



JAPAN POLICY AND HUMAN RESOURCES DEVELOPMENT FUND

Annual Report 2007



THE WORLD BANK
Concessional Finance and Global
Partnerships Vice Presidency



THE GOVERNMENT OF JAPAN

THE FACES OF THE PHRD

Partners in Development



Signing ceremony for the PHRD Project Preparation grant for the Empowerment of the Poor in Siem Reap (EPSR) Project in Cambodia. Photo by country team member.



Alumni of the Joint Japan/World Bank Graduate Scholarship Program. Photo provided by WBI.

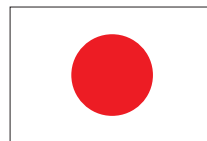


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MESSAGE FROM ARIF ZULFIQAR, DIRECTOR, TRUST FUND OPERATIONS

Fiscal year 2007 was the Japan PHRD Fund's seventeenth year of assistance to the World Bank's borrowing countries as well as to the work of the Bank. This support from the Government of Japan continues to be highly relevant and effective in pursuit of the Bank's poverty reduction mission. Its value is demonstrated by the sustained demand for its resources in the areas of technical assistance, and human resources development and capacity building. This has been confirmed by the independent evaluation of the largest core segment of the Fund – the PHRD Technical Assistance Program – that was completed during the past year, as well as the seventh tracer study of the Joint Japan/World Bank Graduate Scholarship Program.

Throughout fiscal year 2007, the PHRD Technical Assistance Program maintained its principal role among the Fund's five components. Ninety-nine grants were approved with a combined value of US\$99.2 million, yielding an average grant size of \$1 million. While the bulk of the grant funds was provided for project preparation and implementation activities, a number of grants were for climate change initiatives. Taken together, these grants benefited 53 recipient governments. About three-fourths of the total grant amount was provided to IDA-eligible countries. The findings of the evaluation study established that projects receiving PHRD technical assistance were more robust and of higher quality than those not receiving such support.

The Joint Japan/World Bank Graduate Scholarship Program has provided an excellent opportunity for

mid-career professionals from World Bank borrowing countries to pursue graduate studies in development-related fields. In fiscal year 2007, besides the 136 scholarships awarded to applicants from 78 developing countries to pursue graduate-level studies, 79 additional scholarships allowed individual scholars to receive specialized training in fields such as economic policy management and infrastructure management, through partnership arrangements with eleven universities around the world. Japan's contribution to this program in fiscal year 2007 was US\$11.9 million. The results of tracer studies of alumni revealed that the success rates of obtaining degrees are high and that most graduates return to their countries, become engaged in development work, and are promoted to senior levels of responsibility.

Also prominent within the PHRD capacity building focus are other activities carried out in partnership with the World Bank Institute. The allocation for fiscal year 2007 funded capacity development at the individual, organizational, and institutional levels in India, Lao PDR, Kazakhstan, Pakistan, Sri Lanka, Tajikistan, and Vietnam—reaching 75,000 participants via 700 skill-building and knowledge-sharing events. The World Bank Institute also continues to receive valuable inputs from Japan-based partners enabling it to improve its capacity building outreach.

The Japan-World Bank Partnership Program, an umbrella arrangement including the work of the Tokyo Development Learning Center, the Policy Dialogue Enhancement Support Fund III and the Public

Outreach Support Fund, symbolizes the ever-deepening relationship which the PHRD Fund has helped foster between the Government of Japan and the Bank.

Finally, in fiscal year 2007, the Government of Japan contributed US\$2.1 million to the Japan PHRD Staff

and Extended-Term Consultant Program to augment the participation of Japanese nationals in the Bank.

The Trust Fund Operations Department remains committed to maximizing the effective and efficient use of the PHRD Fund for development purposes, as agreed between the Government of Japan and the Bank.

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ACRONYMS AND ABBREVIATIONS

AFR	Africa Region
APD	Annual Policy Document
ASCI	Administrative Staff College of India
ASIF	Armenian Social Investment Fund
CAS	Country Assistance Strategy
CCIG	Climate Change Initiatives Grants
CEPF	Critical Ecosystem Partnership Fund
CFP	Concessional Finance and Global Partnerships
CoF	Project Cofinancing
CTF	Consultant Trust Fund
EAP	East Asia and the Pacific Region
ECA	Europe and Central Asia Region
ETC	Extended Term Consultant
FY	Fiscal Year
GDLN	Global Development Learning Network
GEF	Global Environment Facility
GHG	Greenhouse Gases
GoE	Government of Ethiopia
GoJ	Government of Japan
GRM	Grant Reporting and Monitoring
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired ImmunoDeficiency Syndrome
IBRD	International Bank for Reconstruction and Development
ICM	Implementation Completion Memorandum
ICR	Implementation Completion Report

ICT	Information and Communication Technologies
IDA	International Development Association
ISR	Implementation Status Report
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JJ/WBGSP	Joint Japan/World Bank Graduate Scholarship Program
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KCP	Knowledge for Change Program
LCR	Latin America and the Caribbean Region
LIC	Low-Income Countries
LICUS	Low-Income Countries Under Stress
LMC	Lower Middle-Income Countries
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
MNA	Middle East and North Africa Region
NGO	Non-Governmental Organization
ODA	Official Development Assistance
PHRD	Japan Policy and Human Resources Development
PI	Project Implementation
PIC	Public Information Center
PIU	Project Implementation Unit
PP	Project Preparation
PPIAF	Public-Private Infrastructure Advisory Facility
PRSC	Poverty Reduction Support Credit
SAC	Structural Adjustment Credit
SAR	South Asia Region
SINET	Japanese Science and Information Network
SPF	Special Program Facility
TA	Technical Assistance
TDLC	Tokyo Development Learning Center
TF	Trust Fund
TFO	Trust Fund Operations
TTL	Task Team Leader
UMC	Upper Middle-Income Countries
WBI	World Bank Institute
WDR	World Development Report

INTRODUCTION AND OVERVIEW

1.1 PHRD Origins and Objectives

The Japan Policy and Human Resources Development (PHRD) Fund was established in 1990 as a partnership between the Government of Japan (GoJ) and the World Bank. Over the past 17 years the Fund has supported a wide range of poverty alleviation and capacity building activities.

The scope of the Fund is described in the Arrangement for the Administration of the Fund (as revised in March 1999) as follows:

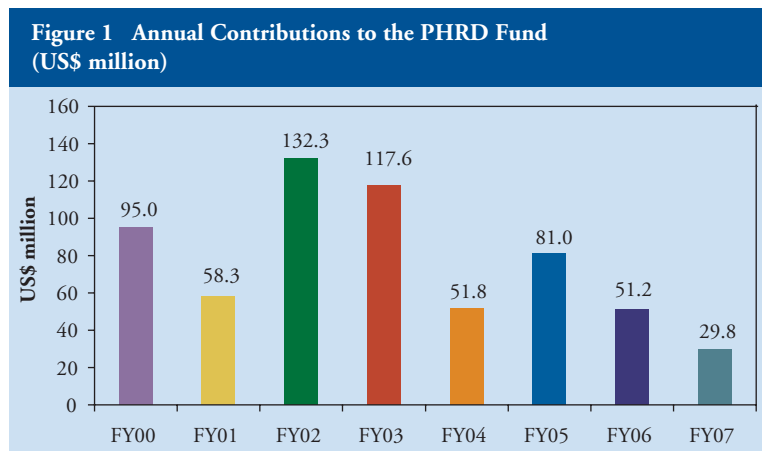
The Fund may be used for the purposes of financing technical assistance and other grant activities in respect of the formulation and implementation of Bank-supported projects and programs and activities to help develop human resources in developing member countries of the Bank, to assist developing member countries of the Bank to formu-

late and implement development policy and to strengthen the partnership between Japan and the Bank.

In the current decade, since fiscal year 2000 (FY00), GoJ has contributed over US\$617 million to the PHRD Fund (see Figure 1). It is one of the largest trust funds managed by the World Bank and is recognized as making a unique contribution to the Bank's development role in many areas, ranging from preparation by governments of Bank-financed operations in recipient countries to the provision of graduate scholarships to citizens of Bank member countries.

1.2 Program Overview

The PHRD Fund supports technical assistance, human resources development and capacity building, Japanese staff and consultants, and Japan-World Bank



partnership initiatives through the following programs:

■ *Technical Assistance:*

- The **PHRD Technical Assistance (TA) Program** provides grants primarily to assist the World Bank's borrowing countries with the preparation and implementation of operations to be financed through International Bank for Reconstruction and Development (IBRD) loans and International Development Association (IDA) credits and grants. In addition, the PHRD TA Program supports a range of climate change-related activities.

■ *Human Resources Development and Capacity Building:*

- The **Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP)** provides scholarships to support post-graduate training at Master's degree level for member country nationals. Similar scholarship programs supported by Japan are managed by other Multilateral Development Banks, but the JJ/WBGSP is both the longest-established and by far the largest of these programs;
- The **PHRD-World Bank Institute (WBI) Capacity Development Grants Program** supports WBI's capacity development activities, with a particular focus on activities in East, South and Central Asia.

■ *Japanese Staff and Consultants:*

- The **Japan PHRD Staff and Extended-Term Consultant (ETC) Program** supports part of the costs of Japanese nationals recruited to work within the World Bank.

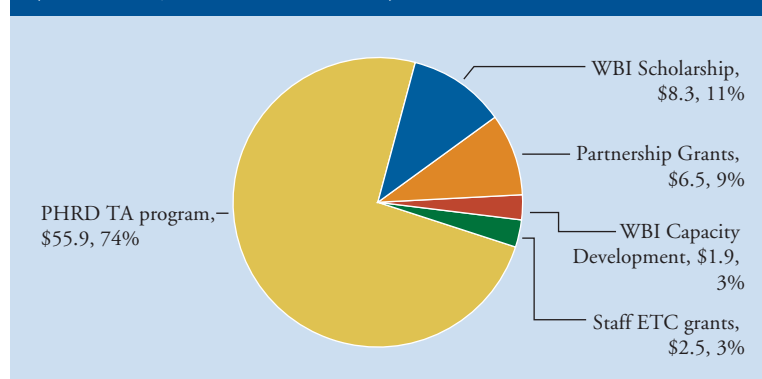
■ *Partnership Initiative:*

- The **Japan-World Bank Partnership Program** supports activities, such as research programs, workshops, and seminars that promote partnership between Japan and the World Bank.

Figure 2 shows the relative share of disbursements from each of these programs. In FY07, about three-fourths of the total disbursements of US\$75.1 million from the PHRD Fund were from the PHRD TA program. This percentage is similar to the previous year. The next largest share of disbursement was from the JJ/WBGSP representing 11 percent (US\$8.3 million) of total FY07 disbursements – a decline of five percentage points compared to FY06. The Japan-World Bank Partnership Program was the third largest component, with nine percent of FY07 disbursements - an increase of two percentage points compared to FY06.

In addition to these core programs (discussed further in Chapters 2, 3 and 4), the PHRD Fund is also used to provide support to other activities where the World Bank plays an important role in the international community. This often involves transferring resources from the PHRD Fund to other programs administered by the Bank Group, such as the Critical Ecosystem Part-

Figure 2 PHRD Program Disbursements in FY07
(US\$ million; total US\$75.1 million)



nership Fund (CEPF), the Environmental and Social Challenges in Multilateral Investment Guarantee Agency (MIGA) - Guaranteed Projects Trust Fund, and the Knowledge for Change Program (KCP).

1.3 FY07 Program Highlights

PHRD TA Program:

- One hundred and sixteen grant proposals for PHRD TA valued at US\$115.7 million were submitted to GoJ for approval in FY07. A total of 99 grants (US\$99.2 million) were approved during this reporting period.
- East Asia and the Pacific (EAP) Region, Europe and Central Asia (ECA) Region, and Africa (AFR) Region were the top three regions in terms of the value of approved grants. About one-third of the approved grants were for the EAP region, while about one-fourth were for the ECA region, and one-sixth for the AFR region. Vietnam, Azerbaijan, and the Philippines were among the top ten recipients of PHRD TA grants.
- Project Preparation (PP) grants continued to dominate, making up about 57 percent of the approved grants by value in FY07. Project Cofinancing (CoF) grants for institutional capacity building comprised 35 percent of the total amount approved. Five percent of the approved value was for Climate Change Initiatives Grants (CCIG). In FY07 US\$5.3 million worth of CCIG grants were approved compared to US\$4.5 million in FY06.¹ These grants are expected to benefit operations that deal with adaptation to climate change, carbon finance development, and strengthening of carbon market institutions.
- Demand for PP grants for policy-based lending operations has been increasing. Nearly one-fourth of the grants were for preparing budget support operations. This is nine percentage points higher than in FY06. About 16 percent of the grants were focused on governance, public sector, and financial sector reforms.
- Twenty six percent of the operations approved by the World Bank for financing in FY07 were prepared with PHRD TA PP grants.

¹FY06 figures have been revised from the FY06 Annual Report to (a) reflect the fiscal year of grant approval; and (b) account for grants not included in the FY06 Annual Report.

- The value of approved CoF grants nearly equaled the allocation of US\$35.0 million in the FY07 Annual Policy Document (APD) agreed between GoJ and the World Bank. Nearly half of the CoF grants were for general agriculture and public administration sectors.

Other PHRD Fund Programs:

- Under the JJ/WBGSP, 288 scholars were sponsored. Some 136 new scholarships were provided to scholars from 78 countries under the Regular Program, and 79 scholarships were awarded under the Partnership Program. As part of the twentieth anniversary celebration of the JJ/WBGSP, WBI brought together many alumni to discuss development issues at two regional conferences in Tanzania and Japan.
- Nineteen programs in WBI's seven focus countries were financed under the WBI Capacity Development Grants Program. These WBI programs were aligned with the country assistance strategies, recipient countries' poverty reduction strategies and countries' internationally agreed development goals.
- 19 appointments were made under the Japan PHRD Staff and ETC Program.

Assessments of the PHRD programs:

- The Seventh Tracer study concluded that the JJ/WBGSP is achieving its objectives in a cost-effective manner. The overwhelming majority of the scholars earned their degrees, returned to their countries, and engaged in gainful employment that contributes to the development of their countries.
- An independent evaluation of the PHRD TA program found that it remains a unique instrument for improving the quality of projects through the financing of technical assistance mainly during the preparation phase of the operation, but also for institutional capacity building during implementation. The evaluation also found that PP grants fill a key need since alternative financing mechanisms do not always have their advantages, which are: (i) recipient execution; (ii) untied nature; and (iii) adequacy of funding. Also, grants of this type have helped finance conceptual studies that few national governments would be able to support in anticipation of follow-on projects. The study concluded that without PP grants, countries would be less able to prepare operations in support of their development



Panel Discussion on Capacity Building in Tanzania in March 2007. Photo provided by WBI.

strategies. With respect to CCIG, these grants have enabled some recipient countries to enter the new international carbon finance market.

■ A review of 109 PHRD TA grants closed in FY07 was carried out. The main conclusions were:

- Of the 96 operations associated with 99 PHRD PP grants which closed in FY07, 66 operations (69 percent) actually used a PHRD PP grant, and were approved by the World Bank's Board of Executive Directors.²
- PP grants comprised a significant share of the closed grants in number (91 percent) as well as value (93 percent). About four percent (in value terms) of the closed grants were to support project implementation in the area of capacity building, and three percent to support climate change initiatives.
- About 30 percent of the closed PHRD TA grants in value terms (US\$21.8 million) were approved for 11 Asian countries.³ Of this amount, about three-fourths were for countries in the EAP region.

² The preparation of one regional operation was financed by three separate grants. Another operation was prepared by two grants, of which one was recipient-executed, while the other was Bank-executed.

³ The PHRD TA guidelines refer to all countries in the East Asia and the Pacific region, South Asia region and Central Asia countries in the ECA region as Asian countries. Asian countries in ECA included in this review include: Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

- Key lessons from grant implementation were:
 - Recipient execution is a cost-effective and efficient way of ensuring client ownership in execution;
 - In low-capacity IDA countries, substantial resources are needed for project preparation to build sustainability and ownership of the project among all the stakeholders;
 - Coordination is difficult in the preparation of regional operations; unless properly coordinated, there is a risk that grant activities may focus on country specifics instead of regional perspectives;
 - First-time implementers of PHRD TA grants and/or Bank-financed operations need special assistance in familiarization with Bank operational procedures;
 - It is essential for the Bank to stay the course on complex and politically difficult operations, and PHRD PP grants can be strategic vehicles to facilitate this;
 - In an environment of political instability and in conditions in which a government is unable to focus on a coherent articulation of policy and development strategy, TA is essential to maintain policy dialogue and to prepare officials for an environment that will ultimately be more conducive to coherent policy making.

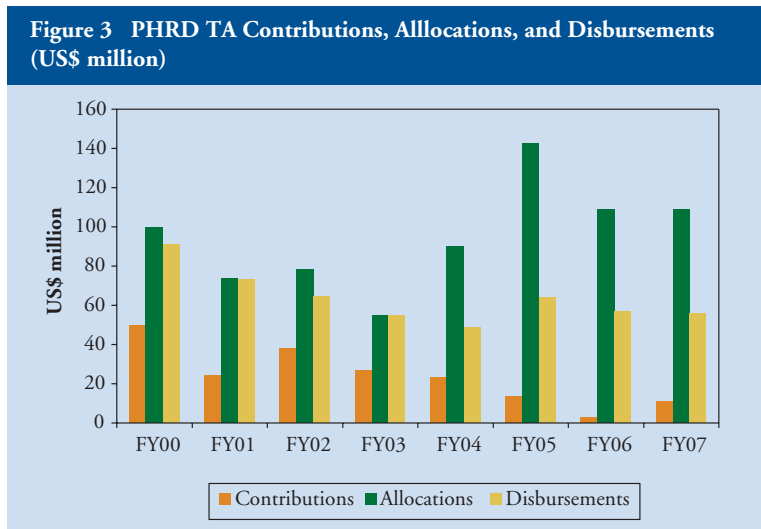
THE PHRD TECHNICAL ASSISTANCE PROGRAM

2.1 Program Trends

Figure 3 shows the trends in the PHRD TA contributions⁴, allocations and disbursements during FY00-07. The annual contribution has been declining since FY02 and after hitting a low of US\$2.9 million in FY06, it rebounded to US\$11.1 million in FY07. In contrast, TA allocations⁵ were at their third

highest level since FY00, amounting to US\$108.9 million. Grant disbursements⁶ in FY07 were comparable to the previous three fiscal years.

PHRD TA grants are an important source of financing available to low-income and lower middle-income countries⁷ for the preparation of IBRD loans and IDA credits and grants in all sectors, and to upper middle-income countries in some priority sectors, as indicated in the



⁴ Contribution = amount received from GoJ, in US dollar equivalent.

⁵ Allocation = grant amount, as approved by GoJ, recorded when the specific grant account is established. When grants are approved late in the fiscal year (FY), the allocation may not be recorded until the following fiscal year. As a result, annual data on “allocations” and “approvals” are not always identical.

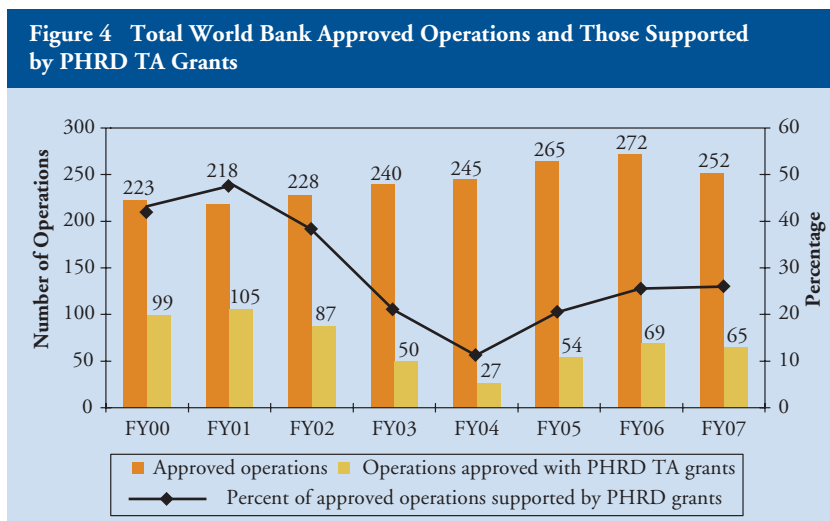
⁶ Disbursements = amount withdrawn from the grant account to finance expenses incurred by the grant recipients.

⁷ According to 2005 GNI per capita, countries’ income groups are: low-income (LIC), US\$875 or less; lower middle-income (LMC), US\$876-US\$3,465; upper middle-income (UMC), US\$3,466-US\$10,725; and high-income, US\$10,726 or more. Source: World Development Report (WDR), 2007.

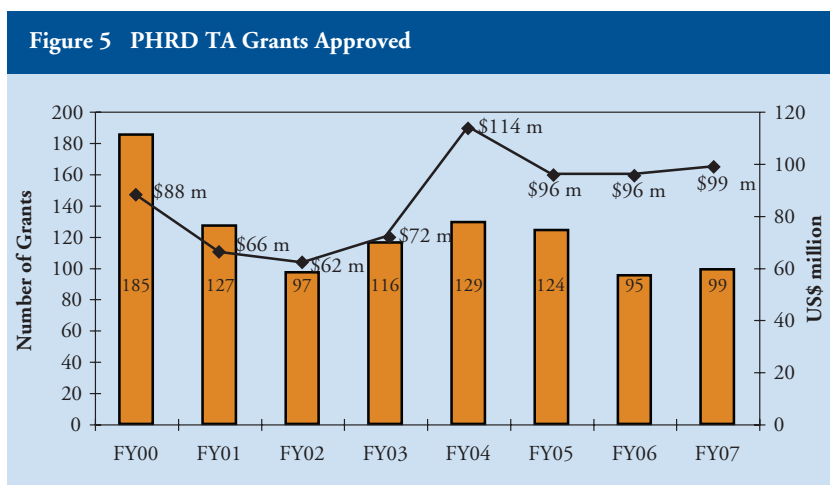
FY07 APD (Annex 2), which was agreed between GoJ and the World Bank.⁸ Figure 4⁹ shows that nearly half of the loans and credits approved for Bank financing during FY00-02 were prepared with the support of PHRD PP grants. This ratio declined to 11 percent in FY04 but increased again to 25 percent in FY06. In FY07, the ratio increased further by one percentage point.

Figure 5 shows that the total value of approved PHRD

TA grants¹⁰ stabilized to a level between US\$96 and US\$99 million annually in the past three years. This appears to reflect that: (a) the Bank's task teams have internalized the streamlined procedures which were introduced in FY01-02 and in FY06; and (b) real demand for TA grants is around this amount with the exception of CoF grants where demand exceeded available resources.



Sources: (1) World Bank Business Warehouse for data on Approved Operations; and (2) PHRD TA database for PHRD grants data.



⁸ Priority sectors include: education, health, nutrition, water supply and sanitation, social protection, social development and environment, participatory community development activities, and those sectors that involve NGOs and civil society, gender, and projects targeted at groups or areas that are clearly disadvantaged in terms of poverty indicators which are in line with the Millennium Development Goals (MDGs).

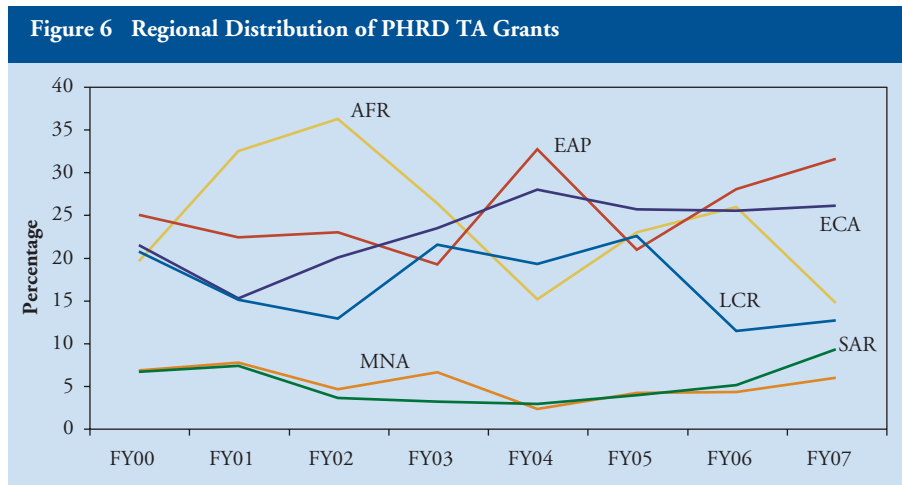
⁹ Based on revised FY05 and FY06 figures for approved operations and excluding Board approvals for Additional Financing.

¹⁰ Refers to the grant proposals endorsed by GoJ.

The PHRD TA Program is committed to supporting poverty reduction efforts, with a continuing focus on the poorest countries. In FY07, about 75 percent of the total grants submitted, by value, were for IDA-eligible countries. Also in the same year, the value of grant submissions for Asia (including countries in East, South and Central Asia) was 50 percent of the total.

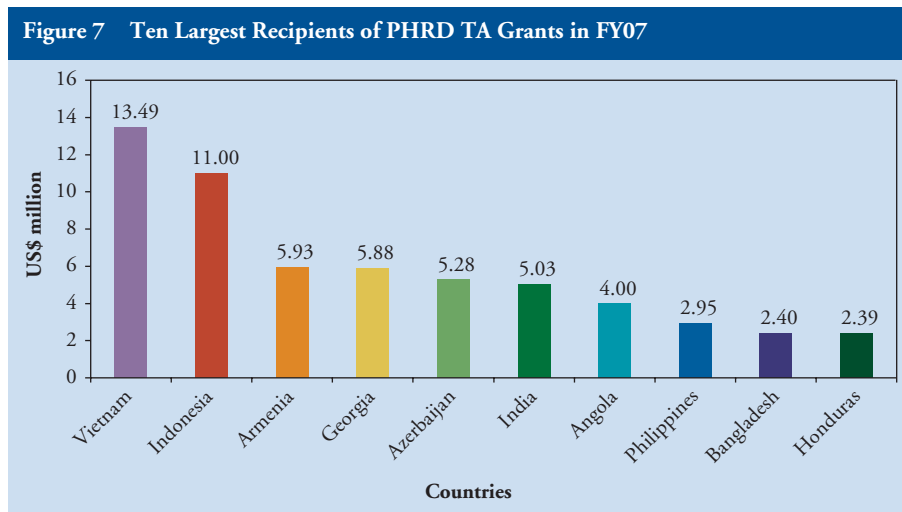
Two regions, ECA and EAP, received more than half of the total value of grants approved in FY07. From

Figure 6, it appears that the ECA region's share of the total approved value has been stable at around 26 percent in the previous three fiscal years. After a sharp dip in FY05, EAP's share has steadily increased, and in FY07 it had the highest share of the total value of approved grants. SAR received its highest share in FY07 (nine percent) since FY00. AFR and LCR received their lowest shares in FY07 since FY00.



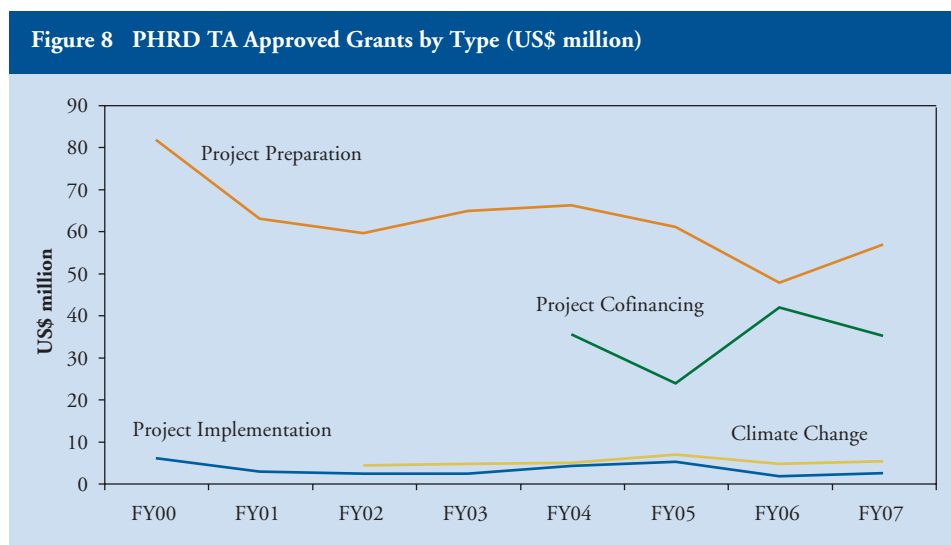
PHRD TA grants approved in FY07 were for 53 recipient governments. A little above half of the total approved amount went to 10 countries as shown in Figure 7. As in FY06, Vietnam, Azerbaijan, and the Philippines were among the ten largest recipients. Vietnam remained the largest recipient of PHRD TA

grants in both FY06 and FY07. Azerbaijan moved down from second place to fifth place, and the Philippines remained in the eighth place. The Kyrgyz Republic, Albania, Senegal, Kenya, Nigeria, Mongolia, and Gambia, which were among the ten largest recipients in FY06, were replaced by other countries.



In response to emerging development challenges, the PHRD TA Program has supported several innovative approaches. The scope of the Program was expanded in FY00 to address implementation capacity issues in ongoing projects (*PI* grants), and in FY04 - new operations (*CoF* grants). In both FY06 and FY07, CoF grant amounts comprised nearly two-fifths of the total value of approved grants. It is worthwhile noting that

demand for CoF grants exceeded the amount allocated in the APD. PI grants continued to be less in demand with only two percent of the total amount approved in FY07. In FY02, another window—CCIG—was introduced, and the demand for this type of grants has been increasing. In FY07, the amount of approved CCIG grants was about five percent of the total grant amount.



2.2 PHRD TA Grants in FY07

The regional submission of grant proposals is guided by the allocation in the APD. The FY07 APD provided US\$120 million, which was higher than the APD allocations in FY05 (US\$95 million) and FY06 (US\$50 million). The FY07 APD allocation was distributed as follows: US\$70 million was for PP; US\$35 million for CoF; US\$10 million for CCIG; and US\$5 million for PI grants. In response to this provision, 116 new grant proposals (amounting to US\$115.68 million) were submitted by the Regions for approval. Subsequently, four of the proposals with a total value of US\$7.3 million were withdrawn by the Regions, leaving the net number of proposals submitted at 112 (US\$103.3 million).

Ninety-nine TA grants were approved in FY07, totaling US\$99.2 million. This figure represents grants that were submitted in FY07 and in previous years, but were approved in FY07. A breakdown by window is summarized in Table 1, and a detailed list of grants is provided in Annex 1. About 57 percent of the

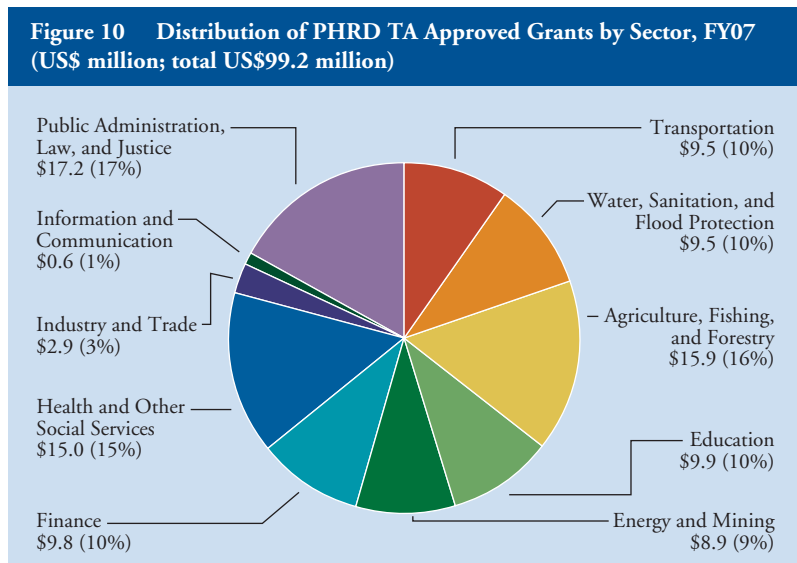
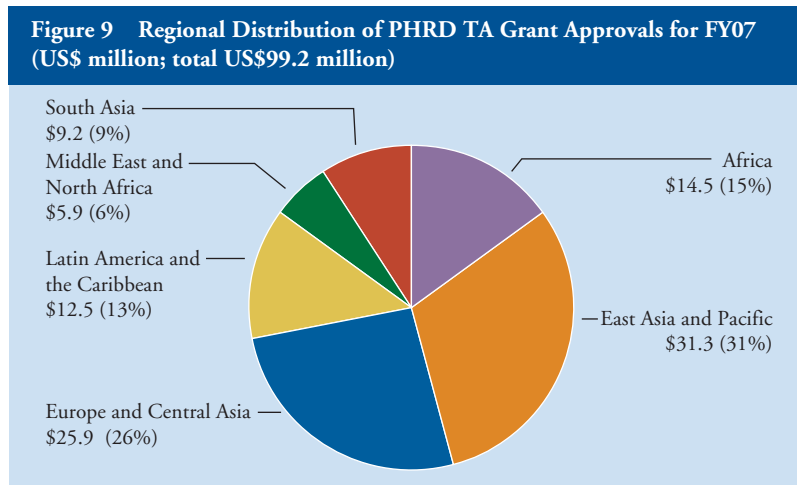
approved grant value was for project preparation, compared with about 50 percent in FY06 and about 75 percent in FY05. Thirty-five percent of the approved amount was for CoF grants in FY07, compared with 44 percent in FY06. The share of the CCIG was approximately five percent in FY07, which was the same, in percentage terms, as in FY05 and FY06. In absolute terms, however, the FY07 amount was \$0.7 million higher than the FY06 amount.

Table 1 PHRD TA Grants Approved in FY07

Program	Number of Grants	Amount (US\$)
Project Preparation	79	56,716,090
Project Implementation	4	2,302,750
Cofinancing	8	34,950,000
Climate Change	8	5,247,627
Total	99	99,216,467

Figure 9 shows the regional distribution of all PHRD TA grants in FY07. The largest share of approved grants went to the EAP region (31 percent), closely followed by the ECA region (26 percent). Shares of other regions were significantly lower, together comprising less than half of all approved amounts. SAR received only nine percent of the total approved amount, and MNA - only six percent.

The allocation of PHRD TA grants by sector in FY07 is shown in Figure 10. In FY07, the largest share (17 percent) of the grants was for operations in the Public Administration, Law, and Justice sector. In FY07, the share of grants for the Agriculture, Fishing, and Forestry sector decreased by three percentage points to 16 percent from the FY06 level, maintaining this sector in second place.



(a) Project Preparation Grants

Project Preparation grants aim to strengthen the quality and recipient ownership of operations financed by the World Bank through the provision of funds directly to potential borrowers to obtain technical

expertise that would assist in preparing Bank loans and credits. In FY07, the Government of Japan approved 79 new grants amounting to US\$56.7 million. All these grants are expected to be implemented by grant recipient countries.



The Agricultural Services Subsector Investment Project II in Ghana will assist the Recipient in implementing its Food and Agriculture Sector Development Policy to achieve increased rural incomes, higher agricultural productivity and diversification through agricultural exports. Photo by Curt Carnemark.



The School Education Quality Assurance Program in Vietnam aims to improve the quality of basic education. Photo by Simone D. McCourtie.



The Egypt Integrated Governorates Development Project aims to improve the local welfare of rural populations in selected clusters of Governorates in Upper Egypt. Photo by Ray Witlin.

In FY07, about 23 percent of the PP grants were approved for preparing policy-based lending operations. This was nine percentage points higher than FY06. The main objectives of these operations ranged from realigning growth, supporting macroeconomic stability and strengthening fiscal sustainability, improving public service delivery, reforms in governance, business environment and enhancing the implementation of the Poverty Reduction Support Program, to improving the effectiveness and efficiency of environmental management. About 16 percent of the PP grants were approved for operations in the Public Administration, Law, and Justice sector. The associated projects dealt with economic reforms, governance and public sector reforms, financial management issues, etc. An equal share of PP grants (16 percent) went to the Transportation sector (e.g., railway restructuring, traffic management and safety), and to the Health and Other Social Services sector (e.g., family health insurance, decentralization, and social protection). About 13 percent of the grants were provided in the Water, Sanitation, and Flood Protection sector. Twelve percent of grants covered various projects related to Energy and Mining. About 10 percent of PP grants were approved for the Agriculture, Fishing, and Forestry sector, with activities

ranging from rural reforms to rural productivity to capacity building. In addition, PP grants of more modest sums dealing with education, industry and trade, finance, and information and communications were approved.

(b) Project Implementation Grants

The purpose of this category of PHRD TA grants is to address specific weaknesses in the capacity of implementing agencies that have hampered the implementation of World Bank-financed project activities, and where the shortcomings were not identified during project preparation. The grants are available for IDA-/IDA-blend and lower middle-income countries to support World Bank-financed operations that have been under implementation for at least 12 months and are facing capacity constraints. Grant activities include technical assistance to build institutional capacity and local training.

Four grants totaling US\$2.3 million were approved in FY07. These were mainly in the areas of finance (financial services, financial management, payment system and banking system modernization), and of Human Immunodeficiency Virus (HIV)/Acquired ImmunoDeficiency Syndrome (AIDS) and health.

(c) Project Cofinancing Grants

This grant category aims to support technical assistance that would strengthen institutional capacity for operations financed by the Bank in IDA/IDA-blend countries.

The total approved amount for CoF grants nearly equaled the FY07 allocation of US\$35.0 million for this grant window. About 26 percent of the approved

amount was for the Agriculture, Fishing, and Forestry sector. The next groups of sectors, each receiving 23 percent of approved CoF grants, were the Public Administration, Law, and Justice sector and the Finance sector. The remaining grants went to the Health and Education sectors (14 percent each). The Recipient regions benefiting from CoF grants were Africa, East Asia and the Pacific, and Europe and Central Asia – the same as in FY06.



The cofinancing grant for the Vietnam Avian and Human Influenza Control and Preparedness Project will help the Government to reduce the health risk to humans from avian influenza by controlling the disease at source, by early detection and response to human cases and by preparing for the medical consequences if a human pandemic were to occur. Photo by Simone D. McCourtie.

(d) Climate Change Initiatives Grants

Climate Change Initiatives grants aim to support the inclusion of climate change concerns in the development planning process of recipient countries. They also support the preparation and implementation of World Bank-financed projects that are aimed at reduction in emissions of greenhouse gases, and the promotion of energy efficiency or the adaptation to the adverse impacts of climate change.

In FY07, eight grants were approved for Climate Change Initiatives that benefited Africa, Latin America and the Caribbean, Europe and Central

Asia, and South Asia regions. In terms of the number of grants approved, this was a slight decrease from FY06 when nine grants of this type were approved. In terms of value, however, there was an increase from US\$4.5 million in FY06 to US\$5.2 million in FY07. The CCIG grants were mainly in the energy and mining; water, sanitation, and flood protection; and agriculture, fishing, and forestry sectors. These grants benefited projects dealing with adaptation to climate change, carbon finance development and strengthening of carbon market institutions, monitoring of glacier retreat impacts, and drought adaptation.

HUMAN RESOURCES DEVELOPMENT AND CAPACITY BUILDING PROGRAMS

3.1 Introduction

GoJ supports the following two human resources development and capacity building programs through the PHRD Fund: (a) Joint Japan/World Bank Graduate Scholarship Program; and (b) WBI Capacity Development Program.

3.2 Joint Japan/World Bank Graduate Scholarship Program

The JJ/WBGSP provides opportunities for mid-career professionals from World Bank borrowing countries to pursue graduate studies in development-related fields. The program has two schemes leading to a Master's degree - the Regular Program and the Partnership Program. Since its establishment in 1987, the JJ/WBGSP has awarded 3,754 scholarships from a pool of 54,119 applicants for studies at universities in selected Bank member countries. Among them, 968 scholarships were awarded for studies at the various Partnership Program partner institutions. The Program's performance is evaluated through periodic tracer studies. Tracer Study VII, published in FY07, addressed the scholars' accomplishments during 1987-2006. With an almost 85 percent rate of return, including return to their home countries (79.7 percent), and to another developing country (4.8 percent), JJ/WBGSP scholars are utilizing the knowledge and skills received during their studies to contribute to development in their respective regions and countries. Most graduates now occupy high-ranked positions in

their respective countries, and many occupy decision-making as well as public policy positions, including ministerial portfolios.

The JJ/WBGSP supports 11 Partnership Programs at universities around the world. These programs enable scholars to receive specialized training in key areas of development, such as economic policy management and infrastructure management. Through its partnership scheme, the JJ/WBGSP contributes to building the institutional capacity of four African universities by supporting Master's degree programs in Economic Policy Management.

In FY07, GoJ contributed US\$11.9 million to the JJ/WBGSP, which allowed the Program to sponsor a total of 288 scholars. In FY07, the Program awarded 136 scholarships under the Regular Program to scholars from 78 different countries, and 79 scholarships to Partnership Program scholars. For the Regular Program, the largest group of awardees (44 percent) came from Africa, which also provided two-thirds of the applicants. It was followed by East Asia and the Pacific, and Latin America and the Caribbean (18 percent and 11 percent, respectively). Seventy-eight percent of awardees served in the public sector in their countries, 13 percent worked for Non-governmental organizations (NGOs), and three percent were employed by regional or international organizations.

The JJ/WBGSP launched the Scaling-Up Program in FY06. The objective of the program is to disseminate and apply the research carried out by JJ/WBGSP scholars and to facilitate lifelong knowledge exchange



Audience at the JJ/WBGSP Conference in Tokyo in June 2007. Photo provided by WBI.

and dialogue among development practitioners and scholars. In FY07, the alumni were brought together to discuss development issues at two regional conferences, one in Tanzania in March, and a second in Tokyo in June, when the JJ/WBGSP celebrated its twentieth anniversary. These conferences established a solid framework for the graduated scholars to share knowledge and establish links with development practitioners, including the Bank's country offices and Japanese Embassies.

3.3 WBI: Supporting Capacity Development through Knowledge and Innovation

The PHRD WBI Capacity Development Grants Program plays an integral role in enabling WBI to carry out its mission and implement country-specific programs in its focus countries, particularly in Asia. Over many years, GoJ has made substantial financial contributions to the WBI Capacity Development Grants Program to help countries develop capacity at the individual, organizational, and institutional levels through sustained skills-building, knowledge sharing, and diagnostics and benchmarking. Its support has been particularly critical for WBI to implement multi-year country-specific programs in countries in Asia

for priority activities identified jointly between GoJ and regional staff of the World Bank.

In FY07, GoJ approved a new allocation of US\$0.9 million¹¹ to fund programs in WBI's seven focus countries¹² in Asia, which were aligned with country assistance strategies, the recipients' own poverty reduction strategies, and internationally agreed development goals (see Table 2). The new funds were allocated to reflect GoJ's focus on Asia, particularly East Asia: US\$0.40 million (44 percent) were allocated to countries in the EAP region, US\$0.32 million (36 percent) to countries in SAR, and US\$0.18 million (20 percent) to countries in Central Asia.

In FY07, WBI worked directly and through its 200 partner organizations to reach 75,000 participants via some 700 courses, seminars, and other knowledge-sharing activities. In addition to face-to-face events,

¹¹ The total amount approved by GoJ for FY07 was \$1.2 million; however, WBI withdrew its proposal for the Thailand Country Program due to adverse in-country conditions at the time. The balance created by this withdrawal from the FY07 contribution, therefore, was carried forward to FY08.

¹² WBI focus countries which received support from Japan's FY07 new allocation were: India, Lao PDR, Kazakhstan, Pakistan, Sri Lanka, Tajikistan, and Vietnam.

Table 2 PHRD WBI Capacity Development Grants Program (FY07)

WBI Program Title	PHRD Funding Amount
East Asia	
<p><i>Lao PDR Country Program</i></p> <p>Strengthening the Capacity of the National Organization for the Study of Politics and Administration (NOSPA) and Other Local Institutions</p> <p>Parliamentary Strengthening Program</p> <p>Economic Management of the Environmentally Sensitive Uplands</p>	\$300,000
<p><i>Vietnam Country Program</i></p> <p>Integrated River Basin and Water Resources Management & Promotion of Farmer Participated Irrigation Management</p>	\$100,000
South Asia	
<p><i>India Country Program</i></p> <p>Urban Management</p> <p>Fiscal Management and Public Sector Governance</p> <p>Investment Climate</p> <p>Health and AIDS</p>	\$170,000
<p><i>Pakistan Country Program</i></p> <p>Public Sector Governance and Financial Management</p> <p>Poverty Analysis and MDG Monitoring</p>	\$50,000
<p><i>Sri Lanka Country Program</i></p> <p>Capacity Building Program on Social Accountability</p> <p>Poverty and Growth Program</p> <p>Media, Information, and Governance Program</p> <p>E-Sri Lanka Video Conference Series</p>	\$100,000
Central Asia	
<p><i>Tajikistan Country Program</i></p> <p>Building Public Sector Implementation Capacity</p> <p>Support to Implementation of the Private Sector Development Strategy</p> <p>Non-Revenue Water Flagship Course</p>	\$90,000
<p><i>Kazakhstan Country Program</i></p> <p>Competitive Regions and Cities: Urban Program</p> <p>Public Private Partnerships for Infrastructure Development</p>	\$90,000
Total Funding approved in FY07	\$900,000

WBI developed and delivered distance learning courses and facilitated the formation and operation of online communities of practice to enable far-flung development practitioners to share solutions to common problems.

The total PHRD funds that were available to WBI, including both the new allocation and carry-over funds from previous fiscal years, amounted to US\$4.2 million. This represented about 17 percent of all donor funds that were available for WBI use during FY07 and enabled WBI to deliver a wide range of activities in 15 focus countries, mainly in Asia, and

some regional activities. Boxes 1 and 2 provide brief descriptions of two country-level programs and the specific outcomes achieved.

PHRD grants also facilitated collaboration between WBI and GoJ. Many programs supported by the PHRD grants were delivered with valuable input from Japanese partners, which enabled WBI to enrich the content of its programs, scale them up, and intensify their outreach. These partners included the Japan International Cooperation Agency (JICA), the Ministry of Environment, private sector firms, and universities.

Box 1 Urban Management Program in India

WBI's Urban Management Program in India aimed to develop curriculum and institutionalize, as well as scale up professional learning programs in five distinct but supportive areas, namely: city management; municipal finance; municipal services management; solid waste management; and disaster management at Indian institutions. The Program has developed and is expanding a network of local institutions in India to provide certification in urban management and governance in order to equip a new generation of urban managers to better run Indian cities and ensure service delivery to their citizens.

In FY07, this network was expanded from the Administrative Staff College of India (Hyderabad), ASCI, to include YASHADA of Maharashtra. The model and lessons of this certification program are being mainstreamed through three Bank operations in the urban sector (Tamil Nadu, Andhra Pradesh, and Gujarat), as well as through WBI's participation in the design of the capacity building program under the JNNURM (Jawaharlal Nehru National

Urban Renewal Mission). Some 200 urban managers have already graduated from ASCI and have started to implement urban development plans. The *solid waste component* developed learning modules on solid waste management tailored to India and this expanded module is being incorporated into the urban management certification curriculum and is working through several Bank-funded urban projects at the state level. The *disaster management component* began a partnership with the National Institute of Disaster Management to roll out an on-line training program on risk management for natural disasters. This component also supported the professionalization of the disaster management field by facilitating peer-to-peer learning through collaboration of academic institutions, Madras University, Middle East Technical University and Kyoto University, to jointly design master's level courses. It also supported the Bank's Sustainable Development department to organize a Regional Disaster Management Conference "Hazards of Nature, Risks and Opportunities" which took place in December 2006 in New Delhi.

Box 2 Investment Climate Program in Indonesia

The Investment Climate Program aimed to improve the capacity of the Indonesian government to formulate and implement effective policies that will contribute to an improved investment climate for private sector-led growth in Indonesia. More specifically, this grant-funded Program supported the country's efforts to achieve regulatory simplifications, implementation of one-stop shops for business registration, and improvement in the overall transparency of regulations.

The Program delivered a series of capacity building workshops and discussions with key players and stakeholders, including government officials and

private sector representatives. This work has helped raise the awareness of the importance of investment climate issues for growth and poverty reduction and built consensus on next steps for effective implementation of reforms. Two workshops that were held in April 2007 focused on specific regulatory reform issues with an emphasis on reform options and international experiences that led to adoption by the Government of a number of policy initiatives to accelerate regulatory reforms. These workshops attracted nearly 200 participants including government officials, policy advisors, parliamentarians, private sector representatives, and local policy researchers.

OTHER PHRD-SUPPORTED PROGRAMS

4.1 Introduction

The PHRD Fund also supports a number of other World Bank-administered programs, including the Japan PHRD Staff and ETC program, the Japan-World Bank Partnership Program, the Japan Consultant Trust Fund Program, and other trust funds which receive contributions from Japan via the PHRD Fund.

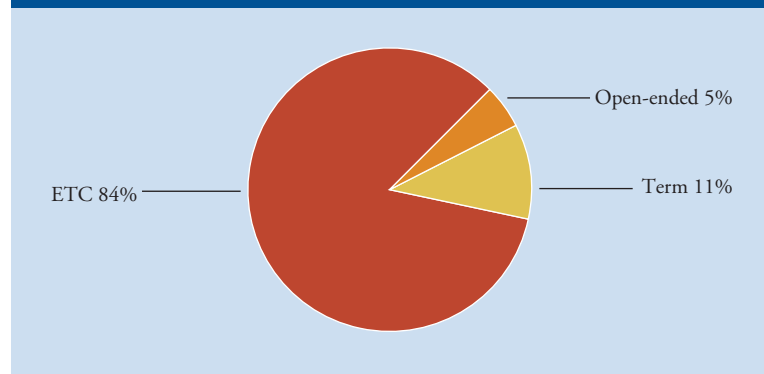
4.2 Japan PHRD Staff and ETC Program

The objective of the Japan PHRD Staff and ETC Program is to facilitate the appointment of Japanese

nationals as staff members or extended-term consultants at the World Bank, at grade levels of GF and above. The Program finances three categories of appointment: (a) ETC financed for up to two years; (b) term appointments financed for a maximum of four years; and (c) open-ended appointments financed for two years or during the probationary period, whichever comes first.

In FY07, GoJ contributed US\$2.1 million to the Japan PHRD Staff and ETC Program. The total number of appointments in FY07 was 19, with financing of about US\$2.3 million. Of these, 16 were ETC, two term, and one open-ended. Figure 11 shows the breakdown of FY07 appointments.

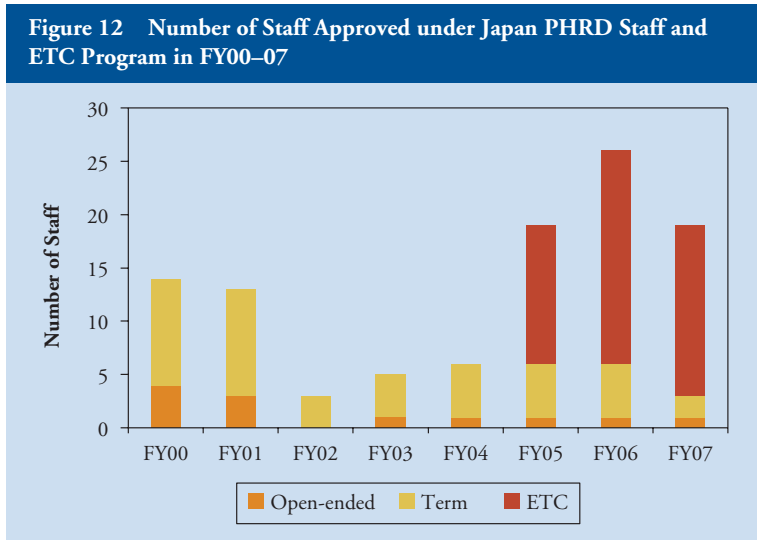
Figure 11 Japan PHRD Staff and ETC Program Grants Approved in FY07



Over the period FY00-07, 105 appointments were financed under this program, of which 47 percent were ETC, 42 percent term, and 11 percent open-ended appointments. The ETC program was introduced in FY05 and now accounts for nearly half of the total appointments under this Program. The main reason is that the program finances the full cost of salary

and benefits for the consultants for two years and subsequently they may be hired as term or open-ended staff and financed by the World Bank.

Figure 12 provides a breakdown of appointments by type over the FY00-07 period.



4.3 The Japan-World Bank Partnership Program

The objective of this program is to support activities that strengthen collaboration between Japan and the World Bank. Progress under some of the Program grants is described here.

Tokyo Development Learning Center

A grant supporting the Tokyo Development Learning Center (TDLC) is the largest under the Japan-World Bank Partnership Program.

Having achieved distinction as a convener of knowledge sharing activities for the development community in Japan and the broader East Asia and the Pacific region, the TDLC succeeded in scaling up its partnerships and programs in FY07, with many clients returning as repeat users. This has enabled the TDLC to propose more elaborate programs that showcase the full potential of the Global Development Learning Network (GDLN), leading to a rapid growth in revenue. Recognized as a regional hub, the TDLC has

assumed a leading role in contributing to the sustainability and development impact of the GDLN.

The inauguration of GDLN Asia Pacific in FY07 is a culmination of the TDLC's efforts since 2004 to build up regional capacity, and is a significant milestone in the project history. This new association will provide a unified approach to better coordinate programs and services. In June 2007, the TDLC hosted the association's first general meeting, attended by 130 representatives from a broad spectrum of affiliates, partners and stakeholders, including the World Bank, governments, universities and the private sector, to reaffirm the role of TDLC and explore future business opportunities as a regional effort.

The TDLC has taken the lead to mainstream the GDLN in the World Bank agenda. Through the TDLC, various programs in the Bank's EAP region have utilized GDLN services to share research outcomes, disseminate publications and form communities of practice.

The TDLC also works closely with WBI, by disseminating its knowledge resources through JICA. Based

on a cooperation agreement with JICA-Net, the TDLC has facilitated content sharing between the Agency and GDLN, delivering JICA-Net seminars to Africa in English as well as French.

The private sector is also involved with the Center. The TDLC implemented Corporate Social Responsibility seminars in Tokyo, which paved the way to market programs to business associations and companies, engaging them in development.

Blended learning methodologies developed by the TDLC have been positioned at the core to expand outreach while maintaining quality. Mature programs such as the Microfinance Training of Trainers Course organized with the Asian Development Bank Institute incorporated webstreaming and Moodle for the first time, enabling 653 participants from 52 countries to register on-line.

The Asia Productivity Organization, another long-term TDLC partner, has embraced blended learning programs as a cost-effective, environmentally friendly alternative to traditional training methods. The organization trained 900 participants in 16 member countries through the TDLC, amounting to roughly 40 percent of the total number trained annually in face-to-face sessions.

Technically, the TDLC installed a Multipoint Control Unit that gives it the capacity to perform bridging services for videoconferences, as a domestic hub within Japan and the region. The TDLC also became an official member of the Japanese Science and Information Network (SINET), boosting connectivity within Japan to include over 700 universities and research institutions under a reliable and economic Information and Communication Technologies (ICT) infrastructure. Preparations are underway to establish multi-media capabilities to support the creation of more innovative programs that benefit Japan and the region as a whole.

The Policy Dialogue Enhancement Support Fund III

The Policy Dialogue Enhancement Support Fund III has been fully utilized in supporting further enhancement of policy level interactions between the World Bank and Japanese stakeholders and organizations that include media, academics, youth, private sector, parliamentarians, NGOs and other major constituencies through a wide range of outreach activities, such as

organizing policy dialogues, seminars, lectures, and videoconferences. Dissemination of the World Bank's key messages to the Japanese public and key constituencies and organizations within Japan has also benefited by the dissemination of materials and outreach activities through the Public Information Center in Tokyo (PIC Tokyo) and the World Bank Tokyo Office website.

The Public Outreach Support Fund

The Public Outreach Support Fund has supported the promotion of interactions and partnerships on development issues between the World Bank and Japan by translation and production of the World Bank's major publications, including the World Bank Annual Report and other publications into the Japanese language. These products have helped increase awareness of development issues amongst key stakeholders in Japan, and as a result, they have promoted enhanced knowledge and information sharing between Japan and the World Bank.

Strengthening the partnership between the World Bank and the Japanese private sector has continued to allow the Bank to provide the Japanese business community with advisory services to help them have increased business opportunities with Bank-funded projects. A Business Information Advisor has contributed to increased awareness among Japanese business consultants about Bank operations by holding business seminars and consultations.

4.4 The Japan CTF Program

At the end of FY07, Japan had a balance of around US\$9 million in this trust fund, in cash and investments, excluding commitments. GoJ and the World Bank agreed to extend the use of the unutilized funds in the CTF Program into FY08.

Disbursements amounted to US\$10.6 million in FY07, exceeding annual disbursements in each of the previous four years (Table 3).

4.5 Other Ongoing Programs

During FY07, transfers were made from the PHRD Fund to several other programs managed by the World Bank. The largest transfer, in the amount of US\$5.0 million, was made to the *Critical Ecosystem Partnership*

Table 3 Disbursements under the Japan CTF Program, by Region (US\$000)

Regions	FY03	FY04	FY05	FY06	FY07	Cumulative
AFR	19	918	525	833	740	3,035
EAP	412	1,625	2,519	2,201	3,105	9,862
ECA	37	263	387	175	320	1,182
LCR	137	471	543	562	2,013	3,725
MNA	87	361	483	392	455	1,779
SAR	0.00	103	110	124	326	662
Global	676	2,164	3,176	2,589	3,685	12,290
Total	1,368	5,905	7,743	6,876	10,644	32,535

Fund. In addition, US\$1.0 million was transferred to the *Environmental and Social Challenges in MIGA-Guaranteed Projects Trust Fund*. Another transfer was to the *Knowledge for Change Program*, comprising several trust funds. The transfer to KCP included US\$1.0 million transferred to the *Global Public Goods Trust Fund*; US\$0.7 million transferred to the *Poverty Dynamics and Service Delivery Trust Fund*; and US\$0.3 million transferred to the *Investment Climate and Trade and Integration Trust Fund*.

The Critical Ecosystem Partnership Fund, with funding from the Global Environment Facility (GEF) and the World Bank, focuses primarily on biodiversity hotspots and highly threatened regions, where some 60 percent of all terrestrial species diversity is found on only 1.4 percent of the planet's total surface area. The threat to species diversity is reflected in the mounting loss of forests and other plant and animal habitat worldwide. Eighty-eight percent of the original hotspots are already destroyed. Some 12 percent of



The Critical Ecosystem Partnership Fund (CEPF) supports the preservation of the environment in the Caucasus which is one of the world's most biologically rich and threatened areas. Photo by Nicholas Van Praag.

all mammal species and 11 percent of all bird and plant species are threatened with extinction. The Fund's administrative flexibility ensures that conservation investments achieve maximum impact. Its streamlined process of decision-making allows quick responses to new threats and support to smaller-scale projects that are often extremely time-sensitive.

The Environmental and Social Challenges in MIGA-Guaranteed Projects Trust Fund is a free-standing, single purpose trust fund that is open on a case-by-case basis to investors already receiving MIGA guarantees or being considered for support for existing or proposed projects in MIGA member countries in Africa. Through the Trust Fund, investors can receive expert advice from MIGA and from special consultants. The goal is to ensure that investors comply with MIGA's

environmental and social policies; are able to assess a project's environmental or social impacts; and receive best-practice advice on issues such as resettlement and local community benefits.

The Global Public Goods Trust Fund, Poverty Dynamics and Service Delivery Trust Fund, and Investment Climate and Trade and Integration Trust Fund jointly comprise the KCP. The overall purpose of the KCP is to act as an effective, transparent and efficient vehicle for the pooling of intellectual and financial resources for data collection, analysis, and research supporting poverty reduction and sustainable development. It is a multi-donor global program and partnership managed by the Development Economics (DEC)/Chief Economist Vice Presidency in the World Bank.

MONITORING AND EVALUATION (M&E) OF PHRD TA ACTIVITIES

5.1 Monitoring the Progress and Impact of PHRD Activities

The Concessional Finance and Global Partnerships (CFP) Vice Presidency emphasizes results-focused reporting on trust fund-financed activities. Reporting on PHRD grants covers financial aspects, implementation status, and completion. The impact of the PHRD Program is assessed through overall Program-level evaluations. Impact not only takes time to measure but can also potentially raise methodological issues in attributing changes to specific earlier activities.

The Annual Reports of the overall PHRD Program and the JJ/WBGSP cover both financial aspects and progress in carrying out grant activities and achieving objectives. The Annual Reports are public documents, and are made available in both English and Japanese.

Audited financial statements (produced six months after the end of the FY) are prepared by external auditors and shared with GoJ. The Trust Fund Accounting Department prepares a detailed quarterly financial report for the PHRD program, which covers unaudited statements of the current year and cumulative transactions under all main PHRD Fund categories. These quarterly reports are also shared with GoJ.

In addition to the JJ/WBGSP Annual Report, WBI carries out tracer studies every two years to analyze the impact of the program on alumni who completed studies five to six years before. These studies are public documents. The latest tracer study was done in May 2007. This FY07 tracer study, the seventh in

these series, addressed the performance of 3,554 scholars who received scholarships between 1987 and 2006 by investigating specific achievements in terms of degree completion, return to home country, employment, professional progression and each alumnus' perception of the benefits gained through the program.

Occasional reports on the Japan PHRD Staff and ETC Program are prepared by Trust Fund Operations (TFO) and provided to GoJ. Semi-annual updates are produced for the Japan CTF Program. All of these reports are available to GoJ through the Donor Center, an on-line reporting system which gives all donors access to information about their Trust Fund (TF) participation.

The main instrument for periodic internal reporting on the implementation status of the PHRD TA grants is the GRM system. The PHRD Program Manager issues a requirement for the GRM reports on an annual basis. A comprehensive final report is prepared by the TTL in the GRM system after completion of grant implementation. For each grant exceeding US\$1 million an Implementation Completion Memorandum (ICM) report is prepared. GRM and ICM reports are internal to the World Bank, but are used as a basis for reporting to donors.

The design of the GRM system, introduced in January 2005, is closely aligned with the Implementation Status Report (ISR) which is the monitoring tool for all loans and credits financed by the Bank, and with the Implementation Completion Report (ICR) for reporting on Bank-financed operations which have

closed. The GRM allows reporting on both qualitative and quantitative aspects of grant implementation and completion. The rate of reporting on PHRD grant implementation in the GRM in FY07 was slightly worse than in FY06. The rate in FY07 was 93 percent compared to nearly 100 percent in FY06, and around 60 percent in FY05.

An evaluation of the overall PHRD Program is carried out periodically, and the evaluation reports become public documents. An independent evaluation was commissioned in October 2006 to review the impact of the PHRD TA programs from FY00 to FY06. It was focused on PP, PI, and CCIG grants only in the following areas: (a) effectiveness and results; (b) relevance; (c) program management; and (d) recommendations for further improvement. The methodology of this evaluation included desk reviews of key documents, interviews with a broad range of stakeholders¹³, field visits to six countries representing five of the six regions, and quantitative analysis. The evaluation report was finalized at the end of calendar year 2007.

5.2 Findings and Recommendations of the Seventh JJ/WBGSP Tracer Study and Lessons Learned

The Seventh Tracer study concluded that the JJ/WBGSP is achieving its objectives in a cost-effective manner. The overwhelming majority of the scholars earned their degrees, returned to their countries, and engaged in gainful employment that contributes to the development of their countries. The study also found that the positive results obtained through the program have been sustained and the scholars continue to work, mostly at senior and executive levels.

The main recommendations are as follows:

- The system of tracking and contacting the individual scholar and each of the alumni should be strengthened. The scaling-up effort launched in

¹³ The stakeholders included task teams, staff associated with the management of the program, Sector Managers and Country Directors of the World Bank, officials in the grant recipient countries, officials of the Japan Executive Director's office in Washington, Ministries of Finance and Foreign Affairs of the Government of Japan, Japanese Embassy officials.

2005 would be instrumental to that end because it creates a community of development practitioners and facilitates a lifelong learning environment.

- Data on “before” as well as “after” graduation should be collected to improve the analysis of the future tracer studies. For instance, the tracer survey should start when the scholarship is awarded and should gather information related to the type of institution, nature of work, last position and ranks of the scholars before their selection.
- Although tracer studies have provided valuable indicators and have allowed the program to improve its performance over the years, there is a need for a comprehensive evaluation of the program. It is recommended to: (a) undertake an external evaluation of the program that could be performed by the World Bank Institute Evaluation Group; and (b) cooperate with similar international scholarship programs in order to set up benchmarks.
- Impact indicators for the Partnership Programs are very similar to those for the Regular Program. There is a need to further evaluate the programs individually in cooperation with partner universities.

5.3 Summary of the Findings of the PHRD TA Evaluation Study

The 2007 evaluation study¹⁴ found that the PHRD TA Program remains a unique strategic instrument for providing technical assistance to improve the quality of Bank projects. The Program's focus on upstream project preparation, as well as its requirements that grants be untied and implemented directly by recipient governments, are valued highly within the World Bank and by borrowing governments, and have been critical to its continued high relevance and effectiveness in strengthening development assistance across many sectors and in all developing regions.

The evaluation concluded that operations prepared with support from PHRD were associated with “more

¹⁴ The study did not include Project Co-financing grants, as this window was introduced only in 2004. The full name of the study is the Evaluation of the Policy and Human Resources Development Trust Fund, and it consists of several volumes. The volumes can be found on the Key Documents page of the PHRD website, under Evaluation of the PHRD TA Program: <http://www.worldbank.org/phrd>.

robust and better quality projects”. The rigorous data analysis showed that 98.5 percent of projects prepared with PHRD support were given “satisfactory” or better ratings by the World Bank’s Quality Assurance Group, a higher than average rating, but as the average figure was 96.3 percent the difference is not statistically significant.

The evaluation placed particular stress on the impact of PHRD grants on capacity development and policy formulation, and provided substantial country-level evidence to support their conclusions from the six case studies. Boxes 3 and 4 present excerpts from the case studies for Indonesia and Colombia, showing some of the ways in which PHRD PP grants supported capacity building in these countries.

5.3.1 PHRD TA Relevance

The study found that the original rationale of GoJ for funding project preparation remains valid and its relevance is likely to increase as a result of increased government decentralization – the transfer of political,

fiscal and administrative powers to sub-national governments – and civil society participation in project design and implementation. The preparation of projects at a sub-national level requires capacity building in a wide range of areas, including financial management, procurement, and social safeguards among others. At the same time, increased focus on a participatory approach requires widespread consultation that is resource-intensive and may not be affordable to all World Bank borrowing countries. PHRD TA has helped meet these needs during preparation while at the same time supporting technically complex operations with the best technical advice. In all countries, PHRD TA PP grants are seen as relevant to the operations of the World Bank, and fill a key need in an aid environment where there are few alternative funding sources which have the advantages of PHRD TA PP grants in terms of recipient execution, untied nature of the grants, and fund adequacy. PHRD TA grants fund conceptual studies that few national governments would be able to support in anticipation of follow-on projects. The study concluded that without

Box 3 Contributions to Capacity Building in Indonesia

Capacity building occurred in various ways:

- **Increased knowledge of World Bank procedures:** National governments (at the local level) were the most vocal in showing their appreciation for capacities built. All respondents in this category were happy to have been guided through the preparation process, and recognized that the grant preparation had exposed them to the complexities of the World Bank procurement process.
- **Increased awareness of alternative working styles:** Respondents noted that grant preparation had given them opportunities to learn new working styles – at least six of the grants included workshops on stakeholder participation or on topics such as reaching consensus.
- **Ability to disseminate new techniques through associations:** Local consultants commented that capacity building had been achieved through the multiplier effect. Four of the six local consultants interviewed indicated that they had been able to share new knowledge through discussions held at their professional associations and through seminars that they conducted.
- **Increased technical competencies:** Both local government and central government representatives recognized the value of technical training, in particular workshops in financial management and M&E systems.
- **Implementation of improved systems:** The grant for the Governance Financial Management and Revenue Generation helped put in place good structures in systems which highlighted the gaps in the Indonesian tax and revenue policies. The grant for the Coral Reef Rehabilitation Project II helped the project to move from a centralized management approach to a decentralized management approach with multiple Project Management Unit structures. Previously management functions were concentrated in Jakarta with local working groups responsible for implementation.

Box 4 Contributions to Capacity Building in Colombia

The examples provided by respondents or illustrated in documents focus on the effects of the grants on the capacities of organizations or units, rather than on the capacities of individuals participating in grant activities. The following points illustrate several ways in which PHRD grants have enhanced organizational capacities.

- **Capacity to manage the World Bank (WB) norms and procedures.** For almost all grants, the greatest capacity built in the implementing unit is the ability to manage the WB procedures and norms. This is not obtained through training, but through practice and is considered to be particularly crucial when the organization has not managed a WB project in the past.
- **Project design capability.** The grants are also reported to contribute to better organizational capacity to design projects for financing by the WB. For example, in the Province of Cundinamarca, the PHRD grant was the first experience in managing a grant of any kind and in requesting an external credit to implement a project. The provincial Secretariat for Education used a participatory approach to designing the follow-on project and the 10-year education plan, which

was reported as enhanced capacity for future project design and programming.

- **Networking capability and institutional know-how in a new area.** In another grant, *Disaster Vulnerability Reduction Project*, the capacity building effect is described in terms of building a network of institutional cooperation (agencies working together for the first time in the context of joint contracted activities) and institutional know-how for designing and implementing a full program for natural disaster vulnerability reduction that encompasses national and sub-national components.
- **Enhanced program delivery capability.** The outputs of the grants also contribute to changes in structure and operational policy that enhance the implementing agency's ability to deliver programming. In the case of the student loan provider in Colombia (Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior, ICETEX), because they acted on the results from the diagnostic carried out during the preparation phase, they note that the grant was instrumental for the restructuring and institutional strengthening of the Institute, thus helping to improve capacity to provide student loans.

the PHRD TA support, countries would be less able to implement Bank-funded operations in support of their national development strategies.

Projects funded by CCIG grants are seen as relevant to national development priorities, and the need for funding these initiatives appears to be growing. PHRD TA CCIG grants have enabled recipient countries to enter the new international carbon finance market and to experiment with innovative projects, including some of a research nature. PHRD TA is seen as an essential source of funding to prepare a WB-financed loan, a GEF grant, an IDA grant, or carbon finance contract, without which many of the climate change-related projects would not be undertaken. The earmarking of PHRD funds to create the CCIG grants has increased the relevance of PHRD TA to Japan and remains an important value-added component.

PHRD TA PI grants are particularly relevant in circumstances where unexpected developments occur or where more technical studies are needed. However, the demand for such grants has been far less than the annual allocation, and there may be several reasons for this, including: lack of awareness of this new type of grant, and the possibility that recipients are slow to identify the early signs of implementation capacity issues that would justify a request for a PI grant.

5.3.2 PHRD TA Effectiveness

The study found that the PHRD TA Program is a highly effective grant facility that has produced quality results in almost all areas. As an investment, it has led to a high level of outputs and good quality results for the resources expended. Although grants are generally less than US\$1.0 million, PHRD TA is rated highly by both WB and recipient countries, particu-

larly in terms of the quality of project preparation for WB loans, credits, and grants. PHRD TA grants do not appear to duplicate other Official Development Assistance (ODA) resources.

Between FY00 and FY06, PHRD TA allocated at least 35 percent of grant amounts to low-income countries and between 26 and 34 percent of grant amounts to Asia, thus reflecting general adherence to the policy of ensuring that 35 percent of submissions are for IDA and blend countries and 35 percent are for Asia.

PHRD PP grants, making up the largest proportion of the PHRD TA portfolio (85 percent), have contributed to country ownership and positive outcomes for follow-on projects, and contributed to human resources development within recipient countries. PHRD PI grants help channel TA resources to address issues that were not contemplated in project preparation. The grant-financed activities helped increase the technical capacities of implementing agencies and have created a greater sense of ownership by recipient governments and implementing agencies. PHRD CCIG grants are effective in leading to follow-on activities and adding value for countries. Stakeholders value CCIG grants for their contribution to local capacity building, although country ownership of these grants appears to be less than for other PHRD grants. Overall, PHRD TA grants have contributed to policy devel-

opment, and, in certain cases, to specific policy changes in the countries where grant-financed operations were implemented.

The evaluation study showed that PHRD PP grants also contributed to policy development and to specific policy changes. “Although policy change is not an expected outcome of most PHRD PP grants, they have often contributed to policy changes by producing the information required for policy decisions and in some cases have led to new policies.” Boxes 5 and 6 summarize the numerous ways in which the team found policy development was influenced by PHRD PP grants in Ethiopia and Armenia.

The evaluation concluded that through PHRD grant activities, Japan has gained visibility with implementing agencies in recipient countries. However, beyond these agencies and among other donors, the PHRD Program’s association with Japan is not known. The reasons lie in the low profile types of activities involved, the modest size of the grants, insufficient communication on the part of the WB, and little involvement of local Japanese embassies. At the country level, the Climate Change Initiatives have a high but as yet unrealized potential to enhance the visibility of Japan; at the donor level, PHRD may need to build synergy with other ODA initiatives to enhance Japan’s visibility.

Box 5 Contributions to Policy Development in Ethiopia

No less than five of the eight completed grants led to new policies being adopted by the Government of Ethiopia (GoE).

- **The Poverty Reduction Support Credit (PRSC) I grant** led to the development of a policy matrix based on a log-frame approach. While technically speaking the result might not be a new set of policies, the document has had considerable influence within the key development sectors in assigning priority to the reforms to be undertaken and to associate them with clear outputs, deliverables, progress indicators and timeframes. This was a very strategic contribution of the grant.
- **The Roads grant** by supporting studies for the production of resettlement and compensation action plans and corridor community development plans led the GoE Roads Authority to refine Phase II of its Road Sector Development Program (2002-2007). In addition, the study of the impact of roads on poverty reduction produced knowledge which will inform WB thinking and as such the study may have an impact beyond Ethiopia.
- **According to Bank's Task Team, the policy changes brought about by the National Information and Communication Technology (ICT) grant** were substantial even if some of them were unintended. Studies undertaken and

consultations with stakeholders spurred the formation of a public-private partnership for the extension of 'village phones' beyond what would have been allowed by the Ethiopian Telecommunications Corporation. They also led the GoE to agree to promote rural connectivity, to issue licenses to additional Internet Service Providers and to allow for community radio stations. The key catalyst here was the 'workshopping' of studies which brought together for the first time in the telecommunications sector, government and industry to sit at the same table.

- **Consensus building workshops were also responsible for progress on the policy front in the course of the Water Supply and Sanitation grant.** The policy changes brought about by the grant were said to be substantial. The grant proved to be instrumental in defining the national water resources strategy and fostering the adoption of parallel strategies at the regional and district levels.
- **Finally, the Private Sector grant** studies led to changes in the privatization (of state assets) law. Up to that point, the GoE had not had much success in selling off state-owned companies as it was seeking too high a price for them. The studies put forth alternatives (such as joint ventures, lease-purchase schemes) which were the subject of legislative amendments.

Box 6 Contributions to Policy Development in Armenia

Output	Examples
Supportive legislation, regulations, rules and procedures prepared or developed.	<p><i>Rural Enterprise and Small Scale Commercial Agricultural Development Project:</i> the project developed a regulation for implementation of an existing law on Seeds and Saplings; it also developed implementation guidelines which are seen as a key step in the reform of the Armenian seed sector, and an important move towards bringing the sector up to international standards.</p> <p><i>Structural Adjustment Credit (SAC) 5:</i> new procedures for regulating bankruptcy were developed; a survey carried out among 200 local enterprises that identified delays with customs clearance of shipped goods as a major obstacle for private sector development; survey results led to a change of customs legislation, introducing a new system of risk management using only sample checks on goods.</p>
Essential baseline data available.	<p><i>Education Quality and Relevance Project:</i> grant-financed studies helped identify existing strengths and weaknesses of the education sector, in particular, those related to the existing curriculum, information technology education, and in-service teacher training; a comprehensive overview study of the education sector helped determine institutional, financial, and technical needs and priorities, as well as conduct an assessment of the capabilities of key institutions involved in the education reform.</p>
Scope, foci, and overall strategy of the follow on project specified.	<p><i>SAC 5:</i> grant-financed project preparation activities included a study on higher education; the recommendations developed during the preparation phase prevented the government from implementing its initial plan of establishing a new agency for student loans. The assessment had found this approach to be not feasible, and recommended a more realistic interim measure instead, that suggested working with existing local credit institutes to develop a scheme for better student loans.</p> <p><i>Education Quality and Relevance Project:</i> preparation studies led to a general revision of the initial project concept, and resulted in a larger amount assigned for the project, as well as an extension of the envisaged project duration.</p>
Key project management tools developed.	<p><i>Health Optimization Project:</i> a detailed manual prepared for the envisaged hospital optimization process (i.e. merging several hospitals into fewer, more efficient ones) was developed; the manual provided considerable details of what needed to be done, where, by whom, and in what sequence; the manual provided a valuable tool for the project team to carry out a highly complex optimization process.</p> <p><i>Armenian Social Investment Fund (ASIF) III Project:</i> a methodology developed for community profiling and mapping, as well as a related M&E strategy to assess the impact of community investment projects.</p> <p><i>Utility Restructuring Project:</i> a database on rural communities in Armenia was elaborated; the database was used for the preparation of activities under the Millennium Challenge Account.</p>
Follow on project promoted among relevant stakeholders.	<p><i>Rural Enterprise and Small Scale Commercial Agricultural Development Project:</i> several workshops with targeted communities were carried out for them to assess their specific development needs, and how they could present them in a proposal to the envisaged follow-on World Bank project in order to obtain a small grant.</p>
Potential risks of politically sensitive projects analyzed, and mitigation strategies developed.	<p><i>Health Optimization Project:</i> analysis of the options for, and implications of the planned hospital mergers helped the Ministry anticipate potential areas for conflict (e.g. related to staff lay-offs) and criticism (e.g. related to the chosen model and scope of hospital mergers), base their plans on thorough research incorporating international best practices as well as knowledge of local conditions, and demonstrate that various approaches had been considered before deciding on one.</p> <p><i>Education Quality and Relevance Project:</i> Similar results were achieved with regard to sensitive issues related to school system optimization, and potential lay-offs of teaching staff.</p>

5.4 Review of the PHRD TA Grants Closed in FY07

A detailed review of the completion reports of 109 PHRD TA grants which closed in FY07 was carried out.¹⁵ The purpose of the review was to provide feed-

back from grant implementation that could lead to program improvements and to allow for extended reporting on the results of the completed grants. The grants covered in this review included PP, PI, and CCIG grants. A summary of the closed grants that were covered in this review is presented in Table 4 below.

Table 4 PHRD TA Grants Closed in FY07, by Grant Type and Region (number; US\$ million)

Region	Project Preparation		Project Implementation		Climate Change		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
AFR	22	16,541,223					22	16,541,223
EAP	18	14,588,585	1	889,300	1	494,530	20	15,972,415
ECA	19	11,826,846	3	1,152,900	1	770,000	23	13,749,746
LCR	30	18,894,009	3	1,129,628	1	625,600	34	20,649,237
MNA	6	3,065,600					6	3,065,600
SAR	4	2,624,500					4	2,624,500
Bank-wide Total	99	67,540,763	7	3,171,828	3	1,890,130	109	72,602,721

PP grants comprised a significant share of the closed grants in number (91 percent) as well as value (93 percent). About four percent (in value terms) of the closed grants were provided to support project implementation in the area of capacity building, and three percent to finance climate change initiatives.

LCR had the highest share (28 percent) of closed grants, similar to FY06 (Figure 13). About 23 percent and 22 percent of the FY07 closed grants were in the AFR and EAP regions respectively.

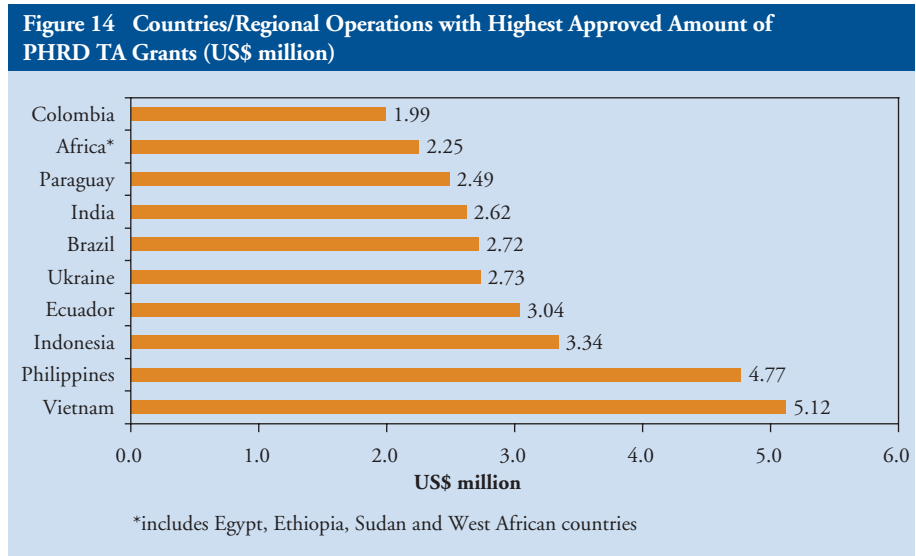
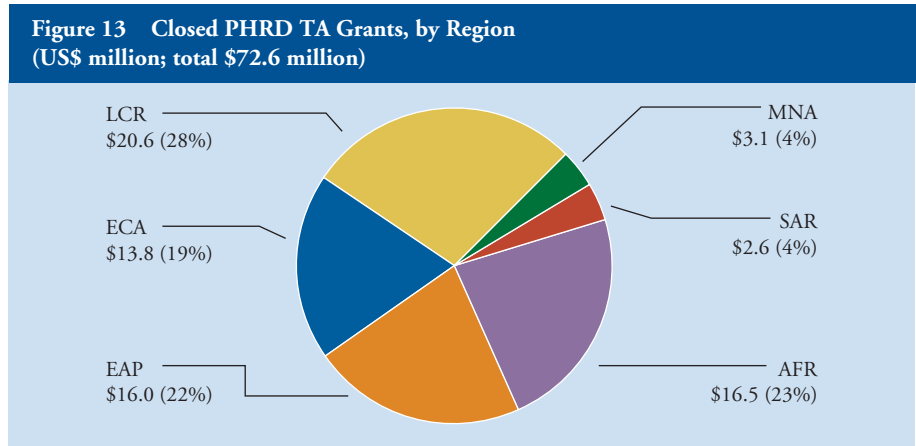
About 30 percent of the closed PHRD TA grants in value terms (US\$21.8 million) were approved for 11 Asian countries. Of this amount, about three-fourths were for countries in the EAP region.

Three countries from the EAP region and four from the LCR region were among the top ten countries that had the highest value of approved grants (Figure 14). Countries with the highest value of closed grants were Vietnam (US\$5.12 million), Philippines (US\$4.77 million), and Indonesia (US\$3.34 million).

¹⁵ Closed PHRD TA grants included those with closing dates between July 1, 2006 and June 30, 2007.

Grant Recipients have used grant-financed technical assistance for the following activities: (a) preparation of operational documents, such as social and environmental assessments, procurement plans, resettlement action plans, tribal or ethnic development plans to comply with the World Bank's requirements on procurement, financial management, safeguard and social aspects to be eligible for loans, credits and grants; (b) workshops for stakeholder consultations and information dissemination; (c) engineering feasibility studies; (d) detailed analytical studies on development policy issues; (e) designing M&E systems; (f) climate change initiatives; and (g) capacity building during project implementation.

The Agriculture, Health, Public Administration, Water, Sanitation, and Flood Protection sectors account for nearly two-thirds of the value of the closed grants. Grants for the Health sector operations focused mostly on health reforms, nutrition, mother and child health care, and social protection. The bulk of the grants for the Public Administration, Law, and Justice sector were approved for the preparation of development policy loans, sector adjustment operations, pension reforms, and projects for municipal development, improving governance in the public sector, and judicial reforms.



Thirteen of the 109 closed grants did not disburse any funds. Of the unutilized grants, LCR had seven, EAP three, AFR two, and MNA one. The main reasons for non-utilization of these grants were: (a) lack of government’s interest in borrowing for the associated operation; (b) availability of alternative sources of funding for project preparation; and (c) suspension of lending by the Bank due to unfavorable political conditions in the country. All the non-disbursing grants, except for two, were provided for project preparation activities.

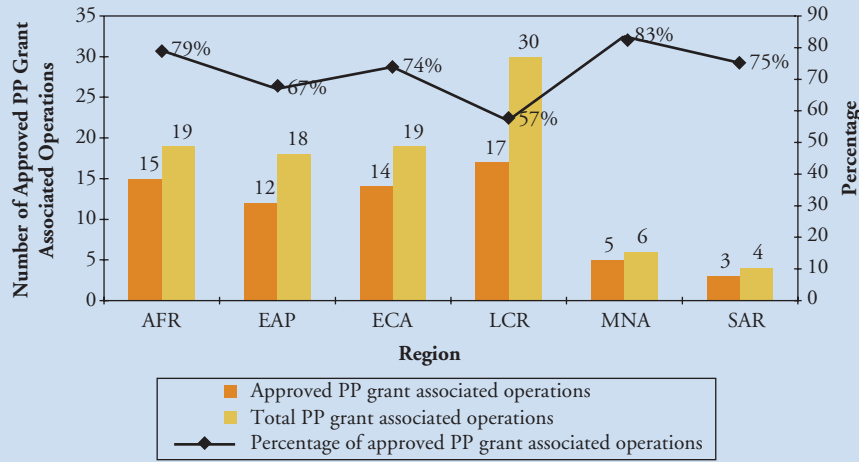
About 13 percent of the operations associated with the closed grants for project preparation were dropped from the lending program. In terms of grant numbers, the highest was from LCR followed by EAP, ECA, AFR and MNA respectively. However, in terms of share of PP grant associated operations which were dropped to total number of PP grants in the region, EAP, LCR and MNA had the highest (17 percent), fol-

lowed by ECA (10 percent) and AFR (nine percent).

This review analyzed the status of approval of operations (associated with the closed PP grants) by the World Bank’s Board of Executive Directors. About 69 percent of the PP grant associated operations have been approved by the Bank.¹⁶ Another 10 percent are pending approval. The regional breakdown is presented below in Figure 15.

¹⁶ This analysis excluded the approved operations for which PP grants were provided but the grants were not utilized. There were seven grants in this category. The analysis also adjusted for three grants which were provided to prepare one regional operation (Lake Victoria Environmental Management Project covering three countries), and for two grants with split execution (Burundi) to prepare one operation. The 99 PP grants which closed in FY07 were, therefore, expected to prepare 96 Bank-financed operations. Of these grant associated operations, 66 have been approved by the World Bank Board of Executive Directors. The analysis excludes ten PP grant associated operations which are expected to be approved during the period FY08 to FY10.

Figure 15 Approved PP Grant Associated Operations, by Region

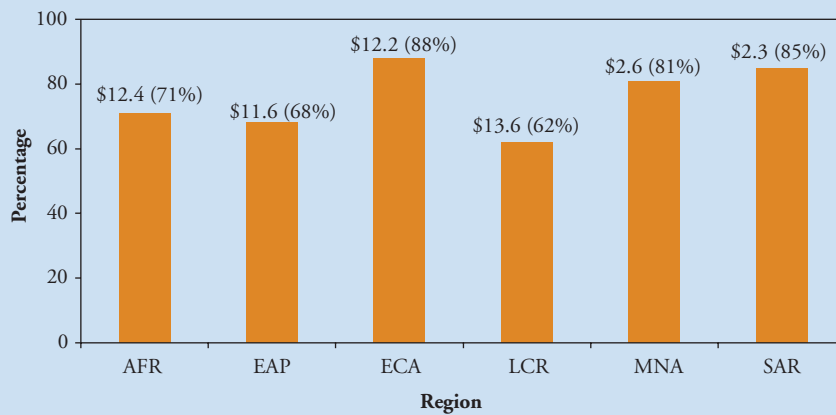


Overall disbursement of the closed PHRD TA grants was 72 percent of the total approved amount Bank-wide. The ECA region performed best (88 percent), closely followed by the SAR (85 percent) and the MNA (81 percent) regions. (Figure 16). LCR grants performed poorest (62 percent). Of the total number of grants which closed in FY07, six disbursed fully. EAP had two grants with 100 percent disbursement while AFR, LCR, MNA, and SAR each had one grant. The main reasons for the poor disbursement performance in

LCR appear to be: (a) changes in government leading to changes in policies towards borrowing from the World Bank and subsequent cancellation of the grants, and (b) availability of other funding sources.

Three CCIG grants closed in FY07. The CCIG grant for Bulgaria helped deliver the global objective of supporting broader introduction of geothermal energy in the country. The Ministry of Health of the Government of Bulgaria expressed interest in financing four

Figure 16 Disbursement Performance of Closed PHRD TA Grants as % Total Approved Amount, by Region (US\$ million)



of the eight projects reviewed under the grant. If a request is received from the Government of Bulgaria, the World Bank may also provide additional funding through the Bulgaria Energy Efficiency Fund or through the GeoFund. The grant disbursed nearly 100 percent of the approved amount. The other two grants had internal coordination problems among various agencies. The disbursement performance of these grants was poor (44 percent).

Seven PI grants closed in FY07. The grants were used to finance activities in the areas of health, social protection, and public administration. The grants helped: (a) develop decentralized health systems and practical tools for district level planning; (b) support an integrated financial management system; (c) demonstrate effectiveness of a public-private partnership as an alternative strategy in health delivery system; (d) develop an incentive system to mobilize private capital to benefit the poor and landless families; and (e) finance analytical studies on gender, disability, and legal implications of pension/social assistance reforms. The overall grant disbursement performance was satisfactory (60 percent).

About 50 percent of the operations associated with the closed PHRD TA grants are expected to be financed by IDA, while 44 percent are expected to be supported by IBRD. All the PHRD TA grants associated operations in the AFR region are to be financed by IDA, while about 60 percent of the grants in the LCR region are associated with expected IBRD loans. Only four grants are associated with operations which have IBRD/IDA blend lending. Other sources of financing include GEF and Special Program Facility (SPF). GEF is mainly used to finance climate change-related operations, while SPF is used to finance special programs in post-conflict countries.

The review found that the overall quality of the grant management process was satisfactory. Compliance with the guidelines for grant signing and activation process was satisfactory (83 percent). In-country interactions between Bank staff and officials of Japanese organizations (such as Embassy of Japan, JICA and Japan Bank for International Cooperation (JBIC) have improved significantly compared to what was reported last year. Overall, Bank staff coordinated with Japanese organizations regarding 55 percent of the closed grants during implementation, compared to 39 percent in FY06. This improvement has been mainly due to the

mandatory requirement that Task Teams consult with Japanese organization officials at the time of preparation of grant proposals and collaborate at other times of grant signing and implementation.

The review noted two areas where there is substantial room for improvement. These are in the areas of: (a) Manager's oversight in grant implementation performance; and (b) quality of grant completion reports. Only one-third of the Managers reviewed the completion reports and provided comments. If Managers focus more on grant performance, Task teams would be encouraged to prepare more timely and satisfactory grant monitoring reports.

Several important lessons were identified in the review report. These are:

- Recipient execution is a cost-effective and efficient way of ensuring client ownership in execution;
- In low-capacity IDA countries, substantial resources are needed for project preparation to build sustainability and ownership of the project among all the stakeholders;
- Coordination is difficult in the preparation of regional operations; grant activities often do not reflect regional perspectives, but rather focus on country specifics;
- Task teams need to be realistic with regard to: (i) implementation capacity (preparation of good TORs for TA, supervision of TA, review of the technical outputs from the TA); and (ii) internal procedures for grant signing and hiring of TA;
- First-time implementers of PHRD TA grants and/or Bank-financed operations need special assistance in familiarization with Bank operational procedures;
- Need to be realistic about the country's political situation and its track record regarding carrying out reform programs to avoid designing an ambitious operation;
- When grants are implemented in an environment with governance issues, fiduciary setbacks should be anticipated at the design phase, and potential delays factored into the implementation strategy and schedule;
- Proposed activities to be financed under the grant have to be discussed with the project team and Gov-

ernment in advance to ensure that funding from the grant can be made available during the key period of project preparation;

- It is essential for the Bank stay the course on complex and politically difficult operations, and PHRD PP grants can be strategic vehicles in facilitating this;
- During the course of grant implementation, it is important for the Bank to maintain a policy dialogue with the execution agency, in order to get a strong Government commitment to the follow-on operation;
- Government execution of the grant can help build capacity in the implementing agency, but puts a

heavy demand on the time of Bank staff when internal capacity is very weak;

- It is useful to have TA with a combination of organizational as well as technical skills;
- When TA comprise local and international experts, most often the advice is of high quality and appropriate for country specific issues;
- In an environment of political instability and in conditions in which the government is unable to focus on a coherent articulation of policy and development strategy, TA is essential to maintain policy dialogue and to prepare officials for an environment that will be more conducive to coherent policy making.

ADDITIONAL SOURCES OF INFORMATION ON PHRD AND PROGRAMS SUPPORTED BY THE PHRD FUND

6.1 Information on PHRD

The major reference sources for more information on PHRD and the programs it supports are websites publicly available in English, and often also in Japanese and other languages.

The main PHRD website is <http://www.worldbank.org/phrd>.

This website includes details of the PHRD Technical Assistance program, the Japan-World Bank Partnership Program, and the Japan PHRD Staff and ETC Program. The website also provides access to PHRD Annual Reports in both English and Japanese, and to the Evaluation of the PHRD TA Program.

The website of the Tokyo office of the World Bank also includes information on PHRD, in English at: www.worldbank.org/japan/about, and in Japanese at: www.worldbank.org/japan/about-j.

The World Bank Institute website is www.worldbank.org/wbi. The JJ/WBGSP website is at www.worldbank.org/wbi/scholarships. This website also

provides access to the JJ/WBGSP Annual Reports and to their Tracer Studies.

The TDLC supported by the PHRD Partnership Program has its own website: www.jointokyo.org. This website is maintained in both Japanese and English languages.

6.2 Programs Supported through PHRD

The largest program supported through the PHRD Fund in FY07 is the Critical Ecosystem Partnership Fund (CEPF). Much more information on this will be found at the following site: <http://www.cepf.net>.

Other key programs supported through the PHRD Fund include in FY07:

Knowledge for Change Program: <http://www.worldbank.org/KCP>.

Environmental and Social Challenges in MIGA-Guaranteed Projects Trust Fund: http://www.miga.org/news/index_sv.cfm?aid=910.

ANNEX 1

LIST OF PHRD TA GRANTS APPROVED IN FY07

AFRICA REGION			
Country	Name of Grant	Approved Amount (US\$)	Grant Type
Angola	Market-Oriented Smallholder Agriculture	4,000,000	Cofinancing
Burundi	Economic Reform Credit II	800,000	Project Preparation
Cameroon	Transparency and Accountability Capacity Development (TACD) Project	60,000	Project Preparation
Cameroon	Health Sector Support Investment	500,000	Project Preparation
Democratic Republic of Congo	Agriculture Rehabilitation and Recovery Support	900,000	Project Preparation
Republic of Congo	HIV-Aids and Health	967,050	Project Implementation
Ghana	Agriculture Services Subsector Investment Project II	520,000	Project Preparation
Madagascar	Local Development Decentralization	480,000	Project Preparation
Madagascar	Poverty Reduction Support Credit 5	620,000	Project Preparation
Madagascar	Health SWAP	550,000	Project Preparation
Malawi	Agriculture Sector/Food Security SWAp	680,000	Project Preparation
Mozambique	Capacity Building to Support the Development of Carbon Finance Transactions	494,150	Climate Change
Nigeria	Commercial Agriculture Development	800,000	Project Preparation
Rwanda	Poverty Reduction Support Grant IV	996,550	Project Preparation
Rwanda	Second Rural Sector Support Project	512,600	Project Preparation
São Tomé & Príncipe	Development Policy Credit II	600,000	Project Preparation
Tanzania	Sustainable Management of Mineral Resources	750,000	Project Preparation
Africa Region Total		14,530,350	

EAST ASIA AND THE PACIFIC REGION			
Country	Name of Grant	Approved Amount (US\$)	Grant Type
Cambodia	Empowerment of the Poor in Siem Reap	990,000	Project Preparation
Indonesia	National Agency for Drug & Food Control	5,000,000	Cofinancing
Indonesia	Avian Influenza Surveillance and Control Project	5,000,000	Cofinancing
Indonesia	Second Government Financial Management and Revenue Administration Project	1,000,000	Project Preparation
Lao PDR	Financial Management Capacity Building Credit	299,000	Project Implementation
Lao PDR	Poverty Reduction Support Operation 3	600,000	Project Preparation
Lao PDR	Transport Sector	469,600	Project Preparation
Mongolia	Infrastructure Services Delivery	995,000	Project Preparation
Philippines	Public-Private Participation in Transport Infrastructure	1,000,000	Project Preparation
Philippines	Local Government Support for Regional Water Supply	1,000,000	Project Preparation
Philippines	LG Support for Performance Grants	950,000	Project Preparation
Samoa	Health Sector Management Project Phase II	500,000	Project Preparation
Vietnam	Tax Administration Modernization	5,000,000	Cofinancing
Vietnam	Vietnam Avian and Human Influenza Control and Preparedness Project	5,000,000	Cofinancing
Vietnam	Hydroelectric Power Project	1,000,000	Project Preparation
Vietnam	Red River Delta Rural Water Supply and Sanitation 2nd Phase	960,000	Project Preparation
Vietnam	School Education Quality Assurance	700,000	Project Preparation
Vietnam	Second Payment System and Bank Modernization	826,700	Project Implementation
East Asia and the Pacific Region Total		31,290,300	

EUROPE AND CENTRAL ASIA REGION			
Country	Name of Grant	Approved Amount (US\$)	Grant Type
Albania	Energy Community of South Eastern Europe (ECSEE) Energy APL 5	950,000	Project Preparation
Armenia	Judicial Reform Project 2	3,000,000	Cofinancing
Armenia	Poverty Reduction Support Credit IV	928,000	Project Preparation
Armenia	Traffic Management and Safety	1,000,000	Project Preparation
Armenia	Railway Restructuring	1,000,000	Project Preparation
Azerbaijan	Real Estate Registration Project	307,000	Project Preparation
Azerbaijan	Baku Urban Transport Improvement	1,000,000	Project Preparation
Azerbaijan	Corporate and Public Sector Accountability	3,000,000	Cofinancing
Azerbaijan	Social Protection II	970,000	Project Preparation
Bulgaria	Social Sectors Institutional Reform Development Policy II	708,000	Project Preparation
Georgia	Improving Learning Environment Project	4,950,000	Cofinancing
Georgia	Poverty Reduction Support Operation	925,000	Project Preparation
Kyrgyz Republic	Bishkek and Osh Urban Infrastructure	440,000	Project Preparation
Macedonia	Conditional Cash Transfers	654,000	Project Preparation
Macedonia	Technological Change and Tertiary Education	758,000	Project Preparation
Moldova	Road Network Recovery	725,000	Project Preparation
Moldova	Poverty Reduction Support Credit II	880,000	Project Preparation
Romania	Human Development II	765,000	Project Preparation
Russia	Carbon Finance Development	725,000	Climate Change
Tajikistan	Programmatic Development Policy Credit II	780,040	Project Preparation
Tajikistan	Public Financial Management Modernization	512,000	Project Preparation
Turkey	Health and Social Reform	882,000	Project Preparation
Europe and Central Asia Region Total		25,859,040	

LATIN AMERICA AND THE CARIBBEAN REGION			
Country	Name of Grant	Approved Amount (US\$)	Grant Type
Bolivia	Social Protection Assistance	625,000	Project Preparation
Brazil	Sustainable Transport and Climate Change for Brazil	225,600	Climate Change
Brazil	Rio de Janeiro Sustainable Rural Development	385,000	Project Preparation
Brazil	Strengthening Carbon Market Institutions and Infrastructure	941,900	Climate Change
Brazil	Santos Municipality Project	770,000	Project Preparation
Colombia	Departmental Roads Project	380,000	Project Preparation
Colombia	ACCESS II	900,000	Project Preparation
Costa Rica	Telecom Sector Modernization	639,300	Project Preparation
Ecuador	Urban Transportation Project	940,000	Project Preparation
Grenada	Skills for Inclusive Growth	150,000	Project Preparation
Guatemala	Governance and Public Sector Development	950,000	Project Preparation
Guatemala	Development Policy Loan III	500,000	Project Preparation
Honduras	Water and Sanitation	980,000	Project Preparation
Honduras	Utility Restructuring	1,000,000	Project Preparation
Honduras	Rural Productivity	417,000	Project Preparation
Jamaica	Second National Community Development Project	500,000	Project Preparation
Mexico	Decentralized Infrastructure Reform Development III	593,000	Project Preparation
Mexico	Adaptation to Climate Change	545,000	Climate Change
Nicaragua	Broad Based Access to Financial Services	210,000	Project Implementation
Peru	Development of Monitoring Network for Quantification of Impacts from Rapid Glacier Retreat in the Andes	865,000	Climate Change
Latin America and the Caribbean Region Total		12,516,800	

MIDDLE EAST AND NORTH AFRICA REGION			
Country	Name of Grant	Approved Amount (US\$)	Grant Type
Egypt	Integrated Governorates Development Project Phase I- Greater Cairo Metropolitan Area	720,000	Project Preparation
Egypt	Egyptian National Railways Restructuring	800,000	Project Preparation
Egypt	Family Health Insurance	770,000	Project Preparation
Iraq	Agriculture Sector Capacity Building Project	290,000	Project Preparation
Iraq	Second Emergency Baghdad Water Supply and Sanitation	1,000,000	Project Preparation
Jordan	Higher Education Development II	380,000	Project Preparation
Jordan	Private Partnership in Infrastructure	750,000	Project Preparation
Morocco	Basic Education Support II	319,000	Project Preparation
Tunisia	Second Natural Resource Management	480,000	Project Preparation
West Bank and Gaza	Palestinian NGO III	345,000	Project Preparation
Middle East and North Africa Region Total		5,854,000	

SOUTH ASIA REGION			
Country	Name of Grant	Approved Amount (US\$)	Grant Type
Bangladesh	Dhaka Environment and Water Resources Management	700,000	Project Preparation
Bangladesh	Chittagong Water Supply Improvement and Sanitation Project	800,000	Project Preparation
Bangladesh	Air Quality Management Project II (AQMP2)	900,000	Project Preparation
India	Gas Recovery and Reuse from Closure of Three Delhi Landfills (Carbon Finance)	489,000	Climate Change
India	Orissa Community Tank Management	395,000	Project Preparation
India	Andra Pradesh Rural Water Supply and Sanitation	680,000	Project Preparation
India	Andra Pradesh Rural Poverty Reduction Project: Piloting Drought Adaptation Initiative	961,977	Climate Change
India	Vishnugad Pipalkoti Hydro Electric	1,000,000	Project Preparation
India	Coal- Fired Power Station Rehabilitation	1,000,000	Project Preparation
India	Himachal Pradesh Development Policy Loan	500,000	Project Preparation
Pakistan	Punjab Large Cities DPL	750,000	Project Preparation
Pakistan	Social Protection	990,000	Project Preparation
South Asia Region Total		9,165,977	

JAPAN PHRD TECHNICAL ASSISTANCE GRANTS PROGRAM FY07 ANNUAL POLICY GUIDELINES AND PROGRAM ALLOCATION

1. **Objective.** To provide technical assistance grants to recipient countries, or their agencies, to help *prepare* or *implement* Bank-financed operations (hereinafter referred to as “Operations”).¹ Grants approved under the program are subject to the criteria set forth in these Guidelines.

2. **Priority Areas and Activities.** Technical Assistance grants would maintain a *poverty focus*. The following should be aimed at: at least 35 percent of the annual submissions, by amount, are for IDA and blend countries and at least 35 percent are for East, South and Central Asia. Grant funding proposals should be submitted under the following programs:

(i) Project Preparation: For **lower and lower middle-income countries**² all sectors are eligible. For **upper middle-income countries**, proposals would be eligible only to support one or more of the following priority areas: (a) Bank operations in the following sectors: education, health, nutrition, water supply and sanitation, social protection, social development and environment; (b) participatory community development activities, and those that involve NGOs and civil society; (c) gender; and (d) projects targeted at groups or areas that are clearly disadvantaged in terms of poverty indicators which are in line with the MDGs.

In the case of all project preparation proposals, the follow-on Operations must be listed in the *IBRD/IDA*

Lending Program Summary in the CAS, or the CAS Update, or equivalent document, such as the Transitional Support Strategy in the case of post-conflict countries, which is endorsed by the Bank’s Board of Directors³.

(ii) Project Implementation: For **IDA, IDA-IBRD-blend and lower middle-income countries, Implementation** proposals in support of ongoing Bank-funded Operations, approximately one year under implementation, to address weaknesses in the capacity of implementing agencies. Proposals must clearly identify the implementation capacity problems that will be rectified by the technical assistance grant.

(iii) Climate Change Initiatives: To: (a) support the inclusion of climate-change concerns in the country’s development planning process and the acquisition of knowledge in the assessment of the impact of local greenhouse gases (GHG) emissions in the recipient country; and (b) support initiatives — including pilot activities — for the reduction of GHG emissions as developing countries increase

¹ Bank financed operations are those funded by IBRD loans, IDA credits, and IDA grants.

² As defined in the World Development Report 2006.

³ Conditional approval may be granted if the following requirements are satisfied: (i) the follow-on Operation, which will be prepared with the PHRD Project Preparation Grant, will be listed in the next CAS or CAS update (or equivalent document); and (ii) the next CAS or CAS update (or equivalent document) discussion date at the Board can be found in the Board meeting schedule available with the World Bank Executive Directors. Final approval will be granted by CFP at the time the CAS or CAS update (or equivalent document), in which the said project is listed, is discussed by the Board of Directors of the World Bank.

energy production to improve standards of living and promote industrial growth as they move towards eradication of poverty. Proposals must be linked to Bank-financed operations or activities supported by the Prototype Carbon Fund, the BioCarbon Fund, and the Global Environment Facility, or other environmental funds managed by the World Bank. (Separate operating guidelines have been agreed for this program).

(iv) Project Cofinancing: To co-finance institutional capacity building components of operations supported by IDA credits and grants. The technical assistance should strengthen institutional capacity to facilitate the implementation of the project's key policy reforms and good governance initiatives. The grants would meet the funding needs of **IDA and IDA/IBRD blend countries** where borrowing for such assistance may be unaffordable given budgetary and borrowing limitations. (Separate operating guidelines have been agreed for this program.)

3. **Funding Proposal and Amount.** Grants are approved by GoJ on the basis of a one-page Funding Proposal. The Proposal will include the **Project Development Objectives**, the **Grant Objectives**, and **Expenditure Categories**. In addition to the one-page Funding Proposal, supplementary background information is also required. This will 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. Project Preparation, Project Implementation and Climate Change Proposals may normally not exceed US\$1 million. The maximum amount for a Project Cofinancing Proposal would be limited to US\$5 million. Only a single grant per operation may be requested. Supplemental requests are not eligible under PHRD.
4. **Call for Proposals.** CFP will invite proposals not more than three times a year from the Bank's Regional Vice Presidential Units informing them of the total amount available and notional allocations for each grant type.
5. **Eligible Expenditures.** In the cases of **Project Preparation and Implementation** grant proposals, eligible expenditures include: (i) **consultant services** and; (ii) **non-consultant costs**, up to 10 percent of the total grant amount, for local training,

and minimal equipment and operating costs essential to carry out the technical assistance. Workshops, local consultations, and training may be included if the requests clearly demonstrate these activities will enhance the quality of the technical assistance. Civil works are not eligible. All expenditures would be eligible for 100 percent financing under PHRD. See separate operating guidelines for Project Cofinancing and Climate Change Initiatives grants.

6. **Ineligible Expenditures.** Expenditures on the following activities are ineligible: study tours, foreign training, implementation of pilot programs⁴, purchase of vehicles, salaries for civil servants in recipient countries, Extended Term Consultants, and Bank staff (open-ended, term, and seconded staff) salaries or travel expenses. See separate operating guidelines for Project Cofinancing and Climate Change Initiatives grants.
7. **Schedule.** PHRD grant proposals would be submitted to GoJ up to three times in a year. GoJ would confirm its decisions on proposals within four weeks from submission where GoJ is satisfied with the contents of the application. In case GoJ seeks clarifications, the final decision on the funding proposal may take longer.
8. **Grant Execution Arrangements.** Project Implementation, Climate Change Initiatives, and Cofinancing grants *must* be recipient-executed. Project Preparation Grants would normally be executed by the recipient's project implementing agency. However, the Bank may consider waiving the requirement for recipient execution in accordance with Bank policy (see OP 14.40) in the following cases: emergency operations, (HIV/AIDS projects in LICUS countries, and post conflict countries). Grant closing date for project preparation grants would be the same as the expected effectiveness date of the ensuing Bank Loan or IDA Credit, or six months from the Board Approval Date, whichever comes first. In any case, the total term of the grant should not exceed four years after signature of the grant agreement. Any exceptions would need to be fully justified and would require CFP's clearance. The Bank, through the designated Task Team Leader of the project, would carry out its fiduciary responsibilities for

⁴ Pilots may be funded under Climate Change Initiatives Grants.

grant supervision, with due attention to economy and efficiency, and generally in accordance with the standards applicable to Bank Loans or IDA Credits.

9. **Progress Reporting.** For the purposes of monitoring the development outcomes, the grant agreement – based on the one-page Funding Proposal – will be the binding document. The Task Team Leader will be responsible for preparing annual Grant Status Reports, rating the status of grant implementation, and documenting deliverables and outputs. For grants over US\$1 million, an *Implementation Completion Memorandum* (ICM) will be prepared at completion documenting actual cumulative inputs, outputs and outcomes through the grant implementation period, and the results will be shared with the donor. For grants under US\$1 million, the final Grant Status Report will include additional information regarding grant activity outcomes.
10. **Reallocations of Funds and Changes in Scope.** Reallocations of grant expenditure categories and activities, including dropping or adding new eligible categories or activities (see paragraphs 5 and 6 above), may be approved by the Sector or Country Director, as appropriate. Advice may be sought from Legal and CFP. For Project Preparation and Implementation grants, under no circumstances will the total amount for non-consultant expenditure categories exceed 10 percent of the grant amount. Legal Department should be consulted if any amendments to the Grant Agreement are required. All amendments to the Grant Agreement must be signed by the Country Director. For changes in the Development Objectives of the Bank-funded Operation, a request must be submitted to CFP which will determine if approval is required from GoJ. If the request is submitted to GoJ, it would provide its decision within four weeks from the receipt of the request from CFP.
11. **Grant Cancellation Policy.** The balance of grants are subject to cancellation under the following circumstances: (i) the Project has been dropped (signed contracts may be paid with CFP's approval); (ii) the Project is presented to the Board or Approved; (iii) the grant agreement has not been signed 6 months after approval of the grant; (iv) no implementation progress including zero disbursements for six months after signature of the grant agreement, or (v) there is lack of progress as determined by CFP. CFP may clear exceptions on the basis of a satisfactory explanation.
12. **Consultation with Local Japan Officials and Japanese Visibility.** In order to ensure harmonization and coordination, the Bank task teams are required to consult with the Embassy of Japan accredited to the recipient country about the PHRD Technical Assistance grant application before submission of the proposal to CFP for review. Such consultation and information sharing by task teams will help expedite the decision making process. Staff in operational units should also encourage grant signing ceremonies in the field, with the inclusion of officials of the Embassy of Japan, inviting 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. Decisions on any future PHRD grant proposals for a country would take into consideration the Bank and Recipient's efforts to comply with the above. 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.
13. **Maintenance of Documentation.** Operational departments will keep copies of key documentation related to PHRD grants, including Terms of Reference and contracts for consultants subject to the Bank's prior review, reports and other outputs prepared by consultants, in accordance with the Bank's document retention policy. Task teams should also send the original grant agreement to the Legal department.

FY07 PHRD TECHNICAL ASSISTANCE PROGRAM ALLOCATION

The total FY07 allocation, to be approved through the rounds during the fiscal year, is US\$120 million. The

allocations among the four grant types are provided in Table 1 below. Depending on the demand for grants, the fund may be reallocated among the grant types in consultation with GoJ. The decision on the reallocation will be taken by CFP at the end of the rounds in consultation with GoJ.

Table 1

Allocations by Area	Amount (US\$ million)
Project Preparation	70
Project Implementation	5
Climate Change Initiatives	10
Cofinancing	35
Total Amount	120

Table 2 TENTATIVE SCHEDULE FOR FY07 PHRD TECHNICAL ASSISTANCE PROGRAM

Round Announcement:	Date of Submission to Japan:
September 2006	October 2006
January 2007	February 2007
April 2007	May 2007

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Press conference after the signing of the PHRD grant for the Carbon Finance Development Project in Russia. Photo by country team member.



Photo from the signing ceremony of the PHRD grant for the Carbon Finance Development Project in Russia. Photo by country team member.

CONCESSIONAL FINANCE AND
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