

## PROGRAM OF SUPPORT FOR THE STRENGTHENING OF PRIVATE HEALTH CARE SERVICE

(TC-99-05-04-8)

### EXECUTIVE SUMMARY

**Executing agencies:** Ministry of Health (MINSA) and the Nicaraguan Social Security Administration (INSS)

**Beneficiaries:** The direct beneficiaries will be, on the one hand, private health care providers, which will benefit from a regulatory environment more conducive to an increase in their participation in this market. At least 5,000 private providers are expected to benefit from the regulatory strengthening, and 40 firms to benefit from the technical assistance and training proposed under this program. On the other hand, the Ministry of Health will benefit from greater capacity for regulation of the private sector, and INSS will be able to perform its role as a financial entity and purchaser of services on a better qualified and more strategic basis. Health care recipients will benefit indirectly from a greater supply of better qualified private services.

<b>Financing:</b>	Modality:	Nonreimbursable
	<b>Total MIF</b>	<b>US\$1.71 million</b>
	Window 1:	US\$1.00 million
	Window 3:	US\$710,000
	<b>Total counterpart:</b>	<b>US\$ 1.13 million</b>
	MINSA:	US\$530,000
	INSS:	US\$600,000
	<b>Total:</b>	<b>US\$2.84 million</b>

<b>Execution timetable:</b>	Execution period:	months 36 months
	Disbursement period:	months 42 months

**Objectives and description:** The general objective of the program is to support and promote private-sector participation in the health care services market in Nicaragua by improving and broadening existing regulations and creating a more stable and predictable investment climate conducive to government contracting with such agencies as MINSA and INSS.

The program consists of three components: (i) the improvement of quality standards for private health care services; (ii) the design and implementation of a pilot outsourcing project for differentiated care services (SAD) in the Ministry of Health's "Aleman-Nicaragüense"

Hospital; and (iii) strengthening of the managerial capacity of health maintenance firms (EMPs).

The three components include marketing and public information activities in order to provide potential contractors, as well as users of the services, with up-to-date information on, *inter alia*, business opportunities, user rights and obligations, mandatory quality standards, and promotion of the INSS health maintenance model.

**Exceptions to  
Bank policy:**

None.

**Special  
contractual  
clauses:**

The establishment of the Coordination Committee, with evidence in the form of minutes that it has held its first meeting, will be a condition precedent to disbursement under the program. For the disbursement of components 1 and 2, MINSA will be required to: (i) submit, and obtain the Bank's no objection to, the respective operation manual; and (ii) design and deploy the MIF support unit (UAF), which will provide support for the execution of these program components. For the disbursement of component 3, MINSA will be required to submit, and obtain the Bank's no objection to, the operation manual for each of these components. For the disbursement of component 3, INSS will be required to (i) submit, and obtain the Bank's no objection to, the operations manual for that component; and (ii) design and deploy the MIF support unit (UAF) that will provide support for the execution of this program component.

**CESI:**

CESI considered the abstract for this operation during its meeting on 11 June 1999 and recommended its approval, subject to the following recommendations: (i) the regulatory standards should include provisions concerning management of the hazardous products used and disposed of by health care providers; and (ii) traditional medical practices should be recognized and provisions include to recognize intercultural health services as part of the private health care services framework. With respect to recommendation (i), although the program does not finance standard-setting activities, since these have already been developed by MINSA, the terms of reference for hiring the trainers will specify the need for provisions on hazardous product management in the qualification manuals to be used (see paragraph 3.4). With respect to point (ii), the benefits plan provided by the EMPs is defined by the Social Security Administration, taking into account both economic and epidemiological considerations. The program finances activities for managerial strengthening of the EMPs, and none of its activities will entail proposed changes in the benefits plan administered by INSS.

## **I. ELIGIBILITY OF THE COUNTRY FOR THE PROGRAM**

- 1.1 Nicaragua was declared eligible for MIF financing by the Donors Committee on 7 June 1994. The program is eligible for financing under Windows I and III, since it will improve the private sector investment climate in the health-care sector, strengthening the regulations for this sector and thus favoring growth in the volume of contracting for such services. It will also have a direct impact on the development of medium-sized and small businesses by way of technical assistance and training.

## **II. BACKGROUND**

- 2.1 **The context for health care in Nicaragua.** Two government agencies have dominated the country's health-care scene: the Ministry of Health (MINSA) and the Nicaraguan Social Security Administration (INSS). MINSA currently provides nearly 60% of all outpatient services and 80% of all hospital services in the country. INSS covers about 8% of the population, but does not have the necessary infrastructure to provide services directly. It therefore contracts with health maintenance firms (EMPs) for the provision of all services. The EMPs operate as financial intermediaries to which INSS transfers the risk as well as the resources entailed. These firms then subcontract for the supply of services with independent providers or, in cases of vertical integration, offer the services themselves. The health-care services provided are financed through individual insurance premiums.
- 2.2 **Qualification and accreditation.** Two of MINSA's main regulatory activities are: (i) the definition of quality standards for health care; and (ii) the monitoring and promotion of those standards. This involves the establishment of minimum qualifications for entry into the system as well as accreditation (monitoring the quality of the services provided). These functions have developed very slowly, primarily because of organizational and institutional factors, which has been the main reason for the limited private-sector participation and/or growth in the health-care market and partially explains the lack of public confidence in the quality of private health-care services. The data available<sup>1</sup> indicate that there are 12,142 private providers to be accredited in the next few years.<sup>2</sup>
- 2.3 **Private participation in the hospital market.** Most of the large MINSA hospitals have annexes for the provision of services to private patients (differentiated health-care services (SAD), which traditionally have been poorly administered. MINSA has observed that an opportunity to raise income and improve services is not being

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<sup>1</sup> Department for the Regulation of Professional Health Establishments. MINSA.

<sup>2</sup> Of these: (i) 6,992 are individual medical offices and clinics; (ii) 3,500 are dental clinics; (iii) 1,500 are clinical laboratories; and (iv) 500 are NGO medical clinics. It is estimated that 85% have fewer than 10 employees.

properly taken advantage of and considers that it would be useful, in an initial phase, to explore administrative options for the participation of private companies in managing the annex to the "Alemán-Nicaragüense" Hospital,<sup>3</sup> with the aim of maximizing SAD income, clarifying its internal cost structure, and avoiding cross-subsidization from the public budget to the providers. Another hospital in Managua, "Roberto Calderón", recently brought the private sector into the management of its clinical laboratory, and the results, in financial terms and in terms of quality, have thus far been satisfactory. If a viable option can be found, based on an accurate identification of the factors critical to success, MINSA is considering extending the model to its other hospitals. This would open a window of opportunity for the private sector.

- 2.4 **Expansion of the private market. The health maintenance model.** INSS, the agency responsible for administering public health insurance in Nicaragua, was reorganized in 1994 by Presidential Decree 127/94. This decree transformed the agency essentially into a purchaser of services, eliminating its traditional responsibility as a direct service provider. Under these new rules of the game, and with the creation of a services procurement market, 36 private EMPs and 8 public EMPs have been established in the country.
- 2.5 The following tables divide the EMPs into categories according to size, in terms of number of employees and population covered:

**Table 1. EMPs by number of employees**

<b>Number of employees</b>	<b>Number of EMPs</b>
1 - 30 employees	22
31 - 70 employees	10
71 - 100 employees	4
More than 100 employees	6

**Table 2. EMPs according to population covered**

<b>Number of EMPs</b>	<b>Insured user population</b>
22	Fewer than 2,000
12	2,001 - 3,500
6	3,501 - 10,000
7	More than 10,000

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<sup>3</sup> This is one of the country's largest hospitals, located in Managua.

- 2.6 **Market potential.** The potential for expansion of the health maintenance model and the private health-care market can be expressed in terms of the new population segments that could be covered by the model, such as: (i) the formal, but still uninsured labor market; (ii) the informal sector; and (iii) potentially, population segments without capacity to pay, which would be subsidized. Such an expansion in the user base would have to occur in tandem with an expansion of the private EMPs. It is not clear, however, that the supply of EMPs can be increased simply by creating more demand, given a series of problems pertaining to market transactions, such as: (i) the limited business management capacity of the EMPs for efficiently managing financial risk inherent in the model; (ii) uncertainty over the rules of the game with respect to contractual relations between the EMPs and INSS; and (iii) the lack of access to capital for investment.
- 2.7 EMPs in Nicaragua joined together in 1994 to form the Nicaraguan Chamber of EMPs (CNEMP), an association whose aim is to present joint negotiating positions to INSS on the rules of the game, with a view to simplifying, *inter alia*, the selection, contracting, and payment processes. CNEMP is interested in participating jointly with INSS in the simplification of existing regulations, the creation of predictable medium-term investment conditions, and managerial strengthening to ensure that the efficiency gains described above can be translated into better results in financial terms and in terms of the quality of services provided.
- 2.8 **Relationship with projects currently under execution.** The Government of Nicaragua is currently working with the IDB and the World Bank on a broad modernization program that includes the reform of public health services. The activities to be financed by the MIF are different from those currently being conducted under loan 1027/SF-NI, which addresses public sector reform generally, but the two projects complement each other in the area of quality standards. Both loans involve the production of tools to strengthen the capacity of public providers; the MIF project would do this for private providers. Loan 1027/SF-NI also includes Alemán-Nicaragüense hospital in the group of hospitals receiving technical assistance for the modernization of their operations.
- 2.9 The MIF program represents an important opportunity to begin establishing the basis for a long-term process to create a stable environment in Nicaragua conducive to private sector participation in the health-care market and to competition under transparent rules of play. The participation of MINSA and INSS in the formulation of this program ensures the necessary coordination as to who will regulate (MINSA) and who will contract for services (INSS), activities needed to ensure stability in the market and pave the way for future expansion.

### III. PROGRAM OBJECTIVES AND COMPONENTS

- 3.1 The general objective of the program is to support and promote private-sector participation in the health-care services market in Nicaragua by improving and broadening existing regulations and creating a more stable and predictable investment climate conducive to government contracting with such agencies as MINSA and INSS. The specific objectives of the program are: (i) to develop MINSA's capacity for conducting a broad process for establishing standard qualifications and accreditation for private health care services; (ii) to build capacity within MINSA to identify opportunities for outsourcing to private companies, through the implementation of a pilot outsourcing project; and (iii) to strengthen the managerial capacity of EMPs, enabling them to substantially improve their financial and administrative performance.

**1. Component 1. The improvement of quality standards for private health care services (US\$ 448,000, MIF; US\$455,000, MINSA).**

- 3.2 **Consensus building.** This component will provide initial financing for consensus-building activities (panel discussions and workshops) among public and private stakeholders in the qualification and accreditation processes, followed by technical assistance for the design and application of protocols for qualifying and accrediting health-care providers. Financing is also included for legal investigation and regulatory activities to simplify application of the qualification and accreditation processes.
- 3.3 **Development of the Register of Private Health-care Providers.** In order to identify the current and potential characteristics and limitations of the private sector, a National Register of Health-care Providers (RPPS) will be developed. The program will finance the design, application, processing, and analysis of the instruments necessary to consolidate this register.<sup>4</sup> The RPPS will become a tool for supporting the deployment and adjustment of qualification and accreditation strategies, without posing a barrier or legal requisite for contracting. The printed information will be publicly accessible and will be placed on an Internet Web page. MINSA will maintain the information and keep it up to date.
- 3.4 **Training and technical assistance for a qualification team and facility accreditation.** In order to set minimum quality standards for the private sector, the program will provide funds with which to hire a qualification team.<sup>5</sup> Financing for the team will be phased out gradually, and by the third year of program execution should be financed entirely with local resources, which will be treated as part of the counterpart. The terms of reference for hiring the qualifiers will include provisions

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<sup>4</sup> Censuses, surveys, and other instruments.

<sup>5</sup> These are supervisors who apply the qualification protocols in the field.

to ensure that the qualification manuals include measures for the handling of hazardous products by health-care providers.

- 3.5 **Pilot health-care service accreditation project.** The program will finance technical assistance for the design and creation of a National Health-Care Service Accreditation Committee (CNASS). The CNASS will be responsible for defining and monitoring compliance with quality standards designed to promote continuous improvements in the quality of health care. The CNASS will be an independent organization with substantial private-sector participation. MINSA will be responsible for developing it and placing it in operation.
- 3.6 The program will finance technical support for the creation of a Founding Committee, in which all players in the health-care industry, and especially within the private sector, will be represented. The Committee will decide on its own bylaws, but if no agreement can be reached in that respect, the execution of this component will be discontinued. Financing will be provided during the first year for the operating expenses of the Founding Committee,<sup>6</sup> which will be responsible for putting the accreditation mechanism into practice by way of a pilot project to be financed and evaluated by the program.
- 3.7 The program will finance the design of the pilot project, the printing and application of the manuals, and the processing and evaluation of the results. All of this will be performed under contract by a specialized firm under the supervision of the founding Committee. The results of the pilot project will help to build confidence within the market and will also allow for adjustments to be made in the operating mechanisms for accreditation. Once the pilot project has been evaluated, the CNASS would be established on the basis of an operational mechanism agreed-upon by all parties concerned.
- 3.8 It is expected that the lenders will make payments to cover accreditation, thus ensuring the sustainability of the CNASS. Based on the evaluation of the pilot project, the program will make adjustments in the mechanisms and prices to ensure payment as well as the independence and sustainability of the Committee.
- 3.9 **Public information.** The program will finance marketing and public information activities to keep the general public and concerned parties within the sector as up to date as possible on the regulatory changes and their impact on the use and quality of services, while ensuring transparency for lenders with respect to market processes and characteristics.

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<sup>6</sup> The financing will include the payment of honoraria for six Committee members for one year.

**2. Component 2. Pilot outsourcing project for SAD in the Alemán-Nicaragüense Hospital. (US\$123,000, MIF; US\$310,000, MINSA).**

- 3.10 In order to test one alternative for private sector participation in the administration of hospital services, the program will finance technical assistance for the design, implementation, and evaluation of a pilot outsourcing project for differentiated care services (SAD) in the Alemán-Nicaragüense Hospital in Managua.
- 3.11 The implementation and design process will include technical assistance for: (i) developing the bidding specifications, including prices and economic adjustments; (ii) determining the methodology for evaluating the specifications; (iii) developing the contract and mechanisms to ensure compliance; and (iv) formulating monitoring and evaluation criteria to identify factors critical to the success of the pilot project, so that they can be applied in extending the experience to other SADs. This continuous technical assistance will generate a learning process within MINSA, which will help to institutionalize the program.

**3. Component 3. Strengthening of the managerial capacity of the private sector (EMPs). (US\$800,000, MIF; US\$450,000, INSS).**

- 3.12 The program will finance five activities designed to strengthen and expand the managerial capacities of the EMPs.
- 3.13 **Analysis of the managerial and financial capacities of the EMPs.** To provide a frame of reference for the market, the program will finance a study analyzing the costs, payment mechanisms, and overall efficiency of EMPs currently under contract with INSS. A second study will analyze the available data on existing service delivery capacity and the potential for current providers to invest in the creation of additional capacity to provide services of greater complexity, not currently covered by the social security system.
- 3.14 **Development of tools to improve contractual relations between INSS and the EMPs.** The program will finance a series of meetings between the EMPs and INSS to identify the best alternatives for resolving problems in the administration of the health maintenance system (see paragraph 2.6). Based on that analysis of alternatives, the program will finance technical assistance to convert the alternative selected into administrative and computer applications that can be put into practice to simplify critical administrative processes, including, but not limited to: (i) the identification of eligible insured persons; (ii) mechanisms for the calculation, adjustment, and updating of per capita payments; and (iii) billing and collection for service accounts.
- 3.15 **Oversight of EMP contracting.** The program will finance technical assistance to support INSS in designing and implementing a program for monitoring compliance with contractual conditions. The central elements for this problem will be: (i) the



design and development of information technology applications and personnel training to put the automated account review system into practice; and (ii) the design and development of information technology applications and personnel training to place the participant data base in operation.

- 3.16 **Direct technical assistance and business training.** The technical assistance will base the transfer of knowledge and skills on an initial, highly detailed diagnostic assessment of the managerial and financial situation of each company, and the volume and content of the assistance will be "made to measure". The process will be conducted mainly in the facilities of the EMPs on a continuous, and needs-based basis. A recent competitive selection process in Nicaragua showed that business assistance services are available locally.
- 3.17 The technical assistance will consist of a contract for consulting services to be provided to the EMPs. The individual characteristics of each EMP interested in participating and receiving support will be reflected in an advisory plan agreed upon by each EMP and the consulting firm. The process will consist mainly, but not exclusively, of advisory assistance in: (i) identifying and improving the management of risk assumed as a result of the payment system used in the health maintenance model; (ii) identifying trends in the use of services and designing organizational responses to ensure balanced financial performance; (iii) improving accounting systems and adapting them to the implicit incentives in the system; (iv) improving systems for the prevention of fraud in providing services to the insured participants; and (v) clarifying costs and cross-subsidies according to the various degrees of vertical integration. During execution of the program, at least 40 EMPs are expected to receive technical assistance services.
- 3.18 The EMPs will be able to receive training for health care personnel in such areas, *inter alia*, as: (i) quality management; (ii) basic statistics; (iii) reference and cross-reference techniques; (iv) the handling of emergencies; (v) basic accounting; (vi) program administration; and (vii) strategic management.
- 3.19 The program will finance additional training activities including: (i) an international seminar on experiences gained in risk management in systems financed on a per-capita basis; and (ii) two observation visits (one to Colombia and another to Chile), for EMP entrepreneurs in Nicaragua. For the seminars entailing travel, the program will finance the cost of preparation and information dissemination, but the direct cost of participation, including travel and accommodation for the entrepreneurs will be financed directly by them.
- 3.20 The program financing for the technical assistance and business training will be phased out gradually. The firms will finance increasing portions of the non-financial services covered by the program through mechanisms to be explained in detail in the Program Operations Manual. The cofinancing for the technical assistance will increase gradually throughout program execution on the basis of a

scale, adjusting cost to the number of employees and the number of insured participants in each firm. The business training will be financed by means of tuitions or registration fees, adjusted according to the intensity and complexity of the course.

- 3.21 **Public information.** The program will finance a public information campaign (printed materials and radio and television announcements) to show the population the possibilities offered by the health maintenance model, how to join, the selection criteria for the EMPs, the services to be received, the quality categories for EMPs and providers under contract, and the mechanisms for filing complaints.

#### **IV. PROGRAM EXECUTION**

##### **A. Executing agencies**

- 4.1 Components 1 and 2 of the program will be executed by MINSA; component 3 will be executed by INSS. For the purposes of executing this program, special MIF Support Units (UAFs) will be set up in MINSA and INSS with present staff and contractors assigned to execute the MIF program. MINSA has 23,500 employees and accounts for 55% of all spending on healthcare in Nicaragua. Thirty-two percent (32%) of its total budget comes from grants or loans from multilateral institutions, and the Ministry has developed the institutional capacity in recent years to assure the resources for execution in this connection. MINSA has recently signed a new collective bargaining agreement with its workers, so that a peaceful labor situation can be expected over the medium term. INSS is an autonomous organization receiving annual income on the order of US\$34 million and handling approximately 10% of the country's expenditures on healthcare. Execution of the current World Bank loan, in terms of resources and activities, has been satisfactory.

##### **B. Organization**

- 4.2 The MINSA UAF will have a program administrator, a change management specialist in charge of the quality improvement component (a specialist in healthcare services administration, with emphasis on quality management), a change management specialist in charge of the pilot outsourcing project (a business manager or economist with experience in public administration), a secretary, and an accountant.<sup>7</sup> The UAF in INSS will have a program administrator and a change management specialist for the purpose of strengthening the business capacity of the EMPs (a specialist in business development), a secretary, and an accountant.<sup>8</sup>

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<sup>7</sup> All of the personnel will be financed as follows: 60% MIF; 40% local counterpart.

<sup>8</sup> The administrator and the change management specialist will be financed with the local counterpart resources, and the accountant and secretary with MIF resources.

- 4.3 MINSA and INSS will set up a coordination committee for the MIF program, composed of the two UAF program administrators and two staff members from each of the institutions. The committee, which will meet twice a year, will be responsible for ensuring technical coordination in conducting the program on matters including, but not limited to: (i) joint review of the semiannual progress reports from each agency; (ii) progress in establishing the CNASS and reaching a consensus with respect to its operation; and (iii) programming and identification of the lenders to receive qualification assistance during the next semiannual period. Minutes will be prepared for each meeting and will record the agreements reached. If agreements cannot be reached in the committee meetings, the Bank may discontinue disbursements to both executing agencies. MINSA and INSS will cover the operating costs of their respective UAFs through specific allocations from the local counterpart funds. To carry out the logistical activities under the program, the MINSA and INSS UAFs will be provided with the necessary computer equipment. The procurement of goods and consulting services will be conducted in accordance with the Bank's policies and procedures and the MIF eligibility criteria.
- 4.4 **Monitoring.** MINSA and INSS will be responsible for monitoring the activities for the components to be handled by each institution and preparing the corresponding reports. At the end of each semiannual execution period, each executing agency will provide the Bank, within the following 30 days, an advance report based on the Program Performance Monitoring Report (PPMR), prepared by the program team for this operation. The activities conducted during this period will be documented and progress in meeting the benchmarks shown in the logical framework for each of the agencies will be monitored and included in the documentation. A disbursement timetable will also be established for the following period. The progress report will be submitted to the Bank's Country Office, for approval, within 30 days of the close of the semiannual period concerned.

**C. Accounting and auditing**

- 4.5 MINSA and INSS will be responsible for: (a) establishing and maintaining effective accounting, financial, and internal controls as well as record-keeping systems that will enable them to determine in detail the sources and uses of program funds. The program records of the two institutions will contain: (i) the identification of resources and their sources; (ii) information on program expenditures, distinguishing between MIF contributions and funds from other sources; and (iii) the details necessary to determine what goods and services have been procured; (b) opening separate bank accounts for administering the MIF contribution and local counterpart funds; (c) processing disbursement requests and the corresponding expense vouchers in accordance with the Bank's disbursement procedures; and (d) preparing and submitting to the Bank annual financial statements on the program, audited by an independent firm acceptable to the Bank, as well as semiannual reports on the US\$60,000 revolving fund.

**D. Execution timetable**

- 4.6 The duration of the program will be 36 months and the disbursement period, 42 months, with the exception of a payment of up to US\$30,000 (from the MIF resources) to the consulting firm performing the final program performance evaluation. That disbursement will be made within the three months following the overall disbursement period.

**E. Status of program preparation**

- 4.7 The program is considered to be in an advanced state of preparation, since the executing agencies have trained personnel for the execution of external cooperation projects and are preparing to provide the UAFs for effective administration of the program. The operations manual for component 3 and the terms of reference for the members of the UAF are being developed by INSS. The UAFs are expected to be operating and the operations manual to have been distributed by the end of October 2000.

**F. Beneficiaries**

- 4.8 The direct beneficiaries will be, on the one hand, private health care providers, which will benefit from a regulatory environment more conducive to an increase in their participation in this market. On the other hand, the Ministry of Health will benefit from greater capacity for regulation of the private sector, and the INSS will be able to perform its role as a financial entity and purchaser of services on a better qualified and more strategic basis. Health care recipients will benefit indirectly from a greater supply of better qualified private services. At least 5,000 private providers are expected to benefit from the regulatory strengthening and 40 firms to benefit from the technical assistance and training proposed under this program.

**V. COST AND FINANCING**

- 5.1 The total cost of the program is US\$2.84 million. MINSA will contribute US\$530,000 (19%); INSS, US\$600,000 (21%), and the MIF, US\$1.71 million in nonreimbursable funds (60%). The budget for the program is provided in Table 3, and a more detailed description can be found in the technical files on the program.

**Table 3. Cost by component and by expense category (in US\$ thousands)**

<b>Expense category</b>	<b>MIF</b>	<b>MINSA</b>	<b>INSS</b>	<b>Total</b>	<b>%</b>
C1. Quality improvement	448	455		0.903	32
C2. Pilot outsourcing project	123	31		154	5.4
C3. Managerial strengthening of the EMPs	800		450	1.250	44.1
Administrative and operating expenses	138	42	151	331	11.6
Evaluation	158			158	5.5
Financial Audit	40			40	1.4
<b>Total cost of the program</b>	<b>1,707</b>	<b>528</b>	<b>601</b>	<b>2,836</b>	
% by source	60%	19%	21%		

- 5.2 **Financial sustainability.** The representatives of the EMPs and the private lenders indicate that they are currently paying for training services, and over the long-term, would pay for standardized, made-to-measure services, given the need for business capacity strengthening now perceived. This willingness to pay, together with the institutionalization of assistance and training tools that will have taken place in the country by the end of the program, will provide a foundation for program sustainability. In addition, the training activities outlined in paragraph 3.19 will help concerned parties within the sector to obtain firsthand information on the business management factors that will be key to the financial sustainability of their participation in this market.

## **VI. PROGRAM JUSTIFICATION AND RISKS**

### **A. Justification**

- 6.1 The program will advance the expansion and strengthening of the private sector within the health-care market in respect of the EMPs, other private firms, NGOs, and other basic health-care providers, as well as firms administering services outsourced by MINSA. The program would provide incentives for the first viable expansion of MINSA outsourcing and help to overcome the delays encountered by MINSA in addressing the issues of quality and outsourcing, circumstances that have been among the major obstacles to private sector expansion. The program offers the opportunity to include direct managerial strengthening for private firms and to improve the regulatory capacity of the public sector, which cannot be accomplished through the loans currently in execution.
- 6.2 Development of the MINSA pilot outsourcing project is not only a chance for the Ministry to maximize income, but will also provide business opportunities for the private sector. Added to these economic considerations is the overall impact of improved services as a result of the program.

**B. Risks**

- 6.3 Potential risks for the program relate to: (i) institutional fragility in Nicaragua; (ii) unresponsiveness within the private sector to the possibilities of technical assistance, training, contracting, and investment to be generated by the program, because of inadequate information and skepticism about the process. The first of these risks will be mitigated through coordinated activities conducted on a small scale, but with a high probability of success, by the two key public institutions concerned, but with separate financing systems to prevent problems in one of the institutions from interfering with execution in the other. The second risk will be mitigated by conducting a broad public information campaign on the business and economic benefits of the program and by involving the private sector in a consensus-building process from the outset as a decisive factor in the qualification and accreditation strategies.

**VII. PROGRAM PERFORMANCE EVALUATION CRITERIA**

**A. Monitoring**

- 7.1 The program team (RE2/SO2 and COF/CNI) will conduct semiannual missions for technical review of the program to assess progress in execution and in meeting the benchmarks indicated in the logical frameworks. Based on the findings of these reviews, the Bank may make adjustments in program activities.
- 7.2 The program will provide funds to hire a specialized firm to provide support to the executing agency in compiling, analyzing, and disseminating information to permit the monitoring of progress and evaluation of the program's results and impact. This firm will be responsible for helping the UAFs prepare, *inter alia*, the draft program performance monitoring reports (PPMRs), the semiannual progress reports, the mid-term report, and the final evaluation of program performance. The specialized firm will be hired directly by the Bank and charged against the financing.

**B. Evaluation**

- 7.3 Two types of evaluations will be conducted during program implementation: a mid-term evaluation, after 50% of the resources have been disbursed, and a final evaluation, no more than two months after execution is completed. During the mid-term evaluation, program performance will be analyzed relative to the indicators in the logical framework, and the processes used and results obtained will be reviewed. For the final evaluation, the analysis will focus on the results of the program, and recommendations will be proposed for adjustments and improvements in private sector participation in the health-care sector in Nicaragua.

## **VIII. EXCEPTIONS TO BANK POLICIES**

- 8.1 None.

## **IX. SPECIAL CONTRACTUAL CONDITIONS**

- 9.1 The establishment of the Coordination Committee, with evidence in the form of minutes that it has held its first meeting, will be a condition precedent to disbursement under the program. For the disbursement of components 1 and 2, MINSA will be required to: (i) submit, and obtain the Bank's no objection to, the respective operations manuals; and (ii) design and deploy the MIF support unit (UAF), which will provide support for the execution of these program components. For the disbursement of component 3, MINSA will be required to submit, and obtain the Bank's no objection to, the operations manuals for each of these components. For the disbursement of component 3, INSS will be required to submit, and obtain the Bank's no objection to, the operations manual for that component, and to design and deploy the MIF support unit (UAF) that will provide support for the execution of this program component.

**Nicaragua**  
**Program of Support for the Strengthening of Private Health Care Services. MIF**  
**(TC-99-05-04-8)**  
**Logical Framework. Executing Agency: MINSA**

Narrative Summary	Indicators	Means of Verification	Key Assumption
Improvement of the quality system for private health care services not project for the outsourcing of services			
Increase Develop the register of health care providers. private-participation in the provision of services.			
Regulatory capacity of improve the quality of private services.	1.1 Number of private providers with quality improvement programs. <sup>1</sup> 1.2 Increase of 30% in user satisfaction.	1.1.1 Copies of the private lenders' business plans in the UAF files. 1.1.2 User satisfaction survey. <sup>2</sup>	
The register of private health providers. private lenders.	1.1 Updated database published regularly on the Web page. 2.1 4000 operating licenses. <sup>3</sup>	1.1.1 Copy of the publication and Web page. 2.1.1 Operating license issuance records.	a. The bylaws of the Foundation are conducive to consensus and the avoidance of conflict.

depend on the number of providers that do not qualify and that decide to conduct a quality improvement program. The indicators will be adjusted during the second year of the most recent survey, when the program was initiated, will be used as a model.

% of the total number of providers that will be qualified over the life of the program, given that some will not be successful in obtaining a license.



Narrative Summary	Indicators	Means of Verification	Key Assumption
<p>the national system for the on of health care providers.</p> <p>capacity within MINSA for and information to promote ctor qualification and on.</p>	<p>3.1 Independent Founding Committee established.</p> <p>3.2 Protocol developed.</p> <p>3.3 Pilot project executed.</p> <p>4.1 Annual marketing and public information plans as of January 2001. .</p> <p>4.2 Number of brochures.</p> <p>4.3 Number of radio spots.<sup>4</sup></p>	<p>3.1.1 Copy of the articles establishing the Founding Committee.</p> <p>3. 2.1 Copies of the protocols</p> <p>3.3.1 Copy of the pilot project completion report.</p> <p>4.1.1 Copy of annual marketing plans.</p> <p>4.2.1 Brochure distribution monitoring report.</p> <p>4.3.1 Copy of the radio spot monitoring report</p>	
<p>es lessons learned from urcing and financial</p> <p>ct executed.</p>	<p>1.1 Ministerial resolution applying the lessons and recommendations of the project completion evaluation report.</p> <p>1.1 SAD income increases from X at the start to Y by the end of pilot project execution.</p> <p>1.2 Increase of X in the number of beds in operation, from X at the start to Y at the end of pilot project execution.<sup>5</sup></p>	<p>1.1.1 Copy of the ministerial resolution.</p> <p>2.1.1 Financial statements on the operation of the pilot project, in the records of the UAF and in the possession of the firm under contract.</p> <p>2.2.1 Copy of the SAD performance reports.</p>	<p>a. The EMPs comply with the contracts on a timely basis.</p>
	Inputs		Activities by compo

er will be determined by the specialized firm responsible for designing the information strategy. Compliance will be reviewed and adjustments will be made during reviews.

ata and the expected results will be determined jointly by the specialized firm responsible for the pilot project and the MINSA authorities.

te list of activities and indicators are part of the annualized plan of execution.

Narrative Summary	Indicators	Means of Verification	Key Assumptions
<b>Strengthening of Private Sector Managerial Capacity</b>			
<p>Increase private-sector participation in the provision of health services.</p> <p>Strengthen the managerial capacity of the private sector.</p>	<p>1.1 Retention of participants.</p> <p>1.2 Reduction in complaints and claims.</p> <p>1.3 Improvement in cost-effectiveness as specified in the study (component 1).</p> <p>1.4 Increased user satisfaction (relative to the VI/2000 study level).</p>	<p>1.1.1 Copies of reports on changes in the number of participants.</p> <p>1.1.2 Report on complaint and claim processing.</p> <p>1.1.3 Copies of the performance reports in the consultant report.</p> <p>1.1.4 Copy of the comparative effectiveness report.</p>	
<p>Study on managerial and financial capacity.</p> <p>Tools for the improvement of public-private relations.</p>	<p>1.1 Study received to the satisfaction of INSS and CNEM by the end of the first six months of execution.</p> <p>2.1 Workshops.</p> <p>2.2 Terms of reference for the proposal of solutions</p> <p>2.3 Tools introduced at the end of the second year of execution based on the proposed solutions.</p>	<p>1.1.1 Copy of the study received.</p> <p>2.1.1 Copy of the workshop report.</p> <p>2.2.1 Copy of the terms of reference.</p>	<p>a. The EMPs take ownership of proposals.</p> <p>b. The image of the EMPs is positive.</p> <p>c. The number of EMP insured participants increases.</p> <p>d. The private providers are selected on a transparent basis in accordance with the established regulations.</p>

Narrative Summary	Indicators	Means of Verification	Key Assumptions
<p>System for the monitoring of contracting in operation.</p> <p>Business advisory system in</p> <p>Capacity within INSS for and information to promote sector qualification and on.</p>	<p>3.1 Tools (RFI) put in place in.</p> <p>3.2 50 INSS officials trained and qualified for supervision.</p> <p>3.3 Supervisory reports on at least 50% of the EMP's under contract, in accordance with the timetable, by the end of the first half of year 3.</p> <p>4.1 Number of firms receiving advisory services.</p> <p>4.2 The advisory reports reflect the application of recommendations.</p> <p>4.3 Number of EMP staff members trained and qualified by the end of execution.</p> <p>5.1 Annual marketing and public information plans and as of January 2001.</p> <p>5.2 Number of brochures.</p> <p>5.3 Number of radio spots.</p>	<p>3.1.1 Copy of the evaluation of the deployment of tools.</p> <p>3.2.1 Copy of the evaluations on the qualification of personnel by the specialized firm.</p> <p>3.3.1 Qualification of personnel by the specialized firm.</p> <p>3.4.1 Copy of the supervisory reports in the INSS records.</p> <p>4.1.1 Report by the firm providing the advisory assistance.</p> <p>5.1.1 Copy of the annual marketing plans.</p> <p>5.2.1 Monitoring report on the distribution of brochures.</p> <p>5.3.1 Copy of the radio spot monitoring report.</p>	

PROPOSED RESOLUTION

NICARAGUA. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
TECHNICAL SUPPORT FOR THE REGULATION OF PRIVATE  
HEALTHCARE PROVIDERS

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the "Ministerio de Salud de Nicaragua y el Instituto Nicaragüense de Seguridad Social (INSS)" and to take such additional measures as may be pertinent for the execution of the donor's memorandum referred to in Document MIF/AT-\_\_\_\_ with respect to a technical cooperation project for technical support for the regulation of private healthcare providers.
2. That up to the amount of US\$1,710,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund. Of this total amount, up to US\$1,000,000 will be chargeable to the Technical Cooperation Facility, and up to US\$710,000 will be chargeable to the Small Enterprise Development Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.