

PRIMARY HEALTH CARE REFORM PROGRAM

(PR-0028)

EXECUTIVE SUMMARY

BORROWER: Republic of Paraguay

EXECUTING AGENCY: Ministry of Public Health and Welfare (MSPBS)

AMOUNT AND SOURCE:

IDB/OC:	US\$39 million <u>1/</u>	84%
(Single Currency Facility)		
Local counterpart funding:	US\$ <u>7.6 million</u>	16%
Total:	US\$46.6 million	100%

FINANCIAL TERMS AND CONDITIONS:

Amortization period:20 years
Disbursement period:5 years
Physical initiation of works:4 years
Interest rate:variable
Grace period: 5 years
Inspection and supervision:1%
Credit fee:0.75% of undisbursed balance
Currency of the loan:Single Currency
Facility:
50% in U.S. dollars
25% in yen
25% in deutsche marks

OBJECTIVES: The program's general objective is to support the gradual process of health sector modernization and reform, while seeking to provide quality services to the Paraguayan population efficiently and equitably.

The program, viewed as the first phase in support of the sector reform process, provides incentives and mechanisms to implement in primary health care to address one of the population's main health problems: maternal and perinatal mortality.

The specific objectives are: (i) to strengthen regional autonomy by, among other things, identifying and coordinating the sector-related responsibilities of the various agents (Regional Health Directorates, Departmental Health Secretariats, and other regional and local agencies); (ii) to strengthen the regulatory and policy-setting role of the Ministry of Health through technical assistance, the

1/ Resources of the Intermediate Financing Facility (IFF) account may be used to pay part of the interest on up to US\$32 million of the loan.

establishment of interagency cooperation agreements, the provision of a regulatory framework for the private sector, and the setup of the Office of the Health Superintendent as the agency responsible for health care sector regulation; (iii) to develop a system for distribution of MSPBS and departmental budget resources to the health care sector, to decrease regional inequity and adjust allocations to each region's poverty levels, existing service supply, and health indicators; (iv) to introduce mechanisms for improving regional and local management, making the health care regions and the departments responsible for health management performance; and (v) to provide a package of quality basic primary health care services, which implies actions to improve care by promoting active private-sector participation and the gradual integration of the various agents in the delivery of health care services (public sector, private sector, and the Social Welfare Agency).

DESCRIPTION:

The program is comprised of two components:

1. Component I ? modernization of the sector's organizational structure (US\$4.2 million), including the regulatory and planning capacity of the MSPBS. This component provides funding for:
(i) technical assistance to strengthen regional autonomy; (ii) the "outstanding professional" initiative; and (iii) improved vital statistics.
2. Component II ? improvement of primary health care (US\$37.8 million) through: (i) human resource development and training; (ii) improved procurement and distribution of medicines and inputs; (iii) rehabilitation of infrastructure and equipment; (iv) strengthening of the patient referral and cross-referral system; and (v) information, education, and dissemination projects.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of June 27, 1995, classified this as a Category II operation. The environmental profile was submitted to the PIC on September 25, 1996.

BENEFITS:

The main benefits of the project are associated with reducing maternal and infant mortality, primarily among low-income groups, through increased coverage and improved quality of care. This will be achieved by identifying minimum care protocols, providing technical training for health care personnel and

establishing professional requirements based on the level of care, implementing sector regulations, and investing in equipment and infrastructure rehabilitation at the MSPBS's health posts and centers. The program will make the regional distribution of financial and human resources more equitable and will improve internal efficiency and resource allocation. By strengthening regional autonomy, the program will benefit the sector through health care policy planning that is consistent with overall available resources and local needs. Coordination among the public and private sectors and the social security system will allow the public sector to offer health care services without having to expand its payroll or infrastructure unnecessarily.

RISKS:

One of the risks in the way of program success would be a shift towards centralism in decision-making, financing and allocation of resources, and policy-setting for the sector. The mechanisms to improve management, regional interagency participation agreements and agreements with other agents in the sector, and activities to improve the administrative and financial planning capacity included in the project would no longer make sense if a change in the reform agenda were to occur. To offset this risk, the project team conducted a detailed study of the deconcentration process in the health care sector and pursued a number of activities involving discussion and dissemination of the findings at the departmental and regional levels and with various authorities at the central level. The program activities were primarily designed to reduce the risks of undertaking a speedy decentralization process like the one that the MSPBS was promoting, without first identifying the responsibilities of the various agents, assessing the costs of the process, and promoting dialogue and discussion at the regional, local, and national levels. These activities will be conducted through the technical assistance to be provided under the program's Component I.

POVERTY TARGETING:

Pursuant to the provisions of the Eighth Replenishment document (AB-1704, paragraph 2.15), and in view of the fact that the improved maternal and child health care activities to be provided by the public sector essentially target low-income population groups, it has been determined that the proposed program meets the characteristics of a program targeting low-income groups. In accordance with paragraph 2.13 of the aforementioned document, this program falls under the social equity and poverty reduction category.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The program design is consistent with the Bank's social sector strategy and with the Eighth Replenishment guidelines. The program focusses on actions that are compatible with the health care strategy set forth in Paraguay's 1994 country paper, in which the Bank proposed to support improved quality and coverage of decentralized services, the availability of qualified human resources, improved planning and coordination in the sector, and increased service coverage. The program also is in line with the Bank's general strategy for the social sectors, which emphasizes: (i) clear identification of objectives; (ii) a careful approach to decentralization; (iii) the evaluation of the level of preparedness of institutions to undertake sector reforms and follow-up on the phases or steps taken during the process; and (iv) introduction of incentives to make the sector more efficient.

**SPECIAL
CONTRACTUAL
CONDITIONS: 2/**

1. The following conditions precedent to the first disbursement ? to be met to the Bank's satisfaction ? will be stipulated: (i) establishment of the central coordinating unit and at least two departmental coordinating units, with a structure, functions, and resources to enable them to carry out the program (see paragraph 3.2); (ii) entry into force of the operations manual (see paragraph 3.8); (iii) creation and regulation of the "outstanding professional" initiative and the related technical committee and publication of the first call for applications (see paragraphs 3.14 and 3.15); and (iv) formulation of departmental strategies and the investment plan for the year one (see paragraphs 3.28 and 3.29).
2. During execution, as a means of instituting the program follow-up and review mechanism, the contract will set forth conditions to ensure that activities are planned and that proper follow-up and evaluation are conducted, as agreed upon with the country and as indicated in paragraphs 2.18 and 3.47 through 3.49.
3. PPF resources will be used to carry out activities to launch the program. These activities will make it possible to consolidate the program

and quickly fulfill the conditions precedent (see paragraph 3.49).

**CONTRACTING OF
CONSULTING
SERVICES AND
PROCUREMENT OF
GOODS AND
SERVICES:**

The contracting of consulting services and procurement of goods and related services and awarding contracts for the construction of works will be undertaken in accordance with the Bank's procedures.

International competitive bidding will be required for construction work involving amounts in excess of US\$2 million and for goods and related services involving amounts in excess of US\$250,000. Competitive bidding involving amounts below the aforementioned thresholds will be conducted in accordance with national legislation (see paragraph 3.40).

**EXCEPTIONS TO
BANK POLICY:**

Management training will be carried out by the Association of University Programs in Health Administration (AUPHA) and the reproductive health management training will be provided by the United Nations Population Fund (UNFPA). Justification for direct contracting of these agencies without issuing a call for bids is provided in paragraph 3.21. Based on their vast experience in Paraguay's health care sector and their excellent track record, the direct contracting of these agencies is proposed as an exception to the Bank's hiring policies.