center established, doctors are being trained in rational prescribing, and new management information systems have improved cost control.

4. Significant Outcomes/Impacts:

- The foundation has been laid for several areas of health care reform.
- The perinatal mortality rate has fallen by 21 percent, to which the improved health services have contributed.
- The increasing trend of TB incidence registered in the early nineties has been reversed.
- Public information activities conducted under the project significantly curtailed the initial negative media coverage of the health reform program.
- The success of the PHC training program has led to its institutionalization: (i) Intensive training for PHC practitioners has led many to leave the public sector for private practice, most with fully funded contracts under the Health Insurance Fund; and (ii) A PHC School has been established within the Medical Faculty.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Of the 17 sub-components, 7 were cancelled and 4 were scaled back. Those cancelled included support for AIDS Prevention, Immunization, and Hospital Management.
- The monitoring and evaluation framework was weak, using mainly legislative and regulatory change as benchmarks.
- Insufficient agreement among the major shareholders and lack of local leadership undermined project implementation.
- Staffing plan for the Project Implementation Unit lacked adequate provision for technical specialists.
- Some factors affecting fiscal sustainability which the project was expected to address are now being picked up in subsequent Bank projects i.e. Arrears of the Health Insurance Fund and public providers to commercial suppliers (especially of pharmaceuticals) have not been eliminated and are to be covered in future Bank loans.
- Technical support was provided to help prepare proposals for amending the Health Care Law (including changes in the organization of public provider organizations, separation of Primary Health Care from inpatient services, a shift from public toward privately operated PHC units, and licensing procedures for health care works in PHC) but the law was not passed and the issues must be addressed again.
- A plan for redistribution of doctors and dentists has not been implemented as the necessary legislation has not yet passed.
- Drug Quality Control: No laboratory equipment or supplies were purchased, no plan was prepared, and the subcomponent was cancelled.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	Project restructuring at MTR, whilst necessary given the initial complexity of the project design, reduced impact in some areas below that originally envisaged in the objectives.
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- A highly complex program of sector reform needs strong government ownership, coupled with the capacity to negotiate between the winners and losers. The fact that the Ministry of Health had a total staff of only 25, mostly with medical rather than managerial training, should have signalled the need for an especially strong Implementation Unit and tighter supervision efforts in the early stages.
- Insufficient attention was paid to the set-up, maintenance, and systematic use of a monitoring and evaluation framework, which could have helped to avoid some of the project weaknesses, especially cancellation of important sub-components.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

ICR quality is judged satisfactory overall . Given the complexity of the project, the ICR writers faced a challenge . The Appraisal Report emphasized the policy actions under each component rather than the activities, whereas the ICR reversed the order . With this approach, and given that the status of the reforms were not separately identified in the ICR, it was difficult to judge fully the achievements of the project .