

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. On 23 October 2018, the Asian Development Bank (ADB) approved financing of \$50 million¹ for the Health System Enhancement Project.² The project was designed to contribute to the government's development objective to ensure a healthier nation by supporting the development of a more responsive and comprehensive primary health care (PHC) system in Sri Lanka. It will enhance planning and delivering of essential PHC to geographically and socioeconomically deprived populations of Central, North Central, Sabaragamuwa, and Uva provinces. The project will (i) improve and operationalize government PHC reform initiatives, (ii) improve the access of underserved communities to PHC services, and (iii) address selected gaps in core public health capacities in line with International Health Regulations (IHR). The loan closing date is 31 May 2024.
2. The project has three outputs.
 - (i) **Output 1: Primary health care enhanced in Central, North Central, Sabaragamuwa, and Uva provinces.** The output will (a) upgrade curative services, (b) improve preventive services, (c) conduct public awareness to use PHC, and (d) test models for improving PHC.
 - (ii) **Output 2: Health information system and disease surveillance capacity strengthened.** The output covers (a) improvement of health information technology for better continuity of care and disease surveillance and (b) implementation of IHR recommendations for ports of entry.
 - (iii) **Output 3: Policy development, capacity building, and project management supported.** The activities include (a) the development of an essential health services package for noncommunicable diseases and emergency services, (b) the development of clusters to explore strategies for strengthening PHC using funding under the PHC innovation fund, and (c) personnel workforce planning.

B. Performance of the Project

3. The project is performing well as per the ADB additional financing policy and is likely to be completed on schedule.³ With the emergence of the coronavirus disease (COVID-19) pandemic, the project management unit (PMU) is largely involved in implementing COVID-19 response activities using reallocated loan and grant proceeds of \$15 million, and implementing Asia Pacific Disaster Response Fund of \$3 million while managing the original project implementation works, and has proved its dedication and commitment to the project by ensuring the project performance is continuously on track.
4. **Delivery of expected outputs.** The project is expected to meet or exceed some of the target outputs as stipulated in the design and monitoring framework (Table 1).

¹ This is comprised of a concessional loan of \$37.5 million from ADB's ordinary capital resources and a \$12.5 million grant from ADB's Special Funds resources.

² ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant to the Democratic Socialist Republic of Sri Lanka for the Health System Enhancement Project](#). Manila (Loan 3727-SRI and Grant 0618-SRI).

³ ADB. 2018. [Additional Financing. Operations Manual](#). OM H5. Manila.

Table 1: Achievement Against Output Targets

Performance Targets and Indicators	Expected Achievements
Output 1: PHC enhanced in Central, North Central, Sabaragamuwa, and Uva provinces	
By 2023, PMCU and district hospitals in target provinces upgraded and renovated with gender-responsive designs reached at least 30%	All 43 first-phase civil works (PHC) contracts were awarded and 16 of them are completed. Nine out of the balance of 90 civil work contracts have been awarded and 21 bids have been advertised.
By 2023, gender-responsive and inclusive essential services package for outpatient and clinic services provided by at least 75% of PHC facilities in target provinces	Essential services package for PHCs finalized, equipment identified, gender specialist and nutrition firm that will work with the MOH gender and nutrition teams will be recruited in Q3 2021.
By 2023, gender-responsive and inclusive nutrition services provided by at least 75% of medical officer of health facilities	The nutrition firm will be engaged by Q3 2021.
By 1 July 2020, a gender-sensitive BCC plan is initiated by all target provinces	The recruitment of BCC firm is in progress and will be completed by the end of August 2021.
Output 2: Health information system and disease surveillance capacity strengthened	
By 2023, electronic patient information sharing system across cluster facilities used by at least 25% of PMCU and district hospitals and medical officers of health areas in all target provinces	HIT firm has already started work.
By 2023, notifiable disease surveillance information via an electronic system sent to medical officers of health areas by at least 25% of PMCU and district hospitals in target provinces	HIT firm has already started work.
Core capacities to carry out quarantine services with a score of at least 4 in joint external evaluation report 2021 increased in the eight POEs in Sri Lanka	Because of the current situation and changing priorities of the quarantine units and POEs, the MOH decided to postpone this activity for some time.
By December 2020, capacity to screen and diagnose COVID-19 disease (infectious diseases) increased by 90% from the baseline	As of 31 March 2021, there had been 2.42 million PCR tests, 92,442 cases, and 566 deaths. There are 24 laboratories (including four private laboratories).
Output 3: Policy development, capacity building, and project management supported	
By 2023, operational policies and guidelines with gender dimensions are developed for (i) delivering a comprehensive package of PHC (incorporating the essential services package), (ii) management and functioning of cluster hospitals, and (iii) GIS-based planning and monitoring in the health sector.	Consultants are closely working with the relevant units of the MOH in achieving the target.
By 2020, 11 units of the FHB have integrated gender dimensions into all their policies and strategic plans.	A gender consultant in collaboration with the FHB is working on this and the needs assessment has been completed.
By 2023, at least 25% of medical officers and other staff of PMCU and divisional hospitals (of whom 35% are women) in target provinces are trained in PHC (family medicine).	A training plan and materials were prepared, and the start of training is awaited (the travel restrictions imposed because of COVID-19 have slowed the process).
By 2023, at least 25% of PHC staff from PMCU, divisional hospitals, and medical officer of health areas (of whom 35% are women) in the target provinces are trained in gender sensitivity and gender-related policies and interventions.	A training plan and materials were prepared, and the start of training is awaited (the travel restrictions imposed because of COVID-19 have slowed the process).

BCC = behavior change communication, COVID-19 = coronavirus disease, FHB = Family Health Bureau, GIS = geographic information system, HIT = health information technology, MOH = Ministry of Health, PCR = polymerase chain reaction, PHC = primary health care, PMCU = primary medical care unit, POE = point of entry.

Source: Quarterly progress report (first quarter of 2021) by project management unit.

5. Output 1: Primary health care enhanced in Central, North Central, Sabaragamuwa, and Uva provinces. The target aimed to renovate and upgrade at least 30% of the primary medical care units (PMCU) in the four provinces (135 PMCU). All civil works contracts (43 PMCU) under phase 1 were awarded, and 16 were completed while the other 27 contracts are near completion. Out of the remaining 90 PMCU, nine contracts have been awarded by 30 July,

21 contracts are at bid evaluation stage, and the rest are nearing completion of designs. The gender-responsive and inclusive essential services package was finalized and equipment identified, and a gender specialist and nutrition firm to be recruited by quarter (Q) 3 2021 will be teamed up with the Ministry of Health (MOH) gender and nutrition teams. The nutrition firm will be engaged in Q3 2021 to provide gender-responsive and inclusive nutrition services to at least 75% of medical officer of health facilities in the four provinces. Behavioral change communication firms, who will be engaged in Q3 2021, will initiate gender-sensitive behavior change communication plans in all target provinces.

6. Output 2: Health information system and disease surveillance capacity strengthened. The health information technology firm was mobilized in April 2021 and is closely working with the health information unit of the MOH to achieve the targets. The implementation of the IHR recommendations has been delayed because of the COVID-19 pandemic. Access to all ports of entry was restricted and the MOH has postponed the implementation of activities under this output until the pandemic is over. The performance of the new output introduced with the reallocation of \$15 million for the COVID-19 response activities exceeded the target, which was to increase the capacity to screen and diagnose COVID-19 disease (infectious diseases) by 90% from the baseline (4,000). The country had four dedicated laboratories for polymerase chain reaction (PCR) testing in April 2020 and the daily testing capacity was around 300. The latest quarterly progress report (first quarter of 2021) recorded the progress against the target as 2.42 million total PCR tests, 92,442 total cases, and 566 deaths. The total number of PCR laboratories has increased to 24 (this includes four private laboratories).

7. Output 3: Policy development, capacity building, and project management supported. Consultants are closely working with the relevant units of the MOH to achieve the target of developing operational policies and guidelines with gender dimensions for (i) delivering a comprehensive PHC package (incorporating the essential services package), (ii) the management and functioning of cluster hospitals, and (iii) geographic information system-based planning and monitoring in the health sector. A gender consultant in collaboration with the Family Health Bureau is working to achieve the target of 11 Family Health Bureau units integrating gender dimensions into all their policies and strategic plans. In achieving the targets of capacity development in PHC, a training plan and materials were prepared, and the start of training is awaited (the travel restrictions imposed because of COVID-19 have slowed the process). The central PMU and provincial implementation units are adequately staffed. Quarterly progress reports of satisfactory quality have been submitted on time, and sex-disaggregated data on project-related issues have been collected and regularly updated.

8. Implementation progress: The project is on schedule and is expected to be completed by the loan closing date, with implementation progress considered to be satisfactory. As of 18 June 2021, cumulative contract awards totaled \$21.35 million (42.7% achieved) and disbursements \$21.10 million (42.2% achieved) against the total project amount of \$50.00 million. The loan and grant have achieved physical progress of 52.7% against an elapsed period of 43.0% (Tables 2 and 3).

Table 2: Contract Award and Disbursement of ADB Loan by Category
(as of 18 August 2021, \$)

Category	Allocation	Contracts	Total Disbursement	Balance to be Disbursed
Works	13,170,000	5,562,655	1,349,490	10,820,510
Medical equipment		6,132,558	2,684,354	12,205,646
Vehicles		2,864,197	252,758	3,767,242
Consulting services	3,430,000	2,370,726	442,964	2,987,036
Interest charges		0	325,160	1,664,840
Unallocated	0	0	0	0
Advance account	0	0	7,932,859	(7,932,859)
Total	37,500,000	16,930,136	12,987,585	23,512,415

() = negative, ADB = Asian Development Bank.

Source: ADB. [Loan and Grant Financial Information Services](#).

Table 3: Contract Award and Disbursement of ADB Grant by Category
(as of 18 August 2021, \$)

Category	Allocation	Contracts	Total Disbursement	Balance to be Disbursed
Civil works	5,000,000	1,964,541	1,466,870	517,671
Computer equipment	1,550,000	128,683	128,470	213
Training	1,500,000	25,899	25,686	212
Project management	1,960,000	655,428	654,930	498
PHC innovation fund	1,500,000	1,000,704	0	1,000,704
Incremental administration cost	990,000	463,065	463,065	0
Outstanding Advance			4,582,150	(4,582,150)
Total	12,500,000	4,238,320	7,321,171	(3,062,852)

() = negative, ADB = Asian Development Bank, PHC = primary health care.

Source: ADB. [Loan and Grant Financial Information Services](#).

9. **Safeguard policy requirements.** The project has satisfactorily complied with safeguard policy requirements. The project is classified category B for environment and category C for both resettlement and indigenous peoples. No major environmental impacts have been recorded and the net environmental benefits are positive. There are no cases of involuntary resettlement for any of the subprojects, and all the land required for the project activities is owned by the provincial authorities. The project grievance redress mechanism is established and functioning. No grievance has been reported as per the latest quarterly progress report (first quarter of 2021). The PMU has submitted all due safeguard monitoring reports, which have been reviewed and disclosed in ADB and project websites.

10. **Risks.** Risks have been managed successfully. The significant risks identified for the project are that (i) the MOH and selected implementing agencies are unfamiliar with ADB procedures, (ii) delay in fund flow to the provinces and payments to the contractors may impede timely project implementation, (iii) changes in health-seeking behavior that led to increased health utilization take time to effect beyond the project implementation period, and (iv) there is delay in approving and implementing national policy and management reforms.

11. The project has successfully managed the above-mentioned risks, as follows. The PMU and project implementation units, supported by the consultants, are continuously guiding the relevant units of the MOH and provincial health authorities in implementation of the project activities. During the first 2 years of implementation, there was no delay in fund transfers to provinces or payments to contractors. The government's commitment in allocating resources for

the health sector has increased rapidly with the emergence of the COVID-19 pandemic. There was a delay in initial delivery (baseline data) of monitoring and evaluation activities because of the COVID-19 pandemic. However, the monitoring and evaluation firm has restarted field work and expects to deliver the interim outputs by and Q3, 2021 to enable the measurement of PHC utilization and changes in health-seeking behavior. The behavior change communication firm will be engaged by August 2021. The government and MOH have already approved the essential services package for PHC. The government policy on PHC, which was crucial for the implementation of the project, was approved as planned. This shows that the project has managed the risks effectively, and that the successful implementation of the project is not threatened by major risks. It is important to continue strengthening the capacity of provincial authorities so that they can sustainably operate and maintain the assets built by the project.

12. **On track rating.** The performance indicator in the performance overview gives a rating of 1.00 and rates the project *on track*.

13. **Scope of additional financing.** Sri Lanka was able to manage the first and second waves of the COVID-19 pandemic prior to April 2021. However, the third wave which emerged in late April is currently having a devastating impact and has resulted in exponential growth of confirmed cases and deaths.⁴ The government is urgently working to meet gaps of medical equipment and improving the services and facilities available at the hospitals. ADB received a government request for additional financing for the ongoing Health System Enhancement Project on 10 June 2021. The proposed additional financing for the project will meet the government's urgent request for financing of its COVID-19 response to the ongoing devastating third wave and scale up the project. It will also fill the financing gap that occurred because some loan and grant proceeds were reallocated in April 2020 to enable the MOH to cover essential civil works and equipment for combating the COVID-19 pandemic.⁵

C. Conclusion

14. The current project is performing well, and the additional financing is required to scale up a well-performing project by supporting the government's effort to combat the COVID-19 pandemic. The proposed additional financing will meet (i) the government's urgent request for financing its response to the ongoing devastating third wave, (ii) the financing gap that occurred because some loan and grant proceeds were reallocated in April 2020, and (iii) the government's requirements for scaling-up the project and extension of the project implementation period.

⁴ There were 95,737 cases reported from 11 March 2020 to 20 April 2021, and 620 deaths. The third wave occurred after 20 April 2021, and an additional 254,061 cases and 5,311 deaths have been reported as of 14 August 2021.

⁵ Following the government request for urgent financing for COVID-19 response activities, ADB approved a \$15 million reallocation from the ongoing project (\$10 million from loan proceeds and \$5 million from grant proceeds) through memos dated 25 March 2020 and 10 April 2020.