



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 07-Nov-2022 | Report No: PIDA35045



BASIC INFORMATION

A. Basic Project Data

Country Ukraine	Project ID P180245	Project Name Health Enhancement And Lifesaving (HEAL) Ukraine Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 10-Nov-2022	Estimated Board Date 20-Dec-2022	Practice Area (Lead) Health, Nutrition & Population
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Health	

Proposed Development Objective(s)

The project development objective (PDO) is to restore and improve access to essential health care, address new and urgent needs for health services, and provide financial protection in the emergency context.

Components

- Component 1: Addressing new and urgent health needs for mental health and rehabilitation
- Component 2: Further improving and strengthening primary health care
- Component 3: Modernizing and increasing efficiency of hospital care
- Component 4: Supporting capacity-building, digitalization and innovations

The processing of this project is applying the policy requirements exceptions for situations of urgent need of assistance or capacity constraints that are outlined in OP 10.00, paragraph 12.

Yes

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	500.00
Total Financing	110.00
of which IBRD/IDA	100.00
Financing Gap	390.00

DETAILS



World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	100.00
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Non-World Bank Group Financing

Trust Funds	10.00
Global Financing Facility	10.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

On February 24, 2022, Russia initiated a full-scale invasion of Ukraine, resulting in substantial civilian casualties, displacement of millions of people, widespread destruction of infrastructure, and disruption of service delivery. Since February 2022, some 16,150 civilian casualties have been officially recorded: 6,374 killed and 9,776 injured, with unofficial numbers likely to be much higher.¹ Some 7.7 million people (about half of whom are children) have become refugees in the European Union (EU), with more fleeing to other countries.² About 6.24 million people have been displaced internally,³ and nearly half of the internally displaced people between 18 and 64 years old reported no income.⁴ Many more Ukrainians need life-saving humanitarian aid, especially as food and essential services are severely constrained in the areas affected by fighting. In response to the increased income insecurity, 55 percent of households report having reduced their food consumption and 46 percent report having reduced their healthcare spending.⁵

The war in Ukraine has had substantial economic, social, and poverty consequences.⁶ It has significantly disrupted economic activities in a number of ways: damage to productive assets and infrastructure, logistics

¹ Office of the High Commissioner for Human Rights, October 24, 2022. <https://www.ohchr.org/en/news/2022/10/ukraine-civilian-casualty-update-24-october-2022>

² United Nations High Commissioner for Refugees, October 19, 2022. <https://data.unhcr.org/en/situations/ukraine>

³ International Organization of Migration, Ukraine Internal Displacement Report, Round 9, September 26, 2022.

https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM_Gen%20Pop%20Report_R9_IDP_FINAL%20%281%29%20%282%29.pdf

⁴ International Organization of Migration, Ukraine Internal Displacement Report, Round 8, August 23, 2022.

https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM_Gen%20Pop%20Report_R8_ENG_updated%20logo%20%281%29.pdf

⁵ International Organization of Migration, Ukraine Internal Displacement Report, Round 9, September 26, 2022.

https://displacement.iom.int/sites/g/files/tmzbd1461/files/reports/IOM_Gen%20Pop%20Report_R9_IDP_FINAL%20%281%29%20%282%29.pdf

⁶ All statistics in this and subsequent sections are estimates by World Bank Staff, based on official statistics of Ukraine’s public authorities.



problems, labor force losses, decimated supply and demand chains, increased uncertainty, and elevated risks. The contraction in gross domestic product (GDP) in 2022 is projected to be around 35 percent year-on-year. The downside risks are high, related to the unpredictability of the protracted war and high potential for further large-scale damage of infrastructure and negative social and poverty impacts. Based on the global poverty line of US\$6.85 per day (2017 purchasing power parity), poverty is projected to increase from 5.5 percent in 2021 to 25 percent in 2022. Headline inflation hit 24.6 percent in September 2022 with high food price inflation hurting the poor in particular. Yet, despite the war, the Government has continued to deliver key public services and the financial sector is functioning normally, stabilizing the foreign exchange market.

The Government's proposed 2023 budget is austere, with substantial compression of social and other non-military expenditures. The public sector wage bill (including health and education) will be cut by 10 percent, the minimum wage and subsistence minimum income (based on which social transfers are calculated) have been frozen in nominal terms, and capital expenditures have been minimized (US\$700 million), leaving most recovery and reconstruction needs unfunded. Even after these cuts in social expenditure, fiscal needs are estimated at US\$3-4 billion per month.

The funding needs for recovery and reconstruction are immense, and by June 2022 were estimated at approximately US\$349 billion, which is more than 1.6 times Ukraine's 2021 GDP.⁷ About one-third of this amount (US\$105 billion) is estimated to be needed in the immediate- and short-term to address the most urgent needs, including social infrastructure (such as schools and hospitals), preparation for the upcoming winter through winterization and restoration of heating and energy to homes, urgent repairs, gas purchases, support to agriculture and social protection, and restoration of vital transport routes. Such investments will lay the groundwork for a safe, prioritized, and efficient recovery and reconstruction that will help Ukraine on its development path towards a more modern, low-carbon, and inclusive country that is more closely aligned with European standards.

Sectoral and Institutional Context

At the time of the February 2022 invasion, the health system was starting to recover from the COVID-19 pandemic and anticipating getting back on track with progress on the major health reforms that had been under implementation since 2015. During the first two years of the COVID-19 pandemic, Ukraine invested significant resources in COVID-19 prevention, care, and vaccination. Although COVID-19 vaccination got off to a slow start when first introduced in March 2021, it subsequently accelerated. In November 2021, as many as 7.5 million people were vaccinated in just one month. By end-February 2022, about 37 percent of the total population of Ukraine, or over 15 million people, had been fully vaccinated (two doses).⁸ The COVID-19 pandemic slowed but did not stop the implementation of the major health financing reforms. Major reform accomplishments during the pandemic included the implementation of case-based payments for hospital care in 2020, and further optimization of the hospital network, continued expansion of digitalization of health (including implementation of e-prescriptions, e-referrals, e-sick leaves), and improvement in access to outpatient medicines through an expanded Affordable Medicines Program (AMP) in 2021.⁹

⁷ <https://openknowledge.worldbank.org/handle/10986/37988>

⁸ https://ukrstat.gov.ua/druk/publicat/kat_u/2021/zb/10/dem_2020.pdf

⁹ Bredenkamp, Caryn; Dale, Elina; Doroshenko, Olena; Dzhygyr, Yuriy; Habicht, Jarno; Hawkins, Loraine; Katsaga, Alexandr; Maynzyuk, Kateryna; Pak, Khrystyna; Zues, Olga. 2022. Health Financing Reform in Ukraine: Progress and Future Directions. Washington, DC: World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/37585>



The health system of Ukraine also faces many long-standing challenges, which a process of health reforms has been attempting to address. In 2015, the Government of Ukraine initiated a fundamental reform of its health system, with the goals of improving the health outcomes of the population and providing financial protection from excessive out-of-pocket (OOP) health care payments. This reform was to be implemented through modernizing and integrating the service delivery system, introducing changes to provider payment arrangements that incentivize efficiency, and improving the quality of care. It culminated in the passage of a new health financing law in 2017 (the Law on Financial Guarantees for Health Care Services), which established a health benefit package called the Program of Medical Guarantees (PMG) and created the National Health Service of Ukraine (NHSU) to serve as the strategic purchaser for this program. The early stages of the reform increased the satisfaction of people with health care services at the primary health care (PHC) level. According to the Health Index Surveys, 75.8 percent of respondents were satisfied or highly satisfied with their family doctor in 2018, compared to 69.3 percent in 2016.¹⁰ The level of satisfaction with hospital services did not increase, however. While OOP payments as a share of total health expenditures decreased from 52.3 percent in 2016 to 46.4 percent in 2020, reforms are still needed to improve financial protection by further decreasing the share of OOP payments in total health expenditures.¹¹

In the period immediately after the February 2022 invasion, health service delivery fell dramatically beyond the outflow of population, and while the situation has subsequently improved, utilization of many critical health services remains insufficient. As of September 1, 2022, 489 healthcare facilities, equivalent to 5.3 percent of public providers, have been destroyed or damaged. Overall health service utilization fell sharply in the first months of the war, including a 90 percent decrease in referrals for diagnostic procedures and a 40 percent decrease in service utilization. Compared to March 2021, the number of childhood vaccinations had fallen by 60 percent in March 2022. Similarly, by the end of March 2022, the number of people accessing medicines through the AMP had fallen by 53 percent. By September 2022, the utilization of many health services was nearing pre-war levels, including the number of prescriptions in the AMP, the number of primary care curative visits, and the number of hospital visits. However, the use of many critical services, such as preventive services and immunization, has not recovered. For example, in a September 2022 survey, while respondents reported the same or higher frequency of using primary health services as in previous years, the share of those who received electrocardiography measurement or preventive screening was twice as low as in 2019 and 2020.¹² Immunization targets related to childhood vaccination at six months are only 30 percent achieved.¹³ The legacy of foregone care during the COVID-19 pandemic and the early months of war will require proactive outreach for catch-up care.

The war has also had a direct negative impact on the population's physical and mental health, resulting in a need for better and expanded mental health and rehabilitation services. Surveys confirm that people in Ukraine have suffered a significant deterioration in their health and an increased mental health burden. The Ministry of Health (MoH) is preparing a special initiative to scale-up mental health services, including by setting up mobile teams to reach people in different communities and further integrating mental health services at the PHC level. However, less than two percent of PHC physicians have received mental health training, meaning that scaling-up

¹⁰ <http://health-index.com.ua/HI%20Report%202019%20eng.pdf>

¹¹ Ukrainian State Statistics Service. Data of the Satellite National Health Account, 2020 report.

https://ukrstat.gov.ua/operativ/operativ2020/oz_rik/arh_sat_rah_zd_u.htm

¹² Omnibus telephone-based survey of 2,002 respondents conducted by the Kyiv International Institute of Sociology at the request of the World Bank, within Swiss-financed Trust Fund "Sustaining Health Sector Reforms in Ukraine" (P177367)

¹³ According to the [data](#) of the Center for Public Health, for six months of 2022, of all children under one year of age, only 29.7 percent received their doses of vaccination against tuberculosis; 23.1 percent received their vaccination doses against viral hepatitis B; 33.9 percent received their vaccination doses against diphtheria, tetanus, and pertussis; 36.4 percent received their doses of vaccination against Hib infection; and 33.3 percent received their polio vaccination doses.



mental health services to meet demand will require substantial investment and time. In addition, war-related injuries have led to a significant increase in the need for rehabilitation services. A World Health Organization (WHO) visit in July-August 2022 investigated disability, rehabilitation and assistive technologies, concluding that there are major needs related to burns, spinal cord injury and complex limb injury (including amputations), but that the availability of highly specialized rehabilitation services is severely limited. Moreover, the lack of outpatient and community level rehabilitation services impedes effective delivery of a continuum of rehabilitation care following the acute treatment phase and over the long-term.

Since the invasion, and in close collaboration with the MoH, NHSU, and the Ministry of Finance (MoF), the World Bank has provided rapid surge support to help protect the health sector and the people it serves. This includes new and restructured financing, as well as technical assistance. The Public Expenditures for Administrative Capacity Endurance (PEACE) in Ukraine project (P178946), financed by an IBRD loan and a grant from the United States (US), is supporting a share of PMG expenditures in 2022 (August and September 2022 shares of PMG), as well as salaries for civil servants and teachers and various social transfers. With resources from the Serving People Improving Health (SPIH) project (P144893), Bank-Facilitated Procurement BFP was used to secure contracts of US\$38 million for emergency medical equipment and supplies, most of which have already been delivered to over 530 hospitals. Within three weeks of the February 2022 invasion, a US\$91 million Additional Financing to the Emergency COVID-19 Response and Vaccination project (P175895) was approved to reimburse COVID-19 vaccine contracts, freeing up budgetary room for other essential health needs. This project also continues to support the strengthening of the cold chain and waste management systems of providers involved in delivery of COVID-19 services and vaccination. The ongoing Sustaining Health Sector Reforms in Ukraine (P177367) advisory services and analytics support financed by a Bank-Executed Trust Fund from the Swiss Agency for Development and Cooperation (SDC) has supported assessments and pilot interventions for people from vulnerable groups, including the elderly and internally displaced, and facilitated their access to care. It has also provided technical assistance to health financing and network optimization policies of the Government, including modeling changes to the benefits package and payment mechanisms so that they can be adapted to fast-changing needs.

Together with other development partners, the World Bank is working to ensure alignment behind and support of the future needs of the Government. Prepared together with the Government of Ukraine, the European Commission, and the World Bank, the Rapid Damage and Needs Assessment (RDNA) estimates the damages and losses resulting from the war (as of June 1, 2022) and outlines future needs, in the health sector and beyond. The RDNA will be repeated in 2023 to ensure relevance and utility in informing future support. In addition, to help provide advice on strategic decisions, a discussion paper on health sector directions for recovery is under preparation jointly by the World Bank, WHO, United States Agency for International Development (USAID), and the EU. As Ukraine simultaneously continues to provide emergency relief to its population, while also starting the recovery and rebuilding process, alignment of the resources of contributing donors (with each other and within Government) will be essential to ensure efficiency in their allocation, effective stewardship by the MoH, and alignment of funding with both recovery and long-term reform directions.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective (PDO) is to restore and improve access to essential health care, address new and urgent needs for health services, and provide financial protection in the emergency context.



Key Results

- Number of people who received mental health services following agreed criteria (disaggregated by gender)
- Number of people who completed a defined course of rehabilitation services (disaggregated by gender)
- Number of people receiving an extended health check-up at the PHC level (disaggregated by gender)
- Percentage of total hospital cases treated in strategic hospitals
- Number of people receiving medicines and/or medical products subsidized through the AMP

D. Project Description

The Project is designed as a US\$500 million “framework” project. Project design will support activities that Ukraine will need to address the ongoing emergency situation, with a scope of support that is informed by both available and future financing over the immediate- and short-term. It provides a clear line of sight for the Government of Ukraine, the World Bank and other development partners on the urgent needs in the sector. Specifically, the design outlines Project activities that will be implemented with an initial funding envelope that includes a EUR 100 million IBRD loan (backed by a Guarantee from the Government of Spain) and a US\$10 million grant from the Global Financing Facility for Women, Children, and Adolescents (GFF), as well as additional activities to be financed by an additional resource mobilization of US\$390 million, which is expected to be filled as subsequent Bank and donor funding (through trust funds, or co-financing) as they materialize.¹⁴ Consistent with this approach, Project components are designed as sustainable within the available financing, while also being flexible enough to easily absorb additional financing as resources become available. The framework approach of the Project supports needed agility and speed of delivery in an emergency situation. Depending on the evolving needs, additional resources for Project activities could mean doing more of the same (for example, implementing the same health interventions in different geographic areas or for a longer time period) or implementing in phases (for example, development of hospital network plans, followed by hospital renovation). The Project is designed as an operation of US\$500 million, including results that match this envelope. As more financing becomes available, adding it will be a simple process as there are no changes needed of the original design. Any further increase will entail a restructuring of the operation to scale it up.

The activities of the Project span immediate relief and early-stage recovery (with currently available funding), as well as longer-term recovery needs (for which resources must still be mobilized), both of which are aligned with long-standing sectoral reform directions. It finances inputs to the provision of care, including development of new models and protocols of service delivery, training, equipment, and facility renovations, including climate-sensitive building design. It supports provision of services at the level of mobile teams (who work in the community), PHC facilities, and hospitals. In order to ensure efficiency and sustainability, major investments in equipment and renovation are limited to existing facilities that have been identified as priority providers in network optimization plans. The Project also selectively uses incentives in the form of additional payments to NHSU providers, to focus attention on the actual delivery of essential health care services, namely mental health, rehabilitation, preventive health check-ups, childhood immunization, and affordable medicines. Mental health and rehabilitation services are updated benefit packages of the NHSU for which healthcare providers need to meet updated requirements. Preventive health check-ups and childhood immunization are included as part of the benefits package provided at the PHC level and paid using capitation payment amounts that the NHSU pays for

¹⁴ Should the full \$500 million in Project financing not become available, the Project will be restructured to scale-back total financing, the scope of activities, and the results framework, among other things and as needed.



each enrolled patient. However, these services tend to be underprovided,¹⁵ especially after the invasion. As a result, the Project will use performance-based conditions (PBCs) to incentive the provision of these services,¹⁶ building on the effective use of PBCs in the SPIH project and the Emergency COVID-19 Response and Vaccination project. Finally, the Project finances improvement of the system by supporting digitalization, innovations, and institutional capacity-building.

The Project consists of four components that encompass the key actions needed to heal the injured health system and provide access to emerging areas of need

The first component addresses the new needs for mental health and rehabilitation services arising from war-related trauma and the long-term effects of the COVID-19 pandemic by providing funding for essential inputs, such as the development of clinical protocols, training, equipment, and deployment of facility-based services and mobile teams and using PBCs to strengthen the results orientation of Project financing and ensure the actual delivery of mental health and rehabilitation services to people. The second component focuses on reconnecting people to essential PHC services to address the large foregone care burden that has accumulated during the war and the COVID-19 pandemic and to improve financial protection to people that require access to medicines. The use of PBCs in the second component will also orient service delivery towards concrete results in the expanding access to PHC care and reimbursable medicines. This component provides equipment to damaged and under-resourced PHC facilities and mobile teams, renovates damaged and inadequate PHC centers, including making them more climate resilient and energy efficient. The third component will support renovation and equipment of hospitals that have been damaged during the war or are otherwise inadequate to meet the needs of the catchment populations, with investments limited to those facilities that are part of the hospital network optimization plan (which will also be reviewed and revised through technical assistance provided by the Project). The fourth component focuses on strengthening of the overall health system in order to better support system recovery and restoration of access to quality care, including investment in the e-Health system, strengthening of the capacity of the central health agencies (such as the MoH, NHSU, the Central Procurement Agency (CPA), Center for Public Health, and e-Health Agency) which provide sectoral stewardship and oversight, and allowing for further innovation in the delivery of care.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

Environmental risks and impacts are mostly associated with project-related civil works and healthcare facilities operation - these risks are site-specific and temporary and can be mitigated by existing construction best practices; however, these risks may be exasperated by potential aerial bombardments and other military actions which add an element of extreme uncertainty and risk of fatality or serious injury that cannot be entirely mitigated by environmental

¹⁵ A well-known drawback of capitation payments is that while they incentivize providers to enroll new patients, they fail to incentivize the provision of services (especially preventive services which patients themselves may under-demand). This can be addressed by combining capitation with pay-for-performance, resulting in a “blended payment” mechanism that corrects for the disincentives of the capitation payment.

¹⁶ The further use of PBCs will be determined as additional resources are secured.



and social management measures. Also, there is risk that project sites may become a target for aerial bombardment which will endanger nearby communities and site workers.

E. Implementation

Institutional and Implementation Arrangements

The Project will be implemented by the MoH through a Project Implementation Unit (PIU), located at the MoH, which also coordinates the ongoing World Bank-financed SPIH and COVID-19 projects. Building on the effective implementation arrangements in place for the SPIH and COVID-19 projects, the existing PIU will be strengthened to include an additional coordinator, who will manage the scope of the Project, as well as specialists in procurement, financial management (FM), monitoring and evaluation, environmental and social safeguards, capacity-building, architecture and engineering, and PHC. Building on the existing project management capacity is critical for rapid implementation of Project activities. To address the need for complementary technical expertise to effectively implement the Project, the PIU will be supported by technical specialists in the MoH, CPA, NHSU, and e-Health Agency. Additional technical consultants will be contracted as needed under agreed upon terms of reference. The full roles and responsibilities of the staff and consultants in the PIU will be elaborated in the Project operational manual. The MoH will engage key staff to the PIU no later than two months after the effective date.

Despite the challenges of the war, and unlike in many other conflict settings, Ukraine was able to save and rely on its existing institutions, which continue to implement core government functions. The Project will rely on available sectoral strategies and roadmaps, including the National Recovery Plan and its health section, and support the overall direction of the health reforms. The Project does not create parallel structures, but instead invests in the capacity and sustainability of the existing health sector institutions. The technical assistance implemented with the support of the Project will inform decisions and policy directions. Further digitalization of health services will support the availability of data and its use to improve governance and accountability of providers, and support interventions to further improve the efficiency and quality of services.

The World Bank's implementation support will focus on (i) helping the MoH to unblock potential operational bottlenecks and assure timely implementation by providing advice and undertaking analytics to strengthen the technical quality of implementation, (ii) ensuring compliance across fiduciary, social, and environmental domains.

Within the technical domain, the focus for the World Bank's implementation support will be focused on the rapid implementation of the core activities. This will include technical assistance to: (i) MoH on defining the new and expanded service packages (mental health, rehabilitation, PHC, expanded AMP) and delivery modalities; (ii) NHSU on updating, modifying, and, if needed, developing new provider payment and incentive modalities; on FM; and on data management and IT systems; (iii) capacity strengthening for MoH, NHSU, as well as other key stakeholders including the Center for Public Health, e-Health Agency, and CPA.

In terms of strengthening compliance, technical assistance may be needed as described in the relevant sections of the Appraisal Summary. With fiduciary risk rated as High, technical assistance on procurement and FM will be prioritized. The Project will use the existing PIU, appropriately staffed, with relevant qualifications. The Project can support additional training in the use of the Systematic Tracking of Exchanges in Procurement and the new World Bank Procurement Framework. The Project will benefit from hands-on expanded implementation support



and, if requested by government, from Bank-Facilitated Procurement. Implementation support for FM will be undertaken mainly during, and in response to the findings of, the semi-annual FM supervision reviews. For environmental and social safeguards, the World Bank will monitor compliance through the reports submitted by the PIU and take remedial and supportive action as needed.

Key development partners, including WHO and other UN family organizations, USAID, EU, and SDC, are expected to provide technical assistance, and procurement operational support, to strengthen the implementation of select project activities, in line with their respective mandates. During project implementation, partners' support to activities relevant to the Project will likely include USAID support to e-Health, procurement, and rehabilitation; EU support to public health strengthening; SDC support to mental health and rehabilitation, WHO activities on hospital optimization and health financing, mental health, and emergency relief; UNICEF activities on immunization; and UNDP humanitarian response.

While implementation support will be provided throughout project implementation, it is anticipated that more intense support will be needed in the first 12 months after project approval. Because of the February 2022 Russian invasion, the World Bank team is located outside of Ukraine. Consequently, it is envisioned that the intensive support (including missions) from approval through effectiveness and the first stages of implementation will be provided remotely. If the situation changes and the security situation permits, implementation support in-person will also be provided.

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APPROVAL

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