

AFRICAN DEVELOPMENT BANK GROUP



**REVIEW OF BANK ASSISTANCE EFFECTIVENESS TO THE
HEALTH SECTOR (1987-2005)**

MANAGEMENT RESPONSE

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

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1. Introduction:

1.1. Management welcomes this OPEV Review of Bank Assistance Effectiveness to the Health Sector(1987-2005) and finds its conclusions timely due to the following factors: a) it coincides with the work of the High Level Panel and its possible conclusions on the issue of the Bank's Comparative Advantage ; b) it tallies with the beginning of the negotiations for ADF XI and the accompanying definition of new sectoral strategies; c) the development of a new Strategic Plan for the Bank covering the period 2008-2012 ; and d) the Bank's current health policy is due for updating in 2007.

1.2. The document is a comprehensive health sector review that is useful to redirecting Bank Group actions for greater development impact in health. The Review assesses the Bank's performance in the health sector and sets forth actions that, if undertaken, can improve the Bank Group financed health sector outcomes. The report is a welcome tool of guidance for improving health sector operations and for lesson learning. In this light, Management would like to make the following observations:

2. The Health Sector in Africa: Emerging Challenges:

2.1. The report confirms that the health sector is faced with many challenges, including: weak and fragmented health systems; inadequate resources for scaling up proven interventions; limited access to the health services and technologies that are available; poor management of human resources for health; recurrent natural and man-made disasters and emergencies; and extreme poverty. The report however neglects to mention the initial impact of the first generation of Structural Adjustment Programmes on health spending and health human resources. Africa is still recovering from these initial cuts in spending on health.

2.2. In addition, this review of health challenges in Africa neglects the fact that vast numbers of Africa's population have been displaced or are refugees due to conflicts ensuing in different parts of the continent. This has had disastrous consequences for health systems and for the health status of the population putting, the achievement of the MDGs in great peril. This situation requires a specific and tailored response from the Bank as regards such fragile states and how to get their health systems to function.

2.3. Another neglected subject in this review is that of traditional medicine and its status in Africa. In view of the high costs and low quality of the formal health

services, traditional medicine has served as an important refuge for the poor. Yet the report is silent on this important feature of Africa's health sector.

2.4. Still a major lacuna of the review and which constitutes an important fact of life for health financing both globally, but specifically in Africa is the appearance of new partners who have tended to work vertically and principally on specific diseases (Global Fund against HIV AIDS, TB and Malaria) and or in specific aspects such as vaccines(e.g. GAVI). The impact of these funds is that they are bringing in vast resources mainly in the form of grants, they are often creating parallel structures and are not uniformly working to support a country's health systems. Many of them focus on commodities and they are not always working in tandem with other partners. These actors are relevant for the role of the Bank in two ways: firstly it is not easy for the Bank to compete with the grant resources they provide, and secondly they tend to focus on only specific support for the health sector leaving other parts largely unfunded, the latter including some of the neglected but debilitating tropical diseases. Our view is that the Bank, as well as other actors, should actively seek to develop partnerships with these new funders and demonstrate that the Bank has a special relationship with African Governments and that it is able to leverage this role to make these new funders more responsive to African needs.

2.5. Management estimates that the overview of health challenges in Africa does not sufficiently make the distinction between the situation in lower income as over and against middle income countries. This is especially relevant for the Bank due to the nature of resources it has at its disposal for both categories of countries. In fact one of the problems the Bank faces is its relevance in the middle income countries, especially for those in Southern Africa where AIDS is a major development problem, yet the Bank cannot do much with its ADB non-concessional resources. This is an area where the Bank should be able to develop some innovative financing and therefore enhance its role in this group of important countries.

2.6. We also take issue with the largely negative view of decentralization in the report, while it has certainly not worked in many countries it has also worked in others. Rwanda is one such example. What we would have liked to see is some advice to the Bank as to how to work with decentralized health systems.

3. Review of Bank Policies and Strategies

3.1. We agree with the assessment that Bank policies and guidelines have not been profitably used by staff to strategically orient Bank lending in the sector. This is, however, not only a characteristic of the health sector but generally characterises how policies have been developed to date in the Bank. There is a certain sensitivity that policy documents should satisfy all stakeholders and have some thing to say about everything and can accommodate any financing request emanating from a member country. The result is that policy documents tend to be too wide, not selective, and as a consequence provide little technical value for users.

3.2. The document does not examine some of the longstanding partnerships that the Bank has had in the health sector, especially with WHO and UNICEF. WHO in

particular has had an important role in implementing some of the Bank's projects on the ground especially in emergency operations. This partnership, therefore, needs specific evaluation.

3.3. We agree with the characterization of health sector analysis in the context of CSPs as being rather superficial and generic. It is important, however to examine some of the underlying reasons for this and to acknowledge that it is not specific to the health sector. This fact is mainly related to the lack of knowledge on the specifics of health sector issues per country and also to the lack of analytical work on the sector. We would go even further to add that intervention in the health sector is perceived to be limited to actual health projects, dialogue on the sector or analytical work are rarely if ever considered as activities to be included in the country strategy. There are some specific issues within the health sector, especially referring to HIV/AIDs which allow such a "lead but not lend policy" (to use a term coined by the Global Center for Development).

3.4. Bank participation in SWAPs and sector specific budget support are especially relevant for the health sector. The report limits itself to examining the "legal hurdles" (see page 12) aspect as related to the implications of the Rules of Origin. Meanwhile, Management feels that its interventions in such instruments in the health sector have also been hampered by the lack of its contribution to the analytical working preceding such operations in addition to the Bank's absence from the field and therefore extremely limited role in the accompanying policy dialogue and setting up of the required Monitoring and Evaluation systems.

4. Portfolio Quality and Effectiveness

4.1. The report indicates that only 50% of the health projects register satisfactory performance. Inasmuch as achieving impact on health outcomes has been found a difficult task by most development partners, it would have been useful to compare the Bank's performance in the health sector with that of other development agencies. There are some sporadic comparative comments, but no systematic comparisons with the situation in sister organizations.

4.2. The document reports that the Bank continues to have difficulties in improving the quality of its health portfolio in terms of implementation and outcome performance. Indeed, portfolio management and supervision remain an important area of weakness of the Bank's operations, including in the health sector. While we generally agree with this assessment, we feel that a part of the responsibility can also be allocated to weak institutional capacity of the health sector in the countries. This of course has been exacerbated by the ongoing brain drain which has affected Africa's health sector human resources most of all. While it is recognized that a system of staff motivation for portfolio management, coupled with reinforced accountability, is essential to improving health sector project performance, as stated in the report, this is a generic issue applicable to all sectors under Bank Group financing.

4.3. Management is aware of these difficulties and has recently taken several measures and will continue to take further measures to address problems of portfolio quality. These include:

- Recruitment of Health Analysts who can profitably contribute to a better understanding of Africa's evolving health sector;
- Regular portfolio clean up of aging and low-performing projects;
- Clearing the PCR backlog and to the extent possible keep up with undertaking PCRs as they become due;
- Systematic dissemination and integration of lessons learnt. Management recently asked OPEV to compile lessons by sector which they have effectively done and have been widely disseminated to staff;
- Several indicators have been set for portfolio improvement for 2007, these will form part of staff performance evaluations and will be closely monitored; these indicators include delivery on the standing commitment to conduct an average of 1.5 supervision missions per active project;
- Better use of the Bank's field offices for supervision and assistance to Borrowers; and
- More rigorous peer review of appraisal documents

5. Enhancing Project Design

The report correctly notes that analyses made of the health sector have been weak and should be sharpened to improve project design. However it should be noted that ESW, a tool that can be used to improve the Bank's analysis of the health sector, is not widespread. It will be used more extensively in the future with the end of better project design. One example of such analytical work proposed for 2007 is an examination of the Bank's work in support of the fight against HIV/AIDS with a view to providing some real time lessons for integration into future assistance in this important area.

6. Partnerships for Health Impact

6.1. Despite the Bank's commitment to MDGs, the report states that the health sector remained under-funded with a decreasing proportion of the health sector from 4.1 per cent of the total Bank portfolio during 1996-2000 period to 3.5 per cent during 2001-2005 period. During 1987-2005 the Bank has spent only 3.4 per cent of its development assistance on health. Given the Bank's new emphasis on the infrastructure sector, it is less likely the Bank will be able to radically increase its resources going into health in the near future, coupled with the tendency towards selectivity and larger projects. Hence, the Bank has to explore other means of improving health development outcomes with modest resources. Enhancing partnerships provides such an opportunity. For example, interface between human development operations and those such as water and transport projects can increase synergies towards better health outcomes. Similarly the Bank's work on higher education can focus on developing health and medical skills, agriculture projects can mainstream nutrition activities etc.

7. Perspectives on Bank's Potential Areas of Strength and Strategic Areas for Development in Health:

7.1. Management is in general agreement on the areas identified by the report as areas of strength for the Bank in the health sector. Specifically, Management endorses the Bank's potential role in policy dialogue with its member countries, it is felt that a greater presence in the field can profitably contribute to this role as will a greater role in Knowledge creation and management. Management also agrees that the Bank should continue to invest in health infrastructure. This is an area where it has strength and is not in particular favour with other donors who prefer softer sides of health investments. Within infrastructure, for instance, one area where practically few donors are currently involved, despite need, is blood banks.

7.2. Management also agrees and will be taking steps towards concretizing more cross sectoral work which has a high potential for positive health outcomes. OSHD is currently in discussions with OWAS in order to work more closely in the water sector. The transport sector presents another opportunity for such cross-sectoral work.

7.3. As pertains to the Strategic Areas identified in the report, Management feels that the development of human resources in health constitutes a niche area that it can support, especially through its intention to support African institutions of higher education and through its work on civil service reform and capacity building. In contrast, reproductive health while important will have to be addressed through partnerships with other more specialized institutions.

8. Management Reactions to Report Recommendations

8.1. *Health policy and guidelines:* Management agrees with the necessity of updating the health policy and guidelines, but we would go a step further to state that this exercise should be firmly placed within the current institutional context where the Bank is in the process of determining its comparative advantage. Even further, such an exercise should be undertaken having in mind the process of complementarity with other donors.

8.2. *Quality of Projects:* Management agrees with the proposal of the necessity of assessing existing health expertise in light of renewed health policy directions.

8.3. *Participation in SWAPs:* Management sees the utility of engaging in health sector SWAPs, especially in view of the moves towards donor harmonization and alignment at country level, but also acknowledges some of the practical problems of such engagement in view of some of the current Bank rules. This issue is not specific to the health sector.

8.4. *Policy Dialogue, Advocacy and Partnership:* Management fully endorses this recommendation and is already in the process of partially fulfilling it, especially as witnessed from the recent and upcoming series of donor consultations (DFID, World Bank, UNFPA, etc.) it has held all with the aim of complementarity and making full use of each institutions strengths.

8.5. *Priority Investments:* Management supports this recommendation to the effect that within the health sector it needs to select certain strategic areas of concentration in line with its experience to date but also with the activities of other partners. As a start these areas are: health infrastructure, developing health human resources and supporting health systems. We do not think that the Bank is particularly strong in the area of reproductive health. These strategic areas should be reflected in any update of the current health policy and guidelines.

8.6. *Private Sector Financing;* Management agrees that there is room for financing for the health sector through the Bank's private sector window. There is certainly also room for public/private partnerships. Such activities however require special skills and much greater coordination and cooperation between the Bank's public and private windows.

8.7. *Resource Commitment:* There is a general trend in the direction of larger projects in the Bank, this should also apply to the health sector with the aim of greater effectiveness and reduction of the administrative burden upon both staff and the member countries. However, increasing support to the health sector more generally, means that the start has to be early on in the context of the country strategy and through a policy dialogue with governments concerned. Such a dialogue must be underpinned by a knowledge of the specific problems of the health sector but also a Bank vision of what it can do best in this sector.

9. **Conclusion**

Overall, Management endorses most of the recommendations of the OPEV Report, and will ensure that the main messages it includes are widely disseminated to relevant staff and partners. It will together with OPEV develop a plan to monitor the implementation of these recommendations.