REPUBLIC OF KOSOVO

January 15, 2015

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: IDA Credit No. 5442-XK
(Health Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to paragraph A of Section II of Schedule 2 to the Financing Agreement between the Republic Kosovo (the Recipient) and the International Development Association (the Association) for the above-mentioned Project. The Recipient hereby confirms to the Association that the indicators set out in the attachment to this letter shall serve as a basis for the Recipient to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

REPUBLIC OF KOSOVO

By:

Authorized Representative

Attachment
Attachment to Supplemental Letter No. 2

IDA Credit No. 5442-XK
(Health Project)

Performance Monitoring Indicators

Project Development Objectives

PDO Statement

To contribute to improving financial protection from health spending for the poor and quality of care for priority maternal and child health and non-communicable disease services.

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>YR1 (Oct 15)</th>
<th>YR2 (Oct 16)</th>
<th>YR3 (Oct 17)</th>
<th>YR4 (Oct 18)</th>
<th>End Target (Oct 19)</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility For Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the poor enrolled in mandatory health insurance</td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>85</td>
<td>≥90</td>
<td>≥90</td>
<td>Annual</td>
<td>HFA/HIF and Ministry of Labor and Social Welfare records</td>
<td>HFA/HIF</td>
<td></td>
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<tr>
<td>Outpatient (OP) drug benefit scheme established and functional based on pre-defined operational criteria</td>
<td>Yes/no</td>
<td>No</td>
<td>OP pharmacies for contracting</td>
<td>Anti-diabetic drugs or other pre-defined</td>
<td>OP drug benefit package expanded to include</td>
<td>65% of primary care facilities have at</td>
<td>OP drug benefit is entirely financed through</td>
<td>Annual</td>
<td>HFA/HIF documentation and expenditure data</td>
<td>HFA/HIF</td>
<td></td>
</tr>
<tr>
<td>Percentage of participating municipalities where at least 75 percent of the agreed quality targets were achieved in the preceding one year</td>
<td>%</td>
<td>0</td>
<td>50</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>Annual</td>
<td>HFA/HIF performance data</td>
<td>HFA/HIF</td>
<td></td>
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<tr>
<td>identified drugs covered</td>
<td>anti-hypertensives or other pre-defined drugs</td>
<td>least one pharmacy contracted to provide outpatient benefits package within 1 km</td>
<td>HIF revenues</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
## Monitoring Indicator descriptions

<table>
<thead>
<tr>
<th>Project Development Objective Indicators</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator Name</strong></td>
<td><strong>Description (indicator definition etc.)</strong></td>
</tr>
</tbody>
</table>
| Percentage of the poor enrolled in mandatory health insurance                      | Numerator: Number of poor individuals eligible for mandatory health insurance exemptions enrolled in mandatory health insurance scheme  
Denominator: Total number of poor eligible for mandatory health insurance exemptions. 
Under the mandatory health insurance scheme, the poor are identified using routine administrative systems as beneficiaries of the proxy means tested last resort social assistance scheme. |
| Outpatient (OP) drug benefit scheme established and functional based on pre-defined operational criteria | The following yearly benchmarks should be satisfied before or during the target year:  
i) OP pharmacies for contracting identified  
ii) Anti-diabetic or other pre-defined drugs covered in OP drug benefit package  
iii) OP drug benefit package expanded to include anti-hypertensives or other pre-defined drugs  
v) 65% of primary care facilities have at least one pharmacy contracted to provide outpatient benefits package within 1km  
v) OP drug benefit package is entirely financed through HIF net revenues  
Primary care facilities are defined here as main family medicine centers and family medicine centers, excluding family medicine ambulantas (there are 124 such facilities). |
| Percentage of participating municipalities where at least 75 percent of the agreed quality targets were achieved in the preceding one year | Numerator: Number of participating municipalities where at least 75% of facilities achieved at least 75 percent of the contractually specified quality targets in the preceding one year  
Denominator: Total number of participating municipalities  
Participating municipalities are those municipalities that have entered into performance agreements with the MoH/HFA/HIF. Four municipalities will participate in the first year, with expansion of participation from Year 2 onwards. |
Performance agreements will be renewed annually and include up to twenty performance indicators, together with their targets, which will serve to evaluate the performance of each Municipality. The indicators will be selected and quality targets set by each Municipality in negotiation with the HFA, and subsequently the HIF, from a master list of indicators, based on the geographic, demographic, and epidemiological profile of each municipal health network. The performance indicators and quality targets will be further defined in the capitation performance payments manual.