PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA32577

Project Name	Social Health Insurance Project: Improving Access, Quality, Efficiency and Financial Protection (P152625)
Region	EUROPE AND CENTRAL ASIA
Country	Kazakhstan
Sector(s)	Health (100%)
Theme(s)	Health system performance (100%)
Lending Instrument	Investment Project Financing
Project ID	P152625
Borrower(s)	Republic of Kazakhstan
Implementing Agency	Ministry of Health and Social Development
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	01-Dec-2015
Date PID Approved/Disclosed	03-Dec-2015
Estimated Date of Appraisal Completion	15-Sep-2015
Estimated Date of Board Approval	28-Jan-2016
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Kazakhstan is an upper-middle-income resource-rich economy, which is currently experiencing the negative impacts of the sustained decline in oil prices. Kazakhstan's growth slowed from 6 percent in 2013 to 4.3 percent in 2014, and is expected to slow further to 1.3 percent in 2015. Recent economic performance is affected by weaker domestic and external demand and the terms of trade shock coming from a drastic fall in oil prices. The oil price fall during the second half of 2014 contributed to a deterioration in the fiscal and external balances, putting pressure on local currency. The authorities' policy response to the economic slowdown has been a countercyclical fiscal policy to support domestic demand and employment, combined with a tight monetary policy to support stability of the exchange rate. The authorities also focus on deepening of institutional reforms to foster economic diversification and private sector development and increase the size of the middle class.

The long-term Kazakhstan-2050 Strategy, unveiled by the President of Kazakhstan in his Annual Address to the Nation in 2012, and the structural reforms envisioned in it foresee the country's transition to a knowledge economy within 10 to 15 years, and joining the top 30 most-developed

countries by 2050. Having implemented a number of successful strategic reforms during the last five years, the country has been focusing on diversifying away from resource-based growth through a major industrialization and innovation support program and a number of small and medium enterprise development activities. Structural reforms described in the Strategy indicate strong commitment to building a knowledge economy that would drive growth, diversification, and global competitiveness by improving the country's key factor endowments—human capital, infrastructure, and institutions. The Plan of the Nation with 100 specific steps to implement five institutional reforms , announced by the President in May 2015, outlines a comprehensive reform program and specifies actions to implement the Kazakhstan-2050 Strategy and join the top 30 most-developed countries.

Sustainable and inclusive economic growth, supported by structural reforms, could substantially increase shared prosperity, provided the right reforms are introduced in social sectors, such as health, to improve efficiency, quality and equity. At present, high levels of inefficiency in how public sector resources are allocated across social services mean that significant additional budgetary resources are unlikely to be spent effectively. Reforms to rationalize service delivery and distribute resources more equitably are urgently needed, as are reforms to improve equity and quality in health service delivery.

Health sector reform is also a key component of the Kazakhstan 2050 strategy, which emphasizes that the "Health of the nation is the basis of our successful future." Accordingly, the Strategy proposes health care modernization by introducing standards for clinical protocols, medical equipment, and medical supplies across medical institutions to improve the quality of medical services and to increase the health status of the population.

"Salamatty Kazakhstan," the National Health Strategy which defined the health priorities for 2011-15, was adopted by Decree of the President of the Republic of Kazakhstan No. 1113, dated November 29, 2010. Its goal is to improve the health of the people of Kazakhstan to ensure the country's stable socio-demographic development. The program focused on (a) strengthening cross-sectoral and interagency cooperation in matters of citizens' health protection and sanitary-epidemiological well-being; (b) development and improvement of the Unified National Health Care System ; and (c) improvement of education in medicine and pharmacology. According to the assessment of the Strategy, almost all of the planned activities included in the Strategy were implemented in a timely manner, and several indicators were achieved.

Implementation of a new Health Strategy (Salamatty Kazakhstan 2 for 2016–2020) and the design and implementation of a Social Health Insurance scheme are currently top priorities of the government. The increasing burden of non-communicable diseases and the associated future health care costs prompted the government to increase in its new Health Strategy the focus on cost-effective preventive interventions as part of its guaranteed benefits package and measures to ensure long-term sustainability in health care financing. The government also seeks to introduce a mandatory social health insurance that would allow for broad consolidation of funds—which would reflect the principle of "shared responsibility for health" among the state, employers, and employees—in order to cover costs of health services and protect the population from impoverishing out-of-pocket payments.

Sectoral and institutional Context

Kazakhstan's still is in early stages of the demographic transition and several health indicators are lagging behind those of countries with a similar gross domestic product (GDP) per capita in the region. The proportion of population under 14 years of age decreased from 32 percent in 1990 to 26 percent in 2014, but the proportion of population aged 65 and over only increased 1 percent in this period (from 6 percent to 7 percent). The prevalence of several behavioral-related risk factors for communicable and non-communicable diseases (NCDs) has been reduced. Nevertheless, as table 1 shows, with the exception of the standardized mortality rate for cancer in the population under 65 years of age, where data show Kazakhstan is not doing poorly compared with other countries, life expectancy is lower (at least 7 years lower in males than in comparator countries), while the infant mortality rate and deaths from cardiovascular diseases and from cervical cancer, which are easily avoidable, are substantially higher in Kazakhstan.

The top three causes of Disability-Adjusted Life Years (DALYs) in 2010 were ischemic heart disease, cerebrovascular disease, and lower respiratory infections (figure 1). Among young population (under 39 years of age) injuries accounts for more than 70% of DALYs. Two causes that appeared in the 10 leading causes of DALYs in 2010 and not 1990 were chronic obstructive pulmonary disease and cirrhosis of the liver

An expansion of options about how the sector is managed and financed is needed. Total expenditure on health in Kazakhstan (3.8 percent of GDP) is well below the average of the Organisation for Economic Co-operation and Development (OECD) countries (9.4 percent of GDP), and the sources of financing are basically government budget and out-of-pocket expenditures, with the latter constituting about a third of total health expenditures.

The Government seeks a progressively higher share of national wealth allocated to health care to reduce the gap with OECD standards. In addition, payment incentives need to be implemented to improve the performance at all levels of the health system.

The changes implemented in recent years have supported the expansion of primary health care (PHC) and the reduction of hospital admissions and the average length of stay (ALOS). However, most of the expenditures of the sector remain linked to admissions, where 16 percent of number of admissions and 18 percent of total number of inpatient days are due to potentially avoidable hospitalizations. The funding for PHC increased from 16 percent of public health expenditures in 2011 to 21.5 percent in 2014. Standard procedures are being used more frequently in PHC, including the adoption of medical protocols (including diagnosis and treatment) and piloting disease management programs for selected NCDs , as well as annual health facility accreditation procedures conducted by a national body in line with upgraded national standards endorsed by the International Society for Quality in Healthcare (218 health facilities accredited in 2014). The medical education system is being reformed; an Observatory for Health Human Resources has been established, with technical assistance and capacity building provided by the World Health Organization (WHO), as well as a new knowledge and skills testing system for practicing physicians and graduates of medical universities, and a qualification exam for health specialists. In addition, a master plan for capital investments in each of country's 16 regions has been developed to streamline/modernize and support the coordinated work among the health facilities and continuity of care.

These interventions are fully aligned with what is needed to improve the performance (quality and

efficiency) of the health system. But these adjustments would still need additional interventions. Adjusting health service delivery model to the new health and healthcare needs of the Kazakh population effectively and efficiently requires a modern, integrated, patient-centered health system. Technological advances now enable less invasive, earlier, and better diagnosis and treatment, significantly reducing the need for lengthy hospital stays if the healthcare delivery is properly organized and managed. International experience shows that coping with the new epidemiological profile requires the following: a) effective health promotion and primary care services in a context of integrated health networks; b) expansion of Disease Management Programs (DMPs) for NCDs; c) expanded ambulatory secondary specialized services; d) optimizing inpatient services, services for palliative care for terminally ill patients, and long-term health care for rehabilitation; and e) developing community-based integrated long-term services for the disabled and elderly.

The new Health Strategy (Salamatty Kazakhstan 2) will have the following objectives: (a) strengthening public health; (b) improving the health services delivery system, with priority on PHC services; (c) improving efficiency of human resources management; and (d) improving the management and financing of healthcare under conditions of introduction of social health insurance. Table 2 presents an outline of the new health strategy. The proposed health Project will support implementation of the new Health Strategy (Salamatty Kazakhstan 2) and will focus on the same areas.

II. Proposed Development Objectives

The proposed Project Development Objective is to improve accessibility, quality, and efficiency of health service delivery, and reduce financial risks to the population that are caused by serious health problems.

III. Project Description

Component Name

Component 1. Supporting implementation of the National Mandatory Social Health Insurance System

Comments (optional)

This component will support the design and implementation of the SHI system. Component activities will be divided into two subcomponents:

Subcomponent 1.1. Establishing and strengthening the organizational and institutional structure of SHI.

Subcomponent 1.2. Strengthening purchasing and payment arrangements under SHI

Component Name

CComponent 2. Strengthening of health service delivery to support implementation of the National Social Health Insurance System

Comments (optional)

This component will support the strengthening of population services, primary and secondary prevention, and first phase implementation of 16 regional master plans. Component activities will be divided in three subcomponents:

Subcomponent 2.1. Optimizing the health service delivery network. This subcomponent would support implementation of an integrated network for rendering healthcare services meeting the current and strategic needs of the population, ensuring the strengthening of public health and the continuity of health care delivery.

Subcomponent 2.2: Improving the quality of healthcare services.
Subcomponent 2.3 - Strengthening of human resources for health care

Component Name

Component 3. Project management, monitoring and evaluation, and communications strategy

Comments (optional)

This component aims to support a Project Management Unit (PMU) to provide day-to-day project management, including fiduciary and administrative tasks of the Project, as well as monitoring, evaluation, and reporting.

IV. Financing *(in USD Million)*

Total Project Cost:	90.00	Total Bank Financing:	80.00
Financing Gap:	0.00		

For Loans/Credits/Others	**Amount**
Borrower	10.00
International Bank for Reconstruction and Development	80.00
Total	90.00

V. Implementation

The MoHSD, as the overarching authority in the health sector, will be responsible for implementation and oversight of the proposed Project. Based on its experience with Bank-funded projects, MoHSD will develop, steer, coordinate, implement, and monitor the Project activities. To further build institutional capacity and ensure sustainability, the Republican Center for Health Development (RCHD) will be supporting implementation of technical activities of the Project. Other entities to be involved in the Project implementation would comprise the PMU; MoHSD-subordinated institutions including the SHIF; JCQHS; local executive bodies in 14 oblasts and in Astana and Almaty cities; and the National Health Care Coordination Council. Greater details of the institutional arrangement are presented in Annex 3.

The Core Coordination Team (CCT), that would mirror the one in the preceding project, would provide sectoral policy oversight, stewardship of the Project, and working-level coordination with concerned government agencies and regional authorities. All reporting and oversight relationships are summarized in the Project Operational Manual (POM).

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04		×
Forests OP/BP 4.36		×
Pest Management OP 4.09		×
Physical Cultural Resources OP/BP 4.11		×
Indigenous Peoples OP/BP 4.10		×
Involuntary Resettlement OP/BP 4.12		×
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×

Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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