

**MANAGEMENT RESPONSE TO THE PROJECT PERFORMANCE EVALUATION
REPORT FOR THE PRIMARY HEALTH CARE PROJECT IN
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC
(Loan 1348-LAO[SF])**

On 10 July 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management finds OED's Project Performance Evaluation Report (PPER) well prepared with a commendable effort to evaluate the performance of the Project in the two remote provinces in Lao People's Democratic Republic (PDR). The overall assessment and rating is similar to the Project Completion Report. Management response focuses on some lessons learned and OED recommendations.

A. Overall Assessment

2. Design and Formulation. The Project concentrated on improving access through construction and operationalization of health centers. We note that some activities assigned to the Project are actually implemented under the follow-up project, Loan 1749-LAO: Primary Health Care Expansion Project (PHCEP), including village health volunteer program and hospital improvement components.

3. Performance. We note the overall positive assessment of project performance. As ongoing PCHEP, as the second phase project, is almost completed, it is difficult to distinguish inputs and outcomes of the Project and PCHEP.

4. We agree with the finding that funding constraints affect the performance of health centers and outreach services, but that despite these constraints, services are still effective in providing basic services (paras. 29, 33, and 41). As recurrent costs constraints are still a major issue, this is a priority issue being addressed under the upcoming health sector development program and through improving revenues and expenditures, including a containment of new infrastructure.

5. Other Assessments. Management agrees that reproductive health services for rural women need further improvement (para. 51). We also agree that subsidy for drugs are too low for the rural poor (paras. 52-53), and note that ADB will assist the Government in addressing this issue under the Health Sector Development Program. While there was a substantial reduction of the total fertility rate under the PHCEP, the reduction of the maternal mortality ratio was slower, as it takes more time to provide appropriate staff and referral services.

6. We agree with the issue of inadequate delegation of financial decision making authority (para. 56). This has two dimensions: the Ministry of Finance that remains the Executing Agency for many sectors in Lao PDR is perceived to

have less financial management capacity, and within the line ministry, delegation of financial decision making is also centralized.

7. On harmonization. In addition to joint project administration with the World Bank project, it may be noted that the steering committee was not project specific, but oversaw all ministerial activities (paras. 56 and 14). This helps considerably in donor coordination.

B. Issues, Lessons Learned, and Follow-up Actions

8. Management agrees that the maintenance of health centers was inadequate after project completion. This issue was noted by the Ministry of Health and additional funds for maintenance have been made available under the follow-up ADB project (PHCEP), and repair and maintenance is currently ongoing. One issue here was the emphasis on low cost buildings partly using local materials supplied by communities as their contribution, which affected the quality of materials while increasing community ownership. As funds for maintenance will remain tight, engendering strong community ownership for the rural health center, which is considered feasible in these locations, may partly solve the maintenance problem.

9. The PPER observes that there was no evidence that a systematic benefit monitoring and evaluation (BME) was carried out. Management notes that BME was very much part of the design (a separate component) and given high priority by the mission leader at that time (as evidenced by back-to-office reports and reporting on, among others, utilization rate of health services over the project years). However, as noted in para. 61, item (ii), we agree with the lack of province-specific baseline data, which, in the subsequent project, has been covered.

10. Management agrees on the importance of placing health centers in strategic locations. The Project was based on global standard to provide rural populations with access to a health center within a few hours of walk. However, the low population density in Lao PDR's mountains makes this costly. Using the norm of 3,000–4,000 people per health center, as suggested by the PPER, would deny many rural poor, in particular ethnic minorities, reasonable access to health services. Under the second project, detailed health zoning was done to determine the optimal location of health centers. This brought down the number of health centers that had to be constructed, and made staffing and maintenance easier. It was complemented with training of village health volunteers to provide immediate access at village level.

C. Follow-up Actions

11. Regarding the recommendation of including injectable contraceptives in drug kits, the Government has approved the inclusion of oral contraceptives and condoms in the drug kits.

12. Regarding the recommendation of increasing support for outreach programs, the follow-up project has piloted the increase of the budget for

outreach services, and this will be taken up scale in the third phase, the Health Sector Development Program.

13. The proposed inventory of existing facilities and equipment will be repeated regularly.

D. Conclusions

14. Management agrees with the report's overall assessment and rating, and appreciates the many positive aspects of this Project as recorded in the PPER, which, as noted, reflect a combination of Government commitment, core management capacity, and willingness to learn and improve; while working in a difficult physical, social, and financial environment.