PROMOTING LOCAL DEVELOPMENT THROUGH DECENTRALISED HEALTH SERVICE DELIVERY

CAMBODIA

PROJECT DESIGN DOCUMENT

Prepared By United Nations Capital Development Fund
With
National Committee For Sub-National Democratic Development Secretariat (NCDD-S)

JUNE 2013

PROJECT DESIGN DOCUMENT:

PROMOTING LOCAL DEVELOPMENT THROUGH DECENTRALISED HEALTH SERVICE DELIVERY

CAMBODIA

Goal of the project is: To promote Decentralization & Deconcentration reform and reduce the poverty in Cambodia.

Objectives of the project are: improved responsiveness, accountability and budget execution efficiency in planning, financing and delivery of local public health functions resulting in the following outcomes: (i) Mechanisms for local discretion in health budget planning and for local accountability for health service delivery are designed and tested, (ii) Effectiveness of the new mechanisms is demonstrated through improved efficiency of budget execution and measurable improvement in delivery of selected services

Programme Duration: 2 Years **Start date:** December 2013 **End date:** March 2015 **Management Arrangements:** NIM **PAC Meeting date:** 13 June 2013 **Atlas ID:** **Project ID:**	**Total estimated budget*:** USD 487.851 **Sources of funded budget:** • Non-core: *Australia DFAT* AUD 480,000 • Core: *UNCDF* USD 35,000 * Exchange rate USD/ AUD= 1.06

Signature: *Marc Bichler* *Executive Secretary* *UN Capital Development Fund (UNCDF)* *Date & Seal:* 6.12.2013	*Signature:* *Name:* SAK SETHA *Function:* *National Committee For Sub-National Democratic Development* *Date & Seal:* 11. 12. 2013

List of Abbreviations

C/S	Commune / Sangkat (lowest level of local government in rural and urban areas respectively).
D/M	District / Municipality (middle tier of local government in rural and urban areas respectively)
DP	Development Partner (i.e. bilateral and multilateral donor agencies)
GMS	General Management Services
IP3	First Three Year Implementation Plan of the NP-SNDD
LoCAL	Local Climate Adaptive Living: UNCDF's global project for local initiatives for climate resilience
MEF	Ministry of Economy and Finance
MoEYS	Ministry of Education, Youth and Sport
MoH	Ministry of Health
NCDD	National Committee for Democratic Development at Sub-National Level
NCDD-S	National Committee for Democratic Development at Sub-National Level – Secretariat
NGO	Non-Governmental Organisation
NIM	National Implementation Modality
NP-SNDD	National Programme for Sub-National Democratic Development
SNA	Sub-National Administration
UNCDF	United Nations Capital Development Fund

Contents

I. Introduction

This proposal is for support to the Royal Government of Cambodia through its National Committee for Sub-National Democratic Development Secretariat (NCDD-S) working with the Ministry of Health (MoH) and the Ministry of Economy and Finance (MEF) to test public expenditure management systems for the transfer of specific health functions to newly established District Administrations. The proposal builds upon the previous experience of United Nations Capital Development Fund (UNCDF) support to decentralization reforms, particularly through early implementation of decentralized systems for local development and service delivery, in Cambodia and internationally.

The proposal is presented as a single document but with delivery of activities under two phase approach. While Phase I will be a planning and preparation phase, Phase II will involve implementation and will be subject to the completion of Phase I to the satisfaction of key implementing agencies and funding partners.

II. Background

The National Programme for Sub-National Democratic Development

The National Committee for Sub-National Democratic Development (NCDD) is the overall authority for the National Programme for Sub-National Democratic Development (NP-SNDD). Through its Secretariat (NCDD-S), NCDD is responsible for both policy formulation and programme coordination. The purpose of the NP-SNDD and its first three-year implementation plan, the IP3, is two-fold: *to develop accountable, sub-national democratic institutions with effective administrations* and *to promote improved sub-national development for the benefit of the Cambodian population.* Cambodia is divided into 23 provinces plus the capital, Phnom Penh. There are 194 District-level administrations, consisting of the 9 "khan" of the Capital, 26 Municipalities and 159 rural Districts; and these are subdivided into 1,631 Sangkats (in Khan and Municipalities) and Communes (in Districts). Since the enactment of the Organic Law of 2008, the administrative structure at capital/province and at district/municipal level consists of an appointed Board of Governors and a Council which is indirectly elected. Historically, service provision was centralized, with District administrations and technical offices under the direct management of the Provincial level. The communes are the only tier of local government to have directly elected councils and the Commune Councilors form the electorate for the District and Provincial council elections.

The NP-SNDD foresees a gradual transfer of selected functions to the various tiers of sub-national administration (SNA). Specific emphasis in the first three years is focused on the District / Municipality (DM) level, including the DM Administration offices to support the Commune/Sangkat Councils. The Royal Government of Cambodia approved *a Sub-Decree on General Process of Transfer of Functions and Resources to Sub-National Level* (Sub Decree 68) in May 2012 and guidelines for both mapping and review have been developed and approved. The Sub-Decree establishes a process for gradual transfer of functions to the sub-national administrations in 12 key sectors. NCDD is responsible for oversight, coordination, support and monitoring of the functional review process, which is implemented by the Ministry responsible for each sector.

Within each Ministry the process is led by a "Decentralization and De-concentration (D&D) Technical Working Group", that is tasked to complete the process of mapping the functions of the Ministry and reviewing which functions could be suitable for transfer to the sub-national administrations (together with associated financial, material and human resources), by the end of 2012. This process was subject to some delay, however a report on Functional Mapping of the Ministry of Health was presented to NCDD in April 2013.

In addition to the work of the Technical Working Groups, an inter-ministerial working group with representatives from NCDD-S, Ministry of Health (MoH) and Ministry of Education, Youth and Sport (MoEYS) engaged in discussions and further field studies to improve understanding of the present situation of local service delivery in the health and education sectors, and propose a process of testing of an initial transfer of selected functions.

Brief History of Royal Government of Cambodia's engagement with UNCDF

In the second half of the 1990s, UNCDF piloted systems of discretional fiscal transfers to lower levels of government, in a number of countries, including Cambodia. These were later successfully replicated in various countries, using both Government and Donor – including important sums of World Bank - funding. In Cambodia, the pilot led, to the establishment of the Commune/*Sangkat* Fund (CSF), institutionalized by law in 2002 and which provides by far the largest share of the on-budget resources available to the Communes.. The C/S fund also serves as the model for the newly established District/Municipality (DM) Fund (2012).

After the Local Development Fund project that later became part and parcel of the SEILA programme, UNCDF supported the Royal Government of Cambodia (RGC) from 2005-2007 through the Fiscal Decentralization Support Project (FDSP), housed in the Ministry of Finance, being the parent ministry for the C/*S* Fund.

During the last years, and in anticipation of the Organic Law, UNCDF started to prepare, in collaboration with the government, a successor programme that was titled *Innovations for Decentralization and Local Development (IDLD)*. This programme started in April 2008 and remained active up to April 2013.

Some of the outcomes relevant for this proposal were a Sub National Finance Law (drafted and approved), various guidelines for planning and budgeting, a decree on planning and the flag ship publication Cambodia Local Development Outlook.

A proposal developed by UNCDF with NCDDS under IDLD became the *Local Governments and Climate Change Project*, piloting the UNCDF LoCAL programme in Cambodia by supporting performance based climate resilience grants to sub-national administrations. After a pilot phase funded by UNCDF and the Cambodian Climate Change Alliance Trust Fund, LGCC is now in a second, expanded phase supported by SIDA.

Based on its extensive experiences within the decentralization reform in Cambodia, in particular in the area of fiscal decentralization, NCDD-S requested UNCDF to design a first phase of testing (piloting) a transfer of functions within the sector of health. IDLD funded initial studies in this area during 2012 and provided funding for technical assistance to the Inter-Ministerial Working Groups on transfer of functions in the health and the education sectors, respectively, during the first quarter of 2013.

The challenge to be addressed by the Project

NCDD, with the agreement of the Technical Working Group on Sub-National Democratic Development, identified the health sector as a priority sector for implementing transfer of selected functions and associated resources to the District Administrations. In early 2013 an Inter-Ministerial Working Group with representatives of NCDD-S, MoH and Ministry of Education carried out field studies to identify suitable functions to be transferred in the first phase. The report of the Inter-Ministerial Working Group identifies the following key issues in local delivery of health services.

1. **Delayed and sometimes incomplete disbursement** of recurrent operating budgets for health centre services (excluding salaries). This issue is directly related to the centralised service delivery model and directly impacts on operation and maintenance of health facilities (costs for water and electricity have to be covered from other fund sources even though they are budgeted in the central budget) and on secondary health centre services such as out-of-hours service and outreach;
2. **Inadequate monitoring** of health centres by the Operational Districts, except where there is external funding support from an NGO or DP;

3. **Limited function of the community health structures** (i.e. Village Health Volunteer/ Village Health Support Group and Health Centre Management Committee) mandated by the MoH Community Health Policy 2008, except where there is external funding support providing incentives to the VHV/VHSG personnel;
4. **Inadequate health facilities.** Most Health Centres have buildings constructed to standardised designs but facilities such as water and sanitation are often poor or badly maintained. Additional facilities specific to local needs are lacking, for example rest houses for expectant mothers in remote areas who cannot travel to the health centre after labour has begun;
5. **Centralised management of the capital budget.** It is very difficult to get access for capital funds for small but important local investments in healthcare or public health facilities.

Accordingly, NCDD-S developed an outline proposal for testing of initial transfer of functions, which was discussed and approved at the Ministerial level meeting of NCDD on 28th May 2013. The NCDD approved proposal focuses on the following community healthcare functions:

1. Maintenance of the commune health centre buildings including electricity, water and sanitation;
2. Support of the Community Health structures (Health Centre Management Committee and Village Health Support Groups;
3. Health Centre staff incentives to provide "additional" services including community outreach and 24-hour coverage; and
4. Monitoring of Health Centres to be carried out jointly by District Administration and Health Operational District.

Present Financing and Management of Targeted Functions

At present, healthcare functions at local level are financed through a mixture of government support channelled through the National Treasury System, donor support channelled through Phase 2 of the Health Sector Support Programme (HSSP2), local level support provided by various NGOs and user fees collected from (non-poor) patients attending the Health Centres. The possibility of duplicate budgets for some items can exist. Different rates of staff incentive can apply for the same service (e.g. $0.5 per poor patient seen in the standard schemes but $1.0 per patient in some NGO schemes) and the timeliness and reliability of release of payments varies greatly depending on the source of funding.

Under the National Budget system, budgets for local healthcare facilities are prepared centrally. Requests for payments must be approved by the Provincial Department of Planning and the Provincial Department of Finance before being forwarded to the Provincial Treasury for payment. Some expenditures need pre-approval at national level. The process for obtaining release of funds other than for basic salaries can be very time-consuming and there are persistent suggestions that payments are not always made in the full amount. Payment delays cause particular problems in paying for utilities (water and electricity). Staff have limited incentive to carry out activities such as community outreach visits or providing 24-hour coverage when reimbursement of expenses and allowances for these services may be take months and be made in less than the full due amount. The report of the Inter-Ministerial Working Group states that the typical delay in release of Government budget is three to six months.

Although the transfer of functions to local level will address a number of issues as identified by the Inter-Ministeral Working Group (see above) the timeliness and efficiency of release of funds should be seen as central. In effect, the intention is to demonstrate that the

performance of the State budget and Treasury system can be improved by transferring responsibilities to the local level.

Specific Functions to be Transferred In the Testing Stage

As discussed in the Project Description section below, the proposal presented here is for design and testing of systems through which a range of healthcare (and, indeed, non-health sector functions) might be transferred to Sub-National Administration (SNA) responsibility through the core government public expenditure management systems and thereby achieve improvements in budget planning and execution. Under this initial test, referred to as Phase 1, a limited set of functions will be directly transferred from MoH responsibility to SNA responsibility. These Phase 1 functions are:

1. **Maintenance of the commune health centre buildings** including electricity, water and sanitation (at present utility costs are provided for in the State Budget but in practice cannot be usefully accessed by the Health Centres);
2. **Support of the Community Health structures** (Health Centre Management Committee and Village Health Support Groups (present situation: unclear / split responsibility, limited budget provision, local practice is inconsistent and may differ from official policy);
3. **At least one activity financed by output-based supplementary allowances** to Health Centre staff - community outreach and / or 24-hour / 7 day coverage;
4. **Regular and effective monitoring of Health Centres** by Operational District staff. Although this is a function of the Operational District at present, budget provision is unclear and monitoring is irregular and inadequate.

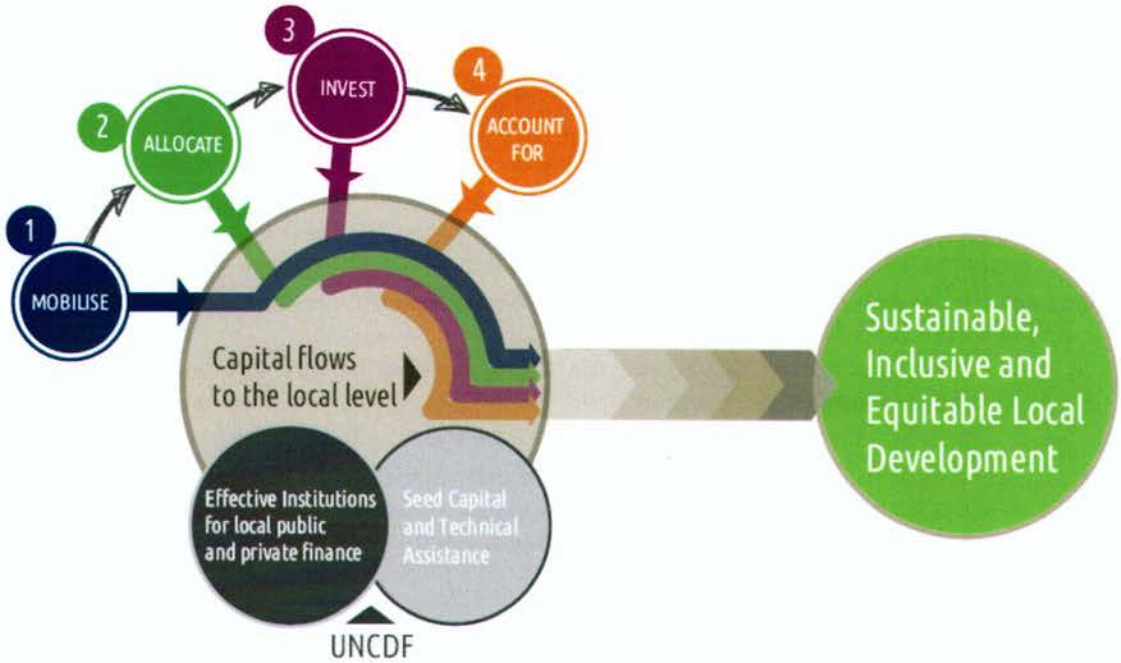
In addition to these core "transferred" functions, the project will test systems for discretionary financing of priority discretionary functions through the plans and budgets of the SNA. This could include services – for example, transport of patients to referral hospital – that are not formally State Budget financed functions at present but could potentially become formal functions of the SNA in the future.

Application of UNCDF core approach to Local Development Finance

The proposed interventions directly address the key issues by improving the budget, planning and financial management procedures as well as the accountability lines by using the intervention logic of UNCDF (see Fig 1). The project will apply seed capital and technical expertise to test out public financial management systems that have the potential to mobilise, allocate and invest resources for health provision at the local level in a transparent and accountable way. The project rationale is that this will promote sustainable inclusive and equitable local development. The project will increase the institutional capacity of the district/municipality councils and increase the amount of resources managed locally as part of the local economy and accountable to local stakeholders.

The project will, by allocating discretionary funds to the District/Municipality level, combined with technical assists, stimulate a 'learning by doing' approach in how to manage discretionary funds within the area of Public health management and supporting a good governance agenda (PFM, accountability, intergovernmental transfer etc.) as well as specific transfer of functions within the health sector by the thematic areas chosen that will be further stimulated by the choice of performance indicator. Further on, this approach will stimulate and foster further developments and investments at the local level.

Figure 1: LDFP core approach to poverty reduction through local development



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III. Project Description

III.1 Project Objective and Expected Outcome

The Objective of the Project **is Improved responsiveness, accountability and budget execution efficiency in planning, financing and delivery of local public health functions.**

The Expected Outcome of the Project is: **Mechanisms for local discretion in health budget planning and for local accountability for health service delivery are designed and tested. Effectiveness of the new mechanisms is demonstrated through improved efficiency of budget execution and measurable improvement in delivery of selected services**.

III.2 Project Outputs

The Project will have four major outputs, as follows:

1. A detailed Action Plan, with five District sub-plans, for testing transfer of an initial set of public health functions, as agreed between NCDDS and MoH.
2. Transfer of initial set of public health functions tested in 5 Districts;
3. Capacity for public health administration developed in 5 Districts;
4. Policy and plan for roll-out of transfer of public health functions.

Output 1 and Outputs 3 and 4 will be implemented by NCDDS through support to the Inter-Ministerial Working Group. Some technical assistance activities will be implemented directly by UNCDF. Output 2 will be implemented by the participating District Administrations with the exception of the performance assessments which will be implemented by the Inter-

Ministerial Working Group with support from UNCDF. Activities contributing to each Output are described below.

Output 1: A detailed Action Plan, with five District sub-plans, for testing transfer of an initial set of public health functions.

At national level, the key contents of the Action Plan will be:

1. Identification of the target Districts (Q4 2013);
2. Agreement on the final set of functions to be transferred under the test, with roles and responsibilities of the Operational District, the District Administration and other stakeholders in respect of each function (Q4 2013);
3. Discussion and agreement with MEF and the National Treasury on fund flow arrangements for the test. Fund flow arrangements should integrate the project activities with the budget planning and execution arrangements of the District Administrations to the extent possible, subject to the proviso that funds cannot be transferred through the Single Treasury Account (Q1 2014);
4. Preparation of a detailed Capacity Development Plan for implementation of Ouptut 3, including preparation of a set of training materials for training in administration and financing of public health at local level (Q1 2014).

NCDDS will recruit one contract staff to support implementation of the Project in each target District. In each District, the District Administration will work closely with the relevant Health Operational District(s) and the Provincial Department of Treasury to implement the following activities:

1. A participatory review (situation analysis) of existing levels of health service delivery in the District, focusing on a set of relevant indicators of service delivery quality (e.g. physical condition of health centre facilities; coverage of outreach activities etc) and identification of key points at which the processes of financing and administrating service delivery can be improved (Q4 2013);
2. Following on from the participatory review, preparation of a District Action Plan including quantitative targets for improving service delivery quality (Q1 2014). Details of the District Action Plan will vary from District to District but core elements are expected to include:
    a. Budget provision and effective budget execution process for financing non-medical operation and maintenance costs of the Health Centres (cleaning, utilities and minor repairs);
    b. Budget provision and work plan for effective functioning of the village health support groups and the Health Centre Management Committees;
    c. Budget provision to support expenses and allowances for outreach activities and / or out-of-hours service provision at health centres;
    d. Subject to budget availability, provision of priority non-mandatory services such as patient transport to referral hospital.
3. Following review and approval by NCDD-S, integration of the Action Plan into the annual budget of the District Administration for fiscal year 2014, with the approval of the District Council (Q1 2014).

NCDDS will engage an external service provider to conduct a Performance Assessment Baseline in each District (Q1 2014).

Necessary equipment for implementation of the project will be purchased during Phase 1. This will include computers for project staff and motorcycles for District staff.

Output 2: Transfer of Initial Set of Public Health Functions Tested in 5 Districts

Output 2 will result from implementation of the Action Plan prepared under Output 1. NCDDS will transfer Performance Based Grants to the participating Districts. The fund transfer mechanism is to be determined under Output 1, but involvement of the State Treasury system in its role as public accountant is a strong preference. Performance Based Grant funds will not be merged with the Single Treasury Account operated by the State Treasury at National and Provincial levels. (Q1 – Q4 2014, possibly continuing into Q1 2015).

NCDDS will engage an external service provider to conduct a Performance Assessment during the final three months of the test period (Q1 2015).

Output 3: Capacity for Public Health Administration Developed in 5 Districts

NCDD-S, working in cooperation with the Ministry of Health and the Ministry of Economy and Finance, will implement a capacity development plan designed to strengthen the capacity of the participating District Administrations to implement the activities under Output 1. The capacity development plan will comprise a mix of long-term support and formal training events. The key activities will be:

1. Recruitment of District staff / mentor to support implementation of the Output 1 activities in each District (Q1 2014 – Q1 2015);A training of approximately one week duration, for approximately 8 trainees per District drawn from the District Administration and the Health Operational District, in administration of local public health functions (Q1 2014). The course contents would include:
    a. Concepts of public health administration;
    b. Roles and Responsibilities assigned under the test supported by the Project;
    c. Specific tasks to be performed by each institution participating in the Project activities.
2. A training of approximately 3 days duration for approximately 4 trainees per District drawn from the District Administration, Provincial Department of Treasury, Provincial Department of Finance and Health Operational Districts, plus the IP-3 Provincial Finance Advisers (Q1 2014), in financial management of local public health functions, focusing on the financial management tasks to be carried out under Output 1 of the Project;
3. Refresher training, of 2 days duration, of the Village Health Support Groups and Commune Health Centre Management Committees in their structure, roles and responsibilities (Q2 2014). There are likely to be approximately 25 Health Centres, 40 Communes and 350 Villages in the 5 target Districts so the total number of individuals to be trained will be around 800. About three trainings will be conducted in each District so that numbers of participants per training can be kept to a reasonable level and to reduce travel costs and avoid the necessity for overnight accommodation of the trainees.

Output 4: Policy and Plan for Roll-Out of Transfer of Public Health Functions

Activities under Output 4 will include monitoring and national level support to Outputs 2 and 3 combined with policy development support activities and leading to preparation of a plan for roll-out of transfer of selected public health functions. Output 4 activities will be carried out by a working group with representatives of MoH and MEF (Department of Local Finance) working together with NCDDS. UNCDF will directly employ expert technical assistance to support Output 3. Key activities will comprise:

1. Design of the Performance Based Grant system (Q1 2014);

2. Recruitment of a National Project Adviser to support the Inter-Ministerial Working Group and implementation of the Project (Q4 2014 – Q1 2015);
3. Field monitoring of the progress of the Project activities by the Inter-Ministerial Working Group;
4. Regular meetings of the Inter-Ministerial Working Group at national level and of Provincial Working Groups to review progress;
5. Project management support and technical backstopping by UNCDF;
6. Evaluation of early results of the Project;
7. Design of roll-out of transfer of public health functions beginning 2015 and preparation of proposal for funding support (Q3 – Q4 2014).

III.3 Selection of Target Districts

The target area of the Project will consist of five administrative Districts and / or Municipalities which should be in no more than three Provinces. Final selection of target Districts will be made by the Inter-Ministerial Working Group and approved by NCDD-S.

The principle underlying selection is that the target Districts will fairly represent technical and administrative capacities and physical conditions existing in the majority of Districts in Cambodia. Successful transfer of the selected functions will be challenging even in favourable conditions and at this stage there is no need to seek out the most difficult conditions for the test. Therefore the five Districts will represent a range of conditions (municipality / district administration, more rural / more urban etc) but will not include outlier examples such as very remote Districts. Logistical considerations including ease of access for monitoring and the "match" between administrative Districts and Health Operational Districts will be taken into account. In particular, no administrative District selected for the testing should be divided between more than two Operational Districts.

The target Districts should not be part of the coverage area of the pilot Special Operating Agency (SOA) arrangements for Operational Districts. So far as possible, the Health Centres in the target Districts should be ones which are funded through the core State budget and not from HSSP2 or NGO funds.

III.4 Project Implementation Arrangements

Implementation in Two Phases

The Project will be implemented in two Phases. Phase 1 (planned for approximately two months from December 2013 to January 2014) will comprise the activities needed for Project start-up and completion of Output 1. The achievement of Output 1 will be jointly verified by NCDDS, MoH, UNCDF and funding partners. Phase 2 will then proceed (planned from February 2014 to February 2015) subject to satisfactory completion of Output 1.

Project Management and Administration

The Project will be implemented by NCDD-S with the exception of some technical assistance activities directly implemented by UNCDF. The ultimate oversight authority is the NCDD.

There will be an advisory Project Board including representatives of NCDD-S, MoH and MEF together with UNCDF which will meet periodically to review progress of the project.

NCDD-S will form a joint working group with Ministry of Health and Ministry of Economy and Finance to steer implementation of the project and to ensure that lessons learned are incorporated into policy and plans for future transfer of functions. NCDD-S will be

responsible for day-to-day administration of the Project at national level including recruitment of the District advisers / mentors.

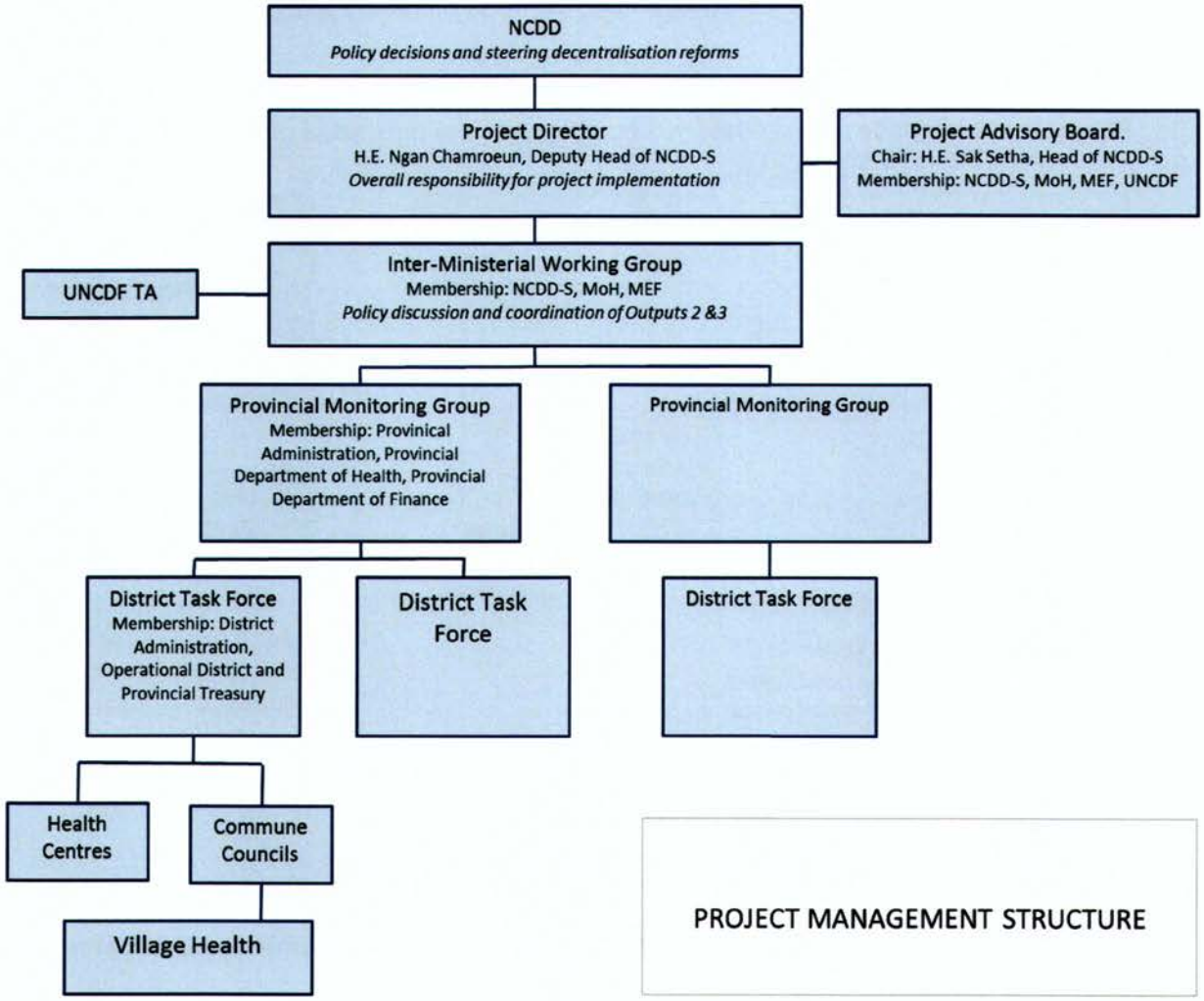
The National level working group will be complemented by a Provincial monitoring group composed of the Provincial Administration, Provincial Department of Health, Provincial Finance Office and Provincial Treasury.

Implementation of the project will be closely integrated with the Initial 3 Year Implementation Plan of the NP-SNDD, known as "IP3". NCDD-S will undertake to ensure that IP3 advisers, particularly the Provincial Advisory teams, and the NCDD-S Finance and Administration unit are fully supportive of implementation of the Project.

At sub-national level the direct implementing agency will be the District Administration, using Performance Based Grant funds transferred through the District Account in Provincial Treasury and reflected in the District Budget. The District Administration will work closely with the Health Operational District and the Provincial Treasury to oversee implementation of the project. The Health Operational District will directly participate in monitoring visits to the Health Centres as one of the sub-functions to be supported under the Project.

The District Administration will cooperate closely with the Commune Councils, particularly for oversight of the management of the Health Centres (the Health Centre Management Board is chaired by the Commune Chief) and support to the Village Health Support Groups.

UNCDF will support the Initiation Plan with a full-time national Technical Specialist and the support of the national Programme Assistant (shared with LGCC). UNCDF will directly recruit international and national specialists as necessary. The UNCDF support will be under the direct supervision of the Regional Technical Adviser and the Head of Asia-Pacific Regional Office.



Project Financial Management and Procurement

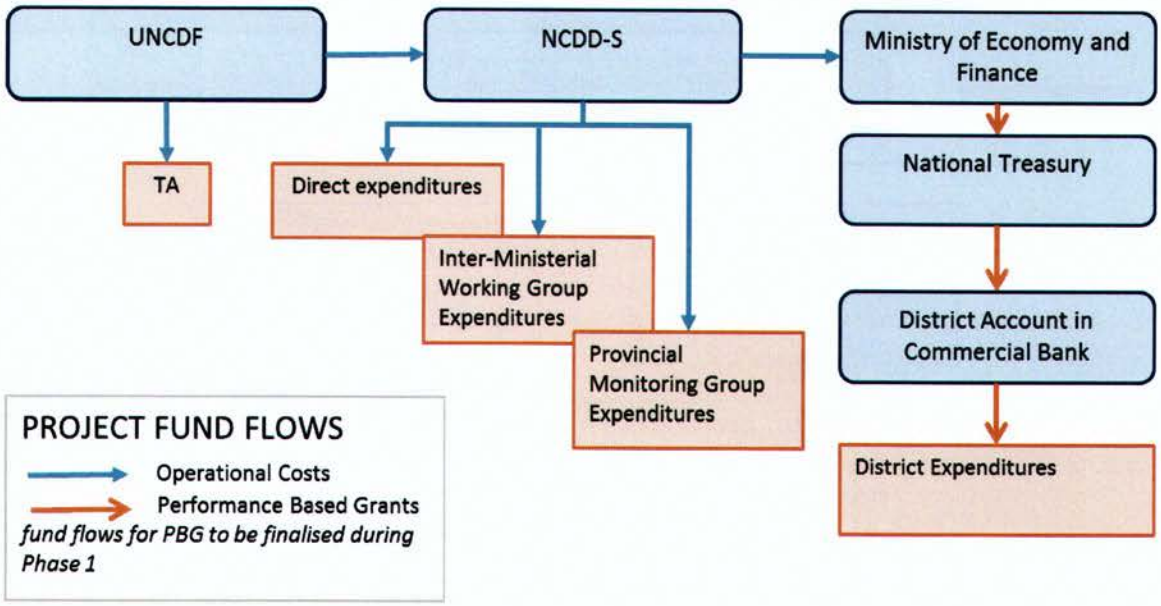
NCDD-S will open a project account in a commercial bank and operate the account under the provisions of the NCDDS Finance and Administration Manual. UNCDF will transfer all project funds into the account with the exception of funds directly executed by UNCDF. The project account will be included in the annual audit of NCDD-S accounts[1].

NCDD-S will transfer the Performance Based Grant funds to the District Administrations. Details of the fund flow mechanism and financial management arrangements will be determined in Phase 1 and will be subject to the approval of the financing partners. Options could include transferring funds into an account opened at a commercial bank by each District Administration, or transferring funds through National Treasury into an account operated by Provincial Treasury on behalf of the participating Districts. Arrangements that allow for integration of Project funds with the budget planning and execution arrangements of the District Administrations are strongly preferred, and if possible this should include the role of the State Treasury as public accountant. However, Project funds will not be merged

[1] An alternative, which would speed up project implementation, would be for NCDDS to manage the funds through the general accounts used for IP3 at National and Provincial level. However this would require consent from the financing partners and perhaps from the donors to IP3.

with the Single Treasury Account operated by State Treasury at National and Provincial levels.

Procurement of goods and services will be subject to the provisions of the NCDD-S Finance and Administration Manual.



Role of Ministry of Health, Provincial Department of Health and Health Operational District

Ministry of Health will be a full partner with NCDD-S in (1) steering policy level decisions for implementation of the project; (2) monitoring the results of the project and (3) formulating policy and plans for future transfer of health sector functions based on the results of the project. Ministry of Health staff will participate with NCDD-S staff in field monitoring and technical backstopping activities.

The national role of Ministry of Health will be reflected at Provincial level where staff of the Provincial Department of Health will be assigned to monitor implementation of the project. Provincial Department of Health staff will join with Provincial Administration and Provincial Department of Finance staff to form a joint working group to monitor the project.

The Health Operational District will work with the District Administration to carry out the initial situation analysis, develop the action plan and implement key elements of the project, including conducting monitoring visits to the Health Centres jointly with the District Administration.

IV. Monitoring and Evaluation

A joint monitoring group including NCDD-S, Ministry of Health, Ministry of Economy and Finance and the UNCDF program officer shall carefully monitor the initial activities and make recommendations for the next stage of transferring of health functions.

The Inter-Ministerial Technical Working Group will conduct regular field visits to monitor implementation of the project. The Working Group will be supported by the UNCDF Technical Specialist for the project.

NCDD-S will compile quarterly physical and financial progress reports based on reports submitted by the District Administrations. These reports will be submitted to the Inter-Ministerial Technical Working Group for consideration before formal submission to UNCDF. NCDD-S will also report on progress of project implementation and results obtained to the periodic meetings of NCDD.

Service delivery quality will be monitored using a standardised set of indicators, The District Administration will be primarily responsibility for measuring service delivery quality. However, service delivery quality will be independently verified by the independent service provider contracted for the Performance Assessments (see below).

During Phase 1 NCDDS will contract an independent service provider to conduct a baseline assessment of service delivery quality, building on the findings of the participatory review (situation analysis) and assessment of compliance with the Minimum Conditions for receiving the Performance Based Grant. A follow up Performance Assessment including verifying improvements in service delivery, using standardised indicators, will be carried out during the final three months of the Project period.

V. Risk Analysis

The Project seeks to introduce and test innovations in the delivery of services with important potential benefits to quality of local public health services in Cambodia. The decentralised public expenditure management approach of the Project is also highly relevant to the decentralisation of services in other sectors. Because of the innovatory nature of the Project there are inherent risks. These risks and mitigation measures are discussed below.

First and most important, project risk must not imply patient risk: the Project must be designed and implemented in such a way as to avoid any risk of compromising the existing quality of patient care provided by the Health Centres. This is an important reason for not including any aspect of direct patient care, during normal working hours, in the health centres, in the selection of functions to be transferred in the initial stage of the pilot. The *"do no harm"* principle should also be emphasised in development of the Action Plans at the District level and in the screening and approval of the action plans by the Technical Working Group.

Risk: Decentralisation of financial management under District financial management system does not result in an improvement in timeliness of budget execution. This risk is assessed as moderate to high. The improvements that can be made to the financial management system are constrained by the existing State budget rules and procedures. These are not fundamentally different for the District Administration as compared with the Ministry of Health. Fundamental reforms in the way that the State budget is managed and funds are disbursed through the Treasury system, are beyond the scope of the Project. Therefore, the assumption is that improvements can be effected through transferring decision making powers to the local level. The involvement of Ministry of Economy and Finance staff, and particularly, of the Provincial Treasury, in implementation of the Project, is intended to mitigate the risk of failure through inefficiencies in the financial management system.

Risk: Health sector staff resist the changes introduced by the Project. This risk is assessed as low to moderate. In any reform process there is a risk that reforms will be resisted by those who are comfortable with the present system. However the nature of the changes introduced by the Project does not threaten the interests of the key Health Centre staff, and may in fact improve their situation (better operation and maintenance of the health

centre, more timely release of expenses and allowances). Health Centre staff will be involved in the participatory review (situation analysis) and preparation of the Action Plan.

Risk: The administrative capacity of the District Administration is not sufficient to implement the Project effectively. This risk is assessed as moderate. Before the reforms introduced by the Organic Law of 2008, the District administrative offices operated under the direct instruction of the Province. Implementation of the reforms has proceeded slowly and 2013 is the first year in which the District has operated its budget independently of the Province. District Administrations have only limited flexibility to recruit and manage staff with suitable qualifications for their new tasks. However the administrative burden placed on the District by the Project is not especially great and the Districts will benefit from the assistance of the advisers / mentors recruited by the Project as well as from the general support of the NCDD-S advisory teams financed by IP3.

Risk: the time available for implementation of the Project is not sufficient to demonstrate beneficial impact. This risk is assessed as moderate. The Project covers only one budget cycle for the initial phase. The time available for start-up activities in the second half of 2013 is quite short. The introduction of new procedures will inevitably cause some short-term disruptions and some time will be needed before the new procedures are working well and delivering demonstrable benefits. To maximise the opportunity to demonstrate improvements within the time available, Project evaluation will focus on indicators of budget execution efficiency, which are expected to improve first, rather than on direct indicators of service delivery quality or health impact, which will take longer to develop.

VI. Project Costs and Financing

The total budget required for implementation of the project up to first quarter 2015 including the Performance Based Grants, capacity development and support to NCDD and the Inter-Ministerial Working Group to develop a proposal for roll-out of transfer of functions from 2015 onwards, is $US 487,850.75. Of this amount, $US 164,500 would be transferred to the District budgets through NCDD-S and a further $US 183,475 would be managed directly by NCDD-S under the National Implementation (NIM) modality. UNCDF would directly spend $US 110,250 for technical assistance and operational costs.

The budget required for Phase 1 is $US 119,128.75.

UNCDF core funding of $US 35,000 is available and it is proposed that this would be used to part-fund Phase 1; therefore, Phase II would be entirely funded by the financing partner.

Therefore the financing need requested from the financing partner is $US 84,128.75 in Phase I and $US 368,722.00 for Phase 2, totalling $US 452,850.75. These figures include GMS of 7% added to direct project costs financed by the financing partner.

A detailed budget is presented below.

PROMOTING LOCAL DEVELOPMENT THROUGH DECENTRALISED PUBLIC HEALTH SERVICES										
PROJECT BUDGET AND WORK PLAN										
			Qty and Timing							
			2013	2014	2014	2015		Imple-		
Item	**Description**	**Unit**	**Q4**	**Q1**	**Q2-4**	**Q1**	**Total**	**menter**	**Unit Cost**	**Total Cost**
OUTPUT 1: A detailed Action Plan, with five District sub-plans, for testing transfer of an initial set of public health functions, is agreed between NCDDS and MoH.										
1.01	Participatory situation review	District	5				5	NCDDS	$ 1,000.00	$ 5,000.00
1.02	Performance Assessment Baseline	District	5				5	NCDDS	$ 2,000.00	$ 10,000.00
1.03	Action Plans	District		5			5	NCDDS	$ 1,000.00	$ 5,000.00
1.04	Preparation of Traning Materials (consultants)	LS	1				1	NCDDS	$ 10,000.00	$ 10,000.00
1.05	Meeting costs for Inter-Ministerial Working group	mth	1	2			3	NCDDS	$ 75.00	$ 225.00
1.06	Travel costs for Inter-Ministerial Working Group	mth	1	2			3	NCDDS	$ 600.00	$ 1,800.00
1.07	Equipment (motorcycles for District advisers, computers)	LS	1				1	NCDDS	$ 30,000.00	$ 30,000.00
1.08	Meetings of Provincial monitoring group	mth	3	6			9	NCDDS	$ 250.00	$ 2,250.00
1.09	NCDDS Project Adviser	mth	1	2			3	NCDDS	$ 2,000.00	$ 6,000.00
1.10	NCDD-S Finance Assistant	mth	1	2			3	NCDDS	$ 600.00	$ 1,800.00
1.12	District Adviser / Mentor	month	5	10			15	NCDDS	$ 300.00	$ 4,500.00
1.13	Project Technical Specialist	mth	1	2			3	UNCDF	$ 3,000.00	$ 9,000.00
1.14	UNCDF Operational Costs	mth	1	2			3	UNCDF	$ 600.00	$ 1,800.00
1.15	Design of Performance Based Grant System and financial management arragements	mth	1				1	UNCDF	$ 15,000.00	$ 15,000.00
1.16	Technical backstopping	mth	0.25	0.5			0.75	UNCDF	$ 15,000.00	$ 11,250.00
	Sub-Total for Output 1									$ 113,625.00
	A: Total Project Expenditures for PHASE 1									**$ 113,625.00**
	B: UNCDF Core funding									**$ 35,000.00**
	C: Financing Need (Financing Partner) for Phase 1 (A-B)									**$ 78,625.00**
	D: GMS @ 7% (C * 0.07)							GMS		**$ 5,503.75**
	E: Financing Request for Phase 1 (C + D)									**$ 84,128.75**
	F: TOTAL FOR PHASE 1									**$ 119,128.75**
OUTPUT 2: Transfer of initial set of public health functions tested in 5 Districts										
2.01	Performance Based Grants	Diustrict			5		5	District	$ 32,500.00	$ 162,500.00
2.02	Monitoring by District Working Group	District			0.75	0.25	1	District	$ 2,000.00	$ 2,000.00
2.03	Performance Assessment	District				5	5	NCDDS	$ 1,500.00	$ 7,500.00
	Sub-Total for Output 2									*$ 172,000.00*
OUTPUT 3: Capacity Development for Public Health Administration										
3.01	District Adviser / Mentor	month			45	15	60	NCDDS	$ 300.00	$ 18,000.00
3.02	Administration of Public Health Training Course	Trainee-day			200		200	NCDDS	$ 35.00	$ 7,000.00
3.03	Financial Management of Public Health Traning Course	Trainee-day			60		60	NCDDS	$ 35.00	$ 2,100.00
3.04	Village Health Support Groups Training	Trainee-day			1600		1600	NCDDS	$ 15.00	$ 24,000.00
	Sub-Total for Output 3									*$ 51,100.00*
OUTPUT 4: Policy and Plan for Roll-Out of Transfer of Public Health Functions										
4.01	Meeting costs for Inter-Ministerial Working group	mth			9	3	12	NCDDS	$ 75.00	$ 900.00
4.02	Travel costs for Inter-Ministerial Working Group	mth			9	3	12	NCDDS	$ 600.00	$ 7,200.00
4.03	Meetings of Provincial monitoring group	mth			27	9	36	NCDDS	$ 250.00	$ 9,000.00
4.04	NCDDS Project Adviser	mth			9	3	12	NCDDS	$ 2,000.00	$ 24,000.00
4.05	NCDD-S Finance Assistant	mth			9	3	12	NCDDS	$ 600.00	$ 7,200.00
4.06	Project Technical Specialist	mth			9	3	12	UNCDF	$ 3,000.00	$ 36,000.00
4.07	UNCDF Operational Costs	mth			9	3	12	UNCDF	$ 600.00	$ 7,200.00
4.08	Technical backstopping	mth			0.5	0.25	0.75	UNCDF	$ 15,000.00	$ 11,250.00
4.09	Project Reporting Support	mth				0.25	0.25	UNCDF	$ 15,001.00	$ 3,750.25
4.10	Support to Design of Roll-Out Phase	mth			1		1	UNCDF	$ 15,000.00	$ 15,000.00
	Sub-Total for Ouptut 4									*$ 121,500.25*
	G: Total Project Expenditures for Phase 2 (OUTPUTS 2, 3 & 4)									**$ 344,600.25**
	H: Financing Need (Financing Partner) for Phase 2 (= G)									**$ 344,600.25**
	*I: GMS @ 7% (H*0.07)*							*GMS*		*$ 24,122.02*
	J: Financing Request for Phase 2 (H + I)									**$ 368,722.27**
	K: TOTAL FOR PHASE 2 (= J)									**$ 368,722.27**
	L: TOTAL PROJECT EXPENDITURES (PHASE 1 & 2) (A+G)									**$ 458,225.25**
	M: UNCDF Core Funding (in Phase 1) (=B)									**$ 35,000.00**
	N: Total Financing Need (Phases 1 & 2) (L-M)									**$ 423,225.25**
	O: GMS @ 7% (N * 0.07)									**$ 29,625.77**
	P: Total Financing Request (Phases 1 & 2) (N + O)									**$ 452,851.02**
	Q: TOTAL PROJECT BUDGET (M+P)									**$ 487,851.02**

VII. PROJECT LOGICAL FRAMEWORK

PROMOTING LOCAL DEVELOPMENT THROUGH DECENTRALISED PUBLIC HEALTH SERVICES				
PROJECT LOGICAL FRAMEWORK				
Outcome / Output	**Indicator**	**Baseline**	**Target**	**Means of Verification**
Effectiveness of the new mechanisms demonstrated through improved efficiency of budget execution and measurable improvement in delivery of selected services	1. Timeliness of disbursement of approved expenditures.	From situation analysis per District	All expenditures completed within 1 month	Performance Assessment
	2. Satisfaction of Health Centre staff with new budget arrangements for selected expenditures.	From situation analysis per District	Health staff have positive assessment of new arrangements	Performance Assessment
	3. Measured improvement in delivery of at least 1 service in each District (to be defined in Action Plan)	From situation analysis per District	Action Plan	Performance Assessment
Output 1: A detailed Action Plan, with five District sub-plans, for testing transfer of an initial set of public health functions, is agreed between NCDDS and MoH.	4. NCDD-S and MoH jointly approve selection of target Districts and final selection of functions to be tested.	-	By December 2013	Phase 1 report
	5. NCDD-S and MoH jointly approve action plans developed by participating Districts	-	By February 2014	Phase 1 report
	6. Fund flow and financial management arrangements designed and agreed with financing partners	-	By February 2014	Phase 1 report
	7. Capacity development plan prepared	-	By February 2014	Phase 1 report
	8. Baseline Performance Assessment completed	-	February 2014	Phase 1 report
Output 2: Transfer of initial set of public health functions	9. Action plans funded by Performance Based Grants are integrated with District Budgets.	-	By March 2014	Project reporting

PROMOTING LOCAL DEVELOPMENT THROUGH DECENTRALISED PUBLIC HEALTH SERVICES				
PROJECT LOGICAL FRAMEWORK				
Outcome / Output	**Indicator**	**Baseline**	**Target**	**Means of Verification**
tested in 5 Districts;	10. % disbursement of Performance Based Grants by end of fiscal year.	-	At least 90%	District accounts
Output 3: Capacity for Public Health Administration Developed in 5 Districts	11. No. of District level staff trained in public health administration	Zero	200	Project reporting
	12. No. of District level staff trained in public health financing	Zero	60	Project reporting
	13. No of village and commune level personnel with refresher training on roles and responsibilities of community health structures.	-	1600	Project reporting
Output 4: Policy and Plan for Roll-Out of Transfer of Public Health Functions	14. NCDD-S and MoH jointly agree selection of functions to be transferred.	-	By August 2014	Project reporting
	15. NCDD-S and MoH jointly agree a work plan for transfer of public health functions	-	By September 2014	Project reporting
	16. Programme for roll-out of transfer of public health functions approved by NCDD and supported by Government and donor financing from 2015	-	By October 2014	Decision by NCDD