



## Increase in Grant Financing

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Loan Number: 1940  
March 2008

Cambodia: Health Sector Support Project

Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 5 February 2008)

Currency Unit	-	Riel (KR)
KR1.00	=	\$0.00025
\$1.00	=	KR3,975

## **ABBREVIATIONS**

ADB	—	Asian Development Bank
DFID	—	Department for International Development
MOU	—	memorandum of understanding
NGO	—	nongovernment organization
UNFPA	—	United Nations Population Fund
WB	—	World Bank

## **NOTE**

In this report, "\$" refers to US dollars.

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## **I. INTRODUCTION**

1. The Health Sector Support Project (the Project) in Cambodia was approved by the Board of Directors of the Asian Development Bank (ADB) on 21 November 2002. The Project is cofinanced by ADB, the World Bank, the Government of the United Kingdom, acting through the Department for International Development (DFID), and the United Nations Population Fund (UNFPA).<sup>1</sup> The Project became effective on 28 February 2003 with an original loan closing date of 30 June 2008 and a revised closing date of 30 June 2009.

2. The DFID grant financing of \$10.363 million is administered by ADB. A Memorandum of Understanding (MOU) between DFID and ADB for the grant administration was signed on 18 March 2003. DFID financing covers a range of activities, including international consulting services, medical equipment, contracting of nongovernment organizations (NGOs) services, human resources development, monitoring and evaluation, financial management, and project management.

3. This paper seeks Board approval on a no-objection basis for the administration by ADB of proposed additional grant financing of \$1.8 million from the Government of United Kingdom.

## **II. BACKGROUND**

4. The Project aims to improve the health status of the population in nine provinces, especially among women, children, and the poor. Specific objectives include: (i) increase the institutional capacity to plan, finance, and manage the health sector in line with the Health Sector Strategic Plan; (ii) develop affordable, good quality, basic curative and preventive health services; (iii) increase the utilization of health services; and (iv) control and mitigate the effects of communicable disease epidemics and of malnutrition.

5. The overall performance of the Project is satisfactory. By 10 January 2008, the overall physical progress of the Project was estimated at 70% compared with an elapsed time of 91% for the original implementation period. As of 10 January 2008, under the ADB-administered DFID grant, cumulative contract awards were \$9.6 million (93% of the grant proceeds) and disbursements were \$9.4 million (91%).

6. During a Joint Project Review Mission in June 2007, ADB, the World Bank, DFID, UNFPA, and the Ministry of Health (MOH) confirmed the need to extend the loan implementation period by one year. In July 2007, the Ministry of Economy and Finance of the Kingdom of Cambodia requested ADB to reallocate the loan proceeds and to extend the loan closing date from 30 June 2008 to 30 June 2009. ADB approval for the reallocation and extension was obtained on 1 October 2007, including agreement that approval for additional DFID grant financing would be pursued separately.

## **III. PROPOSED INCREASE**

7. The extension of the loan period requires additional DFID financing of \$1.8 million to cover the DFID-funded activities, especially NGO contracting, during the extension period (para. 2). DFID has agreed to allocate an additional \$1.8 million equivalent. ADB and DFID have jointly reviewed and concurred with the cost estimates prepared by MOH for the extension

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<sup>1</sup> ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Cambodia for the Health Sector Support Project*. Manila. ADB \$20 million loan, World Bank \$27 million loan, DFID grant of \$10.363 million, and UNFPA grant of \$2.9 million.

period. Since the activities during the extension period are a continuation of ongoing activities, the NGOs and other individual consultants contracted previously will be re-engaged through the single-source selection procedure.

#### **IV. ASSESSMENT**

8. The proposed additional DFID grant financing will increase the total DFID grant funds from \$10.363 million to \$12.163 million. The additional grant financing of \$1.800 million constitutes around 5.1% of the total project cost and will not materially alter the overall project purpose, objectives, or implementation arrangements. In accordance with PAI 5.04, para. 7, the proposed additional financing is considered to be a minor change in scope and will not require Board approval. The revised cost estimates and financing plan are shown in the Appendix.

9. The additional DFID financing requires an amendment to the MOU between ADB and DFID to extend grant administration from 31 January 2008 to 30 June 2009.

10. Since the ADB-administered DFID grant for this Project was approved by the Board for the amount of \$10.363 million, the additional grant contribution of \$1.800 million from the Government of the United Kingdom requires Board approval on a no-objection basis.

#### **V. THE PRESIDENT'S RECOMMENDATION**

11. The President recommends that the Board approve, on a no-objection basis, ADB administering additional grant financing in the amount equivalent to \$1,800,000 from the Government of the United Kingdom to the Kingdom of Cambodia for the Health Sector Support Project.

**REVISED COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Expenditure Category	Approved Allocation			Additional DFID Allocation <sup>a</sup>	Revised DFID Allocation <sup>a</sup>
	ADB	Government	DFID <sup>a</sup>		
<b>A. Base Cost</b>					
1. Civil Works	5,215.00	1,012.00	0.00	0.00	0.00
2. Equipment and Furnishing	953.00	0.00	210.00	(70.00)	140.00
3. Consulting Services	1,950.00	0.00	2,154.00	(358.00)	1,796.00
4. Contracting NGOs Staff Development and	4,763.00	0.00	7,399.00	2,176.00	9,575.00
5. Workshops	3,973.00	0.00	0.00	0.00	0.00
6. Drug Supply	90.00	0.00	0.00	0.00	0.00
7. Studies and Surveys	421.00	0.00	500.00	(24.00)	476.00
8. Project Management	433.00	635.00	100.00	(94.00)	6.00
9. Operation and Maintenance	75.00	401.00	0.00	0.00	0.00
10. Taxes and Duties		2,858.00	0.00	0.00	0.00
<b>B. Contingencies</b>	1,622.00		0.00	170.00	170.00
<b>C. Interest Charges</b>	507.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>20,002.00</b>	<b>4,906.00</b>	<b>10,363.0</b> <b>0</b>	<b>1,800.00</b>	<b>12,163.00</b>

( ) = negative, ADB = Asian Development Bank, DFID = Department for International Development, NGO = nongovernment organization.

<sup>a</sup> The DFID amount also includes ADB's administration fee, audit cost, bank charges and provision for foreign exchange fluctuations (if any), to the extent that these items are not covered by the interest and investment income earned on this grant, or any additional grant by the Government of the United Kingdom.

Source: Ministry of Health, DFID and ADB estimates.