1. **Objective.** To cofinance capacity building components of World Bank supported operations in eligible countries (see paragraph 3 below).

2. **Focus.** The Grants would cofinance technical assistance in qualifying countries to strengthen institutional capacity needs of operations supported by the World Bank. This facility would meet the technical assistance needs of qualifying countries where borrowing for such activities may be unaffordable due to limited budgetary constraints and borrowing limitations. By building local capacity, the Cofinancing grants are expected to facilitate implementation of agreed key policy reforms and good governance initiatives which may lack financial resources for reforms and innovations to be successful.

3. **Country Eligibility and Poverty and Regional Focus.** To maintain a poverty focus, IDA and IDA/IBRD blend countries would be eligible for these Grants.

4. **Amount.** The maximum amount for a Cofinancing grant would be **US$1 million.** Eligibility to receive such a Grant would require that about 25 percent of the cost of the capacity building activities of the operations would be financed by the World Bank and/or the Recipient country. Regional Vice Presidencies of the World Bank and borrowing countries would identify potential operations for co-financing by PHRD TA early in the project cycle.

5. **Funding Proposal.** The Bank will provide to the Government of Japan (GoJ) twice in FY08, the proposals for operations to be co-financed from PHRD. Cofinancing grants are approved by GoJ on the basis of a one-page Funding proposal with the objectives, key performance indicators and estimated amount of the proposed financial assistance requested. Attached to the Funding Proposal would be detailed information including description of the components of the proposed operation and the grant, project financing plan by component and financiers, and grant supporting documents, such as the Project Information Document (PID), Project Concept Note (PCN) and detailed cost table of the grant. This will also include any risks (for example political, environmental, problems with the implementing agency, civil war or post-conflict situation) that may affect implementation of the grant. The detailed information would also be made available to the GoJ at the time of submission of the Funding Proposal.

6. **Eligible Expenditures.** The grant would finance expenditures for consulting services and in-country training.

7. **Ineligible Expenditures.** Expenditures on the following activities are ineligible: implementation of pilot programs, purchase of vehicles, salaries for civil servants in recipient countries, salaries or travel expenses for Extended Term Consultants and Bank staff (open-ended, term, and seconded staff).

8. **Grant Execution Arrangements.** Grants would be, without exception, recipient executed by the designated implementing agency of the operation. For each approved grant, the Bank and the recipient would enter into a Grant Agreement. For the purposes of monitoring the achievement of

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1 On exceptional basis, Concessional Finance and Global Partnerships Vice Presidency (CFP) can accept requests throughout the year for cases where the timing of the appraisal mission does not match the proposal submission dates provided in the schedule for PHRD (see FY08 Annual Policy Document).
development objectives, the Grant Agreement would be binding between the Recipient and the Bank.

9. **Selection Criteria.** The recipient must take full ownership in implementing the Grant to achieve its objectives and milestones just as it would for the Bank Loan/Credit/Grant. The Grant Funding Proposals must conform to the following criteria:

   (i) Grants would finance technical assistance for institutional capacity building of World Bank supported operations. The operation’s components supported by the Grant would be co-financed by the Bank and the Recipient country as described in paragraph 5 above.

   (ii) Evidence of strong country ownership of the operation activities would be essential.

   (iii) The closing date of the Grant must not be set beyond the closing date of the operation.

   (iv) Funding proposals can be submitted after approval of the Project Concept Note (or the Project Concept Document).

   (v) Grant proposals must be submitted to Concessional Finance and Global Partnerships Vice Presidency (CFP) at least four months before the expected appraisal date of the proposed operation.

   (vi) Japan’s PHRD cofinancing contribution must be incorporated in the Project Financing Plan during the appraisal mission and must be included in the Project Appraisal Document.

10. **Approval Process.** The Grant approval process would be as follows:

   (i) The Government of Japan would confirm its approval of the grants within four weeks from submission of the proposal.

   (ii) CFP will review the PAD to ensure that it includes detailed description and cost of the technical assistance proposed for co-financing by GoJ, and that the Grant funding as described in the PAD meets the criteria for the facility set out in the preceding paragraphs and consistent with the one-page Funding Proposal approved by GoJ.

   (iii) The amount and activities agreed for cofinancing would be re-confirmed in the minutes of the Appraisal Review Meeting, signed by the Country Director or representative.

   (iv) The representative of the Recipient country and the World Bank would sign the Grant Approval Letter immediately after the proposed Loan/Credit/Grant Agreement is signed with the grant recipient.

11. **Bank Fiduciary Responsibility as Grant Administrator.** All grants will be supervised in conjunction with the operations to ensure compliance with the Bank’s fiduciary responsibilities, with due diligence to economy and efficiency, and compliance with Procurement and Financial Management Guidelines (as for Bank Lending Operations).

12. **Reallocation/Restructuring of Grant Activities.** Bank policies and procedures would apply to reallocation or restructuring of the grants.

13. **Consultation with Local Japanese Officials.**

In order to ensure harmonization and coordination, Bank task teams are required to consult with the Embassy of Japan accredited to the recipient country about the PHRD Cofinancing grant application before submission of the proposal to Concessional Finance and Global Partnerships (CFP) for review. Such consultation and information sharing by task teams will help expedite the decision-making process. In addition, Bank task teams are encouraged to share the information about
progress and outcomes of PHRD projects with the Embassy of Japan and other Japanese aid agencies in the field.

14. **Japanese Visibility.**

Bank task teams are asked to help promote the visibility and local awareness of PHRD in recipient countries through the following types of activities:

(a) Publications, training programs, seminars and workshops financed by PHRD grants should clearly indicate that the activities in question have received funding from the Government of Japan;

(b) The logo (usually the Japanese national flag) should be used in publications financed by the PHRD program, and in banners and any other materials used in seminars and training programs financed by PHRD grants;

(c) All press releases issued by the Bank with respect to PHRD grants should refer to the financial contribution from the Government of Japan;

(d) Recipients should be encouraged to ensure that PHRD-financed activities are well covered by local print and electronic media, and that all related publicity materials, official notices, reports and publications explicitly acknowledge Japan as the source of funding received;

(e) Grant signing ceremonies in the field should be encouraged, with the Recipients being encouraged to include Japanese embassy officials and to invite local and international press to these ceremonies. Task teams should aim to inform the Embassy of Japan as well as CFP – which will alert the Japanese authorities in Tokyo – at least 10 days in advance of the signing ceremony.

In addition, CFP may promote visibility of PHRD by: (i) informing Country Directors of the importance of signing ceremonies to Japanese officials and the public to ensure recognition and support for PHRD funding; and (ii) continuing widespread distribution of the PHRD Annual Report, inclusion of PHRD information in relevant Bank documents, and occasional information sessions for Japanese organizations. A Guidance Note providing samples of other ways to improve visibility has been prepared and attached to the FY08 Annual Policy Document.

15. **Progress Reporting.** Bank task team leaders would be responsible for grant supervision and reporting on progress using the Grant Reporting and Monitoring System, in addition to the standard Implementation Status Report (ISR) required for Bank-funded operations. The donor would be informed regularly of supervision missions and will be invited to participate. At the completion of the operation, task team leaders should report on the components/activities financed by the Japan cofinancing grant in the Implementation Completion Report (ICR) which is prepared for every Bank financed lending operation.