PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA1896

Project Name	Improving Health Services for the Population (P144893)
Region	EUROPE AND CENTRAL ASIA
Country	Ukraine
Sector(s)	Public administration- Health (10%), Health (90%)
Theme(s)	Health system performance (50%), Injuries and non-communicable diseases (40%), Public expenditure, financial management and procurem ent (10%)
Lending Instrument	Investment Project Financing
Project ID	P144893
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Health
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	19-Dec-2014
Date PID Approved/Disclosed	23-Dec-2014
Estimated Date of Appraisal Completion	18-Dec-2014
Estimated Date of Board Approval	04-Mar-2015
Decision	

I. Project Context

Country Context

Ukraine's economy and public sector have been negatively affected by serious structural weaknesses left unaddressed from the time of its independence. Fiscal imbalances remain significant and large untargeted social transfers, inefficient public services, widespread corruption, and significant quasi-fiscal subsidies threaten sustainability and erode social trust. The public sector is large: Government expenditures (consolidated budget plus social funds) accounted for 50.5 percent of GDP in 2013. At the same time the quality of many public services is poor and has been deteriorating.

Currently, Ukraine is facing a situation of severe macroeconomic uncertainty. Following the sharp crisis-related contraction in 2009, Ukraine's economy entered a phase of short-lived recovery. However, in 2012 and 2013 the country again experienced a period of stagnation (with growth rates of 0.2 percent and zero in 2012 and 2013 respectively). Between January 2014 and December 2014 the Ukraine Hryvna (UAH) lost approximately 100 percent of its value against the US dollar (US $) and the Euro. The economy has a large fiscal deficit, 6.7% of GDP in 2013 (including the Naftogaz operational deficit), and there is growing uncertainty arising from the ongoing armed conflict in the

East.

The unfinished, and in some respects, un-initiated reform agenda in Ukraine is vast. On the fiscal front, public expenditure efficiency needs to be improved through a reduction in fiscal and quasi-fiscal deficits in the gas and district heating sectors, better targeted social assistance programs, and reforms to improve quality and efficiency of public services. All reforms need to be underpinned by a resolute commitment to improving governance and transparency.

Levels of inequality and poverty are moderate in comparison with those in the region. According to official statistics, income inequality has remained moderate by regional standards (Gini coefficient of about 0.25 in 2012). Ukraine uses multiple poverty measures based on absolute and relative poverty lines, but for international comparisons a poverty line of US$ 5 per day is used. According to this absolute measure , the poverty rate declined from 14.7 in 2006 to 3.9 percent in 2012.

Sectoral and institutional Context

In spite of some good progress, health outcomes are poor in overall terms (especially when compared with the resources invested). According to data from the World Health Organization (WHO) between 1990 and 2011 the infant mortality rate decreased from 17 to 9 and under-5 mortality from 19 per 1,000 live births to 10. Over the same period, maternal mortality decreased from 49 per 100,000 live births to 32. However, between 1970 and 2010 life expectancy at birth (LEB) increased by only one year, and it is currently 71.15 years (65.11 for men and 76.02 for women), approximately eleven years less than EU and six years lower than the WHO European region average. The latter includes the rich western countries and also the Central Asian Republics of the former Soviet Union. Given that over the same period IMR and under-five mortality rates improved significantly, the lack of improvement of LEB reflects a worsening of adult health.

Non-communicable diseases (NCDs) are a leading cause of mortality and morbidity, and, within NCDs, cardiovascular diseases and cancer, are affecting people at a relatively young age. About 85 percent of all deaths in 2012 have been linked to cardiovascular disease, cancer and external causes, including accidents and poisoning. About 4/5th of these “excess deaths” occur in the working age groups (age 15 to 64 for both males and females), with a significant impact on the economy and on labor force productivity.

The health system in Ukraine has not yet been reformed to respond to this changed burden of disease and the increasing domination by NCDs and chronic conditions. The health service delivery system in place is still that inherited from the Soviet Union, publicly financed and owned, hospital-centered, with services focused on individual acute treatments and minimal prevention. This system was essentially designed to fight infectious diseases and traumas (which in general are single-cause and less determined by personal behaviors), as well as issues related to mother and child health, at a time when communications were difficult and medical technology not expensive. The system has continuously proven ineffective in reducing the overwhelming burden of NCDs , and yet there have been no systematic attempts at restructuring it.

Ukraine has an oversized hospital sector, in terms of both beds and the number of hospitals. Ukraine has 2,400 hospitals, 8,300 polyclinics, and over 400,000 hospital beds in the public sector , about 40 percent more beds per capita than the WHO European Region average. Yet, service delivery capacity of this large hospital infrastructure is extremely limited. Small inpatient facilities,

such as municipal and district hospitals, municipal single-disease hospitals (TB, STD, etc.), dispensaries and rural hospitals, represent about 75 percent of hospital beds providing only very basic inpatient services. Oblast [regional level] hospitals, as well as specialized clinical and diagnostic centers of national research institutes, represent the remaining 25 percent of hospital beds (WHO-Euro, 2005). Hospital polyclinics and Rayon [district level] hospitals provide both primary and specialized care, while Oblast and city hospitals haphazardly provide a mix of chronic care and specialized and super-specialized treatment for a number of medical specialties. Because of chronic lack of investment and other constraints, very few medical facilities are able to provide complex medical care (for example, modern cardiac surgery or cancer treatment).

The Ministry of Health (MoH) has not exerted its stewardship function properly, in a decentralized environment. Ukraine inherited a "localistic", hospital-based, fragmented type of structure from the old system, built on the assumption that every small territory should be self-sufficient in terms of health care (each Rayon, and each municipality). This assumption was probably correct in times of bad communication and poor transport (and low input costs), but is now less justifiable both in terms of catchment populations and investment optimization. The MoH should be the main planner and regulator of health standards and national health programs, and should determine the health budget allocation in coordination with the Ministry of Finance, but the core actors are specific local authorities at regional, district, and community levels. Moreover, the latter act to a great extent in isolation, working with a myriad of isolated facilities at Oblast, municipality or Rayon level, without clear mandates or clear results.

Government funding for health is in line with that of countries at similar levels of socio-economic development. However, it is mainly used to maintain the current extensive delivery system at its minimal level of functionality. Total health expenditure was 7.72 percent of GDP in 2012 , or approximately US $ 300 per capita. Government (central and local) health expenditure accounted for 12.7 percent of total consolidated budget expenditures or approximately 4.44 percent of GDP. The balance was mainly (over 3.26% of GDP) private households' expenditure, mainly patients' out-of-pocket payments (OOP) at the point of service delivery. Most government health financing comes from general taxation. Government funding for the health sector is allocated mainly to cover recurrent costs (over 95 percent of total costs in 2013) and according to inputs. Compensation for individual doctors and nurses is mainly through salaries, which reflect seniority and level of specialization. Overall, the current financing mechanisms create inertia and discourage interventions that enhance efficiency.

II. Proposed Development Objectives

The proposed "Improving Health Services for the Population" Project seeks to improve the quality of health services in selected Oblasts, with special focus on primary and secondary prevention of cardiovascular diseases and cancer, and enhance efficiency of the health care system.

III. Project Description

Component Name

Improving service delivery at the local level

Comments (optional)

This component will focus on priority areas proposed by Oblasts: i) improving overall primary health care; ii) fighting cardio-vascular disease at primary care level; iii) fighting cardio-vascular

disease at secondary care level; iv) early cancer detection and treatment; v) hospital system rationalization and governance.

Component Name

Strengthen Ministry of Health's Governance of the Health Sector

Comments (optional)

The objective of this component is to strengthen MoH's stewardship over the health system by preparing and launching reforms that cannot be tackled at individual Oblast level such as health financing reforms, and to ensure proper coordination of Oblast level initiatives.

Component Name

Project implementation support, and monitoring and evaluation

Comments (optional)

This component will support the Project Consultancy Support Unit (PCSU) at national level, responsible for Project implementation support and technical assistance to the Oblasts. In addition, it will sponsor complementary data collection and analysis activities for monitoring results.

IV. Financing *(in USD Million)*

Total Project Cost:	259.30	Total Bank Financing:	215.00
Financing Gap:	0.00		

For Loans/Credits/Others	**Amount**
Borrower	44.30
International Bank for Reconstruction and Development	215.00
Total	259.30

V. Implementation

As the central government's agency responsible for the development of health policy, the Ministry of Health will have overall responsibility for implementing this Project. In this capacity, the MoH will (i) maintain a strategic link between the implementation of health sector reforms and effective delivery of the Project; (ii) coordinate Project activities implemented at national and sub-national levels to make sure they are aligned with the PDO; (iii) liaise with the Ministry of Finance, Ministry of Economy and other government agencies to enable smooth Project execution; (iv) coordinate monitoring and reporting under the Project, sending regular reports to the World Bank on progress achieved in the indicators which form part of the Results Framework; (v) monitor Project expenditures and costs, (vi) ensure the Project Operations Manual (POM) is updated as necessary; (vii) prepare and distribute the consolidated progress reports and the final report to the World Bank and relevant government agencies. The Deputy Minister of Health will be appointed as Project Manager and a focal point for the World Bank and other stakeholders for Project-related matters.

The Head of the Project Consultancy Support Unit (PCSU) will be an independent consultant selected competitively and agreed upon by the Project Manager. All the PCSU members, including the PCSU Head, will be individual consultants selected under rules and procedures of the World Bank and contracted by the MoH. The PCSU Head will be the Project Coordinator in charge of day-to-day supervision of Project performance, and his level of seniority and powers need to be aligned as those of Head of Department. The PCSU consultants will provide technical support under the Project and will ensure compliance with the World Bank requirements for procurement, reporting, auditing and monitoring of the Project. Given the complexity of the Project, and large number of

participating Oblasts, a strong PCSU is vital for successful project implementation. Therefore, the selection of the individual consultants of PSCU will be subject to World Bank's prior review. For the coordination and technical implementation support of Component 1, the PCSU will contract a consulting firm to provide regular supervision and support for the implementation of the Oblasts' subprojects.

A Project Steering Committee (PSC) will comprise managers (Head) of relevant MoH units (Health Financing Department, Public Health Department, etc.), or subordinated agencies (for example, Informatics Centre for e-Health activities), as per project activity lines. The PSC will be consulted and will take strategic decisions on Components 2 of the Project. The PSC head will be the Deputy Minister appointed as Project Manager, and the Deputy Head will be the manager/head of MoH Department in charge of health system reforms. The PCSU Head will be part of the PSC.

The Oblast State Administrations (OSA) will have responsibility for the implementation of Component 1. The Health Departments in OSA will lead the execution of sub-projects. In implementation, they will be supported by the Central PCSU and the external consultant firm as adequate. The Health Departments in OSAs will involve different departments, as needed, to ensure effective management of sub-projects. Each participating Oblast will establish a Subproject Management Unit (SMU). SMU is chaired by the Deputy Head of the Oblast State Administration who is in charge of health care policies as per her/his functions or by the manager of the Health Department within the Oblast State Administration. The SMU chair/head will manage SMU and bears personal responsibility for organization and fulfillment of the Project implementation tasks. To carry out Project implementation, the SMU head may use their existing staff and/or hire consultants (for example, a financial management and procurement specialists, technical expert and safeguards specialist as needed), to be attached to the Health Department. The World Bank will provide necessary training to all SMUs on fiduciary matters.

At the central level, inter-sectoral coordination with the Ministry of Economic Development and Trade and the Ministry of Finance will be carried out through quarterly reviews of the portfolio of World Bank projects in Ukraine, chaired by the Ministry of Economic Development and Trade, and through establishing the Project Supervisory Board. This will be chaired by the Vice-Prime-Minister in charge, for the purpose of introducing strategic changes in the Project.

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		×

Comments (optional)

VII. Contact point

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