I. Introduction and Context

Country Context

Kazakhstan is an upper-middle-income, resource-rich economy whose medium-term growth is expected to be strong. Kazakhstan’s economic growth increased from 5 percent in 2012 to 6 percent in 2013, driven by stronger private consumption and investment. At the same time, weaker external demand led to a deficit in the current account in 2013 and to a sharp devaluation of the local currency in February 2014. Despite short-term vulnerabilities accentuated by an uncertain global and regional economic outlook, Kazakhstan’s medium-term prospects remain positive, due in part to an expanding oil sector.

The long-term Kazakhstan-2050 Strategy and the structural reforms envisioned in it foresee the country’s transition to a knowledge economy within 10 to 15 years, and joining the top-30 most-developed countries by 2050. Having implemented a number of successful strategic reforms during the last five years, the country has been focusing on diversifying away from resource-based growth through a major industrialization and innovation support program and a number of small and
medium enterprise development activities. Structural reforms described in the Strategy indicate strong commitment to building a knowledge economy that would drive growth, diversification, and global competitiveness by improving the country’s key factor endowments—human capital, infrastructure, and institutions.

Strong economic growth combined with structural reforms could substantially increase shared prosperity, provided the right reforms are introduced in social sectors, such as health, to improve efficiency and equity. At present, high levels of inefficiency in how public sector resources are allocated across social services mean that significant additional budgetary resources are unlikely to be spent effectively. Reforms to rationalize service delivery and distribute resources more equitably are urgently needed, as are reforms to improve equity and quality in health service delivery.

“Salamatty Kazakhstan,” which defined the health priorities for 2011–15, was adopted by Decree of the President of the Republic of Kazakhstan No. 1113, dated November 29, 2010. Its goal is to improve the health of the people of Kazakhstan to ensure the country’s stable sociodemographic development. The program focuses on (a) strengthening cross-sectoral and interauthority cooperation in matters of citizens’ health protection and sanitary-epidemiological well-being; (b) development and improvement of the Unified National Health Care System; and (c) improvement of medical and pharmaceutical education, development of the medical sciences, and pharmaceutical policies.

Health sector reform is also a key component of the Strategy, which emphasizes that the “Health of the nation is the basis of our successful future.” Accordingly, the Strategy proposes health care modernization to introduce common standards of quality of medical services and to improve and standards for medical equipment and medical supplies across medical institutions.

**Sectoral and Institutional Context**

Kazakhstan’s health indicators are lagging behind those of countries with a similar gross domestic product (GDP) per capita in the region (table 1). According to preliminary results of the assessment of the Strategy, almost all of the planned activities included in the Strategy were and are being implemented in a timely manner, and several indicators were achieved. Prevalence of several behavioral-related risk factors for communicable and noncommunicable diseases (NCDs) has been reduced. Nevertheless, as table 1 shows, with the exception of the standardized mortality rate for cancer in the population under 65 years of age, where data show Kazakhstan is not doing poorly compared with other countries, life expectancy is lower (at least 7 years lower in males than in comparator countries), while infant mortality rate and deaths from cardiovascular diseases and from cervical cancer, which is avoidable, are substantially higher in Kazakhstan.

<table>
<thead>
<tr>
<th>Table 1 Health Indicators in Selected Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>GDP per capita (2012), US$ per capita</td>
</tr>
<tr>
<td>Life expectancy males</td>
</tr>
<tr>
<td>Life expectancy females</td>
</tr>
<tr>
<td>Infant mortality rate</td>
</tr>
<tr>
<td>SMR cardiovascular diseases &lt;65 years</td>
</tr>
<tr>
<td>SMR for cancer &lt;65 year</td>
</tr>
</tbody>
</table>
SMR for cervical cancer  

| Source: European Health for All Database (HFA-DB), World Health Organization Regional Office for Europe.  
Note: Data are for last available year.  
SMR = standardized mortality rate.  

The changes implemented in recent years have supported the expansion of primary health care and the reduction of the hospital sector. However, most of the expenditures of the sector remain linked to admissions, a high proportion of which are unnecessary admissions. Positive adjustments and tools (such as Increase in PHC funding, the development of Master Plans for capital investments, implementation of medical protocols and disease management programs for NCDs, etc) are under development and are creating an opportunity to move health sector reform forward. The interventions to improve the performance of the health system should combine implementation of a strategy to increase efficiency and quality in service delivery, and an expansion of options about how the sector is financed. Total expenditure on health in Kazakhstan (3.8 percent of GDP) is well below that of Organisation for Economic Co-operation and Development (OECD) countries (9.4 percent of GDP), and the sources of financing are basically government budget and out-of-pocket expenditures.

Adjusting health service delivery to the new health needs of the Kazakhstani population effectively and efficiently requires a modern, integrated, patient-centered health system. Technological advances now enable less invasive, earlier, and better diagnosis and treatment, significantly reducing the need for lengthy hospital admissions if the system is properly governed. Experience shows that coping with the new epidemiological profile requires the following:

- Effective health promotion (population services) and primary care services, which play an important part in reducing the incidence of current health problems, increasing early detection, managing the bulk of routine conditions, and acting as an effective gatekeeper in patients’ access to referral care.  
- Expanded ambulatory secondary specialized services, to introduce high-resolution ambulatory diagnostic and treatment schemes for higher-volume, lower-cost specialized services including ambulatory surgeries, day care, and specialized care for complications from chronic conditions.  
- Optimizing inpatient services, which emphasize the delivery of quality services in an inpatient regime in a cost-effective manner, with the best mix of technology and human resources inputs, differentiating general hospital “secondary” services from “true tertiary care,” high-complexity hospitals, as necessary.  
- Specific services for palliative care for terminally ill patients and long-term health care for rehabilitation.  
- Developing community-based integrated long-term services for the disabled and elderly. It would be preferable if Kazakhstan did not take an overly institutional route to providing long-term care.

Implementing a Social Health Insurance System. The expected results of the SHIS are to (a) ensure accessibility of a basic social health insurance (SHI) package for the population; (b) ensure the provision of high-quality medical care; (c) improve the efficiency of the health system, based on the priority development of primary health care; (d) reduce out-of-pocket payments to 25 percent in
2030 (eliminating shadow payments); (e) improve the management arrangements, governance, and payment mechanisms of the health system; (f) create a solidarity-based financially sustainable system of SHI; and (g) ensure the competitiveness of the earnings of health workers.

This will not be the first attempt to introduce health insurance. Between 1996 and 1998, the Government of Kazakhstan introduced Compulsory Health Insurance (CHI). The timing of this reform was not the best, because the period was characterized by economic destabilization, liberalization of prices, high inflation, and a significant government budget deficit that resulted in high unemployment and low levels of welfare. In this context, the government and employers failed to fulfill their obligations and, as a result, the total amount of financing covered only 35 to 40 percent of the planned needs. Financial insolvency of the CHI has become the main reason for the liquidation of CHI and the transition to government funding of health care.

The context is now totally different. The adjustments in the Unified National Health Care System are gaining momentum, the country’s economic growth is strong, and medium-term prospects remain positive. With the implementation of the SHIS, the government aims to use health insurance as a tool to increase access to, and quality and efficiency of, the health system, including a warranted basic package of health services; to increase the sustainability of the system based on solidarity, diversification, and an increase in the sources of income; and to reduce out-of-pocket payments and eliminate shadow payments.

The design, implementation, management, and operation of the new SHIS will involve establishing and/or strengthening institutions and mechanisms to:

- Collect adequate revenues
- Pool risks and revenues equitably and efficiently
- Carry out strategic purchasing of services
- Ensure adequate monitoring and auditing of service delivery and outcomes.

**Relationship to CAS**

The proposed operation is fully aligned with Kazakhstan’s FY2012–17 Country Partnership Strategy (CPS). This Project would directly support Area of Engagement 2: Strengthening Governance and Improving Efficiency in Public Services Delivery, with a focus on outcome 8: Improving Governance, and outcome 11: Sharpening Strategic Approach to Health Reforms. The intervention and achievements of the ongoing Health Sector Technology Transfer and Institutional Reform Project have resulted in a strong and sensible policy engagement with the government and options and regional master plans to increase access, quality, and efficiency of health services delivery. The proposed operation will also support Area of Engagement 1: Improving Competitiveness and Fostering Job Creation, by introducing purchasing and provider payment mechanisms that will improve competition and public-private partnership (PPP) options in the health sector. The current Joint Economic Research Program is supporting studies on the design and options for implementation of a new Social Health Insurance System.

The proposed Health Project will also contribute to the Bank’s Twin Goals by increasing access to higher-quality health care services, especially for the poorest segment of the population, and implementing a solidarity-based social health insurance system that will support a standard package of health service benefits and increase financial protection against catastrophic diseases. The Project would also support implementation of age- and gender-specific protocols and care pathways to
contribute to reducing avoidable differences in health status. The health information system will analyze production and outcome indicators by age and gender.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)
The proposed Project Development Objectives is to contribute to improve access, quality, and efficiency of health service delivery, and reduce the financial risk of the population due to health shocks.

Key Results (From PCN)
i. Basic package of services under the SHIS is formally adopted and reviewed on an annual basis.
ii. Proportion of total population enrolled in and using the new health insurance system reaching 75 percent of enrollees, and a 30 percent increase in primary health care services utilization rates (information will be disaggregated by gender).
iii. SHIS is fully functional and has positive balance between revenues and expenses and no accumulated arrears.
iv. 20 percent of contracted services subject to technical audit (annually). Procedure and payment adjusted based on audit results.
v. At least 8 “Hospital Reshaping Scheme” projects implemented as defined in the Regional Master Plans.
vi. 40 percent of all surgeries included in the “outpatient elective surgeries” list paid by SHIS in the preceding 6 months performed as outpatient surgeries.

III. Preliminary Description

Concept Description
The proposed project would support implementation of the SHIS and further adjustments of the Unified National Health System to properly act in response to the new population needs and requirements. The National Mandatory Social Health Insurance System (SHIS) to be fully operational by 2020 is introduced under the Concept for Social Development of the Republic of Kazakhstan by 2030, approved by the Government of the Republic of Kazakhstan.

The proposed Project will use an Investment Project Financing instrument. Potential use of a Program-for-Results-type component was discussed, and government counterparts will inform the Bank about the decision on its suitability for this Project. All the activities have been organized in three components as follows: (1) support implementation of a national mandatory social health insurance system; (2) introduce reforms to improve access, quality, and efficiency of health service delivery alongside the introduction of a national social health insurance system; and (3) project management and monitoring and evaluation. It is expected that the proposed Project would require 5 years (2016–20) to be completed, with most of the investment to be implemented in years 2 and 3.

Component 1. National Mandatory Social Health Insurance System. This component will support the design, implementation, and management of the SHIS. Component activities will be divided into two subcomponents:

- Subcomponent 1.1. Collection, pooling, and organization of funds with a focus on (a) implementing the Social Health Insurance System, (b) implementing fiscal consolidation
mechanisms and management functions at the regional and national levels, and (c) building capacity for the effective management and operation of the Social Health Insurance fund.

Subcomponent 1.2. Purchasing and provider payment mechanisms with a focus on (a) establishing processes for designing and costing the benefits package; (b) strengthening the types and mix of provider payment mechanisms; (c) strengthening purchasing of pharmaceuticals and technologies; (d) introducing financial and quality control mechanisms (financial audits, technical audits, and so forth) for use by the Social Health Insurance fund; and (e) developing an IT system for SHIS integrated with the eHealth system.

This component will finance technical assistance (including twinning contracts), training, goods, services, and operational costs.

Component 2. Improving access, quality, and efficiency of health service delivery to support the National Social Health Insurance System. This component will support the strengthening of population services, primary and secondary prevention, and implementation of 16 regional master plans. Component activities will be divided in two subcomponents:

Subcomponent 2.1. Optimizing the health service delivery network, with a focus on (a) improving population services. Strengthening health promotion and reduction of risk factors for NCDs, strengthening the surveillance system and outbreak control, and increasing capacity for policy planning in population services; (b) improving primary and secondary prevention and primary health care. Expanding the focus on NCD management and key performance indicators to be linked to payments; and (c) implementing the regional master plans (rightsizing/optimizing health services capacity to ensure accessible secondary and tertiary care; supporting regional networks including a differentiated “true tertiary care” hospital performing as a head of the network, and a system of referrals and counterreferrals; and supporting high-resolution outpatient diagnostic and treatment schemes for high-volume, low-cost specialized services and implementation of PPP schemes).

Subcomponent 2.2. Improving quality of health services with a focus on (a) strengthening standardization and protocols to build a body of clinical protocols and care pathways for more frequent health problems, and supporting application of health technology assessment to selected new health technologies (devices, supplies, and drugs), and linking results to decisions on public funding of new technologies. Supporting the evaluation of pilot Disease Management Programs and scaling up those with proven impact; and (b) enhancing quality control mechanisms (health facility accreditation mechanism; detecting and proper recording of specific “sentinel events for quality”; implementing technical audits to monitor and incentivize the use of clinical guidelines; and improving the use of existing information and the e-prescription system for quality control purposes.

This component will finance technical assistance (including twinning contracts), training, goods, works, services, and operational costs.

Component 3. Project Management and Monitoring and Evaluation. This component aims to support the existing Project Management Unit to provide day-to-day project management, including the fiduciary tasks of the Project and monitoring, evaluation, and reporting. This component will also support a strong communication strategy. Implementation of the SHIS, and the structural reform of health service delivery, run the risk of being misunderstood by the various stakeholders affected by it. It is essential that all stakeholders, health workers, and the population understand the logic behind the changes and how these will benefit them personally and the communities to which
they belong.

This component will finance technical assistance, communications services, goods, non-consulting services, training, auditing, and incremental operating costs.

IV. Safeguard Policies that might apply

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered by the Project</th>
<th>Yes</th>
<th>No</th>
<th>TBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>✔</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

V. Financing (in USD Million)

<table>
<thead>
<tr>
<th>Total Project Cost: 90.00</th>
<th>Total Bank Financing: 90.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing Gap: 0.00</td>
<td>Amount</td>
</tr>
<tr>
<td>Borrower</td>
<td>0.00</td>
</tr>
<tr>
<td>International Bank for Reconstruction and Development</td>
<td>90.00</td>
</tr>
<tr>
<td>Total</td>
<td>90.00</td>
</tr>
</tbody>
</table>

VI. Contact point

**World Bank**

Contact: Carlos Marcelo Bortman  
Title: Sr Public Health Spec.  
Tel: 458-9730  
Email: mbortman@worldbank.org

**Borrower/Client/Recipient**

Name: Republic of Kazakhstan  
Contact: 
Title:  
Tel:  
Email: 

**Implementing Agencies**
VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop