

**PLAN OF OPERATIONS  
NON-REIMBURSABLE TECHNICAL COOPERATION  
HEALTH REFORM SUPPORT PROGRAM**

(TC-93-01-08-7)

**EXECUTIVE SUMMARY**

**REQUESTER:** Public Health and Social Welfare Secretariat (SESPAS)

**EXECUTING AGENCY:** SESPAS through the Technical Coordinating Office of the National Health Commission

**BENEFICIARIES:** Government of the Dominican Republic

**FINANCING:**

|                            |                  |
|----------------------------|------------------|
| IDB:                       | US\$900,000 (SF) |
| Local counterpart funding: | US\$100,000      |
| Total:                     | US\$1,000.000    |

**TERMS:**

|                      |           |
|----------------------|-----------|
| Execution period:    | 12 months |
| Disbursement period: | 14 months |

**ENVIRONMENTAL CLASSIFICATION:** The Environmental Management Committee, at its meeting of May 15, 1995, classified this as a Category II operation.

**OBJECTIVES:** The objectives of the project are four-fold: (1) develop a sector reform policy document or "white paper," focused primarily but not exclusively on redefining SESPAS and IDSS; (2) conduct feasibility studies to guide program design and planning; (3) create a master plan for health sector reform in Dominican Republic; and (4) provide enough background to process a new loan for a major health sector reform. These tasks will provide information and concrete proposals for an informed debate on health reform, thus promoting consensus among the various stakeholders.

**DESCRIPTION:** The following activities will be contemplated for funding:

(1) Start-up of the Coordinating Office; (2) Preparation of a policy document on health reform by the technical staff of the Coordinating Office; (3) Preparation and implementation of political mapping strategies and "promotional" activities; (4) Preparation of Feasibility Studies to make way for the development and implementation of a reform program; (5) Preparation of a master plan for health

Executive Summary

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sector reform along with component-specific action plans and corresponding time lines.

**BENEFITS:**

The benefits of the operation are three-fold: (1) Definition (and justification) of the interventions and their time path required to address the key problems facing the Dominican health sector; (2) Consensus among key actors regarding the content of the reform; and (3) Preparation of principal design elements of a health reform project for which implementation can be supported by a Bank loan.

**RISKS:**

Powerful interest groups, professional organizations, and individual elites seek to orient the direction and content of any reform proposal. There is a risk of fragmentation of the process, and an even higher risk of losing ground in consensus building. The weak institutional capacity of SESPAS and IDSS continues to contribute to the general lack of orientation and direction.

It is possible that no consensus is reached on health reform within the specified span of 12 months considered in this operation.

**EXCEPTIONS TO  
BANK POLICY:**

None

**POVERTY TARGETING  
CRITERIA:**

The project is indirectly geared to the lowest income groups since these are the most affected by the shortcomings of the health sector, therefore automatically qualifying the operation as a poverty targeted investment.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

As a condition prior to first disbursement the executing agency will present, (i) the final official terms of reference, budget and scheduling of the national and international consultancies, (ii) an official letter from the Secretariat of Health expressing its approval of a mechanism for delegation of execution of the present technical cooperation to the Technical Coordinating Office of the National Health Commission, (iii) six months after the signing of the contract, the Bank will conduct a risk assessment review, any significant deficiency noted at this time will be reported to the authorities for rectification within 60 days, if deficiencies are not corrected the Bank will discontinue disbursements.

PLAN OF OPERATION  
NON-REIMBURSABLE TECHNICAL COOPERACION

DOMINICAN REPUBLIC

PROJECT NAME: Health Reform Support Program

PROJECT NUMBER: TC-93-01087

TEAM LEADER: Pedro Sáenz, RE2/SO2

TEAM MEMBERS: Gerard La Forgia (RE2/SO2), Luis Hernando Rodríguez (COF/CDR)  
and Pedro Sáenz (RE2/SO2).

EXECUTING

AGENCY : The Public Health and Social Welfare Secretariat through the  
Technical Coordinating Office of the National Health Commission

BENEFICIARY: Government of the Dominican Republic

FINANCING PLAN: BANK: US\$900,000.00  
LOCAL: US\$100,000.00 (estimate)  
TOTAL: US\$1,000,000.00

TENTATIVE DATES:

NEXT MISSION: July 17, 1995

I. BACKGROUND

A. Health Sector Issues

- 1.1 Available health indices for the Dominican Republic suggest unsatisfactory levels of health and health care coverage. The infant mortality rate (61 per thousand births) and life expectancy at birth (67 years) fare poorly when compared to other Latin American countries. Communicable diseases, nutritional deficiencies, and other childhood diseases are the main killers of Dominicans. Effective coverage by all public sector institutions (including Dominican Social Security Institute) may be less than 40 percent of the population. An estimated 25 percent of the population lacks access to essential health services. Government spending on health has been chronically low (around 1.2 percent of GDP). However, private spending and external assistance have in part made up the difference to cover health needs. Consequently, despite low levels of coverage, total spending on health care (excluding water and sanitation) in the DR is relatively high, reaching nearly 6 percent of GDP in 1992.
- 1.2 The high level of spending relates to a number of factors: the near breakdown of the SESPAS service system (particularly in terms of preventive care and public health interventions), the purchase of private insurance by a significant number of Dominicans who contribute to IDSS, the sectoral emphasis on personal curative care, duplication of infrastructure and services in urban areas, and the dominance of fee-for-service provider payment systems in the private sector.

- 1.3 Although Central Government budgetary allocations to health sector financing have fluctuated between 0.9 percent and 1.2 percent of GDP since 1980, such expenditures reach 1.5 percent when social security funds are added in. Public spending on health has been the object of serious constraints in the middle 80s and early 90s, reaching a critical low level in 1991 with the public sector, as a whole, allocating only 1.2 percent of GDP. However, a number of factors have contributed to somewhat favorable turn-around in 1992: public finances improved and civil society's awareness of the need to support the social sectors increased. In effect, by 1994 public spending in health sector reached 2.2 percent of GDP. Whether increased spending resulted increased service delivery is unknown.
- 1.4 The health sector consists of three major actors: (1) The health ministry (SESPAS) is the major actor within the public sector, covering about one-third of the population. It owns and operates a vast facility network for primary, secondary and tertiary care. In recent years, however, the Secretariat of the Presidency has become a major source of financing for health, especially for the purchase of plant, equipment, and supplies for SESPAS facilities. In 1993, for instance, the Presidency contributed 28 percent of government health spending. (2) The Dominican Social Security Institute (IDSS) has one of the lowest levels of population coverage in Latin America, protecting only 6 percent of Dominicans (17 percent of the Economically Active Population [EAP]). IDSS spending on health approaches three-quarters of SESPAS expenditures, but covers less than one-fifth the number of Dominicans. In 1993, health expenditures of IDSS represented 9 percent of total expenditures in the sector. The IDSS operates a direct delivery system and does not contract out to private providers. (3) The private medical sector represents the largest source of financing and provision of health services. In 1992, it accounted for 52 percent of total spending and possessed nearly 40 percent of total hospital beds. The Dominican private sector can be partitioned into two segments, relating to how services are paid for: fee-for-service and pre-paid insurance. Fee-for-service payments account for nearly three-fourths of private spending while insurance represents most of the remainder. Approximately 12 percent of the population are enrolled in pre-paid private insurance plans, known as Igualas Médicas.
- 1.5 The government health sector faces many shortcomings and is disorganized. The quality of care provided by SESPAS and IDSS is low. Supplies are inadequate, work-shirking is endemic, and plant and equipment maintenance is limited. Facilities face the paradoxical situation of an oversupply of physicians combined with an undersupply of physician services. Productivity of IDSS physicians is 0.5 consultations per contract hour compared to 2 per hour in SESPAS.
- 1.6 The low quality may contribute to underutilization and abandonment of public systems. In 1992, for instance, nearly half of IDSS insured also contributed to private insurance schemes. Household surveys show that approximately 40 percent of the (uninsured) poor are users of the relatively expensive fee-for-service private sector. Nearly two-thirds of IDSS beds and one-half of SESPAS beds were unoccupied in 1992. Private beds are also underutilized.

## B. The Government's Social Strategy

- 1.7 The Government and civil society <sup>1/</sup> have assigned a priority in recent years to social sector issues. Since the late 80s the trend has been to move towards social justice. That is, civil society has increasingly taken the initiative in taking charge of its own development through dialogue and consensus among stakeholders, while the Government plays the crucial but subsidiary role of facilitator and policy-maker. While still incipient this trend may well result in a fair system of cooperation over time. Indeed, in 1990 civil society initiated a series of actions aimed at addressing pressing social problems, focussing on education. These actions progressed from protests to dialogue, to research, and then to consensus in some of the areas. Of particular significance was the "Plan Decenal de Educación" (Ten Year Plan for Education) which subsequently gained the support of the Government, UNDP, World Bank and the IDB which approved a Phase I of Primary Education Loan (DR-0122) in 1991, and is now processing a Phase II (DR-0101) of the same. Similarly, the efforts to institute a social investment fund gained wide support and the Bank responded by approving in November 1994 a loan to support PROCOMUNIDAD (DR-0079). In the meantime, and parallel to those efforts, the Government of the Dominican Republic requested that the UNDP and the Bank assist them in the design of a social agenda. The result was the document titled "Reforma Social y Combate a la Pobreza," signed by the Government, NGOs, and all the 16 political parties in 1994. The "Plan Decenal" and the call to reform the health sector are considered main pillars of that agenda.
- 1.8 The agenda seeks to: (1) generate employment of women; (2) complement the market when employment levels in depressed areas is high; (3) promote human capital formation; (4) preserve and defend the environment; (5) reform the judiciary system; (6) increase public expenditures targeted to the poorer segments; (7) place priority on the formulation and monitoring of social budget; (8) support civil society participation in governmental decisions through administrative decentralization, municipal reform and the creation of national civic groups capable of influencing political decisions; (9) strengthen civil society organizations; and (10) develop a specific program of poverty alleviation that facilitates access of the poor to basic education, health and sanitation services.

## C. Toward a Government Health Sector Strategy

- 1.9 The efforts to reform the health sector also date to late 1980s. At that time, deficient institutional capacity, deteriorated service delivery, and civil unrest stimulated leaders within the medical professional and civil society to direct and support a series of studies of the health sector. However, in contrast to the education sector, interest group dialogue encountered a number of insurmountable obstacles and leaders were unsuccessful in pressuring the government to act until very recently. The Bank approved a Profile I for a loan project ("Apoyo a la Modernización y Reforma del Sector Salud") in May 1993. While discussions continued and proposals to restructure IDSS have been widely discussed in the sector in

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<sup>1/</sup>"Civil society" consists of the set of representative social institutions of a democratic society: churches, universities, learned and scientific societies, clubs, teams, etc. Although these institutions are not Government affiliated, they do influence or help shape public policy.

1994, no clear signal of Government intentions was evident until January 1995.

- 1.10 In January of 1995 the Government, by Presidential Decree, created the National Health Commission. Consisting of over 30 representatives from the public, social security, private for-profit, and private non-profit subsectors, the Commission is responsible for initiating the "first phase" of a broad reform that ultimately seeks to reconfigure (*reordenar*), restructure (*reestructurar*), and regenerate (*recuperar*) the Dominican health sector. The Commission will serve as the political and promotional conduit for reform policies. The Decree also mandated the creation of a Coordinating Office within the Commission which is responsible for the technical work related to policy formation and implementation. In sum, these actions provide evidence of the high priority the government currently places on reforming the health sector.
- 1.11 Although considerable background work has taken place since 1990, much more needs to be done to pave the way for reform. For example, in 1992 six diagnostic studies were commissioned to collect basic information and analyze the major problems facing the sector. Areas of study included: (A) Policy and Structure of the Health Sector, (B) Information Systems (C) Financing, (D) Human Resources, (E) Supply and Maintenance Systems, (F) Service Delivery.
- 1.12 Completed in late 1993, these studies were synthesized into (two) summary reports in which main problems and policy recommendations were outlined. Shorter reports identifying elements or *lineamientos* for health policy reform appeared in early 1994. Together, the sectoral studies and summary documents broadly identify the following areas and features for health policy reform: (a) social security restructuring, (b) SESPAS restructuring, (c) revamping of delivery systems, and (d) reform of human resource training, hospital accreditation, and licensure.
- 1.13 The sector work amassed a considerable quantity of information and data on health systems and services. The quality of the reports varied, however. In general, the studies are long on description and short on analysis, generating a myriad of recommendations which in turn result in a large and mixed bag of proposals for policies, projects, and programs. The numerous policy proposals are not very well developed, and it is unclear how they will address the coverage, efficiency, quality, and sustainability problems facing the sector. Further, the studies do not provide the microanalytics required for reform program planning and design. Although the reports do a good job in identifying the problems facing the health sector (though underlying problems are often mixed with symptoms), the broad-based approach is not very useful in delineating and integrating solutions within a policy framework.
- 1.14 Partly due to political uncertainty following the elections, in 1994 little progress was made in arriving at greater clarity and specificity regarding reform policies. It is in this vein that the Government has requested a Technical Cooperation from the Bank.

## II. OBJECTIVES

- 2.1 The objectives of the project are four-fold: (1) develop a sector reform policy document or "white paper," directed primarily but not exclusively at

a redefinition of SESPAS and IDSS; (2) conduct feasibility studies to guide program design and planning; (3) produce a master plan for health sector reform in Dominican Republic; and (4) supply sufficient studies and elements to process a new loan for a major reform of the health sector. By providing information and concrete proposals for an informed debate on health reform, these tasks will contribute to consensus building among the various stakeholders, and therefore, toward cooperation. The project would be executed by SESPAS through the Technical Coordinating Office of the National Health Commission in a period of 12 months.

### III. DESCRIPTION OF THE PROJECT

3.1 The following activities will be contemplated for funding during the next 14 months (with the exception of item (A), each will require technical assistance from national and international consultants):

- a. Establishment of the Coordinating Office, administrative staff, office, and computer equipment).
- b. Preparation of a policy document on health reform by the technical staff of the Coordinating Office.
- c. Preparation and implementation of political mapping strategies and "promotional" or *consulta* activities related to the policy document.
- d. Preparation of Feasibility Studies: The purpose of these studies is to prepare the way for the development and implementation of a reform program. While the Policy Document will provide guidance regarding the direction, breadth, and depth of the reform, the feasibility studies will facilitate the preparation of pilot projects and plans of action.
- e. Preparation of a master plan for health sector reform along with component-specific action plans and corresponding time lines. This plan will facilitate the preparation and execution of a lending operation in mid-1996.

#### A. Execution and Organization

- 3.2 The responsibility for the execution of the Technical Cooperation rests with SESPAS which will delegate execution to the Technical Coordinating Office (TCO) of the National Health Commission. The TCO is an execution body created to support the development and implementation of the Health Commission's decisions and recommendations.
- 3.3 As recommended by the National Health Commission, the TCO is directed by an executive secretary appointed by SESPAS. It is made up of a national technical group of professionals responsible for coordinating the fundamental components of the programmatic activities of the National Health Commission. These individual coordinators are selected from sets of three candidates presented by the executive secretary to the National Health Commission for its approval and that of the international financial institutions.
- 3.4 In addition to the national technical group, the TCO will contract an administrator who will be in charge of all financial, logistic and administrative matters, including the contracting of consultants.

- 3.5 The TCO will coordinate closely with SESPAS and IDSS to facilitate the latter's monitoring of program activities. At the same time, TCO will inform these institutions together with the sector's main actors through the National Health Commission. The Commission has established a steering committee to expedite TCO-Commission communication. The steering committee will provide the Commission's Executive Secretary with bimonthly reports on TCO progress.
- 3.6 The TCO also is responsible for coordinating with international and national donor/financial institutions through letters of intentions, agreements, and related instruments. It is obvious that success in these endeavors is related to a precise and clear definition of the program's plan of activities.

**B. Duration**

- 3.7 The project is expected to take no more than 12 months to execute.

**C. Monitoring**

- 3.8 Given the degree of complexity of this project, an RE2/SO2 team will closely monitor the progress of the program's activities along with the Representation, COF/CDR, including a mid-term risk assessment review. The review will assess the viability of the project in terms of the ability to promote an environment of consensus. The review will include the degree of acceptance of the "white paper" in the National Health Commission, as well as continued presence of high caliber staff in the Technical Coordinating Office. Also, the project team will be responsible for approving the reports described in the next paragraph.
- 3.9 The Executive Secretary of the TCO will be responsible for producing and sending to the Project Team the following reports:
- a. **Quarterly technical progress reports.** These reports will present a summary of the activities performed and their relation to the program's objectives. They must also specify the activities to be completed in order to fulfill the objectives and the schedule of future activities to reach such objectives. The reports also will contain an accounting summary of the type, size and category of the expenditures that took place.
  - b. **Final technical report.** The final report will contain a summary of all activities undertaken throughout the execution of the project and must measure the results and impacts that will be derived from this technical cooperation.
  - c. **Audited financial report.** A financial report audited by a certified public accountancy firm or independent accountant will be presented three months after the last disbursement.

**D. Financing and Costs**

- 3.10 The Bank's contribution of US\$900,000.00 will be non-reimbursable derived from net incomes of the Operations Special Fund. The project will provide funds according to the following criteria:



3.11 **Disbursements:** Consultants and procurement of goods and services will be contracted and financed according to Bank procedures. The Government of the Dominican Republic may request that SESPAS and the Technical Coordination Office be allowed to set up and administer a revolving fund to expedite disbursements.

3.12 **Budget:** A table follows with a summary of the estimated budget for the program.

Budgeted categories (US\$)

| Categories         | Government     | IDB            | TOTALS           |
|--------------------|----------------|----------------|------------------|
| 2. Consultants     |                | 750,000        | 750,000          |
| 6. General Support | 65,000         | 33,500         | 98,500           |
| 7. Publications    | 35,000         | 15,000         | 50,000           |
| 98. Contingencies  |                | 101,500        | 101,500          |
| <b>TOTAL</b>       | <b>100,000</b> | <b>900,000</b> | <b>1,000,000</b> |

#### IV. BENEFITS AND RISKS

- 4.1 The benefits of the operation are three-fold: (1) Definition (and justification) of the interventions and their time path required to address the key problems facing the Dominican health sector; (2) Consensus among key actors regarding the content of the reform; and (3) Preparation of principal design elements of a health reform project for which implementation can be supported by a Bank loan.
- 4.2 A number of powerful interest groups, professional organizations, and individual elites seek to orient the direction and content of any reform proposal. There is a high risk of fragmentation of the process, and the even higher risk of losing ground in consensus building. This is evident by the furor resulting from the local consultancy group "Siglo 21"'s plan for Social Security Reform. Interest groups are exerting pressure on Government to adopt this plan, yet many policy, legal, and technical questions remain unanswered. Moreover, despite the Presidential Decree, there is still considerable confusion regarding who is in charge of the reform process. While the Government is aware and willing to correct this situation, the weak institutional capacity of SESPAS and IDSS continues to contribute to the general lack of orientation and direction.
- 4.3 Similarly, a "General Health Law" that has already been approved by the lower legislative Chamber and now awaits consideration by the Senate for final approval restricts flexibility in the capacity to include certain types of reforms. Thus, the final approval of such law will make aspects of the reform more difficult to implement as they may clash with preferred interpretations of the law made by some interest-groups.
- 4.4 Given the context of weak public institutions, a fragmented private sector, and confrontational professional organizations, it is possible that no consensus is reached on health reform within the specified span of 12 months considered in this operation.

## V. OTHER DONORS

- 5.1 The World Bank currently is funding certain activities, such as consultants in the Technical Coordinating Office (US\$250,000), and plans to finance pilot projects (that are not essential but desirable) with a Japanese Grant of possibly US\$900,000. The Bank has had contact with PAHO and AID, who have expressed a desire to participate but are uncertain about the amount they will contribute. Once the initial results (within the first 4 weeks of the current Technical Cooperation) offer a clearer picture of the policy framework, and these donor institutions have definite financial allocations, the Technical Coordinating Office will take actions to coordinate the different donors' efforts.

## VI. EVALUATION

- 6.1 Given the characteristics of the assistance and the close monitoring to be provided by the Project Team and Country Office, no formal technical evaluation is requested. Nonetheless, as mentioned in the Monitoring section (paragraph 3.8), a mid-term risk assessment will be carried out by the Bank in order to evaluate the viability of the project.

PROPOSED RESOLUTION

REPUBLICA DOMINICANA. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
A HEALTH SECTOR REFORM SUPPORT PROGRAM

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the República Dominicana and to adopt such measures as may be pertinent for the execution of the plan of operations referred to in Document AT-\_\_\_\_\_, with respect to a nonreimbursable technical cooperation for a Health Sector Reform Support Program.
2. That up to the sum of US\$900,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.