



1. Project Data:		Date Posted : 04/03/2003	
PROJ ID: P038571		Appraisal	Actual
Project Name: Medical Equipment	Project Costs (US\$M)		
Country: Russian Federation	Loan/Credit (US\$M)		
Sector(s): Board: HE - Health (99%), Central government administration (1%)	Cofinancing (US\$M)		
L/C Number: L4033; LP277			
	Board Approval (FY)		
Partners involved :	Closing Date		
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
<p>The Project purpose was "to initiate structural reform of the health care system in Russia." Specific objectives were to: (a) Increase the availability, range and quality of services provided by PHC facilities and raion hospitals; (b) Reorient service delivery toward more cost effective health care; (c) Decentralize decision making for capital investments to the facility level; and (d) Support policy development through the introduction of national health accounts.</p>			
b. Components			
<p>The Project originally had three components, with a fourth component added from Project savings in 1999. The first component's costs comprised 98% of both the Appraisal and the Actual estimates. The three original components and their planned costs were: (1) Medical Equipment (US\$300.0 million), which would finance provision of medical equipment, related supplies and training, and furniture and supplies to targeted primary and secondary health care facilities in 34 oblasts; (2) National Health Accounts (\$3.0 million), which would provide necessary support to develop and implement a system of national health accounts in Russia; (3) Project Management (\$2.0 million). The fourth component, with a planned cost of \$2.6 million, was Preparation of the TB/AIDS and Health Reform Implementation Projects, which was to: (i) design and pilot a system of prevention, diagnosis and treatment of HIV/AIDS and tuberculosis, and (ii) design a program of optimizing and financing the health services of pilot oblasts.</p>			
c. Comments on Project Cost, Financing and Dates			
<p>Government contribution of \$34.5 million was 99% of planned contribution. However, many regions were unable to meet the 10% counterpart matching funds requirement. The shortfall ultimately was resolved through a reallocation of funds and equipment among regions and payment of some regional debts by the Federal Government. In addition, \$47.4 million of the loan was canceled. As a result of the 1998 financial crisis, the commercial bank holding the Special Account went bankrupt, and the Government had to refund the account balance, \$645,000. The crisis exacerbated the regions' overall difficulty in providing counterpart funds; several regions defaulted on equipment already ordered, with the Federal Government ultimately financing those arrears.</p>			
3. Achievement of Relevant Objectives:			
<p>Availability, range and quality of services provided by PHC facilities and raion hospitals is likely to have been significantly increased, given that significant amounts of modern and appropriate equipment were acquired and widely distributed to appropriate facilities. In addition, decisionmaking for these capital investments was successfully decentralized to the facility level, and since equipment was selected by local institutions, the likelihood that such equipment was desired, needed, and used is increased. The procurement was done in a very efficient manner, and significant savings resulted from international competitive bidding and competitiveness of local industry (which supplied 22% of the equipment by value).</p>			

Service delivery is likely also to have become more cost-effective, as inferred by documented decreases in referrals to higher levels of care, and intensive use of much of the categories of equipment. Policy development has only been marginally influenced to date through the analytic studies on national health accounts.

4. Significant Outcomes/Impacts:

Over 50,000 durable medical equipment items and almost 500,000 consumable items were delivered to 1965 facilities in 42 regions, exceeding the planned-for targets of 34 regions and 1300 facilities. The cost of this equipment was \$58 million less than originally anticipated. Almost 3000 health personnel were trained. A Central Support Organization was established shortly before Project closure to facilitate continued provision of spare parts and consumables; this is a potentially important step (one that might have been taken earlier), though it is too early to say whether it will prove to have significant impact. The Project established its PIU as The Russian Health Care Foundation (RHCF). RHCF staff oversaw the large number of successful procurement actions and also provided excellent support for preparation of the two new Bank-supported projects (the TB/AIDS Project and Health Reform Pilot Project), both of which were at an advanced stage of preparation at the time of closure of this Project.

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

Many regions were unable to meet the 10% matching funds requirement. The Project should have invested more in training and other capacity-building inputs, since purchase of equipment does not ipso facto equate to increase in quality and availability of services. Although ad hoc training took place, this was not a specific, quantifiable part of project design, nor is any measure of its outcome provided. Little documentation of the effect of such a large procurement of equipment on quality and use of health services was planned for or carried out, thus little can be said about objective improvements in health outcomes. Reports of improvements, e.g., those cited from the Novgorod region (p.5, ICR), are anecdotal, speculative and unproven. Overall sustainability is uncertain (but probably more likely than unlikely) since resources may not be available for financing of maintenance and consumable supplies (one study estimated that the cost of expendable materials alone represents about 10% of the annual budget of those facilities that were equipped). The National Health Account (NHA) component's study results had limited penetration into the policy arena, and sustainability of the Russian NHA effort is, according to the ICR, a "serious concern".

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
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:

(1) Initial health sector projects should be kept simple. (2) If such projects largely involve purchase of hardware, they still must give adequate attention to software components such as training and other capacity-building, and policy work. (3) Predominantly infrastructure projects with health objectives still must identify and use appropriate health output and outcome indicators (in addition to hardware process and outcome indicators). (4) Restricting equipment provision to primary and secondary facilities, particularly if provision is based on decentralized decision-making, is a good idea in itself, and may create a dynamic toward restructuring and reform in a formerly highly-centralized health system. In such cases, provision of technical assistance to guide individual institutions in their investment decisions can be useful. (5) It is important to balance the interests of local industry with those of the beneficiaries, and doing so does not necessarily jeopardize either quality or competitiveness. (6) International Competitive Bidding and Consolidated Procurement can result in significant savings. (7) Work on policy reform requires proper institutional arrangements from the beginning; staffing a unit that is working on aspects of reform solely with consultants may diminish use of the work and sustainability of the unit.

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is well-written and internally consistent (Though there is a discrepancy between the cancellation amount given by the ICR authors [p. 7] and the Borrower [p. 18]). Its analyses are sound and it focuses on the important aspects of the Project's accomplishments. Its judgments are fair and balanced, if a bit optimistic (e.g., with respect to sustainability). The Lessons Learned section is ample. More attention could have been given, however, to some of the Project's shortcomings, particularly in the areas of documentation of results and the (lack of) balance between hardware and software.