SECTOR ASSESSMENT (SUMMARY): HEALTH[1]

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. **Challenges remain despite progress on health targets.** The Lao People's Democratic Republic has made good progress in meeting many health targets, but achieving maternal, newborn and child healthcare (MNCH) targets remains challenging, impeding full achievement of the health-related Sustainable Development Goals (SDGs). From 1995 to 2015 the maternal mortality ratio decreased from 905 deaths per 100,000 births to 206 deaths (compared to the target of 260),[2] and the under-5 mortality rate fell from 162 deaths per 1,000 live births to 86 (versus a target of 70 deaths). In 2016 the infant mortality rate stood at 48.9 per 1,000 infants (versus a target of 45).[3] By 2011, child malnutrition (underweight below 5 years) had fallen to 26.5%, well above the target of 20%. Communicable diseases such as HIV, malaria, and tuberculosis remain prevalent,[4] and the incidence of non-communicable diseases, accidents and injuries, is significant; the World Health Organization (WHO) reported that in 2008 non-communicable diseases constituted 60% of the disease burden, while accidents and injuries totaled 10%.[5]

2. **Low utilization of health services.** Poor health outcomes are closely linked to the limited utilization of health services. Although overall use of public health services is reported to have increased 5-fold from 2000 to 2013, to about 0.6 visits per person per year,[6] coverage for MNCH services—including immunization, antenatal care, skilled birth attendance and surgery— remain low, especially in remote areas. During 2014–15 and 2015–16 use of antenatal care (first visit, or ANC1) and the proportion of deliveries with skilled birth attendance decreased, and take up of the fourth ANC visit is only around 60% of ANC1.[7] Furthermore, the emphasis is still on curative rather than preventive care. Primary health care facilities, where many MNCH services are offered, generally record lower utilization rates than hospitals: in the absence of an effective referral system, patients choose to go directly to hospitals, resulting in overcrowded outpatient departments.[8] Health service access and health outcomes are typically worse among the poor than the rich. Women in remote and rural areas, especially women from ethnic groups, face access barriers that result from both topography and culture.

3. **Institutional capacity and governance constraints.** Health sector governance and management is a key pillar within the health sector reform strategy (HSRS) (2013–2025).[9] Following the 2006 Vientiane Declaration for Aid Effectiveness, a sector-wide coordination

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[1] This summary is based on the Sector Assessment (Summary): Health, for the Health Sector Governance Program Subprogram 1 (available on request), and focuses on the health governance subsector.
[2] Government of the Lao PDR, MOH. 2016. *National Health Statistics Report, FY 2015–2016*. Vientiane.
[3] World Bank. World Development Indicators: (accessed 1 December 2017).
[4] In 2016, HIV prevalence among 15–49 year-olds was 0.3% (UNAIDS. Aidsinfo: Indicators); there were 27,390 estimated cases of malaria (World Health Organization. Malaria. Country Profiles: Lao People's Democratic Republic.). Tuberculosis incidence was 175 per 100,000 population in 2016 (https://data.worldbank.org/indicator/SH.TBS.INCD?locations=LA). World Bank. Data: Incidence of tuberculosis (per 100,000 people) – Lao PDR (accessed 13 March 2018).
[5] WHO. 2015. *Lao People's Democratic Republic: WHO statistical profile.* http://apps.who.int/gho/data/node.country.country-LAO.
[6] World Development Indicators https://data.worldbank.org/country/lao-pdr (accessed 1 December 2017).
[7] Government of Lao PDR. Ministry of Health (MOH). 2016. *National Health Statistics Report*. Vientiane.
[8] WHO. 2014. *Lao People's Democratic Republic Health System Review (Health Systems in Transition, Vol. 4 No. 1 2014)*. Geneva.
[9] Government of Lao PDR. MOH. 2013. *Health Sector Reform Strategy, 2013 to 2025.* Vientiane.

mechanism was introduced, which has enabled Ministry of Health (MOH) to assume a stronger leadership role, encouraged better coordination of vertical health programs and enhanced partnerships.[10] The HSR strategy has given new impetus to further streamline and coordinate health sector activities and funding, and enhance monitoring and overall institutional strengthening. However, governance challenges remain. There are not enough competent managers with leadership skills at central and provincial levels and across MOH departments. While data is increasingly available through the second District Health Information System, a strategy for data use is needed improve decision-making. Provincial governments have considerable autonomy over health service delivery under the national decentralization directive,[11] but implementation has been inconsistent and resource constraints remain.

4. **Unaffordable health services.** As a result of low public spending on health, out-of-pocket payments in Lao PDR are relatively high. In 2015–16 they comprised around 45.1% of total health expenditure.[12] To address the high out of out-of-pocket payments, until 2015, government implemented programs such as the Health Equity Fund (HEF) and the free MNCH services to target vulnerable groups including the poor, mothers and children. In 2015, the government introduced the National Health Insurance (NHI) scheme administered by the National Health Insurance Bureau (NHIB). NHI is gradually integrating HEF and free MNCH scheme and exempts the poor, mothers and children under 5 from co-payments. However, more needs to be done to correctly identify those entitled to exemptions from co-payments at the point of care and enhance awareness of benefits and entitlements under NHI, especially amongst vulnerable groups. Challenges include limited capacity and awareness of NHI at MOH, Ministry of Finance and NHIB as well as facilities (at central, provincial and district level), and making timely and adequate reimbursements to facilities.

5. **Limited numbers of health staff with necessary skills**. In 2014, the government substantially increased the size of the health workforce, which alleviated overall shortages. Substantial achievements have been made in staffing health centers with midwives; in 2016, more than 75.1% of health centers had a community midwife compared to 33% in 2012–13.[13] However, the increased quantity was not always accompanied by an increase in quality, and the lack of competent staff is a chronic problem, especially in rural areas. Specific skills gaps remain because of mismatches between training and services, while health professional training institutions are overcrowded, underfunded and fail to meet quality standards. Incentives to ensure staff are distributed throughout the country are urgently needed, along with continuing medical education.

6. **Inadequate health sector budget allocation and weak public financial management.** In 2013, the government committed to increase health spending to 9% of general government expenditures (GGE). Although domestic government expenditure on health has doubled during 2009–2013, health expenditure as a share of GGE averaged just 5.9% and declining external aid worsens this situation.[14] Health budget allocations vary significantly by province, and formulas to balance these allocations have not yet been introduced.[15] Financial management of available funds is not rigorous: there are multiple payment sources that rely on manual book-keeping,

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[10] In line with the five HSR pillars, MOH, in 2017, consolidated sector coordination into five technical working groups for (i) governance, management, and coordination; (ii) human resources for health; (iii) planning and finance; (iv) service delivery; and (v) monitoring and evaluation.

[11] Laos-Australia Development Learning Facility. *Sam Sang in Practice: Early Lessons from Pilot Implementation*. 2015

[12] Government: 30.6%, donors: 17.7%, health insurance: 3.6% and nongovernment organizations: 3.1%. Government of the Lao PDR, MOH. 2013. *National Health Accounts Report, 2012–2016*. Vientiane.

[13] Government of the Lao PDR, MOH. 2016 Report on Deployment of Human Resource for Health. As of October 2017, 81.4% has been reported but not yet verified through the 2017 Report (which is endorsed by the Minister of Health)

[14] MOH. 2013. *National Health Accounts Report 2012–2016*. Vientiane.

[15] J. Hennicot. 2017. Financial Flows and Budgeting in the Health Sector in Lao PDR. A desk review. WHO.

leading to fragmented and inaccurate expenditure monitoring. Moreover, preparation of program and finance budgets is not aligned; while finance budgets tend to be based on preceding allocations and follow the chart of accounts, program budgets lack reference to the chart of accounts, and are often inaccurately costed. This makes it difficult to link and sequence planning and budgeting processes and track financial progress by program. The Ministry of Finance has introduced a double entry accounting system for the health sector, which streamlines programs with financial budgets and enhances expenditure tracking, but the system is new.

7. **Health, economic growth and poverty reduction**. The health sector has an important role in reducing poverty by minimizing the risk of catastrophic health expenditures and contributing to economic growth through a healthier and more productive workforce. The 8th Five-Year National Socio-Economic Development Plan (NSEDP) (2016–2020) aims for the Lao PDR to graduate from least-developed country status by 2020, and become an upper middle-income country by 2030, and commits sustained investment to improving access to and the quality of basic social services such as health care, with a view to improving health outcomes, especially for the poor, women and children. Better health outcomes are associated with higher wages and less absenteeism as a result of illness, which leads to higher labor productivity and economic growth. Such effects are particularly important in developing countries, where a high proportion of the population is engaged in manual labor.[16]

2. Government's Sector Strategy

8. The HSRS (footnote 9), which aims for universal health coverage by 2025,[17] and achievement of the Sustainable Development Goals by 2030, identifies five pillars: (i) health financing; (ii) human resources for health (HRH); (iii) governance, organization and management;[18] (iv) health service delivery; and (v) information, monitoring and evaluation[19] under three implementation periods (2011–2015, 2016–2020, 2021–2025). The HSRS is programmed through 5-year health sector development plans (HSDP). Subprogram 1 of the Health Sector Governance Program supported the 7th HSDP (2011–2015). Subprogram 2 aligns with the 8th HSDP (2016–2020),[20] and recognizes the health sector's contribution to the Lao PDR's graduation from least developed country status by 2020. The Health Sector Governance Program concentrates support for the HSRS on the first three pillars and coordinates with other development partners on the other two pillars.[21]

9. HSR has helped improve health sector performance by setting clear objectives within a monitoring framework. Achievements include appointing central and provincial HSR committees, establishing an HSR Secretariat in the Cabinet to ensure interdepartmental coordination, nominating focal points, and preparing departmental work plans and roadmaps. Other initiatives include results-based projects under the World Bank, and potential performance-based schemes

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[16] D. Bloom, D. Canning, and J. Sevilla. 2001. The Effect of Health on Economic Growth: Theory and Evidence. *NBER Working Paper Series*. No. 8587. Cambridge: National Bureau of Economic Research.

[17] UHC is defined by the World Health Organization (WHO) as providing all people and communities with the health services (promotive, preventive, curative, rehabilitative and palliative) they need, which are of sufficient quality to be effective, while ensuring that use of these services does not lead to financial hardship for the user. WHO. What is Universal Coverage?

[18] Also translated as "governance-management-coordination."

[19] Also translated as "health management information system.

[20] Ministry of Health. 2015. Executive summary of the implementation of the 7th five-year health sector development plan (2011–2015) and Direction and Function of the 8th five-year health sector development plan (2016–2020). HSDP's priority areas are (i) poverty reduction and equity by improving rural health services in general and for the poor and mothers and children in particular, (ii) improving the quality of health service overall through human resource development and improved sector financing, and (iii) preventive community-level disease control.

for decentralization reforms (footnote 11) and NHI.

3. Asian Development Bank (ADB) Sector Experience and Assistance Program

10. Strategic priority 2 (enhanced human development) under the ADB country partnership strategy (2017–2020) for Lao PDR confirms ADB's support to the health sector, and thereby supports the recommendation from ADB's Midterm Review of Strategy 2020 to expand health sector investments to 3%–5% of the total ADB portfolio.[22] ADB's Operational Plan for Health identifies health governance and health financing as priority areas.[23] The country partnership strategy further recognizes governance as an issue that cuts across core sectors.

11. ADB's comparative advantages lie in its long engagement with the Lao PDR that has produced trust and effective engagement with many ministries. ADB financed hospitals and health centers in two northern provinces beginning in 1995, and gradually expanded assistance to eight provinces. Since 2001, ADB has been closely involved in communicable disease control,[24] as well as regional health security.[25] The Health Sector Development Program,[26] approved in 2009, emphasized health systems strengthening for planning and financing, access to MNCH services and quality human resources. Prior to subprogram 1 of HSGP, ADB supported HSR through an initial policy advisory technical assistance that set the foundation for governance reforms.[27] Subprogram 1 provided a policy-based loan and a technical assistance loan for equipment and training.[28] An additional grant supports capacity building for key MOH departments carrying out HSR. [29]

12. The Lao Country Assistance program evaluation[30] found that long-term, coordinated engagement is critical in transitioning economies. In 2017, MOH created technical working groups based on the five HSR pillars and nominated focal points, which has accelerated the use of country systems and assisted in streamlining development partner support. The ADB coordinates closely with other partners—particularly the World Bank, which largely supports service delivery and information, monitoring and evaluation—in implementing the HSR strategy. Other partners include the Japan International Cooperation Agency, European Union, World Health Organization, Luxembourg Development Agency, and Swiss Red Cross; these development partners support financing, human resource and service delivery.[31] ADB strongly supports HSR and is well positioned to assist the Lao PDR to attain universal health coverage by 2025. Building on work already carried out, ADB could help improve the quality of health care and further develop the health insurance system.

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[22] ADB. 2017. *Country Program Strategy: Lao People's Democratic Republic, 2017–2020—More Inclusive and Sustainable Economic Growth.* Manila; ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

[23] ADB. 2015. *Health in Asia and the Pacific: A Focused Approach to Address the Health Needs of ADB Developing Member Countries*. Manila.

[24] ADB. Second Greater Mekong Subregion Regional Communicable Diseases Control Project.

[25] ADB. Greater Mekong Subregion Health Security Project.

[26] ADB. Lao People's Democratic Republic: Health Sector Development Program (approved 10 November 2009).

[27] ADB. 2013. *Technical Assistance to Lao People's Democratic Republic for Health Sector Governance.* Manila.

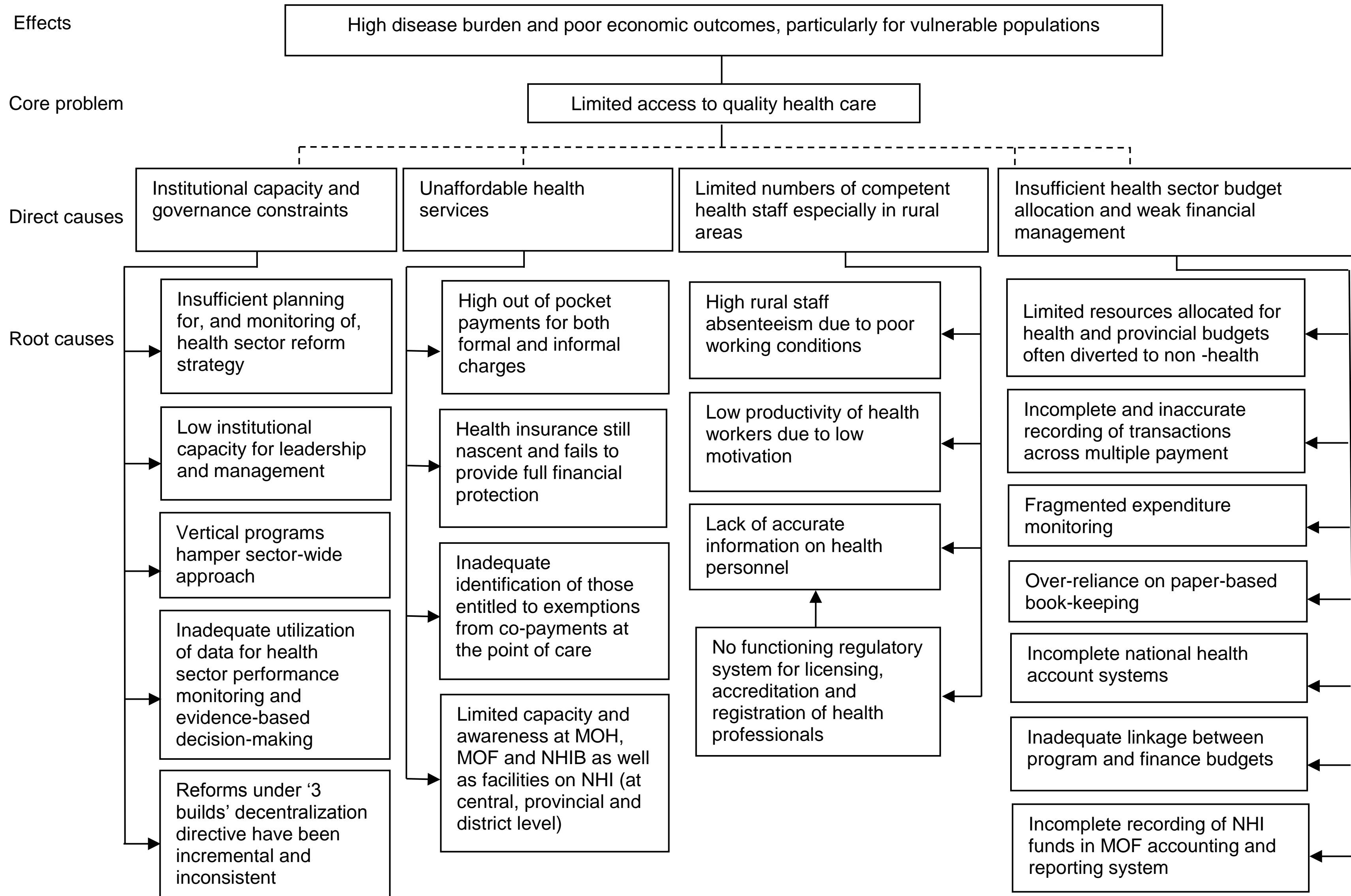
[28] ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan, and Technical Assistance Loan for Subprogram 1 to Lao People's Democratic Republic: Health Sector Governance Program.* Manila.

[29] ADB. 2016. *Technical Assistance to Lao People's Democratic Republic for Strengthening Capacity for Health Sector Governance Reforms*. Manila.

[30] ADB. 2010. *Country Assistance Program Evaluation for Lao People's Democratic Republic.* Manila.

[31] Development Coordination (accessible from the list of linked documents in Appendix 2).

PROBLEM TREE FOR THE HEALTH SUBSECTOR



MOF = Ministry of Finance; MOH = Ministry of Health; NHI = National Health Insurance; NHIB = National Health Insurance Bureau