



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF THE  
SERVING PEOPLE, IMPROVING HEALTH PROJECT  
APPROVED ON MARCH 4, 2015  
TO  
UKRAINE

HEALTH, NUTRITION & POPULATION

EUROPE AND CENTRAL ASIA

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## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
COVID-19	an infectious disease caused by the SARS-CoV-2 virus
DLI	Disbursement-linked indicator
DLR	Disbursement-linked result
FM	Financial management
MoH	Ministry of Health
NHSU	National Health Service of Ukraine
PDO	Project Development Objective
PIU	Project Implementation Unit



**BASIC DATA**

**Product Information**

Project ID P144893	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 04-Mar-2015	Current Closing Date 31-Mar-2024

**Organizations**

Borrower Government of Ukraine	Responsible Agency
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**Project Development Objective (PDO)**

Original PDO

The proposed "Serving People, Improving Health" Project seeks to improve the quality of health services in selected Oblasts, with special focus on primary and secondary prevention of cardiovascular diseases and cancer, and to enhance efficiency of the healthcare system.

Current PDO

The objectives of the Project are to: (i) improve efficiency and quality of health services, particularly for non-communicable diseases, in line with the health sector reforms; and (ii) prevent, detect and respond to the threat posed by COVID-19.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-91100	27-Apr-2020	15-May-2020	28-May-2020	31-Mar-2024	135.00	126.67	8.33
IBRD-84750	04-Mar-2015	19-Mar-2015	15-Jun-2015	31-Mar-2024	214.73	211.13	3.60



### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Project Status

1. The Serving People, Improving Health Project was approved in March 2015 for an initial amount of US\$214.7 million. The Project has been restructured five times and has received additional financing (AF) once, in the amount of US\$135 million, increasing the total financing amount to US\$349.7 million. The current Project Development Objective (PDO) is to: (i) improve efficiency and quality of health services, particularly for non-communicable diseases, in line with the health sector reforms; and (ii) prevent, detect and respond to the threat posed by COVID-19.

2. The first restructuring (March 2019) added a results-based financing component and disbursement-linked indicators (DLIs). The second restructuring (April 2020) extended the closing date of the original loan (IBRD-84750) by 18 months<sup>1</sup> to allow additional time to complete the Vinnytsia subproject, reallocated funds to COVID-19-related procurements, and added DLIs to finance expenditures of designated facilities engaged in the COVID-19 response. A US\$135 million AF was approved to address the country's health reform priorities and investment needs, as well as to respond to the COVID-19 pandemic (April 2020) and extended the closing date of the Project (but not the closing date of the original loan) by 24 months.<sup>2</sup> The third restructuring (September 2021) extended the closing date of the original loan (IBRD-84750) by six months<sup>3</sup> to allow sufficient time for the completion of activities that were delayed due to the COVID-19 pandemic, namely: (i) completion of the construction of the 144-bed Vinnytsia Cardiac Hospital; (ii) procurement of equipment for the Vinnytsia Cardiac Hospital; and (iii) initiation and completion of new procurement of COVID-19 antigen tests. The fourth restructuring (June 2022) extended the closing date of the original loan (IBRD-84750) by 18 months.<sup>4</sup> The fifth restructuring (July 2023) reallocated funds across DLIs and from uncommitted funds to support activities that improve service delivery at the local level.

3. The PDO remains relevant and is on track to be achieved by the revised project closing date. Progress toward achievement of the PDO has been rated Satisfactory since March 2019. Three of the four PDO-level indicators have been achieved: PDO indicator 1 (number of hospitals reprofiled or merged); PDO indicator 3 (improved quality management (prevention, early diagnosis, and treatment) of cardiovascular diseases at primary and secondary care); and PDO indicator 4 (number of hospital COVID-19 cases treated). PDO indicator 2 (average in-patient length of stay in hospitals) showed early progress, but was subsequently impacted by Russia's invasion and the increase in complex treatment cases requiring a longer duration of hospitalization and will, therefore, only be partially achieved. Overall Implementation Progress has consistently been rated Moderately Satisfactory or higher since Project approval. Of the ten intermediate results indicators, nine have been achieved. Similar to PDO indicator 2 the remaining intermediate results indicator (share of outpatient-based procedures and day surgeries), and which is also DLI 5), will only be partially achieved by the closing date

<sup>1</sup> From September 30, 2020 to March 31, 2022.

<sup>2</sup> From March 31, 2022 to March 31, 2024.

<sup>3</sup> From March 31, 2022 to September 30, 2022.

<sup>4</sup> From September 30, 2022 to March 31, 2024.



due to the increase in complex cases due to Russia's invasion. In addition, of the eight DLIs, six have been fully achieved and two have been partially achieved.

4. **Component 1: Improving Service Delivery at the Local Level.** Seven of the eight subprojects have been successfully completed, including new construction and rehabilitation of primary care facilities, equipment of outpatient health facilities and select hospitals, and improvement of indicators for the management of non-communicable diseases. In addition, the activities under the subproject in the Vinnytsia region, including the construction of the 144-bed Vinnytsia Cardiac Hospital, have been completed, however, Vinnytsya City Administration along with the Ministry of Health (MoH) is awaiting receipt (expected by the end of March 2024) of the completion certificate confirming that all construction works have been completed to the agreed specifications. In this context, all Component 1 activities are expected to be completed by the current closing date. However, due to cost savings and exchange rate fluctuations, up to US\$ 3 million originally planned for Component 1 activities may not be fully disbursed by the closing date of the original loan (March 31, 2024). Disbursement will be made upon receipt of the completion certificate and any unused funds from the original loan (IBRD-84750) will be cancelled upon closure of the loan after the grace period.

5. **Component 2: Supporting Selected Priority Areas of Health Reform.** This component finances US\$50 million for the Eligible Expenditures Program across five reform oriented DLIs. Four of these DLIs have been achieved (DLIs 1, 2, 3, 4), while the fifth (DLI 5) has been partially achieved. As noted above, progress towards DLI 5 (share of outpatient-based procedures and day surgeries) was initially progressing well,<sup>5</sup> but was negatively impacted by Russia's invasion and the increase in complex cases requiring longer duration of hospitalization. In this context, the MoH completed a detailed analysis of outpatient-based day surgeries to calculate the baseline and achievement excluding complex cases due to traumas related to Russia's invasion. This analysis showed that while outpatient-based procedures and day surgeries (excluding complex cases) reached 49.7% in 2023, this represented just a 20% increase over the revised baseline (excluding complex cases), and therefore was not sufficient to reach the 30% target required to disburse against disbursement-linked result (DLR) 5.3. As such, the final disbursement-linked result under DLI 5 (US\$ 3 million) will not be achieved by the current closing date. In this context, a combined total of US\$47 million has been disbursed against the five DLIs, leaving US\$ 3 million originally planned for Component 2 unused.

6. **Financial Management (FM).** The FM rating remains Moderately Satisfactory, mainly due to notable submission of audit reports for year FY2022 and certain issues raised by the auditors. Project FM risk remains Substantial. Qualified FM staff is available in both the MoH and the National Health Service of Ukraine (NHSU), and both project implementation units (PIUs) operate near normal despite the overall situation in Ukraine, including relevant internal controls and systems access. Statement of Expenditures reporting is done without delays, including timely countersigning of disbursement documents by MoH and MoF officials, which is an improvement compared to previous years. Project allocation in FY2024 State budgets is sufficient and adequate for the expected project disbursements. Project quarterly interim financial reports for 2023 were submitted on time and all were found to be acceptable. The Project is currently in full compliance with the reporting and audit requirements, and there are no overdue audits. The final audit period will be expanded to cover the project expenditures through the new proposed closing date of June 30, 2024

7. **Commitments and disbursements.** US\$ 337.80 million has been disbursed, representing (96.59% of the total project financing across the original and AF loans. The original US\$214.73 million loan (IBRD-84750) is 98.3% disbursed, while the US\$ 135 million AF loan (IBRD-91100) is 93.8% disbursed. The total balance of undisbursed funds as of March 27, 2024 is

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<sup>5</sup> The two first target results for DLR 5.1 and 5.2 (10% and 20% more than the approved baseline) have already been achieved. The baseline for DLI 5 was identified for 2021 at 39.8%. The MoH reported that during 2022 the share of outpatient-based procedures and day surgeries increased by 27%. Achievement of DLRs 5.1 and 5.2 were confirmed on April 28, 2023 and US\$ 6 million was subsequently disbursed.



US\$ 11.93 million. As noted above, of this, up to \$ 3 million under the original loan (IBRD-84750) may not fully disburse and, depending on final disbursements associated with completion of the subproject in the Vinnytsia region, may be cancelled upon closure of the original loan (IBRD-84750). In addition, approximately US\$ 3 million under the AF loan (IBRD-91100)) are expected to be unused and are proposed for reallocation (see below).

**Rationale for Restructuring**

8. The Ministry of Finance requested a Project restructuring on March 27, 2024 to extend the project closing date and the closing date of the AF loan (IBRD-91100) to allow additional time for the collection and verification of data to substantiate disbursement against remaining DLIs. An amendment for one of the DLRs was also requested, but further discussions are needed to agree on the way forward. The proposed restructuring is in line with the PDO, will not affect its achievement, and does not require any PDO changes; at the same time, the restructuring will allow the MoH to fully disburse the allocated funds. The main risk to completing the remaining activities is Russia’s invasion and the related disruptions already incurred, as well as the likelihood of further delays in the future related to Russia’s invasion. The Task Team has worked to mitigate this risk through close communication and collaboration with the MoH, NHSU, PIU, and other stakeholders involved and will continuously re-assess the situation as it unfolds.

**II. DESCRIPTION OF PROPOSED CHANGES**

9. Extension of the Closing Date of the AF loan. The AF loan (IBRD-91100) will be extended by three months, from March 31, 2024 to June 30, 2024, to enable the completion of the proposed new activity (see below) and full disbursement of the AF loan.

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Loan Closing Date(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓



EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**LOAN CLOSING DATE(S)**

<b>Ln/Cr/Tf</b>	<b>Status</b>	<b>Original Closing</b>	<b>Revised Closing(s)</b>	<b>Proposed Closing</b>	<b>Proposed Deadline for Withdrawal Applications</b>
IBRD-84750	Effective	30-Sep-2020	31-Mar-2022, 30-Sep-2022, 31-Mar-2024		
IBRD-91100	Effective	31-Mar-2024		30-Jun-2024	31-Oct-2024

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