

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: AB981

Project Name	Health Services Improvement Project (HSIP)
Region	EAST ASIA AND PACIFIC
Sector	Health (90%); Central government administration (10%)
Project ID	P074027
Borrower(s)	MINISTRY OF FINANCE
Implementing Agency	Ministry of Health Simeuang Road Lao People's Democratic Republic Tel: (856-21) 21 4059 Fax: (856-21) 21 4058
Environment Category	[] A [X] B [] C [] FI [] TBD (to be determined)
Safeguard Classification	[] S ₁ [X] S ₂ [] S ₃ [] S _F [] TBD (to be determined)
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1. Country and Sector Background

Lao People's Democratic Republic (PDR) ranks lowest among East Asian countries on the United Nations' Development Program (UNDP) Human Development Scale (2004), where overall it places 135 out of 177 countries. Despite some improvements in the last decade, most of Lao's social indicators still fall below the average for low-income countries, including key health indicators such as life expectancy, child and maternal mortality rates, and malnutrition. About 40% of the population lives below the poverty line (less than \$200 per capita per annum), mostly in rural areas and comprise more than 50 minority ethnic groups.

The Government has formulated a National Growth and Poverty Eradication Strategy (NGPES) that (i) links sustainable economic growth, human development, reduced vulnerability and poverty alleviation; and (ii) addresses the key issues of public sector governance and public sector management. Implementation of the overall strategy focuses on 47 priority Districts and relies on decentralized authority and beneficiary participation. Health services are a vital component of the NGPES, which reiterates the Government's commitment to achieving the Millennium Development Goals (MDGs) and identifies improved access, equity, quality and strengthening the health workforce as key goals. The NGPES is consistent with other Government strategies for health including the "Health Strategy up to 2020." The strategy builds on four basic concepts: full health service coverage and equity, integrated health services, demand based services and self-reliant health care services. It seeks to: (a) increase the skills of health care providers; (b) improve and expand hospitals at all levels; (c) ensure the safety and rational use of drugs; (d) develop community based health promotion and disease prevention; and (e) strengthen the financing and administration of health services. A Primary Health Care (PHC) Strategy and a Master Plan for Health Services has been prepared.

The Government of Lao PDR faces daunting challenges for improving access to health services including:

- Delivery of services: limited access and poor quality of health care, especially in rural and remote areas; weak clinical and administrative skills of health workforce as a consequence of poor medical education; low pay and motivation of health workers;
- Organization of services: decentralization of responsibility with inadequate capacity for health management at Provincial and District levels; and
- Financing of services: limited public financing for health resulting in households contributing to the bulk of health expenditures, and the effects of cost recovery contributing to low demand for services.

Addressing these issues will require not only direct investments and reform in the health sector, but also improvements in fiscal performance to ensure sufficient and predictable public revenues. Other improvements needed are allocating resources towards poverty reduction priorities, developing alternative modes of service provision, increasing quality and responsiveness of health services to demand, and civil service reform that will offer competitive salaries, which will increase the availability of improved skills to deliver better quality services.

2. Objectives

The Project objective is to improve the health status of the population, particularly the poor and rural population, in Project Provinces

3. Rationale for Bank Involvement

The Government has articulated ambitious plans in its NGPES and Health Strategy for meeting its MDGs and reducing poverty through improved health services. The International Development Association (IDA) financing will support 8¹ of 12 strategic programs identified in the NGPES and the Health Master Plan. Through this project, IDA would support key health outcomes (i.e., achievement of the MDGs), promote and improve planning and delivery of basic services particularly at District level, and focus on equity and meeting the needs of the poor.

Under the first Bank support to the health sector, the World Bank was a significant partner in the Government's efforts to improve health outcomes. Continued Bank financing will enable the expansion of a number of successful pilot initiatives and to address key constraints facing the sector. The HSIP will complement broader public sector reform activities supported by the Poverty Reduction Strategy Credit including, among others, timely payment of health staff salaries, performance-based incentive pay for service in remote areas, revision to health cost recovery, and the piloting of equity funds. Bank experience in decentralized services and health financing is of particular interest to the client.

¹ The programs are Expansion of Rural Health Service Network, Upgrading capacity of health workers, information, education and communication (IEC), maternal and child health (MCH), immunization, communicable diseases control, Village drug revolving funds (DRFs), and sustainable health financing.

IDA support for the selected Provinces and these strategic choices is based on potential gaps in health sector financing on the basis of existing inputs from other donors.

4. Description

The HSIP, covering 60 Districts in 8 Provinces in the Central and Southern Regions has three components.

Improving the quality and utilization of health services

This component will support the improvement in accessibility and quality of basic health services in each of the 60 Districts, with extra support to Districts identified as “poor or very poor” in the NGPES. A key feature of the component is to build the capacity of Districts for developing and executing comprehensive health plans. A minimum package of services, drawn from the MOH’s Minimum and Complementary Package of Services is to be delivered at each level. The HSIP will support the phased expansion of 20 Integrated Community Health Centers, construction of 4 Health centers, and the upgrade and equipping of three Provincial Hospitals and five District Hospitals. In support of improving access by ethnic minorities to health services, financing for the design, implementation and evaluation of IEC to these groups is provided.

Strengthening institutional capacity for health service provision

This component will build capacity to improve service delivery, principally at the District and village levels. The target group includes health service providers as well as management teams at Central Provincial and District levels. Capacity building under this component includes training for health providers, and training for Project management. Service provider training comprises short-term training for management of village drug kits, and the training of trainers to cascade knowledge of core activities (management, health service delivery and outreach) provided at Province, District, Health Center and below to the providers at those levels. Longer term training is targeted at District and Province staff, as well training, including necessary equipment, for PHC workers from ethnic minorities and remote populations. Provision has also been made for training of faculty out of the country.

This component also supports the Project Management, and training for Project management, at Central, Province and District levels, will be provided in construction management and procurement as well as financial management.

Improving the equity, efficiency, and sustainability of health financing

This component is designed to prepare the Lao PDR health system to more effectively utilize the anticipated increased levels of Government funding as the result of continuing economic growth and projected revenues to be generated on completion of the Nam Theun 2 Hydroelectric Project. This component will finance the roll out of the HMIS from the Central level, down to Health Center level, and includes technical assistance to work with the MOH for the development of staff training, and the necessary equipment to analyze, effectively use, validate and audit the

data. In order to explore mechanisms for increasing health service access by the poor, this component will finance the design, and piloting of a mechanism (including the provision of grants) for non-governmental organizations to pay public service health providers directly for covered health service delivery and related costs. The Project will also support the further development of health financing policy in Lao PDR with respect to focusing on revising the current Government policies concerning user fees . In addition to financing study tours within the region, funding for various health financing studies have also been included.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.
INTERNATIONAL DEVELOPMENT ASSOCIATION GRANT	15.00
Total	15.00

6. Implementation

The HSIP will be implemented by the MOH through its relevant departments and Directorates, and executed by a PMU (at the central level), and Provincial and District Health Management Units (PPMU, DPMU) at their respective levels. A Steering Committee will be responsible for Project oversight, and the PMU will report to MOH's Department of Planning and Budgeting. The PMU will be headed by a Project Manager supported by three Deputy Project Managers, each responsible for one of the components, with technical staff provided for the duration of the Project. Three Regional Technical Advisers, reporting to the Deputy Project Manager for Basic Health Services, will be hired to provide technical backstopping. The Project Manager will directly supervise the heads of Financial Management (FM), Procurement, and Administration Units. The FM Unit will be supporting participating Districts and Provinces through three Financial Advisors located at the regional level. Staffing of the Provincial Project Management Unit (PPMU) and the District Project Management Unit (DPMU) will comprise existing staff at the respective levels.

The main functions of the PPMU include direction and oversight of the Project's District-level implementation, especially the District plans, training quality and effectiveness, as well as monitoring and evaluation. The PPMU is also responsible for facilitating coordination within the Province. The DPMU's principal responsibilities include District planning, Project implementation, including supervision and monitoring of all Project activities, and financial management and reporting. As this is the first time that Districts will be provided with a Grant from IDA for implementing their DPs, the PMU will be supported by a local accounting firm recruited to provide support to the Districts and Provinces as necessary. The PMU, the PPMU, and the DPMU, together with the mass organizations at all levels, and an Ethnic Minorities Working Group, will have responsibility for the implementation of the Ethnic Group Development Plan.

7. Sustainability

The Government is committed to the implementation of its Health Strategy up to 2020, and the Minister of Health has personally been involved in identifying donors to assist in its implementation. The World Bank has been specifically requested to assist with financing health infrastructure, capacity building and health financing. The MOH Steering Committee has been closely involved in defining the Project, and all levels, including the Provincial and District teams, have been actively involved in Project preparation. Given the ownership evidenced, and HSIP's support to Government's long-term plan for the sector, it is likely that the initiatives will be sustained.

The sustainability of Lao PDR's program for the health sector is linked, more generally, to the success of the Government's implementation of its economic reform program as outlined in the NGPES, and its observance of commitments made with regard to increased funding for the health sector. The Project will also, through its activities, help meet some of the Poverty Reduction Strategy Credit (PRSC) triggers. The Project will improve sector performance and make the sector more credible to consumers of services, and possibly, improve the effectiveness of public and private health expenditures. Economic growth should also enhance the population's capacity to pay for higher quality services. The Project will promote long-term sustainability by improving sector financing, developing the sector's management capacity and making the system more responsive to actual needs. While the potential for sustainability is high, there are significant risks that economic growth may not take place at the anticipated pace, and that the Government may not maintain its commitment for social development. In addition, the improvements to health services may not yield the desired results in terms of increased utilization, particularly by the poor.

8. Lessons Learned from Past Operations in the Country/Sector

The World Bank's Public Expenditure Review for Lao PDR (2002) identifies the critical under-funding of the health sector, and in particular the low funding of recurrent expenditures, as a major issue. Moreover, health expenditure accounting is weak and not transparent. While decentralization should, in theory, improve the efficiency and effectiveness of services, lack of budgeting and administrative capacity is a major impediment, particularly in poor and remote Districts. The weakness of human resources, as a result of poor pre-service and in-service training, as well as low and delayed payment of salaries, is also widely recognized as a key constraint to quality service provision. Service quality is low as a result of sub-standard facilities and equipment. While the vertical program approach had some benefits, it has resulted in fragmented and inefficient services, compounded by decentralization. There is an urgent need to integrate the vertical programs in the PHC structure, implementing a preventive health strategy through an improved PHC system, and to improve equity, both by providing basic health services in remote rural areas and protecting the poor from user fees.

The first IDA funded Project in the health sector had a good finish, after the initial severe implementation difficulties and delays. Weak management, procurement, and financial management capacity, as well as heavy administrative processes, stymied implementation initially. Notwithstanding these preliminary bottlenecks, the Project ultimately had a significant

impact on malaria incidence, upgraded a variety of health infrastructure and successfully implemented a pilot program of model ICHCs, with Belgian Technical Cooperation (BTC) support, which has significantly improved the quality and utilization of basic health services. An important lesson from the first health Project was the need not only to support the Health Center, but to adapt an operational District approach, which would allow for ensuring an appropriate referral system, as well as the need to integrate multiple vertical programs by developing horizontal management capacity.

In recognition of this, the Project will invest in the development of District health systems, building management and technical capacity for planning and service delivery at the District and Provincial levels in a decentralized system. The focus on District planning provides a mechanism for building capacity through learning by doing; a capacity building method which has proved effective in a variety of settings. It will support the efforts towards the integration of vertical programs through District and Provincial management of health services, building on successful efforts by bi-laterals and Non-Governmental Organizations (NGOs), as well as coordinating efforts with partners in response to limited government capacity. The Project will invest in capacity building of the health workforce, particularly for service provision in rural areas, as well as the District level capacity for planning and budgeting in response to priority areas. Finally, on the basis of experience gained in neighboring countries, it will explore mechanisms for strengthening the Government's ability to protect the poor by promoting village level services and developing mechanisms for exempting the poor from user fees by piloting an equity fund.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[√]	[]
Natural Habitats (OP/BP 4.04)	[]	[√]
Pest Management (OP 4.09)	[]	[√]
Cultural Property (OPN 11.03 , being revised as OP 4.11)	[]	[√]
Involuntary Resettlement (OP/BP 4.12)	[]	[√]
Indigenous Peoples (OD 4.20 , being revised as OP 4.10)	[√]	[]
Forests (OP/BP 4.36)	[]	[√]
Safety of Dams (OP/BP 4.37)	[]	[√]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[]	[√]
Projects on International Waterways (OP/BP/GP 7.50)	[]	[√]

Involuntary Resettlement. The Project includes the continued development of PHC facilities by financing rehabilitation and new construction. Supported infrastructure will be small in scale and are expected to cause little or no significant adverse impacts. The Government has given its reassurances to IDA that there will not be any land acquisition or resettlement related to health facility renovation and construction, and the MOH had formally sent a letter to the World Bank to this effect.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

10. List of Factual Technical Documents

- Govt. of Lao PDR: HSIP Project Implementation Plan – (Draft)
- Govt. of Lao PDR: HSIP District Manual of Operations (Draft)
- Govt. of Lao PDR: National Growth and Poverty Eradication Strategy
- Govt. of Lao PDR and JICA: Health Master Plan - Volumes 1-4
- Case Western University: Report on Medical Education in Lao PDR
- Belgian Technical Assistance: Integrated Community Health Centers: Implementation Manual: Volumes 1 and 2
- BTC: Support to health sector reform in the Provinces of Vientiane and Savannakhet - Formulation Report
- IndoChina Research: HSIP: Baseline Survey Report
- Chamberlain, J., Social Impact Assessment (Revised). May 2004
- Chamberlain, J., Ethnic Group Development Plan. May 2004
- EVS Consultants. Environmental Assessment. June 2004

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