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MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
OF SDR 12.9 MILLION
TO THE
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
FOR A
HEALTH AND FAMILY PLANNING PROJECT

March 25, 1988

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CURRENCY EQUIVALENTS

Sri Lanka Rupee (Rs)	= 100 cents
US\$1.00 (at appraisal, September/October 1987)	= Rs30 (Official Rate)
	= Rs (Free Market Rate)

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS

ABD	-	Asian Development Bank
CMSD	-	Central Medical Supplies Department
CPR	-	Contraceptive Prevalence Rate
CDS	-	Community Development Services
DDG	-	Deputy Director-General
DHC	-	Divisional Health Center
DHS	-	Demographic and Health Survey
FHB	-	Family Health Bureau
FP	-	Family Planning
FPASL	-	Family Planning Association of Sri Lanka
GHC	-	Granodaya (village) Health Center
HRM	-	Human Resources Management
IEC	-	Information, Education and Communication
IRDP	-	Integrated Rural Development Project
IUD	-	Intra-uterine device
MDPU	-	Management Development and Planning Unit
MH	-	Ministry of Health
MLGHC	-	Ministry of Local Government, Housing and Construction
MOH	-	Medical Officer of Health
MOPI	-	Ministry of Plan Implementation
MWATH	-	Ministry of Women's Affairs and Teaching Hospitals
NGO	-	Non-government Organization
NHDA	-	National Housing Development Authority
NIHS	-	National Institute of Health Sciences
PHC	-	Primary Health Care
PPF	-	Project Preparation Facility
RDHS	-	Regional Directorate of Health Services
SDHC	-	Sub-Divisional Health Center
TFR	-	Total Fertility Rate
UNFPA	-	United Nations Population Fund
UNICEF	-	United Nations Children's Fund
USAID	-	United States Agency for International Development
WHO	-	World Health Organization

SRI LANKAHEALTH AND FAMILY PLANNING PROJECTCredit and Project Summary

Borrower: Democratic Socialist Republic of Sri Lanka

Beneficiaries: Ministry of Health, Ministry of Women's Affairs and Teaching Hospitals, and Ministry of Plan Implementation.

Amount: SDR 12.9 million (US\$17.5 million equivalent).

Terms: Standard with 40 years' maturity.

Onlending Terms: Not applicable.

Financing Plan:

Government	US\$3.89 million
IDA	<u>US\$17.50 million</u>
Total	<u>US\$21.39 million</u>

Economic Rate of Return: Not applicable

Staff Appraisal Report: Report No. 7050-CE

Maps: IBRD 19985
IBRD 21017

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO SRI LANKA
FOR A HEALTH AND FAMILY PLANNING PROJECT**

1. The following memorandum and recommendation on a proposed development credit to The Democratic Socialist Republic of Sri Lanka for SDR 12.9 million (US\$17.5 million equivalent) is submitted for approval. The proposed credit would be on standard IDA terms with 40 years' maturity and would help finance a health and family planning project.
2. **Background.** Sri Lanka's health and family planning indicators rival those of many middle-income countries. Life expectancy is 67 years for males and 71 years for females. The crude death rate is 6 per 1,000 population. Infant mortality is estimated at 32 per 1,000 live births. Over the past 27 years, total fertility has fallen by more than 40% from 5.4 to an estimated 3.0. Since 1980 the country also has embarked on an ambitious Primary Health Care (PHC) program emphasizing preventive care. However, the pace of improvement has begun to slow as emerging constraints threaten the achievement of national health and population goals.
3. Four main problems hamper health sector development: (a) weak management and declining efficiency of public health services; (b) difficulties in implementing the new PHC system as an effective vehicle to address health problems and priorities; (c) the need for both explicit community health objectives and strategies to deliver the appropriate mix of services; and (d) how to modify the health financing system for proper targetting of costs and subsidies.
4. Current manifestations of these problems include an absence of strategic and organizational planning for the sector, overly centralized management and budgetary controls, and difficulties in recruiting and deploying professional staff in the absence of manpower and career development planning. Skewed service delivery patterns lead to bypassing of underused lower-level facilities and overcrowding at expensive, specialized hospitals; access to PHC remains uneven and inadequate. Annual drug and supplies losses are estimated at 10-15% of stocks and arrangements for vehicle and equipment maintenance are also weak.
5. Family planning performance is well below its potential as evidenced by extensive unmet demand and scope for generating more demand for spacing methods. Considerable additional effort will be needed for Sri Lanka to maintain its estimated 60% level of contraceptive prevalence in the face of declining demand for sterilization and a projected net increase of 100,000 women of reproductive age annually, 1988-93. Improvements are needed in three key areas: program management and coordination, program strategy and service mix and demand generation.

6. Rationale for IDA Involvement. The Association's role in the sector is to assist Sri Lanka's efforts to: (a) develop and carry out policies, strategies and programs to deal efficiently and effectively with main health problems; and (b) reduce fertility to economically and socially sustainable levels. The Association's strategy involves a blend of sector work, policy dialogue and lending. Other health donors currently focus on development of physical infrastructure, family planning research and operations, technical assistance for PHC, child immunization, diarrhoeal diseases management and development of a health research network. The project would be the Bank's first Sri Lanka operation in the sector. It derives from the Bank health and population sector report (No. 5218-CE) of April 1986, and subsequent discussions with Government on its findings. Support to the project would position the Government to increase future donor responsiveness to identified sector issues and would promote both concerted Government-donor approaches to major health and family planning problems and better donor coordination.

7. Project Objectives. The project seeks to: (a) strengthen management of the Government health system at central and regional levels; (b) increase the efficiency and cost-effectiveness of the health logistics system; and (c) promote lower fertility and increased maternal-child health through increased and more effective use of modern and traditional child-spacing methods.

8. Project Description. The project would strengthen management in the Ministries of Health and Women's Affairs and Teaching Hospitals by assisting the establishment of Human Resource Management, Financial Management and Management Development and Planning Units. It also would support: (a) health policy development through a health strategy and financing study and operational research; and (b) improved service delivery in two health regions where management improvements would be tested and adapted for wider replication. In logistics, the project would improve storage facilities and management systems for drug and medical supplies distribution and would strengthen systems for vehicle and equipment maintenance and repair. In family planning, the project would assist strategic and service delivery planning and monitoring, as well as communications efforts to generate additional demand for spacing methods complementing a major service delivery effort financed by the United Nations Fund for Population Activities. The project would be carried out over five years. It provides funds for civil works; vehicles, furniture, equipment and supplies; training and technical assistance; studies; special service delivery programs in two health regions; family planning grants to non-government organizations; production and dissemination of family planning messages through mass media, project coordination and incremental operating costs. The total project cost is estimated at US\$21.39 million equivalent, with a foreign exchange component of US\$5.74 million (27%). It includes US\$260,000 in Project Preparation Facility financing and US\$100,000 equivalent in retroactive financing of pre-project costs incurred after September 30, 1987, principally for preparation of site plans and surveys, working drawings, fixtures and fitting lists and detailed cost estimates for construction of drug storage warehouses. A breakdown of costs and the financing plan appear in Schedule A. Amounts and methods of procurement and disbursement, and the disbursement schedule are shown in Schedule B. A timetable of key project processing events appears in Schedule C. Two maps are attached. The Staff Appraisal Report, No. 7050-CE dated March 25, 1988, is distributed separately.

9. Actions Completed as Conditions of Negotiations--(a) Government establishment of new units and posts in both health ministries for human resources and financial management, for Management Development and Planning Units and creating of two communications posts in the Population Division of the Ministry of Plan Implementation (MOPI); (b) Ministry of Health possession of 30 sites for community health center construction; (c) Government preparation of site surveys and plans, preliminary floor plans, fixture and fittings lists and construction cost estimates for major logistics facilities to be funded by the project; and (d) Government agreement to maintain Inter-ministerial Steering Committee for the project under terms of reference satisfactory to IDA. Conditions of Effectiveness--Staffing of (a) Deputy Director-General and Director posts in project-funded health management units, (b) two communications and one research post in MOPI's Population Division and (c) project coordinator's post in MOPI. Assurances Received at Negotiations--(a) by September 30 of each year, Government furnishing of work plans for project-funded training and health policy research for subsequent calendar year; (b) by August 31, 1992, Government to complete health strategy and financing study under terms of reference satisfactory to IDA, discuss results with IDA and implement recommendations on which it and IDA agree; (c) by August 1, 1989, Government to prepare terms of reference satisfactory to IDA for special service delivery programs in two health regions; (d) Government would enter into agreements with non-government organizations satisfactory to IDA governing the use of grant family planning funds under the project, and (e) Government to carry out project reviews under terms of reference satisfactory to IDA in third and fifth project years, discuss results with IDA and develop and carry out an action plan to implement agreed changes in project design and operations.

10. Benefits. The project would develop increased capabilities for health management and planning; increased absorptive capacity in the sector; more cost-effective, efficient and equitable use of resources for health care, and reduced fertility. These changes would in turn lead to improved health status. Through reduced wastage and losses, the logistics component alone would produce annual savings estimated at Rs30 million or more from the third year of the project. Reduced fertility would benefit both individuals and society. Low-fertility couples would enjoy lower risk of maternal and infant morbidity and mortality. A 0.4 reduction in total fertility, to which the project would contribute, would enable Sri Lanka to reach replacement fertility five years earlier than currently anticipated.

11. Risks. The project faces two main risks: possible faltering Government commitment to implementing management reform once the initial staffing effort is completed and possible Population Division difficulties in forging effective collaboration among concerned Government actors and voluntary agencies for integrated family planning service delivery and communications. To help counter the first risk, the project provides a combination of technical assistance and in-service training, for which details have been worked out, at all critical levels of the health management system. Annual training plans will be prepared and reviewed with IDA well in advance of execution. The establishment of Management Development and Planning Units in both health ministries also will help stabilize management processes and provide mechanisms to adjust them as required. Strengthening the Population Division's

capacity for planning and implementation will enable it to coordinate more effectively with concerned agencies on population matters. The use of workshops as a principal mechanism to develop family planning and communications strategies will promote inter-agency consensus on goals and agency roles. Moreover, the mid-term project review will serve as a vehicle to identify shortcomings in initial project assumptions and operations and make appropriate course corrections.

12. Recommendation. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve the proposed credit.

Barber B. Conable
President

Attachments
Washington, D.C.
April 11, 1988

SRI LANKA

HEALTH AND FAMILY PLANNING PROJECT

Estimated Costs and Financing Plan

Estimated Costs

Project Component	Local	Foreign	Total
	-----	(US\$ million)	-----
<u>Health management improvement</u>			
<u>management development</u>			
Human resources development	0.12	0.25	0.37
Financial management and budgetary control	0.07	0.12	0.19
Management development and planning units	0.09	0.27	0.36
Health sector policy development	0.27	0.69	0.96
Incremental recurrent costs	1.05	0.00	1.05
<u>Service delivery</u>			
Infrastructure	0.95	0.57	1.52
In-service training	0.30	0.17	0.47
Strengthening RDHS management	0.62	0.05	0.67
Special programs	0.77	0.33	1.10
Incremental recurrent costs	0.45	0.04	0.49
Subtotal	<u>4.69</u>	<u>2.49</u>	<u>7.18</u>
<u>Logistics</u>			
Drug and supplies management	1.23	1.35	3.28
Vehicle and equipment maintenance and repair	0.33	0.39	0.72
Incremental recurrent costs	0.88	0.00	0.88
Subtotal	<u>3.14</u>	<u>1.74</u>	<u>4.88</u>
<u>Family planning</u>			
Strategy development	0.15	0.12	0.27
Service delivery	0.34	0.16	0.50
Information, education and communication	3.30	0.09	3.39
Incremental recurrent costs	0.13	0.00	0.13
Subtotal	<u>3.92</u>	<u>0.37</u>	<u>4.29</u>
<u>Project implementation and coordination /a</u>			
	0.36	0.00	0.36
Base Cost	11.91	4.52	16.43
Physical contingencies	1.16	0.48	1.64
Price contingencies	2.58	0.74	3.32
Total Project Cost /b	<u>15.65</u>	<u>5.74</u>	<u>21.39</u>

Financing plan

Financier	Amount		
	Local	Foreign	Total
	-----	(US\$ million)	-----
Government	3.87	0.06	3.93
IDA	11.78	5.68	17.46
Total	<u>15.65</u>	<u>5.74</u>	<u>21.39</u>

/a Includes US\$260,000 Project Preparation Facility.

/b The total cost net of duties and taxes (US\$0.26 million) is US\$21.13 million.

SRI LANKAHEALTH AND FAMILY PLANNING PROJECTProcurement Method and Disbursements

Project element	Procurement method				Total
	ICB	LCB	Other	N.A.	
	(US\$ million)				
Civil works	-	4.61 (4.41)	0.94 (0.89)	-	5.55 (5.30)
Vehicles, furniture, equipment, supplies	1.57 (1.57)	0.81 (0.70)	-	0.31	2.69 (2.27)
Family planning grants to nongovernment organizations	-	-	2.09 (2.09)	-	2.09
IEC materials production and dissemination	-	-	1.90 (1.90)	-	1.90 (1.90)
Studies and surveys	-	-	1.59 (1.59)	-	1.59 (1.59)
Special service delivery programs	-	-	1.47 (1.47)	-	1.47 (1.47)
Training, fellowships and workshops	-	-	1.31 (1.31)	-	1.31 (1.31)
Consultant Services	-	-	1.21 (1.21)	-	1.21 (1.21)
Project preparation facility and project coordination <u>/a</u>	-	-	0.36 (0.36)	-	3.60 (3.60)
Incremental operating costs	-	-	3.22	-	3.22
<u>Total</u>	<u>1.57</u> (1.57)	<u>5.42</u> (5.11)	<u>14.09</u> (10.82)	<u>0.31</u>	<u>21.39</u> (17.50)

/a Includes \$260,000 Project Preparation Facility.

Note: Figures in parentheses are the respective amounts financed by the Association.

Disbursements

Category	Amount (US\$ million)	Proportion (%)
Civil works	4.15	95% of expenditures
Vehicles, equipment, furniture, supplies	2.16	100% of foreign and ex- factory local expenditure, 80% of local expenditure if procured locally
Training, fellowships, consulting services and workshops	2.52	100% of expenditures
Grants to nongovernment organiza- tions	2.21	100% of expenditures
Studies and surveys	1.29	100% of expenditures
Production and dissemination of IEC materials	1.45	100% of expenditures
Special service delivery programs	1.42	100% of expenditures
Project implementation and coordination	0.10	100% of expenditures
Refunding of PPF advance	0.26	100% of expenditures
Unallocated	1.94	
<u>Total</u>	<u>17.50</u>	

Bank/IDA Fiscal Year	Estimated IDA disbursements						
	FY89	FY90	FY91	FY92	FY93	FY94	FY95
Annual	2.0	5.1	4.8	2.5	1.9	1.0	0.2
Cumulative	2.0	7.1	11.9	14.4	16.3	17.3	17.5

SRI LANKA

HEALTH AND FAMILY PLANNING PROJECT

Timetable for Key Project Processing Events

(a) Time taken to prepare	21 months
(b) Prepared by	Government with Project Preparation Facility and IDA assistance
(c) First IDA mission	December 1985
(d) Appraisal mission departure	September 1987
(e) Negotiations	March 1988
(f) Planning date of effectiveness	September 3, 1988
(g) List of relevant PCRs and PPARs	None. First operation in sector.

THE STATUS OF BANK GROUP OPERATIONS IN SRI LANKAA. STATEMENT OF BANK LOANS AND IDA CREDITS (as of Sept. 30, 1987)

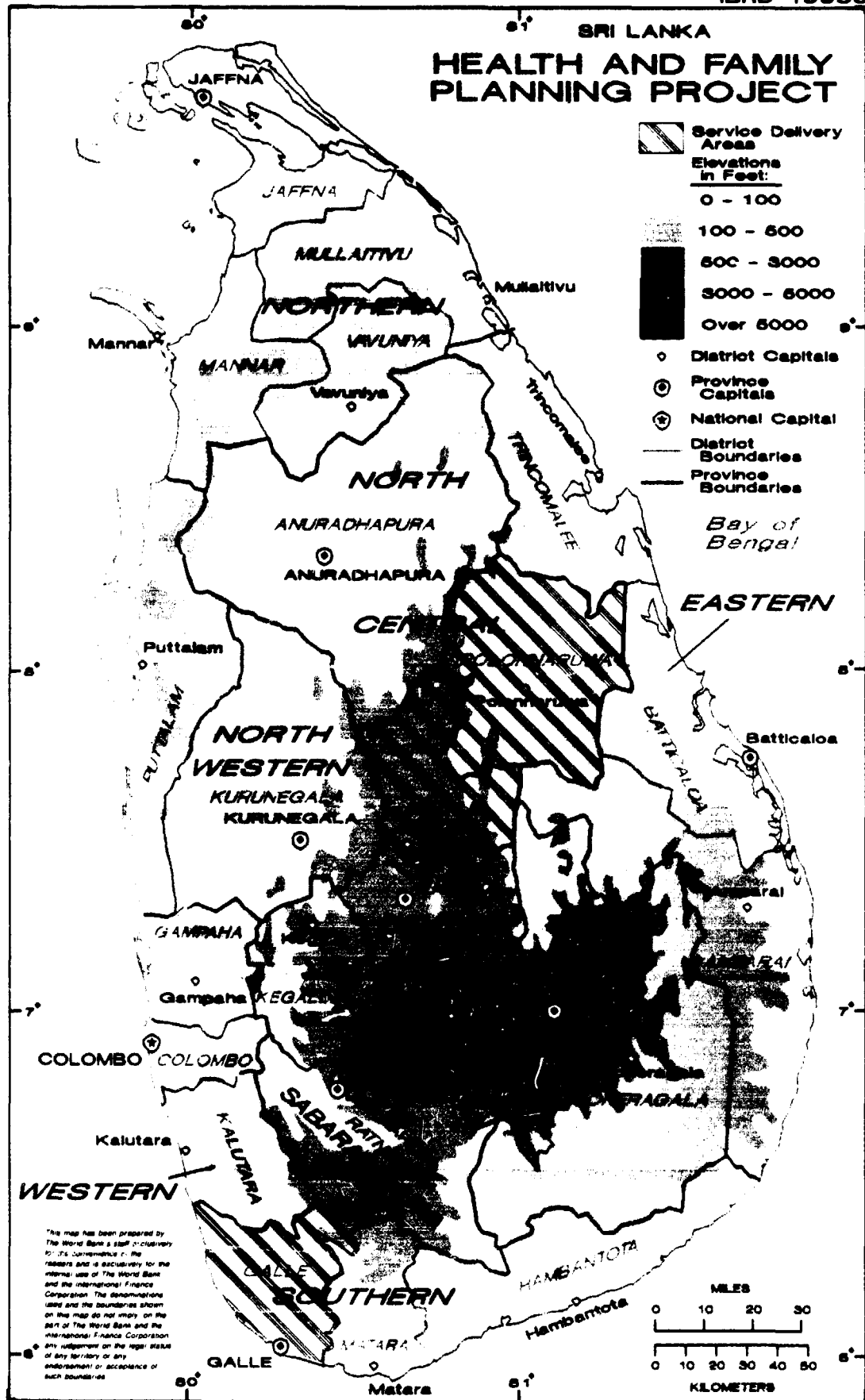
Loan or Credit No.	Year	Borrower	Purpose	USS Million		
				Amount (net of cancellations)		
			Bank	IDA	Undisbursed/a	
Nine loans and twenty four credits fully disbursed				107.1	314.46	
1017	1980	Sri Lanka	Smallholder Rubber Rehabilitation		16.0	3.18
1048	1980	Sri Lanka	Sixth Power		19.5	4.6
1079	1981	Sri Lanka	Second Rural Development		33.5	9.35
1160	1981	Sri Lanka	Village Irrigation Rehabilitation		30.0	15.42
1166	1981	Sri Lanka	Mahaveli Ganga Development III		90.0	40.57
1182	1982	Sri Lanka	SMI II		30.0	7.89
1210	1982	Sri Lanka	Seventh Power		36.0	6.85
1317	1982	Sri Lanka	Forestry I		9.0	8.14
1363	1983	Sri Lanka	Third Rural Development		23.0	24.42
1401	1983	Sri Lanka	Industrial Development Project		25.0	3.59
1494	1984	Sri Lanka	Mahaveli Ganga Development IV		30.0	36.21
2437 /b	1984	Sri Lanka	Mahaveli Ganga Development IV	12.1		12.10
1537	1985	Sri Lanka	Major Irrigation Rehabilitation		17.0	14.53
2517	1985	Sri Lanka	Second Roads	24.0		14.88
1562	1985	Sri Lanka	Fourth Tree Crops		55.0	49.33
2576 /b	1985	Sri Lanka	Dairy Development II	38.0		38.0
1692	1986	Sri Lanka	Industrial Development II		20.0	13.86
1697	1986	Sri Lanka	Municipal Management		13.0	12.61
1698	1986	Sri Lanka	Second Vocational Training		15.0	14.90
1700	1986	Sri Lanka	Water Supply and Sanitation		37.0	39.79
1736	1987	Sri Lanka	Ninth Power		52.0	49.64
1776 /b	1987	Sri Lanka	Agriculture Research		18.6	19.71
TOTAL				181.2	884.06	438.52
of which has been repaid				57.69	7.44	-
Total now outstanding				123.51	876.62	
Amount sold				3.6		
of which has been repaid				3.6		
Total now held by Bank and IDA				123.51	876.62	
Total Undisbursed				64.98	373.54	438.52

/a As credits are denominated in SDRs (since IDA Replenishment VI), undisbursed SDR credit balances are converted to dollars at the current exchange rate between the dollar and the SDR. In some cases, therefore, the undisbursed balance indicates a dollar amount greater than the original principal credit amount expressed in dollars.

/b Not yet effective.






B. STATEMENT OF IFC INVESTMENTS (as of Sept. 30, 1987)

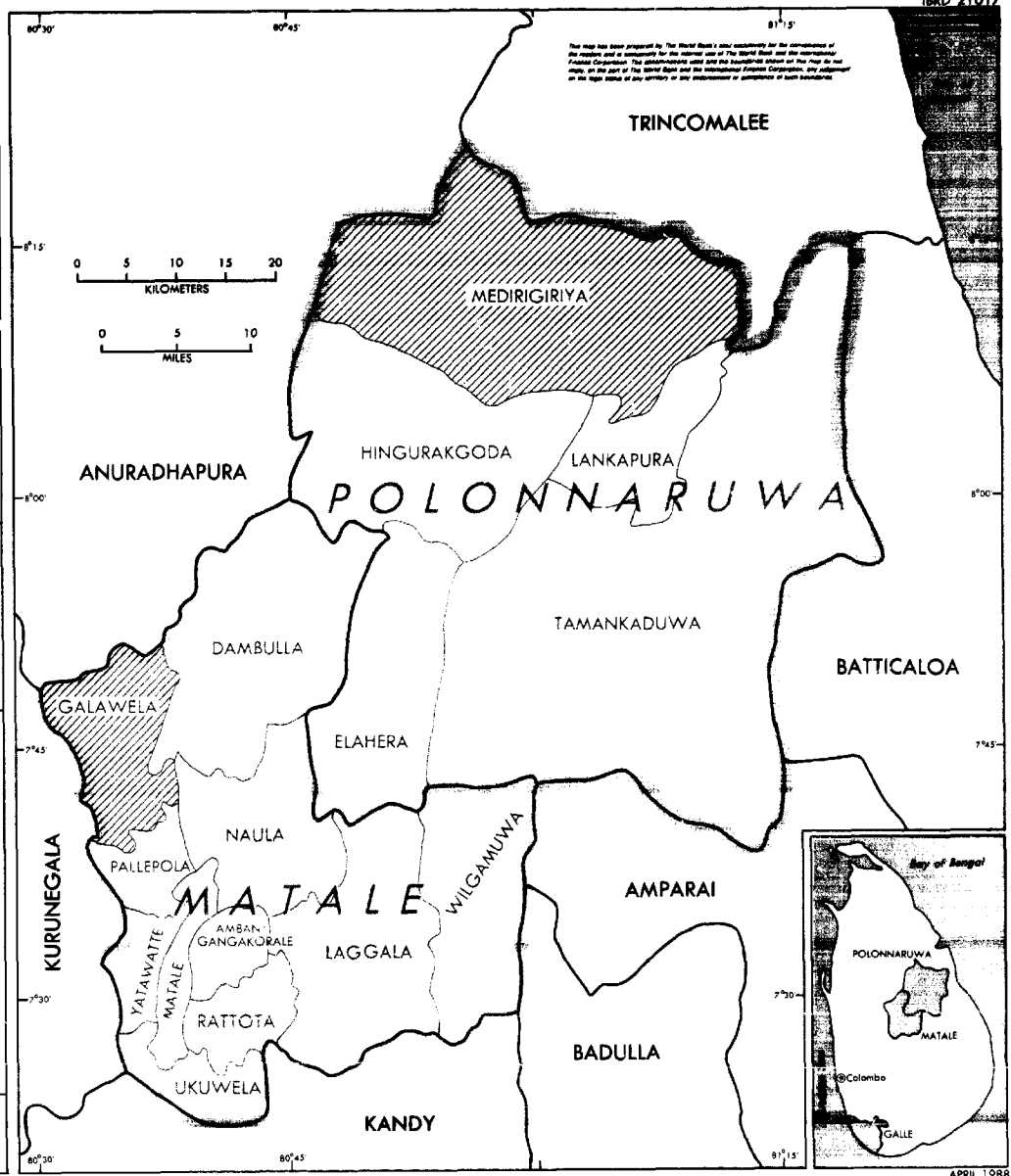
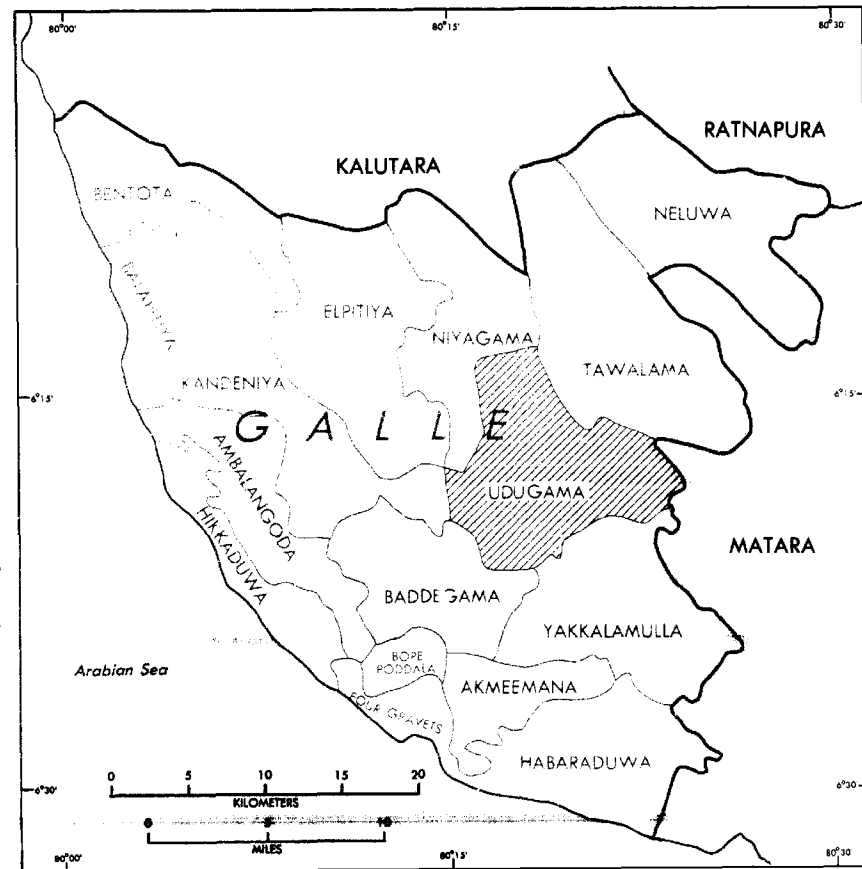
<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount (US\$ Million)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1970	Pearl Textile	Textiles	2.50	0.75	3.25
1978/80/83	The Development Finance Corporation of Ceylon	Development Banking	-	0.45	0.45
1978/81	Bank of Ceylon	Development Banking	7.00	-	7.00
1979/81	Cyntex	Textiles	3.15	0.54	3.69
1979	Mikechris Industries	Polypropylene Bag	0.89	0.10	.99
1980/84/85	LOLC	Leasing	3.00	0.34	3.3
1981	Taj Lanka Hotels	Hotel	19.30	.70	20.00
	Total Gross Commitments		<u>35.84</u>	<u>2.88</u>	<u>38.72</u>
	Less: Cancellations, Terminations, Repayments, and Sales		<u>21.03</u>	<u>1.38</u>	<u>22.41</u>
	Total Commitments now held by IFC		<u>14.81</u>	<u>1.50</u>	<u>16.31</u>



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SRI LANKA HEALTH AND FAMILY PLANNING PROJECT AREAS FOR PRIMARY HEALTH CARE (PHC) COMPLEXES

-  PHC Areas
-  Project District Boundaries
-  District Subdivisions
-  District Boundaries
-  National Capital



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