

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA14409

Project Name	Health System Resiliency Strengthening (P150481)
Region	MIDDLE EAST AND NORTH AFRICA
Country	West Bank and Gaza
Sector(s)	Health (100%)
Theme(s)	Health system performance (60%), Injuries and non-communicable diseases (30%), Other human development (10%)
Lending Instrument	Investment Project Financing
Project ID	P150481
Borrower(s)	Palestine Liberation Organization
Implementing Agency	Ministry of Health
Environmental Category	C-Not Required
Date PID Prepared/Updated	03-Dec-2014
Date PID Approved/Disclosed	04-Dec-2014
Estimated Date of Appraisal Completion	27-Oct-2014
Estimated Date of Board Approval	21-Jan-2015
Decision	

I. Project Context

Country Context

1. The health system in the Palestinian territories has two distinguishing features: (1) it operates in a context of political instability and conflict under Israeli control undermining effective system governance; and (2) its financial viability is severely constrained by its dependence on donor funding which is subject to fluctuations depending on political considerations.

2. Continuing Israeli restrictions, with resulting roadblocks, travel permits, and separation walls, as well as Israel's authority over key aspects of state management (such as tax collecting, and its direct impact on referral costs), strongly affect the effectiveness and functionality of the health system at all levels. At the macro level, these restrictions limit the MOH authority and its ability to effectively address the health challenges faced by the Palestinian health system, particularly those challenges due to the recent crisis. They also directly affect the ability of patients to obtain certain health services, especially those requiring referrals to other facilities, including those in the West Bank (for those being referred from Gaza), East Jerusalem hospitals that are part of the Palestinian health system, Egypt, Israel and Jordan.

3. Fragmented institutional frameworks undermine governance and the ability of the sector to

respond to the emergency situation. At present, the MOH is responsible for all of the functions of the health system, including coordination, financing, service provision, licensing, and regulation. Partly as a result of these overreaching responsibilities, its capacity for effective stewardship of the system and to respond to emergency challenges is limited and most resources concentrate on the provision of a wide range of services. In this context, coordination within key actors in the health sector is essential, particularly between the MOH, private organizations, NGOs, and UNRWA. Creation of reliable health information systems, standards of care to public and private providers, better resource allocation, improvement of outside referrals, and the regulatory capacity of the MOH are of particular importance.

Sectoral and institutional Context

Health Status

4. Remarkable progress has been made in improving child and maternal mortality. The under-5 mortality rate decreased from 43.1 in 1990 to 22.0 per 1,000 live births in 2011 (UN, 2013). This decline, however, remains far from the Millennium Development Goal (MDG) 4 target of only 14 child deaths per 1,000 live births. Furthermore, the Palestinian territories had the smallest reduction in this rate compared to all Arab countries, and these rates are likely to increase after the casualties in Gaza. Similarly, the maternal mortality ratio (MMR) declined from 90 per 10,000 live births in 1990 to 64 in 2010 (UN, 2013). While better than the regional average, it is more than twice the target value of 22.5 per 10,000 live births. Delivery procedures and the quality of services are partly responsible for the high mortality ratio.

5. The conflict in Gaza profoundly impacted service delivery in the public sector and access to basic health services. The emergency situation and difficulties in mobility have severely limited access to preventive care, including early screening and participation in health promoting activities. These conditions will likely increase morbidity rates due to late diagnosis and treatment of illnesses, which in turn will increase the cost of care. Significant accomplishments in public health are being undermined, and a number of key indicators are starting to slip backwards. Children and those with chronic conditions are particularly at risk.

6. The Palestinian territories are experiencing an epidemiological transition, with the burden of non-communicable diseases (NCDs) rising. NCDs, mainly cardiovascular diseases, diabetes, and cancers, represent a substantial financial burden for the sector, as they are costly to treat and require more patient interaction with the health system. This disease burden contributes to cost escalation in the health sector and will necessitate a greater focus on health prevention, and integrated disease management.

Health Financing and Financial Protection

7. The Palestinian health sector is at a critical crossroads. Health expenditures comprise an increasing share of public expenditure and GDP (total health spending at about 13 percent of GDP—among the highest rates in the MENA region), and are threatening the sustainability issues for the MOH budget. The scarceness and unpredictability of public resources, both from local revenues and donor funds, places a higher premium on raising the efficiency of public sector spending in the health sector.

8. Total health expenditure increased from 8.3% of GDP in 1995 to 12.3% in 2012. In the period following the Second Intifada, the overall health expenditures continued to increase and averaged at 11.5% between 2000 and 2007. In 2008, it reached 14.3% of GDP (the highest level in the last decade). Although total health expenditure has slightly declined since then, it remains high at 12.3% in 2012 and is expected to increase as a result of the recent military Gaza

9. While total health spending is high, a significant portion is financed through out-of-pocket (OOP) expenditures. In 2012, households' OOP expenditure accounted for 39.8% of total health expenditure, followed by general government spending (38.7%), non-profit institutions serving households (18.3%), and other external sources (0.9%). A 2006 study indicated that more than 13% of individuals fell into poverty and another 13% fell into extreme poverty due to health care expenses. The poorest groups bear a higher share of out-of-pocket expenditure compared to their total income and are at the greatest risk of impoverishment due to health spending.

10. The health care system has a segmented financing model incorporating both tax-based and premium-based financing for different segments of the population who receive health care through a myriad of public and private profit and not-for profit providers. There is no separation of functions in the Palestinian health system: the MOH is payer, provider, and regulator of the health sector. The MOH receives its revenue from tax revenues and external donors and investors, and it delivers health services in government facilities through cost-sharing under the Government Health Insurance (GHI) scheme. The MOH also purchases tertiary care for services abroad when the needed medical services are not available in the territories.

11. Expenditures on Outside Medical Referrals (OMR) have risen sharply over the last ten years. The number of referrals has increased from 8,123 in 2000 to 61,635 in 2013 and by 36% between 2010 and 2011 alone. The corresponding expenditure has also increased significantly from about USD8 million in 2000 to as much as USD144 million in 2013. There are multiple reasons for the increase in the referrals, which include a lack of resources within the MOH facilities (including a lack of pharmaceuticals, adequate equipment, and medical personnel), the demographic transition and the increase in the incidence of non-communicable diseases (NCDs), inefficiency, and corruption. Overall, there is a large scope for efficiency improvements. This increased level of public sector spending on outside referrals resulted from a combination of factors; namely a deteriorating macro-economic and security environment leading to higher levels of poverty and unemployment; a rapid increase in the number of direct and indirect beneficiaries of the Government Health Insurance scheme.

12. The imbalance between the GHI revenues and public expenditures on health is growing. GHI scheme was originally designed to provide additional funding for the MOH expenditures. In 2000, public expenditure on health was US\$125 million while GHI revenues were US\$35 million. By 2010, the public expenditures on health increased more than three-fold and reached about US\$390 million, while the GHI revenues dropped to about US\$27 million. Furthermore, GHI expenditures, as percentage of total health expenditures, increased from 5.2 percent in 2000 to 15 percent in 2010. This sizable increase in the GHI expenditures added additional pressures to the already constrained fiscal position.

13. In the face of current fiscal crisis, the MOH has been unable fully to reimburse service providers (NGOs and Private Sector hospitals) for services rendered under the existing contracts,

and the PA is now accumulating sizeable arrears due to these commitments. The MOH pays relatively high prices for pharmaceuticals, as pharmaceutical companies factor in the cost of delayed payments in their pricing.

14. The recent conflict in Gaza had a profoundly negative impact on public health and access to basic health services. The emergency situation and difficulties in mobility have severely limited access to preventive care, including early screening and participation in health promoting activities. These conditions will likely increase morbidity rates due to late diagnosis and treatment of illnesses, which in turn will increase the cost of care. Significant accomplishments in public health are being undermined, and a number of key indicators are starting to slip backwards. Children and those with chronic conditions are particularly at risk. These short-term emergency-driven measures that have shaped PA's budget formation process over the past years have introduced a number of structural imbalances and allocative inefficiencies that will require major adjustments to bring the system back into a more efficient alignment.

15. The proposed emergency operation will alleviate some of the long-term negative consequences of current inefficiencies. It will enable the MOH address its overextended commitments to contracted services, and determine an efficient trade-off point between outsourcing services and direct provision of services through MOH facilities.

16. The proposed emergency operation will potentially impact several key priorities for the Palestinian health sector. First, in the short-term, the immediate needs of health financing and sustainability will be addressed resulting from the recent conflict in Gaza. In the short and medium terms, the project will both organize donors around clear reform frameworks for OMR and Universal Health Coverage (UHC), addressing a key government concern and also support the government's own sectoral organization, strengthening the MOHs ability to be a steward of the entire health sector, including NGOs and private facilities. In the long-term, institutions such as purchasing, accreditation and audit units will take the role of improving the efficiency of and quality of services in, the entire health sector.

II. Proposed Development Objectives

The project PDO is to support the Palestinian Authority in securing continuity in service delivery and building its resilience to withstand future surge in demand for effective healthcare coverage.

III. Project Description

Component Name

Component 1: Emergency and Rapid Response Window (US\$2.0 million)

Comments (optional)

This emergency window will help close a portion of the severe consequences resulting from the Gaza July/August 2014 crisis and fund much needed recurrent expenditures. Health sector facilities in Gaza are in great need of these resources, as they require adequate provisions of fuel and other basic necessities to ensure the operational continuity of hospitals under the direst circumstances, such as the prolonged power outages coupled with the MOH's budgetary crisis.

Component Name

Component 2: Rationalizing Outside Medical Referrals

Comments (optional)

To address the emergency situation, the project proposes to support the PA to institute immediate

cost cutting measures, to improve efficiency in the current system without compromising access to needed and quality health services: (i) Contracts with Outside Providers. The Project will support MOH to review and revise an initial set of contracts and arrangements with providers outside of the public system that account for a large portion of avoidable cost; and (ii) Guidance note for referrals will be developed to determine a clear set of rules for treatment and referral for the selected health conditions, including indications for referral and treating hospitals.

Component Name

Component 3: Supporting Health Coverage to Strengthen Sector Resilience

Comments (optional)

While addressing immediate, emergency cost drivers, the project will define a roadmap to UHC for the Palestinian territories with a detailed calendar and planned actions in order to enhance supply capacity to deliver needed services, reducing system losses and ensuring better quality of services to targeted populations. Areas to be covered include: (i) defining the enrollment criteria and options; (ii) defining the benefit package of health care services, including the costing of services as well as a criteria to include and exclude services in the package; (iii) establishing provider payment options for primary and hospital care; (iv) development of strategies for covering the informal sector and (v) establishing an independent pooling and purchasing agency.

Component Name

Component 4: Project Management and Capacity Building

Comments (optional)

This component finances costs related to project management and capacity building efforts, including (i) short term consultancies to support the management capacity of the MOH in the areas of procurement, financial management, monitoring and evaluation; (ii) the provision of technical assistance and training to improve the capacity of the participating MOH units, cadres and service providers; (iii) provision of essential equipment; (iv) project operating costs; and (v) external financial audits.

IV. Financing (in USD Million)

Total Project Cost:	8.50	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Special Financing			8.50
Total			8.50

V. Implementation

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		x
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x

Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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