

Staying the Course

How a Sector-Wide Approach has sustained Kyrgyzstan's health care reforms

An Ambitious Reform Agenda

Since its independence from the Soviet Union two decades ago, the Central Asian nation of Kyrgyzstan has been pursuing a challenging political, economic and social transition towards a democratic government and market-based economy. A range of reforms have been introduced, including systematic efforts to change the way health care is structured, governed, financed and delivered.

A national health reform programme, launched in 1996 by Kyrgyzstan's Ministry of Health, in close consultation with the World Health Organization, sought

- to strengthen the role of primary care, to rationalize the hospital sector and redirect savings towards the costs of medical treatment;
- to change health financing through the introduction of a social insurance scheme (the Mandatory Health Insurance Fund) which guaranteed a basic package of benefits;
- to modernize medical education; and
- to improve the quality of health services.

These reforms were necessitated, among others, by sharp cuts in public spending on health during the years following independence, the inefficiencies of the Soviet-era health infrastructure, and the rising level of out-of-pocket payments which were becoming barriers to care for Kyrgyz citizens.

In 2005, German Development Cooperation, along with other development partners, began negotiating the establishment of

German Health Practice Collection

Showcasing health and social protection for development

This Collection describes programmes supported by German Development Cooperation assessed as 'promising or good practice' by experts from German development organizations and two international peer reviewers with expertise in the particular field. Each report tells the story, in plain language, of a particular programme and is published in a short (four pages) and full version at our web site: www.german-practice-collection.org.

a sector-wide approach (SWAp) to extend this successful reform process. Development partners agreed to coordinate their technical and financial contributions within the framework of Manas Taelimi, the national health reform strategy for 2006-2011, as a way of increasing aid effectiveness and improving health outcomes for the population in line with the Millennium Development Goals. The SWAp was also designed to strengthen local ownership of the reform programme by promoting ever-greater use of the Kyrgyz government's own planning, management and accountability systems.

Over the period 2006-2011, Germany was the largest contributor to a basket fund at the heart of the SWAp, and also provided parallel financial and technical support to programmes in the areas of tuberculosis control, maternal and child health services, HIV prevention and quality assurance.



>> *Three health workers outside a maternity hospital in Kant. The Manas Taelimi national health reform strategy sought to improve health services in line with the Millennium Development Goals.*



>> *Health Summits have emerged as intensive working sessions which bring together dozens of government officials, development partners and local stakeholders for detailed reviews of health sector progress.*

A Best Practice Example of Successful Health Sector Investment

While the first decade of health reforms (1996-2005) led to important changes in the way health care was financed, delivered and utilised by the population, these accomplishments were precarious. The SWAp was envisioned as a way to safeguard initial achievements and to ensure that the Ministry of Health could move forward with the next phase of reform. For development partners, this meant not only contributing financial resources, but also working closely with Kyrgyz partners on administrative, technical and managerial aspects of health reform planning and oversight.

Under the SWAp, the Ministry of Health and development partners agreed on an annual programme of work which specified objectives, targets and activities for Manas Taalimi's eight components: community involvement, health financing, individual health services, public health, content of medical practice, priority health programmes, human resources and stewardship. Technical Working Groups, led by the Ministry of Health, brought together development partners and local stakeholders to coordinate activities in each area.

Financial support for the SWAp was governed by the terms of a Memorandum of Understanding (MoU) concluded between the Kyrgyz government and five Joint Financiers (the World Bank, KfW Entwicklungsbank, the UK Department for International Development, Sida, and Swiss Development Cooperation). The MoU defined the conditions for financial disbursements, as well as the mechanisms which would be used to jointly monitor and review programme progress.

■ Harmonized financial assistance leads to predictable sector budgets

Over the period 2006-2011 the Joint Financiers contributed approximately USD 77 million to a basket fund directly managed by the Kyrgyz government (Germany's contribution to the basket was approximately USD 28.5 million). The basket complemented Kyrgyz government expenditure on health by concentrating on two major areas: financially stabilizing the Mandatory Health Insurance Fund, thereby allowing it to extend the State Guaranteed Benefit Package to uninsured citizens, and supporting much-needed investments in the health infrastructure.

In addition to funding the basket, several Joint Financiers (along

with other development partners) also provided bilateral financing for elements of Manas Taalimi. These contributions were embedded within the overall SWAp framework and implemented by development partners in close cooperation with the Kyrgyz government. Under the SWAp, aid to the health sector was increasingly harmonized: the basket fund became the main platform for coordination between the government and the development community and, by 2011, significantly less financial and technical assistance for health remained outside the SWAp framework, compared to the pre-SWAp period.

■ Budget rules ensure rising public expenditure on health

Kyrgyz government spending on health had fallen to historically low levels during the 1990s. In order to ensure a gradual, but continuous growth of public expenditure on health – and to protect the principle of 'additionality' – the MoU specified two budget rules. The first rule stated that the overall share of the state budget devoted to health should increase every year by 0.6% to reach 13.0% by 2010. The second rule required that budget execution would not fall below 95% on an annual basis.

Demonstrating significant political will, the Kyrgyz government consistently met these conditions. The rules and targets were important for ensuring fiscal space for pro-poor and pro-equity reforms in the country. For example, the growth in public expenditure meant that health sector wages could be increased and co-payment requirements could be removed for certain population groups.

■ Risk mitigation measures heighten sector transparency

A major task of the SWAp was to minimise fiduciary risk and ensure the transparent execution of the health budget. A fiduciary assessment conducted by the World Bank during the preparatory phase of the SWAp found low levels of capacity and experience in key areas of public financial management. Given the country's serious challenges with corruption, an extensive set of risk mitigation measures was built into the SWAp agreement.

Both the Ministry of Health and the Mandatory Health Insurance Fund were required to establish internal audit units – a unique example of best practice, both within Kyrgyzstan and internationally. The Ministry was obliged to undertake annual financial and operative audits of the entire health sector, and further financial disbursements were contingent upon the presentation of audit results to the Joint Financiers at specified intervals. All procurement

within the health sector had to be conducted in accordance with World Bank rules.

In complying with these requirements, Kyrgyz authorities amassed significant ‘on the job’ experience. They learned – under close observation of the Joint Financiers and World Bank technical advisors – how to manage an audit process, from tendering the audit to responding to audit findings, and how to prepare and execute procurement tenders. Although the learning process is not yet complete, institutional capacity in these areas has improved greatly and Kyrgyz partners acknowledge the value of these systems for ensuring the integrity of their work.

■ Health Summits serve as accountability mechanisms

A vitally important provision of the MoU was the requirement to hold biannual Health Summits – roundtable meetings bringing together key stakeholders for detailed reviews of programme progress. Convened by the Ministry of Health, and structured as week-long ‘peer review’ sessions, the Health Summits were instrumental in keeping the reform agenda on track. They provided a platform for examining programme implementation and results, for airing concerns, and for discussing adjustments to programme plans. The summits were characterised by intense and frank engagement between development partners and government representatives.

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Achievements of the SWAp

Investments in Central Asia’s first health SWAp have led to significant results. Among them:

- **More sustainable processes.** The SWAp has elevated the health reform programme onto more secure footing and the environment for reform has become more predictable. The SWAp required the Kyrgyz government to develop systematic processes for planning, budgeting, financial management and procurement, while the health summits kept pressure on Kyrgyz partners to deliver on agreed commitments. The basket fund guaranteed key budget lines which were previously threatened by chronic budget instability and, in doing so, safeguarded key elements of the reform agenda.

- **Increased capacity and improved leadership at the Ministry of Health.** Although the Ministry of Health has played a leading role in health reform since 1996, its capacity to manage complex reform process improved greatly under the SWAp. The Ministry and other partners have undergone an intense learning process, building capacity ‘on the go’ through direct involvement in the implementation of Manas Taalimi, the convening of Health Summits, and the development of new sector strategies. The SWAp has also strengthened the Ministry of Health in its policy role in relation to other parts of government.
- **Investments in financial management.** A major achievement of the SWAp has been the attainment of full budget transparency in the health sector. While it has taken significant time and effort to implement the fiduciary risk mitigation measures completely, the effects have been far-reaching. Today, the Ministry of Health finds itself at the forefront of public sector reform in Kyrgyzstan, showing other ministries how to build in-house technical competence to comply with international public financial management standards.
- **A genuine country-led partnership.** In an independent review of six health SWAps worldwide¹, only Kyrgyzstan received top marks as a genuine country-led partnership between government and development partners. Donor agencies involved in the Kyrgyz SWAp cite high levels of local ownership and an unprecedented degree of cooperation and direct engagement between development partners and local counterparts.
- **Achievement of health programme objectives.** The health reform programme introduced in the mid-1990s and further consolidated under the SWAp has generated important outcomes. The health-related financial burden on Kyrgyz households, measured by the level of out-of-pocket payments, has dropped, particularly for the poorest 40% of the population, and financial and geographic barriers to care have been reduced. There has been a steady decline in the proportion of patients making informal payments for inpatient care, and an increase in the proportion of people aware of the services to which they are entitled under the State Guaranteed Benefit Package. Spending has also risen on direct medical costs and primary care.
- **Improvements in population health.** Kyrgyzstan has seen reductions in the infant mortality rate and under-five child mortality rate, which may be related to the inclusion of children under five and pregnant women in the State Guaranteed Benefit Package. There has also been a decline in tuberculosis morbidity and mortality rates and a stabilization



>> *Children under five and pregnant women are exempted from co-payments under the State Guaranteed Benefit Package, thanks to the financial support of the SWAp basket fund.*

¹ Vaillancourt, D (2009). Do Health Sector-Wide Approaches Achieve Results? Emerging evidence and lessons from six countries. IEG Working Paper 2009/4. Washington, The World Bank.

of mortality rates (at a high level) from cardiovascular diseases for adults in two age groups. There has been less success to date in reducing the maternal mortality rate and curtailing the spread of HIV, although incidence appears to be slowing.

Improvements in the quality of health services have fallen short of expectations and remain an area of concern at both primary and in-patient levels. Issues of quality will therefore be at the forefront of the next phase of reform.

Lessons Learned

- **Financial cooperation can be a catalyst for improved governance and stewardship.** When executed in close partnership with government, financial cooperation can lead to improved public sector management. The Kyrgyz health SWAp brought about a more reliable and sustainable approach to health budgeting and planning and, as a result, to more transparent governance in the sector. The independent review of health SWAps worldwide noted that strong public financial management within the health sector in Kyrgyzstan has begun to have a positive effect on the country's overall governance.
- **Invest in 'change waiting to happen.'** The SWAp was an investment in a process that was already well underway. Development partners saw a unique opportunity to support a well-designed government-led strategy which had begun to yield results, but which was also facing challenges to its ultimate success. Their actions helped to bolster the reforms at a critical moment.
- **Political framework conditions are important.** The political climate in Kyrgyzstan in the mid-2000s was conducive to the introduction of a sector-wide approach. The health SWAp was established shortly after Kyrgyzstan's Tulip Revolution, which brought to power new leaders who were open to engagement with Western development partners and willing to accept the conditions of the SWAp agreement.
- **Focus on institutional capacity building.** SWAps can present countries with valuable opportunities to build public sector management competencies, but basic institutional capacities must first be in place for this to succeed. Even prior to establishing a SWAp, development partners can work to

strengthen the institutional capacity of partner ministries and ministries of finance and to prepare them for new responsibilities.

Future Outlook

The Kyrgyz health sector strategy for 2012–2016, known as *Den Sooluk*, builds upon the earlier phases of reform, but places greater emphasis on improving the quality of care and population health. In the context of the close and constructive partnership they have built with government through the SWAp, development partners – including Germany, which is renewing its financing contributions – will continue to support structural changes in the health sector to ensure the sustainability of the reform agenda.

Peer Review

To be included in the German Health Practice collection, a programme must demonstrate that it meets the majority of its selection criteria. When reviewing the German contribution to the health SWAp in Kyrgyzstan, independent experts concluded that it qualifies as a 'promising practice' in that it demonstrated:

- **effectiveness** in contributing to the achievement of many programme key objectives, such as increased health sector efficiency, improved financial protection and greater equity in health care utilization;
- **transferability** in terms of highlighting lessons for other countries about the importance of building core management capacities and promoting local ownership;
- **a participatory and empowering approach** in the way in which it supported local institutions to take ever-greater responsibility for the health reform process;
- **innovation** in combining the right approaches in the right way – and executing this to a high standard under the leadership of the government and development partners;
- **sustainability** in developing institutionalized capacities to manage the SWAp and emphasizing the importance of local ownership; and
- **good quality monitoring and evaluation**, through a systematic and well-developed monitoring system and rigorous analytical work.

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