Project Name	Lesotho-Health Sector Reform Project (@)
Region	Africa Regional Office
Sector	Other Population; Health & Nutrition
Project ID	LSPE53200
Borrower(s)	GOVERNMENT OF LESOTHO
Implementing Agency	Address MINISTRY OF HEALTH & SOCIAL WELFARE Ministry of Health & Social Welfare, Box 514, Maseru, Lesotho Contact Person: Dr. M. Mosotho, Principal Secretary Tel: (266) 314404 Fax: (266) 310279
Environment Category	C
Date PID Prepared	July 28, 2000
Projected Appraisal Date	November 28, 1999
Projected Board Date	June 13, 2000

1. Country and Sector Background

Health status indicators suggest that the Lesotho health care system is not responding to rising health needs: the infant mortality rate has remained constant since 1986; malnutrition among children under five and maternal mortality are on the increase; tuberculosis -- the most common cause of death among Basotho adults -- has been rising fueled in part by the increasing the number of HIV/AIDS cases; and immunization coverage has more recently fallen. An estimated 8.4% of Basotho are living with HIV/AIDS. With an estimate of annual TB incidence of 407 new cases per 100,000, tuberculosis patients occupy 50% of all hospital beds.The Health Sector Expenditure Review as well as the Institutional Capacity Assessment for the proposed Sector Reform Program, cite institutional capacity as the leading constraint to improving the performance of the health system. Constraints encompass the quantity, allocation and accountability of staff, the systems and procedures for decision making, planning, budgeting and implementing, and the allocation and use of resources. In addition, the impact of HIV/AIDS is expected to further constrain capacity. The sector is plagued by poor absorptive capacity, and inefficiencies, yet inefficiencies are not fully appreciated due to the under utilization of financial resources.To address these issues the Ministry has described a program of reforms which aim to "increase access to quality preventive, curative and rehabilitative health care & management services in a sustainable manner". Explicit in this aim is the intent to improve the efficiency and effectiveness of the health care system through the strengthening of planning and management functions (1996 Sector Round Table Consultations: Building Partnership for the Lesotho Health Sector Reform). Eight areas have been identified as priorities for long-term policy and institutional reform: health financing, human resources, district health services; decentralization, health infrastructure, pharmaceutical management, social welfare, and coordination/collaboration

with development partners and South Africa.The components of the Health Sector Program include the following: Sector Financing and Financial Management to improve allocative efficiency, equity, and better ensure sustainable financing for the sector, and better inform decision makers at all levels with appropriate financial informationHuman Resource Reforms to ensure effective and rational utilization and deployment of human resources within the sectorDevelopment of a District Package of health services which defines cost-effective protocols and procedures to improve standards of careDecentralization to improve efficiency and enhance local accountabilityPharmaceutical Management to improve the efficiency of procurement and distribution, quality control, availability, and use of pharmaceuticalsSustainable standards for investment, and maintenance strategies for public health infrastructureStrengthened social welfare functions within the MOHSWIncreased Coordination and Collaboration with the private sector (esp. CHAL) and South AfricaImproved coordination and use of external resources through a sector-wide approach

2. Objectives
The objective of the Sector Reform Program is a sustainable increase in access to quality preventive, curative and rehabilitative health care services. The objectives of the IDA-financed Project (Phase I of teh Reform Program), are to (i) strengthen the institutional capacity of the MOHSW to refine, implement and evaluate the comprehensive Sector Reform Program, and (ii) expand the capacity of the public sector to respond to HIV/AIDS.

3. Rationale for Bank's Involvement
There are few development agencies active in the health sector in Lesotho. WHO and UNICEF are present, but do not have large operations. They are also not financing agencies. The European Union has provided significant support for health in the past, but currently is only in a position to provide technical assistance. The Bank's proposed mode of support (i.e., a sector-wide program supported through an APL), has fostered a sector-wide perspective, the ownership to sustain progress, and a demand for the information required to plan, monitor and react effectively to sectoral needs.

4. Description
I.Reform. The Reform Project components will be jointly supported by the GOL and its partners.A. Financial Planning and Management: The Project will support the development and installation of Financial Management and Information Systems which will support health sector information and management requirements, integrated budgeting procedures and the development of a Medium-Term Expenditure Program. B. Planning and Monitoring: The Project will support capacity building for Program Implementation and Management; Monitoring and Evaluation systems and capacity; Health Management & Information Systems, including surveillance systems; and the development of Annual Reports. It will support the identification and prioritization of the health interventions which will comprise the District Health Package, and development of national standards for delivery of these essential health services. It will also support the establishment of Physical Planning and Maintenance systems and capacity (including basic Geographic Information Systems for tracking health facilities and catchment populations).C. Human Resources Management: The Project will support the development and implementation of

Human Resource Information System; development, production and agreement upon a Human Resource Development and Strategic Plan; in-service training; and incentives for staff, including training and staff housing.D. Partnerships: The Project will support the analysis, development and consensus upon the Agreement between Government and the Christian Health Association of Lesotho (including rehabilitation of CHAL facilities); reconvening of the Lesotho/South Africa Health Committee; preparation for and implementation of Annual Joint Reviews, and development with external financiers of Common Implementation Systems.E. Preparation for Phase II of Reforms: The Project will also support activities required to prepare Phase II of the Program. These include further informing strategy development through meetings, special studies and training; developing proposals for piloting new sector financing initiatives (revised user fees and risk pooling options); and producing tender documents for civil works to be undertaken in Phase II. It will also support the Functional, Financial and Economic Analyses required to define the future function and requirements for referral, in particular for Queen Elizabeth II Hospital.II. HIV/AIDS Prevention and Control: The Project will channel resources to the Lesotho National AIDS Program in support of the government's efforts to respond to HIV/AIDS. To expand government capacity, these resources will support activities to reduce the transmission of HIV and mitigate the impact of HIV/AIDS implemented by (i) multiple sectors of government and (ii) non-government entities, including the private sector, NGOs, and CBOs.

5. Financing

	Total (US$m)
GOVERNMENT	3.52
IBRD	
IDA	6.5
AFRICAN DEVELOPMENT BANK	3.4
EUROPEAN COMMISSION	0.36
GOVERNMENT OF IRELAND	1.3
U.N. CHILDREN'S FUND	1.59
WORLD HEALTH ORGANIZATION	3.73
Total Project Cost	20.4

6. Implementation

During Phase I, the ongoing reform of GOL procedures and institutional structures for financial management and procurement, as well as program management, monitoring and evaluation, will be supported by external expertise. The launch will mark a significant increase in the workload of the Ministry, as a large number of activities are planned to be implemented within a short time-frame. Within the framework of the restructured Ministry and consistent with the aims of the Sector Program, Project Management will be integrated within the structures of the MOHSW. This constitutes a departure from the past practice of implementing through Project Implementation Units (PIUs).Under the supervision of the Financial Controller of the MOHSW, a new Project Accounting Unit (PAU) is proposed to be established at the Ministry to be responsible for financial management and reporting arrangements under the reformed FMIS procedures as well as the interim arrangements. Procurement under the Project will be managed by the new Procurement Unit to be staffed by a Procurement

Advisor and support staff at the outset of the Project.In order to facilitate and expedite the implementation of the HIV/AIDS Component, an Implementing Agency will be contracted by the Lesotho National AIDS Control Program (LNACP) to perform manage, monitoring and evaluate AIDS activities supported by the Project. The LNACP will be responsible for management oversight of the Agency, and the contractual relationship will be evaluated annually. The vehicle for implementation of most of the AIDS interventions will be NGOs/CBOs.

7. Sustainability
The Project design responds to lessons learned regarding sustainability of achievements within previous sector operations. Phase I of the Program aims to strengthen institutional capacity, and ensure that the government institution charged with assessing health needs and designing cost-effective and affordable responses has the capacity to do so. The government's desire to reduce separate donor-supported projects and develop a single Program Plan and Budget should reduce the fragmentation of financing provided to the sector, improve technical and allocative efficiency of public expenditure, and better ensure that investments are sustainable. The development of common implementation procedures will ensure that donors have a vested interest in building the institutional capacity of government to make allocation and disbursement decisions, implement strategies, and evaluate impact, rather than establishing individual Project Management and Implementation Units which rely upon temporary capacity and systems.

8. Lessons learned from past operations in the country/sector
Attention to the foundations which will inform, facilitate and support reform objectives is required to ensure that effective strategies are designed, that they are assessed and that the capacity exists to carry out the strategies for reform. The stepwise, phased Program builds upon experiences in Lesotho's Health Sector and elsewhere in the region. Where ambitious reform programs have been defined underlying weaknesses in manpower policies, planning expertise and procedures and monitoring systems have been revealed. Although many countries in the region have defined a goal of coordinating all sources of public sector financing around a single budget, success to date has been limited as existing financial information does not readily support such aims. Although human resource constraints in the public health service cannot generally be fully resolved outside of broader civil service reform, there are improvements which the sector can undertake in the interim to ensure motivated and competent staff, who are critical to the success of reform strategies.The Implementation Completion Report (ICR) for the Second Population Health and Nutrition Project (which closed in March, 1998) identifies the component on institutional development as the least successful. The main lessons for future operations cited within the ICR emphasize (i) the need for ensuring sufficient ownership and commitment to the program; (ii) sufficiently appraising institutional capacity and tailoring the project to borrower's capacity; (iii) focusing on institutional strengthening to ensure sustainability of objectives; (iv) the importance of sufficient supervision; (v) the need to include a broader range of expertise in Task Teams; and (vi) the importance of monitoring systems for assessing project impact.The proposed program for IDA support responds to these lessons. The selection of an APL and a phased approach is intended to facilitate ownership and commitment, and

the ESW, which supported the development of the booklet on reforms, has aimed to ensure widespread ownership outside of the central Ministry. An Institutional Capacity Assessment has been undertaken, and has helped to inform revisions in the Project Implementation Plan. The program focuses throughout all phases on institutional strengthening, but in particular in Phase I, addresses requisite capacity to plan, implement and monitor. The Bank Team Task involved in preparation has included not only health expertise, but also health economics, human resource development, capacity building and financial management.

9. Program of Targeted Intervention (PTI) N

10. Environment Aspects (including any public consultation)
Issues : The construction of health facilities is the only identified area of possible risk within the Program, however under Phase I (the Project), construction is limited to minor works. Within the drafting of the long-term facility development plan, the Task Team will flag attention to the environmental assessment requirements if new construction is implied.

11. Contact Point:

Task Manager
Julie Mclaughlin
The World Bank
1818 H Street, NW
Washington D.C. 20433
Telephone: 202-458-4679
Fax: 202-473-8239

12. For information on other project related documents contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-5454
Fax: (202) 522-1500
Web: http:// www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending September 15, 2000.