

FOCUS ASSESSMENT

LAO/027

Lao-Luxembourg Health Sector Support
Programme - Phase II

PROJECT SUMMARY DATA

Country	LAO People's Democratic Republic
Long project title	Lao-Luxembourg Health Sector Support Programme - Phase II
Short project title	Health Support Programme - Phase II
LuxDev Code	LAO/027
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EXECUTIVE SUMMARY

The Focus Assessment Mission examines the position of the LAO/027 programme in the context of the current environment and in the context of political, economic, and policy directions. The Focus Assessment Mission was conducted from 12-29 November 2015; it involved extensive document review and interviews with key informants, and visits to the Provincial Health Department and a few districts in Bolikhamxay. Three information-gathering meetings were held with participants from the three Provincial Health Departments and the LAO/027 Health Planning and Management Advisers.

The Mission is based on the findings of the consultations, review of project documentation, plus the Focus Assessment Mission Consultant's contextual understanding and experience relating to the design, implementation and management of health sector projects and programmes in Laos People's Democratic Republic.

The following Strategic Issues were identified by the Focus Assessment Mission Team, and are outlined below and detailed in the main report:

- An additional 1.23 million EUR has been added to the Government of Laos 3.0 million counterpart contribution making the total Government of Laos contribution 4.23 million EUR;
- The LAO/027 counterparts are concerned about the Government of Laos ability to contribute even the original 3.0 million EUR co-financing as and when required;
- Over the last two years (2014 to 2015) there has been a loss of purchasing power of 480 000 EUR. Most likely there will be continued losses of purchasing power if the current exchange rates remain constant;
- Possible liability for Government Taxes for employees is estimated at 70 000 EUR;
- The implementation of the Provincial Workforce Plans in the three provinces for the period 2016 to 2020 has not been budgeted for in the Programme Budget. The budget required is estimated at 3.0 million EUR;
- The current log frame is a mix of strategic and technical elements with a number of activities not budgeted and some activities under-budgeted;
- Strong programme management must continue to be a focus of LAO/027;
- LuxDev has indicated its intention to discontinue the position of Health System Adviser and recruit a new Chief Technical Adviser, which will have implications for programme management and leadership.

The Strategic Issues raised in point form above are explained below and further detailed in the Main Report.

- **Additional programme cost:**

An un-resolved outstanding issue is the additional cost of 1.23 million EUR (indicated on pages 9 and 60 of the LAO/027 programme document) that has been attributed to the Government of Laos (in addition to the agreed 3 million EUR of government's counterpart contribution) that is required to fully cover the costs of implementing the Operational Partnership Agreements over the course of the LAO/027 programme.

- **Government of Laos concerns:**

The LAO/027 counterparts are concerned about the Government of Laos ability to contribute the original 3.0 million co-financing as and when required as well as the additional 1.23 EUR described above. The National Programme Director Dr Phasouk Vongvichith expressed her concerns to the Focus Assessment Mission Team during their first meeting. The Focus Assessment Mission Team was advised that Dr Soulivanh Pholsena Deputy Programme Director, who is also Secretary to the Minister of Health, during the time he was in Luxembourg for the interviews of applicants for the Chief Technical Adviser position, also raised the Government of Laos concern regarding capacity to meet their co-financing obligations. As a result, all major programme activities have ceased since October 2015. The Focus Assessment Mission notes that the shortage of funding for the Operational Partnership Agreement has affected vulnerable populations, children and pregnant women in rural and remote areas who have not received outreach services since last October. The Focus Assessment Mission suggests that LAO/027 address this concern as a priority.

- **Loss of purchasing power:**

In addition to the above inflation estimates, it should be highlighted that deflation of the euro has impacted the purchasing power of the LAO/027 programme. Between February 2014 and February 2015, the euro decreased 16% in purchasing power relative to the Lao KIP (1 EUR = 11 000 Lao KIP to 1 EUR = 9 200 Lao KIP, respectively). The Focus Assessment Mission calculated the loss in purchasing power relative to the original budget estimate and exchange rate between the two currencies, specifically for year 2 of the programme. The total loss in purchasing power is equivalent to 477 679 EUR for year 2 (relative to the beginning of the programme budget approval).

- **Government taxes:**

Due to recent changes in Lao People's Democratic Republic labour law, foreign organisations working in Lao People's Democratic Republic are subject to a tax the equivalent of one-month salary per year of employment per hired Lao national employee when a programme ends and staff leave their posts involuntarily. Given the longevity of programme staff since early programmes, this may amount to approximately 70 000 EUR by the end of the LAO/027 programme. LuxDev should explore the Lao People's Democratic Republic labour law to determine the sum of possible future liability.

- **Workforce plans budget:**

Currently over 3 000 health staff are employed across the three target provinces. As part of the Human Resources for Health strategy all three provinces have completed their three year Provincial Health Workforce Development Plans in 2014 to provide guidance for staffing of the provincial health services and training of health personnel over the period 2016 to 2020. The Health Workforce Development process is a strategic endeavour. Over the long term it will build staff skills and capacity in order to improve the quality of health care delivery; in the shorter term it will provide in-service short-term training for recent graduates to fill skills gaps because of the inefficiencies in the current national training programmes. LAO/027 provided 31 500 EUR for the three provinces to develop their Provincial Workforce Plans. The three provinces' plans for training of health staff over the period 2016 to 2020 are currently budgeted at 3 million EUR. As there was no budget allocation in the LAO/027 design to implement the Provincial Workforce Plans, a request for this additional funding has been submitted.

- **Revision of log frame:**

The current log frame is a mix of strategic and technical with a number of activities not budgeted and some under-budgeted. The proposal is that the programme Results (outputs) remain the same but the log frame be more strategic in its design in keeping with the LAO/027 Health Sector Support Programme approach requiring some minor revisions and depending on the re-focused scope for LAO/027.

- **Programme management:**

Strengthened programme management capacity continues to be important. Increasing the provincial and district health staff skills and knowledge through capacity development to bring about a Results-Based Management culture is an important goal. The capacities to be developed include: Human Resources development and management; integrated planning and budgeting; and, quarterly analysis of health services data, all supported by transparent financial accounting and management systems.

The provinces will require assistance to gain in-depth knowledge and competency in the Health Sector Support Programme concept. Technical Assistance could be provided by senior management and national technical staff from the Programme Support Office. This can be supplemented by consulting Technical Assistance in the areas of Health Systems Development and Programme Management.

- **LAO/027 management and leadership:**

The building of ownership and capacity to take full responsibility of the LAO/027 activities requires relatively frequent engagement of the Chief Technical Adviser with senior officials in the Provincial Health Departments. It is also important that the Chief Technical Adviser actively supports the work of the 3 Health Planning and Management Advisers by visiting them in the provinces at least once every six to seven months. This will not only provide support to the work of the Health Planning and Management Advisers but to the Provincial Staff working on various aspects of planning, management and service delivery supported by LAO/027. The interaction with senior leaders at the provincial level can be significantly enhanced by the engagement of the Chief Technical Adviser. The Chief Technical Adviser is viewed by stakeholders as the leader of LAO/027 and as such is expected to be seen to

lead. It is essential that the Chief Technical Adviser continue to play a strong leadership role in LAO/027 and actively support the work of the Health Policy Management Advisers.

LuxDev has indicated its intention of recruiting a new Chief Technical Adviser and discontinuing the position of the Health Systems Adviser. The recruitment of a new Chief Technical Adviser has proved to be challenging. The incumbent Chief Technical Adviser will remain in his position until a new Chief Technical Adviser is hired; this is an interim decision of LuxDev. With the recruitment of a new Chief Technical Adviser, LuxDev has indicated that a reasonable handover period will be negotiated with the current Chief Technical Adviser. It is recommended that careful attention be given to a three-month "handover period". An intensive period of one month with less involvement over the next two months is suggested.

The Focus Assessment Mission understands that the Health System Adviser has responsibility for interacting with the provinces. The Focus Assessment Mission understands that in the current situation the Chief Technical Adviser and the Health System Adviser have been asked to work on a less than full time basis to ensure the programme moves forward while recruitment of a new Chief Technical Adviser is diligently undertaken.

The Health Systems Adviser position has been an important one in the history of LuxDev involvement in Laos; the Health System Adviser provides supervision and direct technical support to the provincial level. The Health System Adviser directs the work of the Health Planning and Management Coordinator, who works with the Health Policy Management Advisers and the central office, and therefore, plays a critical role in the strengthening of the provincial health departments and the District Health Offices. These are the operational levels of service delivery and the strengthening of managers and management systems. The Focus Assessment Mission is of the opinion that the leadership of LAO/027 will be put at significant risk if both senior managers and leaders leave within a close time period. The Focus Assessment Mission recommends that LuxDev consider the option of maintaining the position of Health System Adviser at least for another 18 months until the Health Planning and Management Coordinator's capacity and reputation is built.

Directions proposed by the Focus Assessment Mission

The Focus Assessment Mission has identified a set of principles and actions that should be considered in a re-write of the Project Document for the remaining years. The re-focussing of LAO/027 will require extensive consultations with the central partners (the Ministry of Health and the Provincial Health Departments) and also with other Development Partners.

Re-focus Framework

The Proposed Strategic direction of the re-focused LAO/027 Health Sector Support Programme is consistent with the Lao-Luxembourg Health Sector Support Programme Phase II (LAO/027) as a Health Systems Strengthening Programme with the specific objective to support the Ministry of Health by strengthening the capacity of the provincial and district health authorities in Bolikhamxay, Khammouane and Vientiane Provinces. The Grand Duchy of Luxembourg is committed to Universal Health Coverage, which aligns with Government of Laos priorities.

Strategic and Harmonised Approach: Rather than the current approach of supporting limited direct interventions in some districts, the Focus Assessment Mission proposes that greater effectiveness requires better alignment and harmonisation with the policies of the Ministry of Health: the Health Sector Reform Framework 2013-2025, the policy on decentralisation, and eight National Health Sector Development Programme 2016-2020. These policies and strategies should strongly influence the refocused Health Sector Support Programme engagement, support and capacity building to the three provinces and districts to assist them in achieving full coverage to more effective and efficient health services. The Focus Assessment Mission believes this will lead to greater impact on the total population of more than 1 million people.

The Focus Assessment Mission recognises that greater alignment with Ministry of Health policies and with that of other Development Partners is desirable, and was also expressed by the Ministry of Health key informants and by Development Partners. This is not an easy task and requires dialogue with the key stakeholders and flexibility in the approach used in LAO/027. Alignment may require formal agreements in some instances but in others it would mean ensuring that the work of LAO/027 is consistent with policies of the Ministry of Health. Collaborative activities are already taking place with other Development Partners. Alignment challenges the management of LAO/027 to seek collaborative and cooperative action that will benefit the populations served by LAO/027. The Ministry of Health and

the provinces ideally will take the lead in greater alignment. It is understood that this is also challenging for the Ministry of Health. The Universal Health Coverage Partnership (Luxembourg, European Union and World Health Organization) are working with countries to strengthen their capacity in health policy development and management. The Ministry of Health is now part of this global initiative.

Social Protection: The move to an Health Sector Support Programme approach would mean giving greater responsibility to the provinces and districts for direct programme activities such as the Health Equity Fund and Free Maternal, Newborn and Child Health voucher schemes. By taking the LuxDev support for these programme's activities to a higher level will enable strengthening the provinces and districts (who provide the services) and the Health Insurance Bureau (who provides the verification of services provided) to better manage their Health Equity Fund and Free Maternal, Newborn and Child Health and under-five programmes.

District Health Information System 2: The Programme Support Office management and Monitoring and Evaluation technical specialist would need to build on their relationship with Ministry of Health statistics department staff together with the World Health Organization Health System Specialist in District Health Information System 2 to formulate an agreement whereby they would provide refresher or new levels of training on the use of District Health Information System 2. This is an example of alignment.

Training in epidemiology for key staff at the three levels is necessary in order to allow them to: conduct analysis of data at each of the levels; to monitor the trends for the last quarter and year to-date as part of a systematic method of collecting, analysing and using "Data for Decision Making" approach. This training would also be provided to Programme Support Office.

Bolikhamxay Livelihoods Improvements and Governance Programme: There is significant scope within the Bolikhamxay Luxembourg Livelihoods programme that could be extremely beneficial to the rural communities through greater synergies and support with the Health Sector Support Programme. It is currently proposed that the Livelihoods Programme will also expand into Khammouane and Vientiane Provinces between 2016 and 2020. If this partnership is established, there are several opportunities to undertake meaningful operational research that could be funded through one or both of the programmes.

Financial: It has been shown that the three provinces have successfully withstood the rigor of an international independent audit processes. Given another 12 to 18 months it could be shown that they have consolidated these skills and competencies in financial management, which is one of the key elements of financial governance. This means that the Operational Partnership Agreement has served its purpose and could be made redundant, as it is also a direct programme mechanism.

It is proposed that the Operational Partnership Agreement, Health Equity Fund and free Maternal, Newborn and Child Health direct programme funding could be allocated to the Joint Participatory Fund scheme (approximately 6 - 7 million EUR) in which case the province will have the choice to determine their own priorities (with support from the programme) and make the appropriate application to receive Joint Participatory Fund funding. It is expected that the provinces should know more than one year in advance of funding availability, thereby realising continuity of programmes as well as funding.

Due to the shortfall in funding, the current wide technical scope of LAO/027 has resulted in an inability to allocate sufficient resources to priority areas such as Human Resources discussed above.

Luxembourg's Commitment to Lao People's Democratic Republic: Luxembourg has a long history of support to Lao People's Democratic Republic in a number of sectors. In addition to the programme specific support in the Health Sector, Luxembourg also supports other initiatives in Lao People's Democratic Republic through:

- UN Joint Programme on Maternal, Newborn and Child Health, with UNICEF, UNFPA and World Health Organization;
- EU-LUX-World Health Organization Universal Health Care Programme initiated by Luxembourg and implemented in selected countries. Lao People's Democratic Republic is one of the countries selected for the Luxembourg funding under this global initiative. World Health Organization will have a Human Resources Development Specialist appointed to the Ministry of Health to work with the Departments of Personnel, Training and Research, and Maternal and Child Health Centre to

assist them to develop further policies and guidelines and increase Maternal, Newborn and Child Health skills and capacity within the Departments and the Centre and contribute to the initiatives for the development of Maternal, Newborn and Child Health as the being the first programmes as part of Government of Laos Universal Health Coverage programme.

LAO/027 Programme should be able to tap into this valuable resource, and also be engaged in this programme in the three-targeted provinces. Discussions with the Provincial and National health officials that the Focus Assessment Mission met with suggested that LAO/027 has provided significant benefits for the three provinces, especially in financial management.

Summary of Assessment Mission Findings and Recommendations

- The Focus Assessment Mission found that the Voucher Scheme for Institutional Birth Delivery supported by LAO/027 is experiencing a budgetary shortfall and is not consistent with the Ministry of Health Voucher Scheme for Institutional Birth Delivery guideline. The Focus Assessment Mission recommends that LAO/027 follow the guideline from the Ministry of Health for Voucher Scheme for Institutional Birth Delivery. If funding is insufficient, this activity should be cancelled and the budgeted funds used to support other activities;
- With respect to the management of LAO/027, Focus Assessment Mission recommendations include:
 - The work of the National Programme Director and the Deputy National Programme Director is assisted by a Programme Coordinator from the Ministry of Health. The Programme Coordinator will work closely with and be supported by the Programme Support Office. The Terms of Reference of the Programme Coordinator and modality of remuneration must be discussed with the Ministry of Health,
 - It is critical that the Chief Technical Adviser continues to play a strong leadership role in LAO/027. Once the new Chief Technical Adviser is recruited, it is recommended that careful attention be given to a 5-month “handover period”. An intensive period of three months with less involvement over the next two months is suggested,
 - It is understood that the plan of LuxDev is not to fill the Health System Adviser position. Based on the current Technical Assistance plan LAO/027 does not have in-house capacity to manage the infrastructure and maintenance programme. The Focus Assessment Mission suggests that this be reviewed and addressed by LuxDev as one of its priorities. The Focus Assessment Mission suggests that the LAO/027 Lao-Luxembourg Health Sector Support Programme Phase II programme will be at risk if both the Chief Technical Adviser and the Health System Adviser are to leave at the same time. It is recommended that a staggered “handover period” with the Chief Technical Adviser should be considered. The timing should be negotiated with a view to continuity of leadership,
 - It is suggested that the Health Planning and Management Coordinator position be supported through increased mentorship of the Health System Adviser and capacity building in change management. To be successful this position will require increased engagement at the provincial level,
 - The Ministry of Health capacity-building “incumbent Initiative” appears to have promise but to date implementation has had limited success. Focus Assessment Mission recommends that the Initiative be redesigned; suggestions for redesign are provided;
- Recommendations related to Monitoring and Evaluation:
 - The Monitoring and Evaluation Officer should have an overview of all activities, including information on procurement or construction of the provincial or district hospitals,
 - Given that the Monitoring and Evaluation Officer is also responsible for Human Resources, it is recommended that LAO/027 hire one junior person to assist the Monitoring and Evaluation and Human Resources Officer in taking over some of the responsibilities to relieve the workload of the latter and allow him to have more time think and plan more strategically in both areas,
 - The Focus Assessment Mission encourages an approach that brings together financial and process monitoring and analysis as well as operational research. It is recommended that LAO/027 discuss with the government counterparts to identify the needs and develop a research plan and begin the implementation of a few operational research initiatives in order to strengthen Monitoring and Evaluation;

- The Focus Assessment Mission found that addressing the current challenges and constraints regarding the two primary financing mechanisms of LAO/027 (Operational Partnership Agreement and the Joint Participatory Mechanism - Joint Participatory Mechanism), should be given top priority in order to achieve the goals of the LAO/027 programme while executing alignment with government priorities and increasing sustainability in the “handover process”;
- While the Joint Participatory Mechanism becomes operational, consideration should be given to shifting Operational Partnership Agreement accounts into the Joint Participatory Mechanism (within approximately 18 months from April 2016). In the short-term, the Focus Assessment Team proposes:
 - The government co-financing requirement for Operational Partnership Agreement be terminated immediately,
 - LAO/027 programme support 100% of the costs of Operational Partnership Agreements until October 2017,
 - Operational Partnership Agreement costs are absorbed into the Joint Participatory Mechanism mechanism in October 2017,
 - The Joint Participatory Mechanism National Council will take an active role in closing the Operational Partnership Agreement and channel the funding through the Joint Participatory Fund mechanism;
- In order to strengthen the Human Resources for Health element, Focus Assessment Mission recommends the recruitment of an international or regional training specialist to assist the provincial training teams in:
 - While Provincial Workforce Plans have been developed in the three provinces there remains a need to conduct detailed training needs assessment,
 - Identifying suitable training institutes for both long term and short term skills training,
 - Measuring staff skills, competency and productivity level,
 - Identifying a management training provider who can provide training in management, basic epidemiology, planning & budgeting, and management of Human Resources,
 - Assist the provincial Human Resources for Health team to undertake the annual review of the Provincial Work Force Plans including the basis of budgeting then next year workforce plan and allocation of staff to undertake training;
- The Focus Assessment Mission proposes that the Human Resources be supported by the following technical support:
 - A consultant should be engaged for three to four months per year over two years to provide training advice and support to the training coordinators and teams in each of the three provinces and mentor and support the national training consultant to become responsible for the Programme,
 - A Lao national training specialist should be engaged on a two year contract (with provision for an extension) to work with the international or regional consultant, to ultimately take responsibility for the Human Resources for Health support to three provinces;
- The Focus Assessment Mission recommends that there be a re-assessment of the Health Technology Services operations and their long term sustainability;
- In the Review of the Log frame, two seemingly new initiatives are included but there is no corresponding budget; the Focus Assessment Mission team recommends that these be deleted:
 - Number of public health facilities being contracted and funded according to an output based mechanism increased,
 - Alternative payment mechanism designed, developed and pilot-tested at district level (Health Center and District Hospital) in six districts;
- There is a risk that this important engagement of LAO/027 will be weakened with a new Chief Technical Adviser and no Health Systems Technical Adviser. A strategy to maintain this important interaction should be developed in the refocusing of LAO/027. It is recommended that LAO/027 continue to seek opportunities to engage in policy debates in the health sector, which requires strong programme leaders;

- With the other strategic issues related to resources and co-financing, the Focus Assessment Mission recommends the following to un-lock the current situation with the drafting of an amendment to the LAO/027 programme document:
 - Recommendation to extend Operational Partnership Agreement from 1 April for 18 months (without co-financing requirement), in order to allow enough time to transition to the Joint Participatory Fund,
 - Get a signed re-commitment (Memorandums of Understanding) from the government related to co-financing moving forward (on Joint Participatory Fund) and resolve the issue outlined above on the 1.23 million EUR funding gap,
 - Engage in resource planning that brings into alignment the scope of activity with available resources (including a re-costing based on inflation estimates and shifting of priorities);
- As it refocuses, LAO/027 should develop a plan of action to work more in concert with other Development Partners in meeting Ministry of Health priorities.

Potential Impact of Current Political Situation

The current political situation with a new Minister of Health and possibly a new project coordinator will take time for a review, negotiations and the establishment of effective working relationships by the Ministry of Health with the project leadership. The result can be expected to be a slowdown in project activities.