

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC4046

<b>Project Name</b>	Albania Health System Improvement (P144688)
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Country</b>	Albania
<b>Sector(s)</b>	Health (100%)
<b>Theme(s)</b>	Health system performance (100%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P144688
<b>Borrower(s)</b>	Ministry of Finance
<b>Implementing Agency</b>	Ministry of Health
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	23-Apr-2014
<b>Date PID Approved/ Disclosed</b>	23-Apr-2014
<b>Estimated Date of Appraisal Completion</b>	16-Jun-2014
<b>Estimated Date of Board Approval</b>	18-Sep-2014
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Albania experienced rapid economic development, joining the ranks of middle income countries in 2008. Between 1998 and 2008, Albania's macroeconomic environment was stable, economic growth averaged 6 percent, exchange rate and interest rates were stable, and inflation was anchored at the central bank's target of 3 percent. Unemployment decreased from 17 percent to 12.8 percent, and the poverty rate halved from 25.4 percent in 2002 to 12.4 percent in 2008.

The global financial crisis severely affected Albania, with remittances and other inflows sharply declining. GDP growth slowed to an average of less than 3 percent between 2009 and 2012. A lack of structural reforms added to the difficult economic environment, resulting in a rapid deterioration of the country's fiscal position and the estimated debt to GDP ratio peaked at 70.5 percent in 2013. The recent sluggish economic growth has negatively affected poverty and placed an increased strain upon a large part of the population. LSMS 2012 data indicate that poverty rates increased to 14.3 percent. Labor Force Survey data on employment shows that 27 percent of Albanian households

have at least one member who lost a job, versus a Europe and Central Asia (ECA) average of 18 percent.

The new Government, that took office in September 2013, has initiated policy and structural reforms to correct economic imbalances, put public finances on a sustainable path, and undertake the necessary reforms to restore sustainable economic growth.

### **Sectoral and Institutional Context**

Key health system performance indicators in Albania are mixed. While health outcomes are relatively strong by regional standards, financial protection of households against high out-of-pocket payments (OOP) is relatively weak, and quality of care is a significant concern. Life expectancy at birth in Albania reached 77 years by 2011 (80 for women and 74 for men), which compares favorably with other countries in the region. This is higher than in neighboring countries such as Serbia and Macedonia, and only about 3 to 5 years behind countries such as Greece and Italy. The Mediterranean diet has been posited as a major explanation for Albania's relatively good adult health indicators. Child health indicators suggest greater room for improvement. According to the 2008 Demographic and Health Survey (DHS), infant and neo-natal mortality were 18 and 11 per 1,000 live births, respectively, both of which are slightly higher than comparable statistics for other countries in South-Eastern Europe, with steady improvements during the 1990s appearing to slow down more recently. Noncommunicable and chronic diseases constitute the majority of the burden of disease, but the 1998 DHS found that most hypertensive adults were not aware of their condition.

Spending on the health sector (both public and total spending) remains below average, with high out of pocket costs. Albania spends 6 percent of GDP on health care, of which 43 percent comes from the public sector. Public spending on health was only 2.6 percent of GDP in 2013, the lowest among countries in the region, equivalent only to Romania. Out of pocket expenditures are among the highest in the region, accounting for 55 percent of total expenditures on health. Government faces challenges to enhance revenue mobilization and the pooling of health care resources, expand insurance coverage, and reduce reliance on payroll taxes, in a difficult fiscal environment. The Health Insurance Institute (HII) initially financed primary care and certain pharmaceutical expenditures, but took on responsibility for hospital financing in 2010. A payroll tax of 3.4 percent, divided equally between employer and employee contributions, generates 21 percent of its revenue, with the rest financed by a budget transfer from MoH. Because of the negative impact of payroll taxes on labor and capital formation, the new government has proposed to increase the share of general revenues, with a longer term goal to shift toward general revenue financing.

Hospital reforms are required to better plan and adapt service capacity to needs, strengthen management and governance, and improve efficiency and quality of care. Albania faces multiple constraints for improved hospital services. First, although hospitals receive a high proportion of total funding, rigid budget rules and limited discretion over human resources limit hospitals' productive use of assets and hamper effective service provision. Second, despite some good hospital managers, most hospital management teams have limited experience and capacity for performance-based management and planning. Third, existing inputs are used inefficiently, including poor maintenance of medical equipment, inappropriate staff allocations, and drug stockouts -- with a large percentage of drugs in the hospitals lost due to expiration, mishandling and pilferage. Fourth, the current hospital network needs to be rationalized. The 2010 Hospital Master Plan recommended that district hospitals should be reconfigured as Diagnostic Units/Health

Centers, with a 10 bed day care facility attached. The 11 regional hospitals need to be rationalized and upgraded in accordance to their patient load and new role in referral system. Fifth, hospital workflows are hampered by inappropriate functional designs of old and outdated buildings, inappropriate equipment, poor sanitary facilities and unsafe patient, staff and technical service areas. Finally, the lack of a functioning referral system contributes to patients bypassing lower-level providers and seeking care directly in the specialized public facilities or the private sector.

### **Relationship to CAS**

The 2010 Country Program Strategy (CPS) includes health sector reforming as one of key priorities under the second pillar, "Broadening and Sustaining Social Gains". As highlighted in the CPS, the government has initiated reforms to improve health care service delivery and financing. The proposed Project would directly address these issues and fully support the 2010 CPS as well as the 2012 progress report, which included this project in the proposed lending operations.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The proposed PDO is to improve the efficiency and quality of health care services in Albania through strengthening: (a) management, governance, and quality assurance systems for public hospitals; and (b) health financing, purchasing, maintenance, and information technology systems.

### **Key Results (From PCN)**

Possible PDO indicators include the following:

- a) Implementation of the hospital rationalization plan in 4 pilot hospitals
- b) Reduced percentage of patients referred to hospitals by GP/primary care specialist
- c) Hospital bed occupancy rate [percentage improvement] in regional hospitals
- d) Reduce stock-outs in hospital pharmacies for essential drugs to 20 percent

## **III. Preliminary Description**

### **Concept Description**

To improve the efficiency and quality of health care services in Albania, the proposed activities under the Project will: (a) reform the hospital sector by supporting rationalization of the hospital network, creating a sound legal and management framework for efficient service provision, strengthening performance management and planning, overcoming operational constraints in service delivery, and strengthening the referral system; (b) improve monitoring and management of service quality and efficiency by establishing a comprehensive Health Management Information System (HMIS), a Logistics Management Information Systems (LMIS) focusing on hospital drugs, and a system for medical equipment management and maintenance; and (c) provide support to the Government to reform the health financing and provider systems, strengthen systems for efficient purchasing and distribution of pharmaceuticals and medical supplies, improve maintenance of medical equipment, and assessing options to expand insurance coverage, and transition into a general tax based system within available fiscal space. Swiss Cooperation is currently developing a project to support strengthening of primary health care, which will complement the focus of this proposed Project on hospitals and cross-cutting systems. The proposed Project would include the following components:

Component 1: Hospital governance, management, and service quality

This component aims to improve efficiency and quality of hospital services delivery in Albania. The

component would finance technical assistance, training, civil works, goods and equipment to support the design and implementation of a sustainable hospital network with the appropriate infrastructure and human capital to deliver needs-based hospital services. Implementation will build on the results and concepts developed in previous project. A working group would be established in MOH to oversee the process. Implementation will be phased to ensure the establishment of an appropriate legal and regulatory framework, management capacity and institution building, and minimize disruptions in service delivery and access to services. Key areas would include: (i) improving needs-based planning of hospital infrastructure and human resources, and results-based management for essential hospital services; (ii) improving hospital organization and physical infrastructure; (iii) medical equipment management; and (iv) improving patient management, clinical services outcomes, and accountability.

#### Component 2. Development of the HMIS/eHealth

To further improve the efficiency of health care services in Albania, the HMIS/eHealth component proposes to introduce a standard, interoperable, interconnected Hospital Information System in Albania's regional hospitals. In the HMIS/eHealth area, it is suggested that information technology be used as a catalyst to improve the referral mechanisms between hospitals, between primary care and secondary hospital level, and between secondary hospitals and the national tertiary hospital (QSUT). In addition, the component will improve management of pharmaceutical drugs in hospitals as well as establishing the institutional foundations for an interconnected HMIS. Main areas under this component would include:

(i) HMIS/eHealth – foundational activities for establishing the Health Management Information System at national level; (ii) improving “Track and trace” of pharmaceuticals within hospitals; (iii) establishment of regional hospitals information system; and (iv) establishment of a National Health Information Center (NHIC).

#### Component 3: Improve Health Financing System

Major priorities for the health financing agenda include: (i) sustainable revenue mobilization that is harmonized with macroeconomic growth; (ii) improved allocative efficiency and shifting toward output-based and performance-based financing for hospital and primary care services, and (iii) expanding the breadth and depth of health insurance coverage and the pooling of health care resources, subject to the resources availability in a difficult fiscal environment. To address these priorities, the component include the following proposed areas:

(i) support to the Health Insurance Institute (HII) for strategic purchasing and improved coverage; (ii) support to Pharmaceutical reforms; and (iii) payment reforms.

#### IV. Safeguard Policies that might apply

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01	<b>x</b>		
Natural Habitats OP/BP 4.04		<b>x</b>	
Forests OP/BP 4.36		<b>x</b>	
Pest Management OP 4.09		<b>x</b>	
Physical Cultural Resources OP/BP 4.11		<b>x</b>	
Indigenous Peoples OP/BP 4.10		<b>x</b>	
Involuntary Resettlement OP/BP 4.12		<b>x</b>	

Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

## V. Financing (in USD Million)

Total Project Cost:	50.00	Total Bank Financing:	45.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			5.00
International Bank for Reconstruction and Development			45.00
Total			50.00

## VI. Contact point

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