

VOLUME ONE

POLICY AND
HUMAN RESOURCES
DEVELOPMENT
FUND (PHRD)

ANNUAL REPORT 2001



THE WORLD BANK
RESOURCE MOBILIZATION AND COFINANCING

VICE PRESIDENT'S LETTER

The Japan Policy and Human Resources Development Fund (PHRD) has built a strong partnership between the World Bank, the Government of Japan and developing countries for more than ten years. This partnership has culminated into stronger client institutions, better skilled development experts working in recipient countries and, most importantly, more effective programs designed to alleviate poverty in the developing world. The learning process as a result of this partnership is a symbiotic one, an exchange of ideas, experiences and knowledge. Because of the changing needs of our clients, the services provided by PHRD need to be reviewed frequently to ensure that funds are well targeted. Over the past 12 months, the World Bank has continued with its efforts to keep PHRD at the cutting edge of development.

During FY01, PHRD programs financed activities to serve distinct development needs as illustrated below:

- support to Bank lending operations, which include technical assistance activities for client project preparation and implementation. This programmatic area targeted client countries working to design or implement World Bank financed development projects. In FY01, the focus of the program was adjusted to encourage community-driven development methodologies in World Bank supported operations;
- promote global knowledge and capacity development through scholarships and training programs. The clients who benefited included hundreds of individuals in Bank member countries working in development related fields needing

to advance their skills and education; NGO participation in these programs was encouraged during the year.

- provide a quick response mechanism to address urgent country specific assistance including post-conflict situations and other emergency support programs. East Timor continued to receive significant assistance from PHRD in FY01;
- promoting opportunities for Japanese consultants to complement the Bank's activities in economic and sector work, lending development, project appraisal and supervision. Special promotional activities were organized for Japanese consultants to participate in PHRD funded work; and
- developing partnerships between Japanese and Bank researchers which stimulate public interest in Japan for international development issues, and strengthen aid coordination; Asian NGOs, including those from Japan were encouraged to partner with the World Bank on poverty alleviation programs and other developmental issues.

Through PHRD, the World Bank and its clients have learned that improving the quality of Bank-funded projects at the start and direct participation of those most affected by Bank-funded programs lead to better results on the ground. There is compelling evidence that, over the years, PHRD has made a positive impact on poverty reduction and sustainable growth. PHRD grants have improved the quality and development effectiveness of project investments and strengthened capacity and institution building in recipient countries. More than 950 World Bank-assisted



Signing ceremony for PHRD grant for the Philippines attended by the President of the Philippines, the President of the World Bank, and the Executive Director for Japan.

investment operations amounting to \$86.5 billion in Bank lending have been prepared with PHRD grants. A recent evaluation of PHRD indicates that the development effectiveness of many of these investment operations is measurably higher when compared with Bank-funded projects that did not receive PHRD support.

In FY01, we have continued to align PHRD with the recently articulated objectives of the World Bank to be more responsive to our clients, improve our development effectiveness, and increase accountability, ownership and sustainability. PHRD grant proposals now require the endorsement of recipients. Our staff are now focusing on the impact and results of grants, rather than on inputs and activities. We are also strengthening PHRD's focus on participatory processes by encouraging the use of community-driven development methods in project preparation and implementation.

To meet the above objectives we introduced a third call for proposals, enforced higher quality reviews that led to more selectivity, and made efforts to promote PHRD through signing ceremonies and inclusion of PHRD grants in Bank documents available to the public. Many representatives from Japanese embassies in client countries receiving PHRD grants participated in ceremonies during the year where recipients expressed their appreciation for the generosity of the people of Japan.

As this report demonstrates, the PHRD Fund continues to finance important work in the areas of human resource development, capacity building, technical feasibility studies and training. Throughout the report, we have provided quotes which demonstrate the far reaching impact of PHRD and show the appreciation by individuals who have seen and experienced the benefits of the program.

I would like to take this opportunity on behalf of the Bank and the countries of the world which benefit from PHRD to recognize Japan for its continued generosity. We look forward to our continued partnership through PHRD with the Government of Japan and with our clients in the pursuit of knowledge and learning for development, and in our joint effort to improve the quality of life for the poor.

A handwritten signature in black ink, appearing to read 'Moto Masahiko', written in a cursive style.

Vice President
Resource Mobilization and Cofinancing

TABLE OF CONTENTS

VICE PRESIDENT'S LETTER	i
ACRONYMS AND ABBREVIATIONS	v
I. OVERALL SUMMARY	1
II. ACTIVITIES OF THE JAPAN PHRD FUND PORTFOLIO: PROGRAMMATIC AREAS AND OUTCOMES	3
Enhance Quality of Development Projects	5
Global Knowledge and Capacity Building	6
Urgent Country-Specific Assistance for Emergency Support	7
Opportunities for Japanese Consultants to Work with the World Bank	8
Global Development and Partnership Programs	9
III. PHRD TECHNICAL ASSISTANCE PROGRAM: RESTORE ECONOMIC AND SOCIAL DEVELOPMENT	10
Performance of the PHRD TA Program: FY01	10
Regional Distribution	10
Sectoral Distribution	12
Major Development Themes	14
Grant Portfolio	16
Disbursements	16
Execution of Grants	17
Achieving Results	17
IV. SCHOLARSHIPS AND TRAINING: STRENGTHENING HUMAN CAPITAL WITH EDUCATIONAL OPPORTUNITIES AND TRAINING	18
The Joint Japan/World Bank Graduate Scholarship Program	18
Regular Program	18
Partnership Program with Universities	18
World Bank Institute Training Program	19
V. JAPAN POST CONFLICT FUND: HELP COUNTRIES EMERGING FROM CIVIL STRIFE ON THE ROAD TO RECOVERY AND DEVELOPMENT	21
Contributions and Allocations in FY01	21

VI.	JAPAN STAFF AND CONSULTANT TRUST FUND: OPPORTUNITIES FOR DONOR NATIONALS TO PARTICIPATE IN DEVELOPMENT WORK	22
	Global/Regional Large-Scale Activities in FY01	22
VII.	OTHER PROGRAMS: SUPPORTING HIGH PRIORITY MULTI-LATERAL INITIATIVES	24
	Japan-World Bank Partnership Program	24
	Other Activities	25
VIII.	FINANCIAL STATUS AND PERFORMANCE OF THE PHRD FUND: FY01	26
ANNEXES		
A.1	Technical Assistance Grants Approved in FY01	28
A.2	Japan Staff and Consultant Trust Fund (JSCTF): Large Scale Activities Approved in FY01	34
A.3	Special Programs in FY01	34
A.4	Administration of Technical Assistance Grants Program	35
A.5	FY02 Policy Guidelines and Program Allocation	37
TABLES		
	Table 1: Regional Distribution of TA Grants Approved in FY01	10
	Table 2: Sectoral Distribution of TA Grants Approved, FY00 – 01	13
	Table 3: Grant Execution in Fiscal 2001 by Number of Approved Grants	16
	Table 4: Post Conflict Fund, FY97 – 01	21
	Table 5: Japan Staff and Consultant Trust Fund, FY97 – 01	22
	Table 6: Japan Partnership Fund, FY99 – 01	24
	Table 7: New Contributions for Major Categories of the PHRD Fund, FY97 – 01	27
	Table 8: New Allocations for Major Categories of the PHRD Fund, FY97 – 01	27

ACRONYMS AND ABBREVIATIONS

CDD	Community-Driven Development
CDF	Comprehensive Development Framework
CGAP	Consultative Group to Assist the Poorest
FASID	Foundation for Advanced Studies on International Development
GDN	Global Development Network
HIPC	Heavily Indebted Poor Countries
IDA	International Development Agency
JJ/WBGSP	Joint Japan/World Bank Graduate Scholarship Program
JPCF	Japan Post-Conflict Fund
JSCTF	Japan Staff and Consultant Trust Fund
LAB	Learning Across Borders – Capacity Building for Asian NGOs
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-governmental Organization
OED	Operations Evaluation Department
OVP	Operational Vice Presidency
PHRD	Japan Policy and Human Resources Development Fund
PPIAF	Public-Private Infrastructure Advisory Facility
RMC	Resource Mobilization and Cofinancing Vice Presidency
TA	Technical Assistance
WBI	World Bank Institute

OVERALL SUMMARY

Japan is a valuable partner of the World Bank at many levels, including as one of the biggest donors to World Bank administered trust funds — mainly through the Japan Policy and Human Resources Development Fund (PHRD) and the new Japan Social Development Fund. The PHRD Fund has now entered its second decade at a time when demand from the poorest countries for development assistance continued to rise. This Annual Report, discusses the PHRD Fund's performance in FY01 and provides evidence that the program continues to contribute in a major way to the World Bank's mission.

The following summarizes the activities of the Japan PHRD program during FY01:

Highlights

- The Government of Japan approved **127 grants** for a total of **\$65.5 million** under the Technical Assistance (TA) Program in support of investment operations. Sixty grants for \$27.8 million were approved in the first round (Fall Tranche), and 67 grants for \$37.7 million in rounds 2 and 3 (Spring Tranche).
- In the year 2001 selection cycle, **226 graduate students** from more than 80 developing countries were awarded scholarships. With an 80 percent rate of return to their home countries or to another developing country, the graduates funded from PHRD create a community of well-trained cadre who are highly positioned in policy making circles.
- PHRD funded **13 training activities** totaling **\$2.5 million** in FY01, including training activities to expose participants from borrower countries to Japan's development management experience.

- Following the transfer of \$14.1 million to the Bank's Trust Fund for East Timor in FY00, a transfer of **\$9.8 million** was made to the Trust Fund for East Timor in FY01 from the Japan Post Conflict Fund. These funds are helping communities to rehabilitate basic infrastructure and restart economic activities.
- **Six grants** were approved for **\$3.5 million** under the JSCTF Program in FY01 where Japanese consulting firms are being exposed to development issues by working together with Bank operational staff. PHRD also funded **43 individual** Japanese consultants for a total of **\$3.8 million** during the year.
- The Government of Japan approved **seven grants** for **\$1.7 million** under the Japan-World Bank Partnership Program to promote knowledge sharing between the Bank and Japan.
- Several other activities were approved during the year, such as the support to the *Public-Private Infrastructure Advisory Facility* (\$2 million); an allocation to the *Cities Alliance Trust Fund* (\$1 million) to help increase the collective know-how on urban development and support slum-upgrading programs; and funding for the *Consultative Group to Assist the Poorest* (\$0.3 million) to help alleviate poverty through sustainable financial services for the very poor.

Program Management

The World Bank recognizes that acceptance of trust funds means taking on fiduciary responsibilities to donors, and works to ensure that the appropriate policy and controls framework are in place to meet those responsibilities. An important element of discharging these responsibilities entails a continuing drive for self-improvement.

Over the past couple of years, the Bank has taken a series of actions to strengthen PHRD program management. Some of these actions include:

- In FY01, an evaluation of the PHRD Fund was completed by a special Monitoring Unit created in 1999. Japanese scholars participated in some of the field work.
- Bank task teams continued during the year to comply with the actions of the Six Point Plan initiated in 1999, including submission of letters of undertaking signed by task team leaders for each PHRD grant and participation of procurement and financial management staff in PHRD activities.
- During the year, the Bank continued its review of the PHRD portfolio to check compliance with PHRD policies and took corrective actions, where necessary. In FY01, the reviews focused on Bank-executed grants, monitoring of closing dates, and compliance between funding requests and grant agreements.
- The Bank continued to develop improved reports and ex-ante and ex-post controls in SAP which are expected to substantially improve transparency and accountability in the use of trust fund resources.

- The Japan PHRD Administration Unit was strengthened, allowing for improved efficiency, responsiveness to users of the program as well as increasing the capacity for quick processing of documents.

In addition to the above measures, the Bank took the following actions to further improve the effectiveness of PHRD technical assistance grants: limit grant terms to four years to allow recipients to complete implementation of PHRD grant activities; streamline procedures/forms for grant reallocations/extensions; require evidence of client ownership; and disseminate PHRD Operating Guidelines to recipients.

These improvements have resulted in increased awareness and compliance by Bank staff of the PHRD program policies and of Bank fiduciary responsibilities that are equally applicable to loans/credits and grants. Finally, the shift towards focusing on ownership and outcomes of PHRD grants has resulted in improved partnership with grant recipients, enhanced recipient capacity to design and implement development projects, and heightened awareness of longer-term development objectives.

ACTIVITIES OF THE JAPAN PHRD FUND PORTFOLIO: PROGRAMMATIC AREAS AND OUTCOMES

Since its creation in 1990, the Japan Policy and Human Resource Development Fund has provided approximately \$2 billion to support sustainable development programs designed to alleviate poverty in World Bank client countries. PHRD supports a number of programmatic themes and individual activities designed to strengthen the institutional capacity and human capital of Bank clients to restore and promote sustainable economic and social development.

The PHRD Fund has been and continues to be a catalyst for poverty reduction and sustainable development as demonstrated below:

- Over **140 countries** have directly benefited from PHRD Technical Assistance grants, which have led to more than **950 development projects** amounting to **\$86.5 billion** in Bank lending.
- The PHRD Fund has also provided scholarships to **2,827 individuals** from client countries for graduate studies at universities including partner institutions. Approximately **80 percent** of these graduates have returned to their home countries to apply their knowledge in both the public and private sectors.
- Through the PHRD-financed capacity building programs implemented by the World Bank Institute more than **48,000 participants**, including public and private sector officials and NGO and civil society representatives from over 150 countries in Asia and elsewhere, have acquired new knowledge and skills.
- To help countries struggling with development issues arising from civil strife, the Japan PHRD Fund has supported **15 activities** for **\$51 mil-**

Box 1:

Key Elements of the “New” World Bank

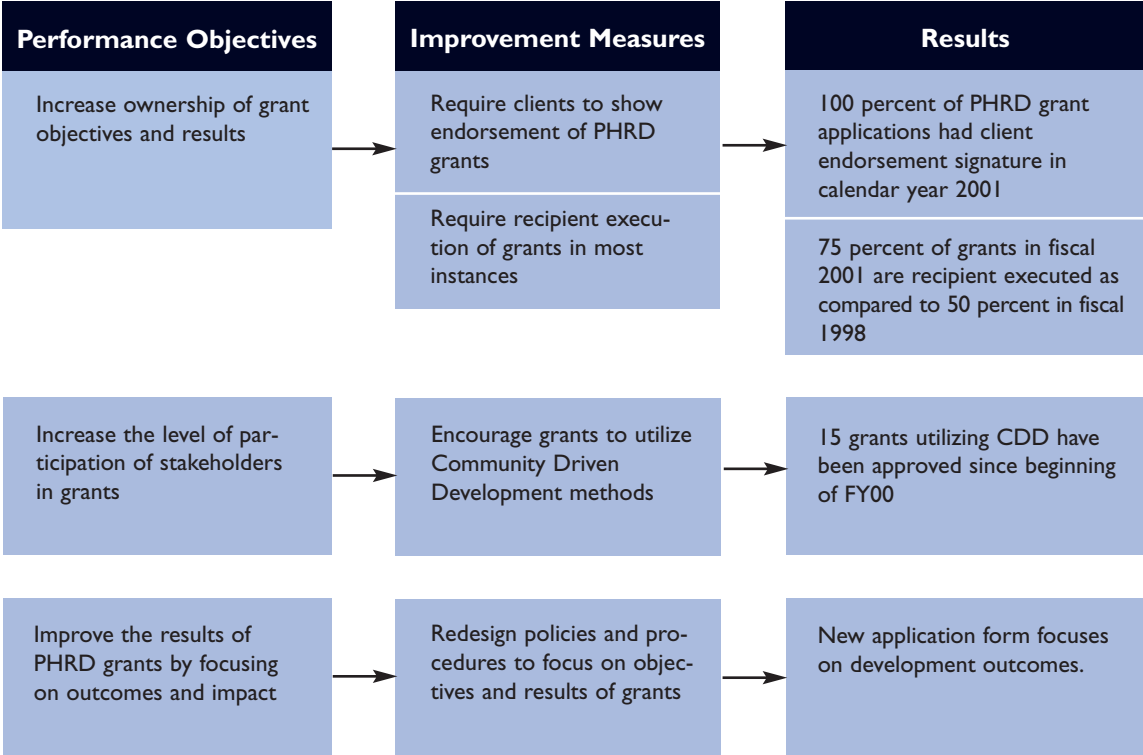
- Improve the impact of operations by focusing on results.
- Better align development programs to the needs of clients.
- Increase openness, collaboration and participation of clients in the development process.
- Increase accountability through improved resource and performance management.

lion under the Japan Post Conflict Fund since 1996.

- To provide opportunities to Japanese consulting firms, PHRD has funded more than **70 activities** on policies and strategies for global and country-specific approaches to human development, infrastructure, energy, and environment. In addition, individual consultants from Japan, financed through PHRD, have participated in Bank operational work. Total allocations for Japanese consultants (individuals and firms) from PHRD since inception totals over **\$90 million**.

For the past four years, the World Bank has implemented a number of performance improvement measures to create a “new” World Bank, one that not only encourages sustainable development, but facilitates continuous learning, listening, partnership with clients, ownership and results. In line with the vision of the World Bank, PHRD is also contributing to the promotion of

Box 2: PHRD Performance Improvement Measures: FY01



knowledge and its application to alleviate poverty while laying the foundations for sustainable development through sound policies, strong institutions and capable human resources.

In FY01, the World Bank continued its work to enhance the following PHRD performance objectives: (i) increasing the ownership of activities by recipient countries, (ii) enhancing the level of participation of stakeholders, (iii) improving the results of grants by focusing on outcomes and impact and (iv) increasing transparency of grants. The performance improvement measures implemented in FY01 designed to realize the objectives of the new World Bank are highlighted in box 2.

In FY01, the PHRD Fund continued to respond to distinct development needs of the World Bank clients as illustrated below:



PHRD has benefited more than 140 countries; the Asia Region is a major recipient of PHRD grants.

Enhance Quality of Development Projects

(FY01 - \$65.5 million in allocations)

“We know our health system is in need of reform, but when we talk about reform, we are not sure where to begin. We need help defining what programs should be implemented first, without negatively affecting peoples’ ability to receive care now, when they need it most.”

- Ministry of Health Counterpart for a PHRD Technical Assistance Grant, Lithuania

For many developing countries, the process of preparing and implementing a World Bank-financed project is a daunting task. In most development environments, institutional capacity is extremely limited, human resources are not equipped with the tools and data needed to make decisions and financial management for investment operations and policy frameworks are often weak and not able to support sustainable programs. Additionally, many countries have little experience in project planning, implementation, procurement processes, and monitoring and impact evaluation methods. Political changes can also have dramatic effects on development priorities and government resources. If sustainable development is to be realized, these issues must be addressed. The PHRD Fund provides assistance for project preparation and implementation assistance to borrowing country clients under the Technical Assistance Program, the largest PHRD program.

The PHRD Technical Assistance Program (TA Program)

The objectives of the PHRD Technical Assistance Program are to:

- Promote ownership of programs and responsiveness to local needs by maximizing local participation in project preparation.
- Facilitate the acquisition of consultant services to provide expert technical knowledge not available locally.

Fact in Focus

Between 1987 and 2001, nearly 75 percent of PHRD Funds have been used for technical assistance to prepare World Bank-assisted investment operations that contribute to economic growth and poverty alleviation.

- Ensure quality and readiness at the start of projects when it is most needed to maximize development effectiveness.
- Maximize efficiency and benefits of capital investments financed by the World Bank.

The uniqueness of the TA program lies in its direct linkage with a proposed World Bank operation. This linkage enables the recipient country, in cooperation with the World Bank, to implement a comprehensive TA program needed to effectively design an investment project. A PHRD grant is not a project in and of itself. It is instead a means to create the foundations needed

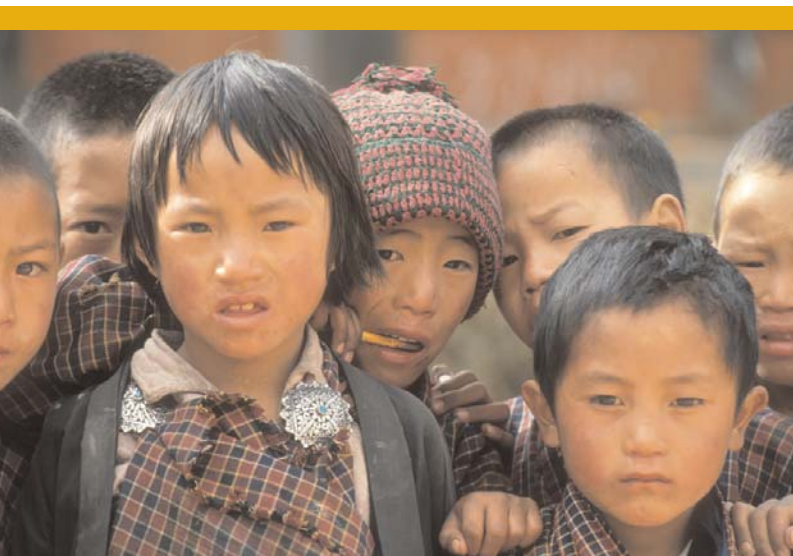
Box 3: PHRD Technical Assistance Grant in Focus—Sri Lanka Tertiary Education Project

PROJECT OBJECTIVE

Enhance the effectiveness and efficiency of the tertiary education system, strengthen the capacity of degree programs to produce a higher number of employable undergraduates, and improve social harmony.

Technical Assistance Grant Components

- Develop a comprehensive approach towards key aspects of governance and management reform of tertiary education.
- Develop a quality enhancement framework for tertiary education.
- Prepare a national study to enhance access to higher education including an advisory study on how to shorten admission lag.



to implement a sustainable development initiative. Technical experts, studies, surveys, feasibility designs, environmental and social impact assessments, economic and financial analysis, and project management experts are funded under the program. Counterparts gain valuable skills and experience in two ways. On the one hand, technical experts, working as partners with local staff of implementing agencies, provide the knowledge and skills to design development programs. Additionally, through the execution of TA grants, counterpart agencies gain direct experience in managing and administering financial and human resources and applying transparent procurement and financial management procedures through the use of World Bank guidelines. With this dual approach to skill transfer, TA grants facilitate real learning and create the conditions needed to maximize long-term development effectiveness.

The grants financed under the Technical Assistance Program support activities designed to develop the basic prerequisites for implementing a World Bank financed development project. Examples of deliverables resulting from consultancies financed by TA grants include institutional assessments, Monitoring Information Systems (MIS), quantitative and qualitative poverty assessments, policy analysis and policy framework documents, curricula development plans, and human resource development plans. These deliverables are typically produced jointly by international

PHRD supports many programmatic themes to strengthen the capacity of human capital in developing countries.

/local consultants working in partnership with Ministry counterparts and local stakeholders. The grant implementation process is managed jointly by World Bank Task Team Leaders and the Project Coordination/ Management Unit comprised of local staff.

Global Knowledge and Capacity Building

(FY01 - \$13.1 million in allocations for the Scholarship Program and WBI Training)

“The Joint Japan/World Bank Graduate Scholarship Program has provided me with a unique opportunity to acquire profound professional knowledge and skills, to make a contribution to the development of international relationships between countries, and to bring new advances to Russia, to Tatarstan and to my own home community in Kazan...”

A recent JJ/WBGSP scholar who graduated from a university in the United States

The understanding and application of modern socio-economic theory and international experience is critical to a country’s development process. For those living in developing countries, opportunities for educational advancement and access to information are limited. Universities are under-funded, curricula is often outdated and access to modern technology enabling information transfer and access is limited. PHRD supports two programs designed to promote learning amongst stakeholders in addition to sharing the best thinking and experience emerging from around the world on issues crucial to reform and socio-economic development—the Joint Japan

Fact in Focus

According to a recent study, an estimated 85 percent of the program alumni work in a development policy making or research capacity. An estimated 1,220 JJ/WBGSP alumni are working in their home countries, with roughly 990 in public policy-making positions.

Box 4: **WBI Program in Focus—Corporate Social Responsibility Program**

Corporate governance reforms are critical to the return of investor confidence and to sustain economic growth, especially after the Asian financial crisis. The program provided information on concepts, tools, and best practices from the private sector to help countries improve the climate for investment. The Institute for Solidarity in Asia organized an Open Conference on National Governance Reform in the Philippines. Over 800 participants addressed the issue of Good Governance: Give the Youth and the Less Privileged Their Voices.

World Bank Graduate Scholarship Program and the World Bank Institute Training Program.

The Joint-Japan World Bank Graduate Scholarship Program (JJ/WBGSP)

The objectives of the scholarship program are to help create an international community of highly-trained professionals working in the field of economic and social development, and build capacity for research in developing countries. The World Bank and the Government of Japan require that scholarship recipients return to their home country after their studies, thereby ensuring that the knowledge and skills they receive during their programs contribute to development in their respective regions and countries. Since its establishment in 1987, the program has awarded 1,726 scholarships in member countries and 590 separate scholarships have been awarded for study at the various partner institutions.

World Bank Institute for Training and Research

The World Bank Institute for Training and Research (WBI) aims to empower people through knowledge and capacity building. WBI facilitates learning on development issues for Bank clients—including policymakers, ministry staff, academics,

and increasingly, parliamentarians, journalists, the private sector, nongovernmental organizations, and other segments of civil society. At the end of FY01, WBI was reaching 48,000 participants annually in client programs in about 150 countries through nearly 600 learning activities.

Urgent Country Specific Assistance for Emergency Support

(FY01 - \$9.8 million in allocations to the World Bank Trust Fund for East Timor from the Japan Post Conflict Fund)

“The sustainable reconstruction of countries emerging from long periods of conflict is a challenge we ignore at our peril. This is not an issue we can relegate to the sidelines of development.”

— World Bank President James D. Wolfensohn

War and armed conflict not only threaten national and regional security, they also inflict long-lasting damage to nations' economies and thwart any chance for sustainable development. The destruction of physical assets, the disruption of trade links, and the loss of life and social capital is devastating. Violent conflict also leaves a legacy of

Box 5: **Japan Post-Conflict Fund—Activities in Focus**

The early availability of funds from JPCF enabled the World Bank to be operational very quickly at the crucial juncture in East Timor. As a result, the East Timorese received much needed urgent rehabilitation support, along with humanitarian assistance provided by the UN and NGOs. The Community Empowerment and Local Governance Project (CEP) which provides block grants to local communities, supports the creation of democratically elected village councils in order to build accountable and participatory local institutions through which communities can work to rehabilitate basic infrastructure and restart economic activities.

militarized, divided societies, widespread displacement of populations, and decimated institutional capacity. Post-conflict assistance requires not just physical reconstruction but also basic social development. Given the devastating impact of conflict on a country's development process and the increasing number of conflicts in the 20th century, the PHRD Fund committed to supporting post-conflict reconstruction in 1996, with the establishment of the Post-Conflict Reconstruction Assistance Program (later renamed Japan Post-Conflict Fund).

The Japan Post-Conflict Fund (JPCF) supports grants designed to promote economic rehabilitation and reconstruction programs, design and implement development policies, and create institutional capacity in countries struggling with development issues arising from civil war and conflict. Recognizing that conflict is a major constraint to development, with impacts on a country's physical, social and economic capital, the JPCF works to break the cycles of conflict and help war-torn populations resume a peaceful developmental process.

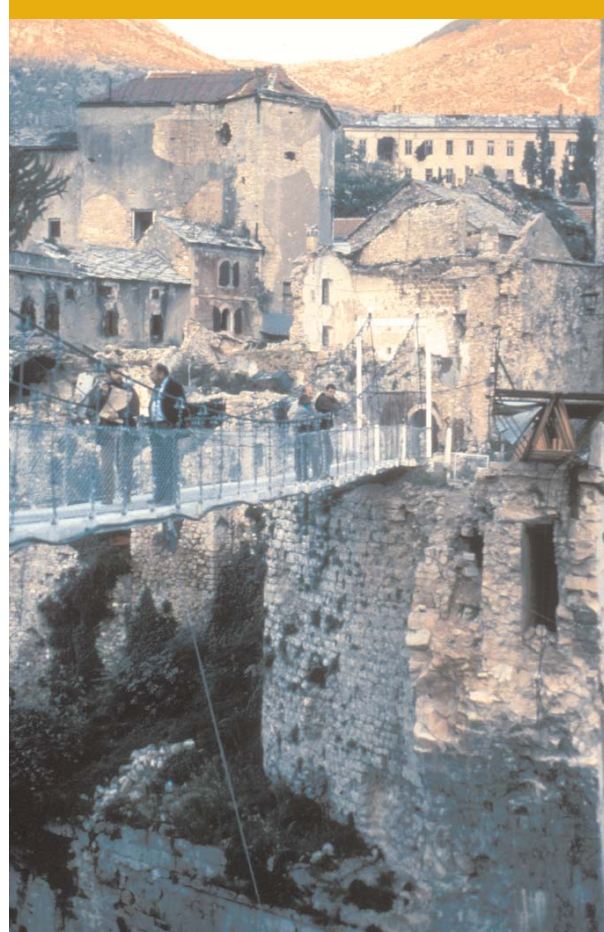
The JPCF has been designed as a flexible funding instrument to rapidly respond to the particular needs of a society trying to rebuild its physical, social and economic infrastructure. It finances three primary activities:

- physical support for people affected by conflict through the provision of civil works;
- consultations and studies to improve economic policies and regulations for financial institutions; and
- strategy development to deal with crises.

Opportunities for Japanese Consultants to Work with the World Bank

(FY01 - \$7.1 million in allocations from the Japan Staff Consultant Trust Fund)

The Japan Staff and Consultant Trust Fund (JSCTF) complements the Bank's activities in economic and sector work, lending development,



Post conflict assistance supports both physical reconstruction as well as basic social development in countries affected by civil strife such as Bosnia-Herzegovina.

project appraisal and supervision. The JSCTF is the largest single source of funds among the countries that donate to the Consultant Trust Funds. The JSCTF finances support for:

- Japanese firms undertaking large-scale consultancies related to economic and sector work or project planning. A maximum of \$1.5 million equivalent can be financed per assignment, and
- individual Japanese consultants working on project-related activities.

The JSCTF assists countries in the development process by complimenting the Bank's work. Additionally, it provides much needed technical support to World Bank teams working with counterparts in client countries on particular issues and facilitates the project preparation process. Finally, the work of Japanese experts, being mainly focused in the Asia region, brings an understanding of regional issues that are unique to Asia to both the relationship with country counterparts and to the outcomes of the work.

Box 6: **Partnership Program in Focus—
The Global Development Network**

The Global Development Network, launched in 2000 and funded under the Partnership Program, encourages the development of a global network to link research and policy institutes in the field of development whose work depends on the free and efficient exchange of ideas, opportunities and experiences. The initiative, still in its early phase, has proceeded on two fronts: knowledge generation and knowledge sharing. A key objective of the GDN is to improve the links between development policy and research institutes and sources of funds that can support their work.

Global Development and Partnership Programs

(FY01 - \$7.3 million in allocations from the Partnership Fund and transfers from the Technical Assistance Program)

“...(W)hile domestic action is critical, we have also learned that global developments exert a potent influence on processes of change at national and local levels – and that global action is central to poverty reduction.”

**- James D. Wolfensohn, President, The World Bank
World Development Report 2000/2001**

Partnership Programs

The Japan-World Bank Partnership Program focuses on development issues across institutions and concentrates primarily at the regional and/or global level. The purpose of the program is to encourage learning across institutions and countries about particular development issues. The program supports activities that build relationships between Japanese and Bank researchers on key development issues, stimulate public interest in Japan for international development issues, and strengthen aid coordination initiatives.

Support for Global and Regional Programs

While every country's circumstances are unique, experience has shown that there are common evolutionary trends to particular development issues. This is true at both a regional and global level. Additionally, there is a real opportunity for development organizations to collaborate on a regional and global level in the implementation of development programs and the sharing of ideas and experiences. The PHRD Fund has recognized these opportunities and is providing financing for a variety of regional and global programs.

During the fiscal year, two global programs received funding from PHRD for the first time, thus continuing PHRD's support for cross-border activities:

A \$1 million transfer to the Cities Alliance, funded from the Technical Assistance Program, was made in FY01. Cities Alliance is a global partnership which aims to provide a forum to advance the collective know-how to improve the quality of urban development cooperation and urban lending, strengthen the impact of grant-funded urban development cooperation and increase the collaboration between existing programs. The Consultative Group to Assist the Poorest (CGAP), received \$300,000 from the Technical Assistance Program. CGAP is a multi-donor initiative developed to alleviate poverty through sustainable financial services for the very poor. CGAP activities include setting standards and guidelines for micro-finance practitioners, disseminating best practices, developing technical tools and products, and providing training and technical assistance to micro-finance institutions, donors, and other key stakeholders in the micro-finance industry.

PHRD TECHNICAL ASSISTANCE PROGRAM: RESTORE ECONOMIC AND SOCIAL DEVELOPMENT

The overall goal of the PHRD Fund is to restore and promote economic growth in member countries of the World Bank. To support this goal, about 75 percent of the PHRD grant portfolio has targeted clients in borrowing countries working to prepare proposed World Bank-assisted investment operations that contribute to economic growth. These grants have been awarded through the PHRD Technical Assistance Program, the flagship program of the PHRD, and, by the end of FY01 had facilitated the preparation of 954 World Bank-assisted investment operations.

Performance of the PHRD TA Program: FY01

In FY01, the Government of Japan approved a total of 127 grants, amounting to \$65.5 million while contributing \$23.9 million to the Technical Assistance Program. Grants under the TA program are designed to provide technical assistance and capacity building support to borrowing countries to facilitate project preparation or implementation.

Sixty grants for \$27.9 million were approved in the first round as part of the Fall Tranche and 67 grants for \$37.6 million from Rounds 2 and 3 in the Spring Tranche. Disbursements under the Technical Assistance Program during the fiscal year totaled \$73.0 million.

Regional Distribution

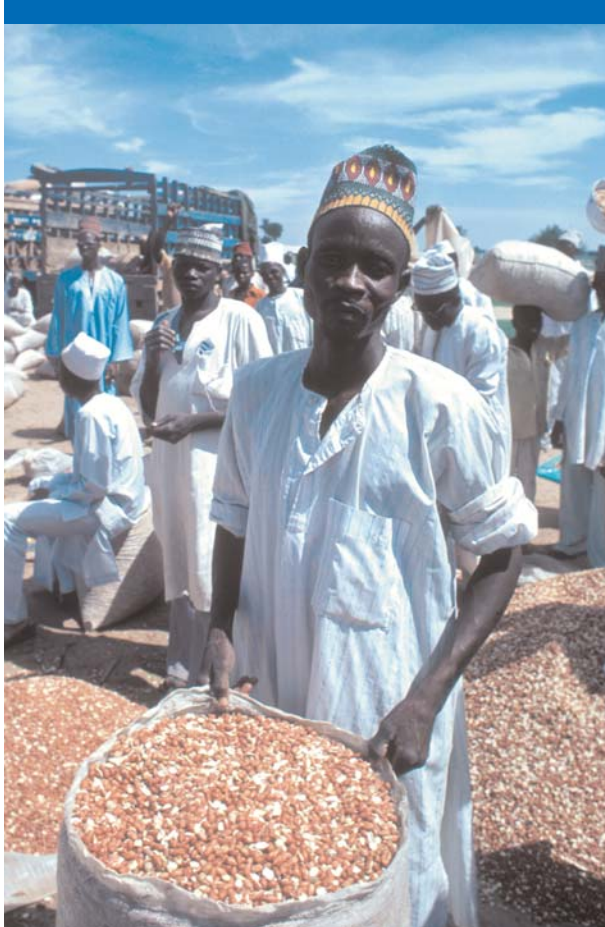
The PHRD Fund's Technical Assistance Program benefited 69 countries in six regions (table 1). Continuing the Fund's broad coverage, all regions received significant allocations in FY01 (figure 2). The Africa Region received the largest allocation of 2001 funds in terms of number of grants and amount approved, followed by the East Asia and the Pacific and Europe and Central Asia Regions.

Africa Region

The PHRD Fund TA Program financed 38 grants totaling \$21.3 million for Africa. Nigeria was the largest grant recipient, accounting for 25 percent of total allocations for the Region, with four grants

Table 1: **Regional Distribution of Technical Assistance Grants in FY01**

Region	Fall		Spring		TOTAL	
	Number of Grants	Amount (\$ millions)	Number of Grants	Amount (\$ millions)	Number of Grants	Amount (\$ millions)
Africa	22	9.5	16	11.7	38	21.3
East Asia and Pacific	12	6.4	11	8.2	23	14.6
South Asia	5	3.3	3	1.5	8	4.8
Europe and Central Asia	6	2.2	16	7.8	22	10.0
Middle East and North Africa	3	1.5	9	3.5	12	5.0
Latin America and the Caribbean	12	5.0	12	4.8	24	9.8
Total	60	27.9	67	37.6	127	65.5



Africa received the highest number of grants under the TA Program in FY01.

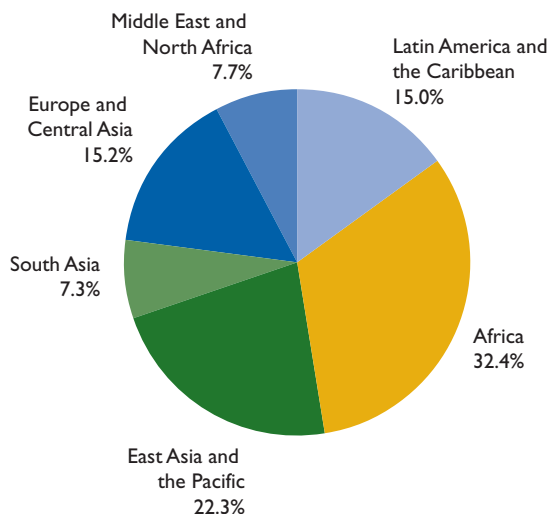
Several PHRD grants financed activities in support of HIV/AIDS projects, which was a major area of focus during the fiscal year and of the highest priority in the Region. The grants were approved in the context of the US\$ 500 million Multi-Country HIV/AIDS Program for the Africa Region (MAP) approved by the Bank's Board of Directors in September 2000. The grants and the projects will help organize a preemptive response to the growing HIV/AIDS epidemic through a multi-sector approach by: (a) maintaining the current levels of the epidemic; (b) reducing its spread and mitigating its effects; and (c) increasing access to prevention services as well as care, and support for those infected and affected by HIV/AIDS. Countries benefiting from these activities include Benin, Burkina Faso, Burundi, Chad, Guinea, Madagascar, Niger, Rwanda, and Sierra Leone.

totaling \$5.4 million. Zambia received the next largest share of regional funds, with three grants totaling \$1.9 million, followed by Sierra Leone, three grants totaling \$1.5 million, and Cameroon, two grants totaling \$1.1 million.

East Asia and Pacific Region

The PHRD Fund financed 23 grants totaling \$14.6 million for countries in East Asia and the Pacific. China was the largest grant recipient, accounting for 29 percent of regional funds with seven grants totaling \$4.2 million. Indonesia received \$3.8 million to finance five grants, followed by the Philippines with \$2.6 million for three grants, and Viet Nam, with two grants amounting to \$1.7 million.

Figure 1: **Regional Distribution of Technical Assistance Grants Approved in FY01**
(percentage of total allocation)



PHRD financed grants in a variety of sectors, primarily in the areas of urban development, environment, water supply and sanitation and agriculture. Examples of grants include urban local governance reform in Indonesia, water supply development in Viet Nam and coral reef rehabilitation in Indonesia.

South Asia Region

The South Asia Region received funding for eight grants totaling \$4.8 million. India was the largest recipient, with \$3.5 million financing six grants. Sri Lanka received \$875,000 for one grant and Bhutan, \$412,000 for one grant.

The two-phased Gujarat emergency earthquake reconstruction program received the largest

amount of funding, with 31 percent of regional funds for India. Other grants in the Region include primary and tertiary education projects in Sri Lanka and Bhutan, urban poverty reduction in Andhra Pradesh, India and an integrated health, nutrition and family welfare services development project in India.

Europe and Central Asia Region

The PHRD Fund financed 22 grants totaling \$10 million in FY01. Armenia was the largest recipient, with three grants amounting to \$1.3 million, followed by Lithuania receiving two grants for \$1.2 million, Yugoslavia, receiving \$1.1 million in funding for two grants, the Former Yugoslav Republic of Macedonia, receiving \$886,000 for two grants and Georgia, with two grants amounting to \$837,000.

The sectoral portfolio of the Region concentrated in three main areas: private sector development, social protection and poverty alleviation, and health and nutrition. PHRD grants financed activities in these areas including a trade facilitation project in Yugoslavia, a TB/AIDS prevention program in Belarus and a community-based investment project in the Kyrgyz Republic.

Middle East and North Africa Region

The PHRD Fund financed 12 grants totaling \$5 million in FY01. Tunisia held the largest share of

Poverty alleviation and rural development activities continue to be a focus for PHRD.



the regional portfolio, with two grants amounting to \$848,100, followed by Egypt, Syria, Algeria and Jordan.

Grants in the Region supported improvements in solid waste and water management, public sector reform and natural resource protection.

Latin America and the Caribbean Region

Latin America and the Caribbean benefited from 24 PHRD grants totaling \$9.8 million. Mexico was the largest recipient, accounting for 23 percent of regional funds, followed by Peru, Colombia and Argentina.

As in previous years, a large number of PHRD grants for the Latin America and the Caribbean Region supported improvements in the social sector. The grants financed specific initiatives designed to improve the quality of basic education services in Brazil, alleviate rural poverty in Ecuador, promote sustainable forestry in Nicaragua and create opportunities for community-based development in Panama through the creation of a social fund.

Sectoral Distribution

The human development sector received the most funding in FY01, with 29 percent of total funds, amounting to \$19.1 million. This represents a 4 percent increase over FY00 shares for the sector. The level of funding for the human development sector demonstrates the Bank's continuing commitment to human development efforts. FY01 grants in this sector are supporting a number of initiatives designed to strengthen health services (health services delivery in India and national AIDS control in Djibouti), improve the quality and efficiency of educational systems (rural education in Romania, basic education in China), create opportunities for community-based development (social fund in Benin, community development in Cameroon), and improve the social protection services for the poor (social protection reform in Georgia and Jamaica).

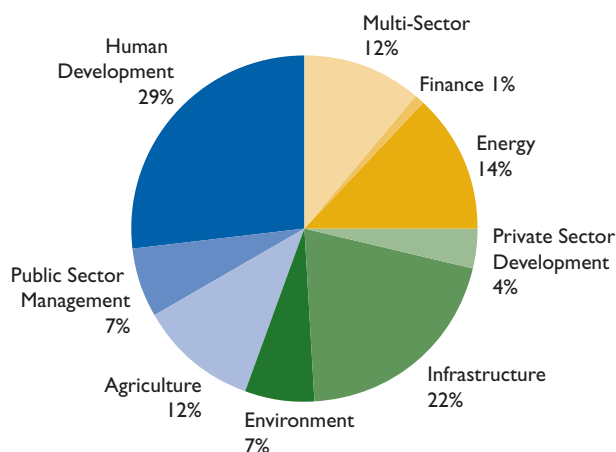
Table 2: **Sectoral Distribution of Technical Assistance Grants Approved, FY00 - 01**

Sector	FY00			FY01		
	Number of Grants	Amount (\$ millions)	Share (percentage)	Number of Grants	Amount (\$ millions)	Share (percentage)
Human Development	45	21.9	25	39	19.1	29
Public Sector Management	37	16.8	19	10	4.9	7
Agriculture	34	15.6	18	19	7.6	12
Environment	32	14.1	16	9	4.8	7
Infrastructure	20	10.9	12	21	14.6	22
Private Sector Development	8	3.2	4	5	2.7	4
Energy	7	4.3	5	6	2.9	14
Finance	2	.7	1	2	.8	1
Multi-Sector	—	—	—	16	18.1	12
Total	185	87.5	100	127	65.5	100

The infrastructure sector received the second highest level of funding in FY01, with 22 percent of allocations totaling \$14.6 million, compared to 12 percent of FY00 funds. The majority of these grants support the improved delivery of water supply and sanitation facilities and services to needy populations. Additionally, the sector is supporting two grants as part of a comprehensive earthquake reconstruction program in India, and a number of housing projects targeting low income families.



Figure 2: **Sector Distribution of TA Grants, FY01**



Since inception, environment has been a high priority for PHRD.

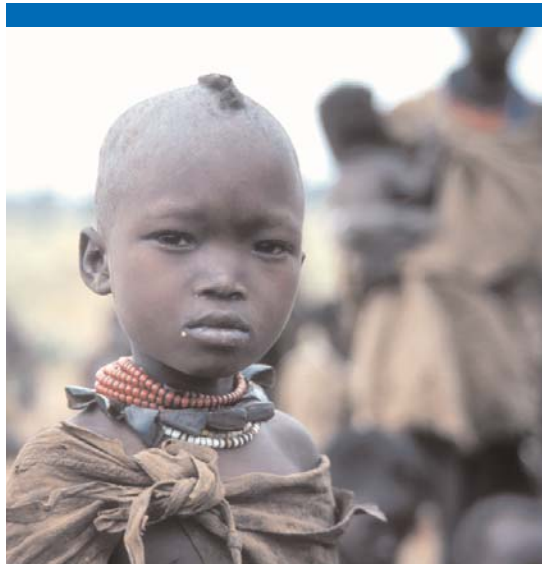
The largest declines in funding percentages were seen in public sector management (seven percent of FY01 funds compared to 19 percent in FY00), environment (seven percent of FY01 funds compared to 16 percent in FY00) and agriculture (12 percent of 2001 funds compared to 18 percent in FY00) (table 2).

Box 7: Community Driven Development—Program in Focus

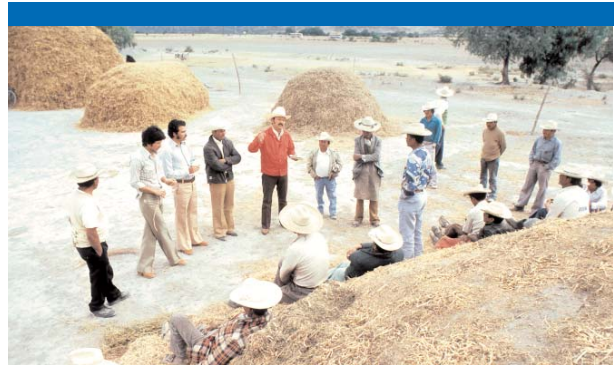
A \$395,000 PHRD grant is helping to prepare the Chad Community-driven development program, the main objectives of which are: (a) strengthening the capacity of rural local governments and communities in the decision-making process and the management of local development activities, and (b) improving the delivery of services and the socio-economic infrastructures at the local level — building of local government and institutions.

Private sector development remained somewhat constant between FY00 and FY01 and continues to support a variety of activities.

This year 16 grants for \$18.1 million are supporting multi-sectoral activities, which include 14 HIV/AIDS grants for Africa (12 percent of FY01 allocations) and two grants for bridging the digital divide.



About 12% of FY01 funds support preparation of HIV/AIDS projects in Africa.



PHRD promoted community development activities in FY01.

Major Development Themes

Community Driven Development (CDD)

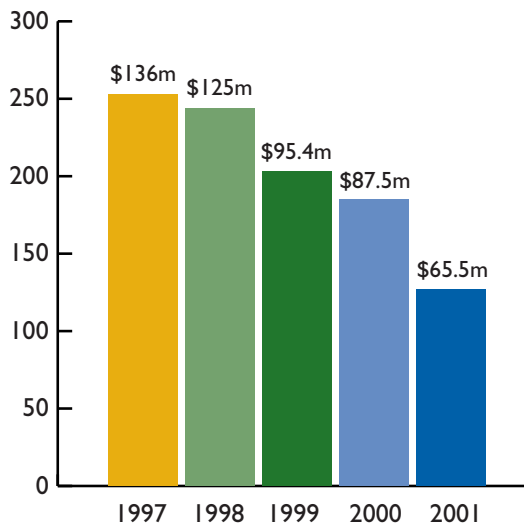
In FY01, seven grants using CDD approaches were approved for a total of \$3.6 million. These grants are designed to support innovative Bank-financed projects that will give community organizations control over decisions and resources. Grants utilizing CDD will support activities in the following countries: Chad CDD rural development; China integrated sheep; India Andhra Pradesh rural poverty reduction and Maharashtra rural water supply; Mexico rural microfinance; Tunisia North-West mountainous areas; and Sierra Leone HIV/AIDS.

Innovative Ideas

A number of PHRD grants are facilitating the

Figure 3: **Technical Assistance Grant Approvals, FY97 – FY01**

(Number of grants and millions of US dollars)





Enhancement of the role of women in development is given priority under PHRD funded activities.

education campaigns and sensitizing decision-makers and leaders; and (v) capacity building.

Ghana—Promoting Partnerships with Traditional Authorities Project. This is an innovative project that promotes community involvement and advocacy by traditional authorities and community council leaders. The project would include expansion of basic education and control of HIV/AIDS by strengthening the capacity for advocacy by traditional authorities and community involvement in provision of infrastructure and for preparation of socio-economic development plans.

Armenia—Business Linkages Project. This grant supports the priority area of bridging the digital divide in re-mapping of Armenian business conditions, technical knowledge, management techniques, and enterprise restructuring. The project aims to alleviate poverty by using the digital economy and exports growth as engines for social-sustainable private sector driven growth.

Bolivia—Decentralized Energy, Information, and Communications Technology for Rural Transformation. This grant supports the priority area to bridge the digital divide in an IDA country,

preparation of innovative development methods and approaches. Some examples of grants nearing completion in FY01 are:

Multi-country HIV/AIDS Program for Africa. In response to the HIV/AIDS crisis in the Africa Region, 14 countries are preparing such projects and urgently requested PHRD support, totaling \$6.9 million. These projects are considered to be emergency operations and are on a fast track schedule for Board approval. The grants are supporting activities to contain and reverse the spread of the epidemic, including: (i) preventive and curative health care; (ii) community-based long-term care, counseling, and family support; (iii) research and surveillance; (iv) mass media

Figure 4: **Cumulative Allocations and Disbursements, FY88 - 01**

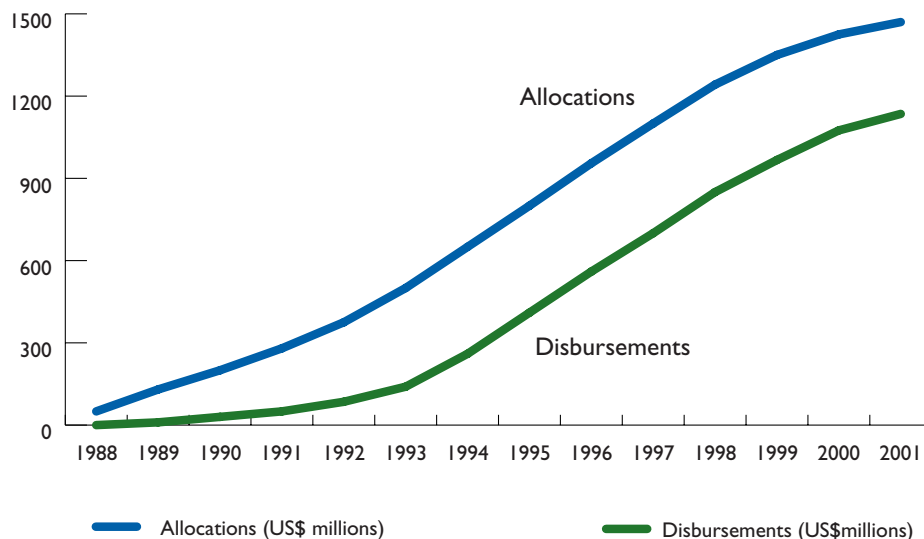


Table 3: **Grant Execution in FY01 by Number of Approved Grants**

	FY01 Round 1 (Fall Tranche)			FY01 Rounds 2 and 3 (Spring Tranche)		
	Bank %	Government %	Split %	Bank %	Government %	Split %
Africa	59	36	5	38	50	12
East Asia and Pacific	0	75	25	9	64	27
South Asia	0	100	0	0	100	0
Europe and Central Asia	0	71	29	0	100	0
Middle East and North Africa	0	100	0	22	78	0
Latin America and Caribbean	36	64	0	29	64	7
Bank-wide	16	74	10	16	76	8

using an innovative approach for development of rural infrastructure. The project aims to provide universal access to electricity, telephone, and Internet services to the rural and urban poor.

India—Andhra Pradesh Rural Poverty Reduction Project. The project's basic objective is to empower disadvantaged communities to overcome social, economic, cultural and psychological barriers through self-managed organizations. The technical assistance supports this objective through a study to develop a strategy and key interventions to improve the livelihoods of women/girls, one of the most vulnerable groups in rural society because of prevailing historical and social attitudes. The grant will also prepare a development plan that is intended to ensure that indigenous groups participate in all stages of project preparation and implementation, are not adversely affected by the project and will receive culturally-compatible benefits from the project.

India—Gujarat Urban Reform Project. The overall objective of the project is to improve the level, quality and sustainability of basic urban services in selected urban local bodies, by means of public, private and community participation. The grant would support this objective by assisting urban local bodies in the preparation of investments to improve priority urban infrastructure services benefiting the urban poor for funding under the proj-

ect. A second grant was also approved for the second phase of the project which aims to restore the living conditions of earthquake affected communities through the reconstruction of housing and vital social and physical infrastructure.

Grant Portfolio

Over the past five years, 1,012 grants have been approved for project preparation and project implementation efforts for a total of \$509.4 million, (see figure 3). In FY01, efforts increased to cancel slow disbursing grants and release funds to new emerging priorities. These closures brought the size of the TA portfolio of active grants down to approximately 700 grants at the end of the year. During FY01, the Bank closed approximately 400 TA grants. This was mostly the result of a large number of grants reaching the four-year limit on the length of grant activities.

Sixty grants, or eight percent of the active portfolio, required major revisions in FY01. This was an increase on the previous year's revisions of 35 and can be attributed to the increased monitoring carried out by the Bank and the increased awareness of PHRD policies and procedures among those managing the grants. The majority of the revisions were the result of changes in scope of projects under preparation, thus requiring a revision to the technical assistance grant.

Disbursements

Total disbursements in FY01 were \$73.0 million. The percentage of total disbursements occurring under recipient executed grants increased in FY01 to approximately 65 percent (up from FY00's 62 percent). This reflects the growing percentage of the portfolio that is recipient executed. In FY01, the East Asia and Pacific Region experienced the highest disbursements, with \$20.0 million, followed by the Latin America and Caribbean Region (\$19 million). Cumulative disbursements under the PHRD TA Program since the program's inception total US\$1.2 billion.

Execution of Grants

There is an improvement in the percentage (roughly 75 percent) of approved grants for recipient country execution compared to approvals in FY00 (about 64 percent). This is a result of continued Bank efforts to focus on recipient execution to promote greater ownership and accountability and to facilitate the transition into project implementation and project management. This high percentage of recipient execution is despite several grants approved to support the multi-sectoral Africa Regional HIV/AIDS program where all the grants are Bank executed as requested by the recipient countries.

Achieving Results

Promoting Ownership of Programs

FY01 saw a continuous improvement in the number of grants being executed by recipient governments to increase ownership and accountability of the results of PHRD programs and to facilitate the transition into project implementation. In the Fall Tranche, 74 percent of grants were being exe-

cuted by the Government, with 10 percent being split executed and 16 percent Bank executed. In the Spring Tranche, 76 percent of grants were recipient executed, with eight percent split execution and 16 percent Bank executed.

Ensuring Quality at the Start of Projects

According to the findings of the PHRD Monitoring Unit's evaluation of PHRD programs, and using criteria such as Quality at Entry, Borrower Preparation, Borrower Compliance, and Overall Borrower performance, PHRD prepared projects show significantly better ratings, at the 95 percent confidence level.

The evidence from the Monitoring Unit's field evaluations in 13 countries of 93 PHRD grants, shows that over two-thirds of these are meeting their objectives satisfactorily or better, are used to prepare projects that are of high quality, are helping build capacity for better policy formulation and implementation, and are likely to lead to sustainable investments.

Enhancing Quality of Capital Investments

By the end of FY01, over 950 World Bank-assisted investment operations amounting to \$86.5 billion in Bank lending had been prepared with the help of 963 PHRD technical assistance grants. According to OED data, and based on evaluations of 560 completed investment operations, the development effectiveness of investment operations prepared with the help of PHRD is high. The OED Development Effectiveness Index¹ is significantly better (at a 95 percent level of confidence) for investment operations that were prepared using PHRD grants compared to other projects. PHRD grants thus help the World Bank to improve the effectiveness of its operations in a manner that yields statistically significant results.

1. The Development Effectiveness Index is a single number ranging from 2.00 to 10.00, uses combined ratings for outcome, sustainability, and institutional development impact.

SCHOLARSHIPS AND TRAINING: STRENGTHENING HUMAN CAPITAL WITH EDUCATIONAL OPPORTUNITIES AND TRAINING

In FY01, PHRD continued the support that began in 1987 to the Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP) and to the World Bank Institute's (WBI) training program. These two programs are designed to promote learning and deliver to stakeholders, the best thinking and experience emerging from around the world on issues crucial to reform and socio-economic development.

The Joint Japan/World Bank Graduate Scholarship Program

In FY01, the Government of Japan contributed \$10.5 million to the Graduate Scholarship program. The Program, solely sponsored by the Government of Japan, has supported more than 2200 mid-career professionals from developing countries in their pursuit of graduate studies leading to Master's or Ph.D. degrees. Since inception, Japan has contributed about \$100 million to the Program. In the FY01 Selection Cycle, 226 applicants from more than 80 developing countries were selected in both the Regular and Partnership Programs to receive scholarships. The Program has been contributing to both capacity building and human resources development in the developing world. The Program alumni, positioned in central banks, ministries and civil service departments and institutions, including universities and schools, actively participate in the development process in their countries. With an 80% rate of return to their home countries (76 percent of the total graduates) or to another developing country (4 percent), the JJ/WBGSP scholars create a community of well-trained cadre who are highly positioned in policy making circles.

Facts in Focus

In 1987 the program funded 31 scholars. Today the program is supporting 20 times more scholars per year who are studying development in diverse fields such as social development, NGO management and finance. A high percentage (65%) of scholars are from poor families and an increasing number are women.

Regular Program

In FY01, the Regular Program provided 129 scholarships, from an all-time high of nearly 4,422 applicants, to mid-career professionals, mainly from developing countries to pursue graduate studies in subjects related to economic and social development at universities located in World Bank member countries. In FY01 Africa submitted about 64 percent of total applications followed by South Asia with 10 percent of total applications. Africa continues to receive the most scholarships (37 percent). East Asia received the next highest number of scholarships with 19 percent. South Asia followed with 13 percent.

Partnership Program with Universities

In Japan more than 50 scholars from developing countries are studying Policy Management, Infrastructure Management, Tax Policy and Public Finance at Tsukuba University, Keio University, Yokohama National University and National Graduate Institute for Policy Studies (GRIPS). At Columbia University and Harvard University, scholars are studying Economic Policy

Management and Public Administration in International Development respectively. In collaboration with the African Capacity Building Foundation, the Program annually sponsors 130 scholars to pursue their master's degree in Economic Policy Management at the University of Abidjan, Cocody (Côte d'Ivoire), University of Ghana at Legon (Ghana), University of Makerere (Uganda) and the University of Yaounde II (Cameroon). The first phase of the collaboration resulted in sponsoring nearly 400 scholars, mainly from Africa, who attained the degree and returned back to their countries. In all Partnership Programs, scholars are assigned internships in international development agencies, government agencies and private institutions to acquire experience in handling problems and reaching solutions.

A Tracer Study conducted during FY00 reported that 97 percent of scholarship recipients obtained the degree for which the scholarship was given and that 85 percent of the recipients are meeting the program's objectives either by working in a developing country or in an international aid agency. The JJ/WBGSP Secretariat is conducting the 2002 Tracer Study, and the results will be out in May 2002.

World Bank Institute Training Program

The PHRD Fund continues to be the largest contributor to the activities of the World Bank Institute (WBI), the learning arm of the World Bank. WBI's annual evaluation reports show that this training fills a gap in development expertise, particularly at the grass-roots and community levels. Many program alumni work in the non-governmental and informal sectors, which is an objective for the WBI training program. Other



WBI supports training at the grassroots and community levels to help fill a gap in development expertise.

objectives target training women in development, management of local organizations, and concern for the environment before these areas were of mainstream interest in development.

In FY01, The Government of Japan contributed \$2.5 million to support WBI activities. The program funded 13 activities totaling \$2.6 million in FY01 under the Brain Trust Program (Study of Japan's Development Management Experience), FASID (the Foundation for Advanced Studies in International Development), and WBI's regular training programs. The funded activities included a regional workshop on microfinance in East Asia, a workshop on sustainable development in East Asia, preparation of a report for a gender and social inclusion program, and training in banking and finance for commercial bankers.

Box 8: **WBI Program in Focus — Sustainable Development in Asia**

- **Corporate Social Responsibility** – Corporate governance reforms are critical to the return of investor confidence and to sustain economic growth in the region especially after the Asian financial crisis. The program provided information on concepts, tools, and best practices from the private sector to help countries improve the climate for investment. The Institute for Solidarity in Asia organized an Open Conference on National Governance Reform in the Philippines. Over 800 participants addressed the issue of Good Governance: Give the Youth and the Less Privileged Their Voices.
- **Attacking Poverty** – The program helped to bring poverty concepts to the forefront of development discussions and are enhancing the range and quality of consultations on options for reducing poverty. Several countries are following up. For example, Cambodia and the Philippines have held national conferences to build on and disseminate the findings of the debates on poverty reduction.
- **Water Policy Capacity Building** – Over the last six years, the program reached thousands of stakeholders from about 50 countries. In South Asia, WBI worked with networks of water sector reformers to strengthen the capacity of the utilities and to awareness of decision makers about sector reform options.
- **Clean Air Initiative** – Originally launched to address air pollution problems in Latin America, the Initiative was replicated in East Asia. Some cities involved in the Initiative are preparing clean air action plans that will provide a basis for investment. As a result of the program, city officials are better able to manage air quality programs, and public awareness of air quality issues has increased.
- **Capacity Building in Program Evaluation** – WBI helped 27 developing countries to build up their capacity for program evaluation. One of the programs reached more than 300 trainers in monitoring and evaluation from 30 organization in 15 countries. For example, three partner institutions from Central Asia are now able to monitor and evaluate their programs and are replicating the course to train participants from government agencies and civil society.
- **Social Protection** – The Social Pension courses and policy services provided a forum for consensus building among pension reform stakeholders, and were thus integral part of the policy reform process. For example, the course in Thailand served to highlight that current pension benefit system would generate a huge deficit after 15 years of operation. This set the stage for more realistic policy discussions about how Thai pension reform should proceed. The course targeted for Central Asia tackled the complex issues of second-generation reform implementation.
- **Civic Participation** – The main objective of the program was to address issues of empowerment and governance to strengthen the voices of the poor in influencing public policies and to help make institutions more accountable and responsive to the poor. The program in Thailand was delivered to more than 480 community and local government representatives from 10 districts.
- **Asia Development Forum** - The theme of the Forum was "Asia's Future Economy", and it aimed to build development capacity in East Asia by disseminating knowledge about best practices in development policy and strategy and strengthening links within the development community.

JAPAN POST-CONFLICT FUND: HELP COUNTRIES EMERGING FROM CIVIL STRIFE ON THE ROAD TO RECOVERY AND DEVELOPMENT

The Japan Post-Conflict Fund (JPCF), established in FY99, and its predecessor the Post-Conflict Reconstruction Assistance Program launched in FY96, supports grants designed to promote economic rehabilitation, to design and implement development policies, and to create institutional capacity in countries struggling with development issues arising from civil war and conflict. Recognizing that conflict is a major constraint to development, with impacts on a country's physical and economic capital, the JPCF works to break the cycles of conflict and help war-torn populations resume a peaceful developmental process.

Contributions and Allocations in FY01

Since the first contribution in FY96, the Japanese Government has contributed \$84.1 million to Post-Conflict Reconstruction Assistance. In FY01, the Government of Japan transferred \$9.8 million to the Bank's Trust Fund for East Timor. The Trust Fund for East Timor was established to support reconstruction and development activities in infrastructure, agriculture, health, education

and macroeconomics and is administered by the World Bank, in partnership with the Asian Development Bank.

At a multi-donor conference held in June, 2000, the World Bank met with stakeholders to discuss the progress of East Timor's reconstruction efforts and to endorse a work program for East Timor's development from July to December, 2000.

"The donor community and the East Timorese have worked with an incredible speed in the first six months of reconstruction of East Timor. Now we need to focus our attention on the quality of the development process. We see East Timorese participation and leadership in the coordination of development agencies as key to a sustainable development process. This is particularly important as we move into this new phase: the implementation of reconstruction plans."

Jemal-ud-din Kassum,
World Bank Vice President for the East Asia and Pacific region

Table 4: **Post-Conflict Fund, FY97 – 01**
(millions of dollars)

	1997	1998	1999	2000	2001
Contributions	18.4	15.5	0.0	11.1	9.8
Allocations	10.0	24.5	5.7	16.1	9.8
Disbursements	5.6	9.4	10.4	13.8	5.0

Transfers of \$14.1 million for FY00 and \$9.8 million for FY01 are not included as disbursements.

JAPAN STAFF AND CONSULTANT TRUST FUND: OPPORTUNITIES FOR DONOR NATIONALS TO PARTICIPATE IN DEVELOPMENT WORK

The Japan Staff and Consultant Trust Fund (JSCTF) is the largest single source of funds among the countries which donate to the Consultant Trust Funds program. The JSCTF complements the Bank's activities in economic and sector work, lending development, project appraisal and supervision. An important objective of the JSCTF is to provide opportunities to the Japanese consulting industry to gain exposure to the Bank's work resulting in the exchange of experience and expertise between the Bank and the industry.

The JSCTF finances support for:

- Japanese firms undertaking large scale activities related to economic and sector work or project planning. A maximum of \$1.5 million equivalent can be financed per assignment, and
- individual Japanese consultants working on project-related activities.

Under the JSCTF Program, six grants were approved for \$3.4 million under the large-scale program in FY01. Under the individual JSCTF program, 43 activities for \$3.8 million were approved. Global/regional as well as country specific activities are funded under the JSCTF.

Large-Scale Program funds are available for hiring consulting firms. The funds are tied to the use of Japanese firms, although up to 50 percent of the funds may be contracted by such firms to non-nationals.

For the Large Scale Program, the size of the allocations generally require that competitive bidding process is followed, in accordance with the Bank's guidelines on selection of consultants. During the year the Bank made special efforts through its Tokyo Office and dissemination of information to staff to increase the utilization of the Large Scale Program. In addition, staff are being made aware that Japanese NGOs can also be funded under the JSCTF. A particular area of interest for large-scale activities is the support for global/regional programs. Three out of the six grants approved in FY01 are supporting regional/global programs.

Global/Regional Large-Scale Activities in FY01

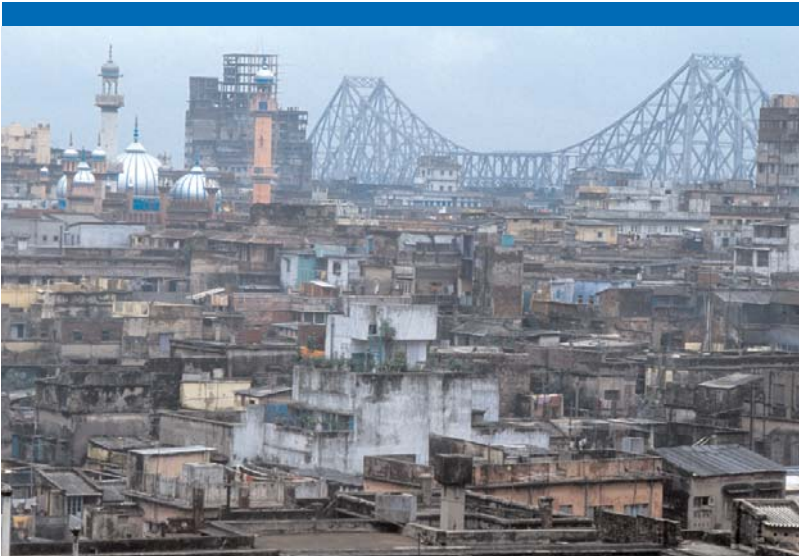
Global — Integrating Gender into World Bank financed Transport Programs. The grant is helping to improve the efficiency and equity — by responding to the needs of both women and men — of transport policies and programs. This is being achieved through (a) a world-wide survey

Table 5: **Japan Staff and Consultant Trust Fund, FY97 – 01**
(millions of dollars)

	1997	1998	1999	2000	2001
Contributions	14.5	14.2	13.6	7.2	6.7
Allocations	13.3	18.6	10.5	13.9	7.2
Disbursements	4.6	9.2	11.7	10.1	7.3

to review and document gender and transport initiatives promoted by the World Bank and other agencies and to identify best-practice; and (b) developing training material and reference documentation which will make the findings and recommendations of the studies easily accessible to transport project managers, planners and policy makers around the world. The training material will be disseminated through web-sites, supported by other electronic and printed media, to ensure the world-wide dissemination and use of the findings.

Global — Applying Information Technology (IT) to Road Transport in Developing Countries. The study aims at proving economic and social effects of introducing IT Strategy to various social groups in the developing world, and specifying the issues of implementation, by featuring case studies. The consultant’s work aims at building a Knowledge Data Base for decision makers in developing countries, which consists of overview of IT, rationale for the developing world, planning and strategy, handling issues in the developing world, and case studies on regional perspectives. This work is to be implemented as a collaboration effort between World Bank and the Ministry of Land, Infrastructure of Japan (MLITJ).



Slum upgrading and urban development have been supported under JSCTF

OTHER PROGRAMS: SUPPORTING HIGH PRIORITY MULTI-LATERAL INITIATIVES

Japan's support to regional and global development issues continued in FY01 with the approval of such grants under the PHRD Fund.

Japan-World Bank Partnership Program

The purpose of the program is to encourage learning between Japanese institutions, the World Bank and developing countries on specific issues to address high priority activities. The program supports activities that build relationships between Japanese and Bank researchers, stimulate public interest in Japan for international development issues, and strengthen aid coordination initiatives. To date, Japan has contributed \$11.9 million to the program.

Table 6: **Japan-World Bank Partnership Fund, FY99 – 01**
(millions of dollars)

	1999	2000	2001
Contributions	4.0	4.4	3.5
Disbursements	0.0	0.3	2.3

Japan approved seven grants for \$1.7 million under the Partnership Program in FY01. This included a grant for the Capacity Building of NGOs in Asia and several grants to support the activities of the Global Development Network.

Learning Across Borders: Capacity Building for Japanese and other Asian Pacific NGOs was designed to improve the knowledge skills and organizational capacity of the participating NGOs. The focus was a series of workshops held between January and June 2001. Through these workshops, participants learned from each other,



Japanese and Asian Pacific NGOs participating in the Learning Across Borders workshop.

as well as had the opportunity to interact with World Bank experts. The workshops focused on three main themes: (i) development perspectives; (ii) capacity building for development; and (iii) how to work with the World Bank.

“... (We) simply won’t reach the international development goals of reducing poverty by 2015 unless we have the participation of all groups in society... we are expecting the workshop series will enhance mutual understanding and learning among NGO participants and Bank staff to improve our work, strengthen the capacity of all stakeholders and continue opening new spaces for civil society cooperation in development.”

— World Bank President James D. Wolfensohn

“... I understand that there are different types of people at the Bank and I cannot think of the Bank as an entity but as people.”

— An NGO participant in the LAB workshop series

The *Global Development Network*, launched in 2000, encourages the development of a global network to link research and policy institutes in the field of development whose work depend on the free and efficient exchange of ideas, opportunities and experiences. The initiative, still in its early phase, has proceeded on two fronts: knowledge generation and knowledge sharing. A key objective of the GDN is to improve the links between development policy and research institutes and sources of funds that can support their work.

Other Activities

A transfer of \$1 million was made from PHRD (TA Program) in FY01 to finance activities undertaken by the *Cities Alliance*. An additional contribution of \$1 million for the *Cities Alliance* was also made in the beginning of FY02. *Cities Alliance* is fostering the development of new tools,

practical approaches and knowledge sharing on both the regional and global level to create a new coherence of effort to help realize the rich promise of what well-managed cities can achieve.

A transfer of \$1.3 million was made from the PHRD Technical Assistance Program to the Guarantee Trust Fund. *The Guarantee Trust Fund* is designed to support the development of the guarantee instrument, prepare specific guarantee transactions, and inform market participants and client countries of the availability of the guarantee instrument.

A transfer of \$300,000 was made from the PHRD Technical Assistance Program to finance core activities of the *Consultative Group to Assist the Poorest (CGAP)*, a multi-donor initiative developed to alleviate poverty through sustainable financial services for the very poor. CGAP activities include setting standards and guidelines for micro-finance practitioners, disseminating best practices, developing technical tools and products, and providing training and technical assistance to micro-finance institutions, donors, and other key stakeholders in the micro-finance industry.

A transfer of \$2 million was made from the PHRD Technical Assistance Program to the *Public-Private Infrastructure Advisory Facility (PPIAF)*. A sum of \$1 million was made to the Core Fund, to pay for Japan’s membership to PPIAF. An additional sum of \$1 million was made to the Non-Core Fund to finance activities undertaken by the PPIAF in the East Asia Region.

A transfer of \$1 million was made from the Technical Assistance Program to the *Trust Fund for the Special Initiative for ODS Production Closure in the Russian Federation*. The purpose of this contribution is to support strengthening the Trust Fund’s activities, particularly those related to technical assistance.

FINANCIAL STATUS AND PERFORMANCE OF THE PHRD FUND: FY01

In FY01, Japan's contribution to the PHRD Fund was \$56.9 million. The PHRD Technical Assistance Program suffered the most significant decrease, a decline of approximately 52 percent from FY00, with a total of \$23.9 million of new contributions in FY01. The Graduate Scholarship Program experienced a 22 percent decline, followed by the Japan-World Bank Partnership Program, a 20 percent decrease from FY00, the WBI Training Program, a 15 percent decrease, the Post-Conflict Reconstruction Assistance Program, with a 12 percent decrease, and finally the Japan Staff and Consultant Trust Fund, with a 7 percent decrease in funding from FY00 levels (see tables 7 and 8).

Technical Assistance Grants Programs

The Government of Japan approved a total of 127 grants, amounting to \$65.5 million to provide technical assistance and capacity building support to borrowing countries to facilitate project preparation or implementation. Sixty grants for \$27.8 million were approved in the first round as part of the Fall Tranche and 67 grants for \$37.7 million from Rounds 2 and 3 in the Spring Tranche.

Disbursements under the Technical Assistance Program during the fiscal year totaled \$73.0 million. During FY01, the Bank closed approximately 400 TA grants due to many grants reaching the maximum four-year term. These closures brought the size of the TA portfolio of active grants down to 699 at the end of the year, the smallest number of active grants since 1993.

World Bank Institute Training Program

The PHRD contributed \$2.5 million to the WBI Training Program in FY01. Contribution levels for this program have remained somewhat constant over the last five years, with only a 21 percent decrease from FY97. The WBI Training Program financed 13 activities totaling \$2.6 million in FY01 under the Brain Trust, FASID, and Regular training programs.

Japan Staff and Consultant Trust Fund

PHRD contributed \$6.7 million to the Japan Staff and Consultant Trust Fund (JSCTF), established to finance the costs of hiring Japanese experts to support World Bank operations in borrowing countries. JSCTF funds constitute five percent of total PHRD contributions in FY01. Under the JSCTF Program, six grants amounting to \$3.4 million were approved under the large-scale activities program in FY01 compared with 11 activities for \$7.4 million in FY00. Under the individual JSCTF program 43 activities for \$3.8 million were approved (46 activities for \$4.5 million in FY00).

Joint Japan/World Bank Graduate Scholarship Program

The PHRD has continued its support to the Graduate Scholarship Program with a \$10.5 million contribution in FY01. This represents a 33 percent decrease from FY00, it is only a 7 percent decrease from FY97 levels and contributions have remained fairly constant over the last five years. The Graduate Scholarship Program constitutes 8.2 percent of the FY01 PHRD portfolio.

Table 7: **New Contributions for Major Categories of the PHRD Fund, FY97 - 01**
(millions of US dollars)

Type of Activity	2001	2000	1999	1998	1997
Technical Assistance	23.9	49.6	117.5	94.8	127.8
Graduate Scholarship Program	10.5	13.5	12.1	11.9	11.2
WBI Training Program	2.5	2.6	2.5	3.1	3.3
Japan Staff and Consultant Trust Fund	6.7	7.2	13.6	14.2	14.5
Post-Conflict Reconstruction	9.8	11.1	0.0	15.5	18.3
HIPC-related ^{a/}	0.0	0.0	0.0	14.0	—
Partnership	3.5	4.4	4.0	—	—
Total	56.9	88.4	149.7	153.5	175.1

In FY01, Japan made a separate allocation to HIPC outside PHRD

Table 8: **New Allocations for Major Categories of the PHRD Fund, FY97 - 01**
(millions of US dollars)

Type of Activity	2001	2000	1999	1998	1997
Technical Assistance ^{b/}	73.6	97.0	114.3	140.7	135.8
Graduate Scholarship Program	10.5	13.5	12.1	11.9	11.2
WBI Training Program	2.6	2.6	2.5	3.1	3.3
Japan Staff and Consultant Trust Fund	7.1	11.9	8.6	18.0	13.8
Others ^{c/}	9.8	16.1	7.7	34.4	10.0
Partnership	3.2	3.7	—	—	—
Total	106.8	144.8	145.2	208.1	174.1

^{b/} Includes project preparation and implementation grants and other allocations under the TA program.

^{c/} Includes the Japan Post-Conflict Fund, allocations for the HIPC debt initiative, Human Resources Development Grants and the Multilateral Investment Guarantee Agency.

Japan Post Conflict Fund (JPCF)

Following the transfer of \$14.1 million to the World Bank's Trust Fund for East Timor in FY00 from PHRD, a transfer of \$9.8 million was made to the Trust Fund for East Timor in FY01. Since the first contribution in FY96, Japan has contributed \$92.5 million to Post-Conflict Reconstruction Assistance activities.

Japan-World Bank Partnership Program

The Japan-World Bank Partnership Program focuses on development issues which promote partnerships between the World Bank and Japanese institutions. The program also concen-

trates on activities at the regional and/or global level. The purpose of the program is to encourage learning across institutions and countries about particular development issues. In FY01, \$3.5 million in contributions were made to the Partnership Program, down from FY00 levels of \$4.4 million.

In FY01, Japan approved seven grants for \$1.7 million under the Partnership Program.

Other Activities

As discussed earlier, a total of five other special programs for \$5.6 million were supported by PHRD in FY01 (see Annex 3 for the complete list).

TECHNICAL ASSISTANCE GRANTS APPROVED IN FY01

Africa Region

Country	Project	Amount (US\$)
Benin	Multi-sectoral HIV/AIDS	418,400
Benin	Social Fund	240,000
Burkina Faso	Energy Sector Reform and Development	395,000
Burkina Faso	HIV/AIDS Disaster Response	473,220
Burundi	HIV/AIDS	682,400
Cameroon	Community Development Project	713,060
Cameroon	Forests and Environment Sector Program (FESP)	397,300
Cape Verde	HIV/AIDS	473,075
Central African Republic	HIV/AIDS and Poverty Reduction	402,860
Chad	AIDS Control and Population	216,000
Chad	Community-Driven Rural Development Program	395,000
Eritrea	Secondary and Technical Education	363,750
Ghana	Promoting Partnerships with Traditional Authorities	216,300
Guinea	HIV/AIDS Global Mitigation Support	383,900
Guinea-Bissau	HIV/AIDS Global Mitigation Support Project	396,700
Guinea-Bissau	Water and Energy Project	446,550
Madagascar	Multi-sectoral HIV/AIDS	452,400
Madagascar	Poverty Reduction and Institutional Development TA	203,000
Malawi	Rural Energy and Power Sector Development	1,122,150
Mozambique	Public Sector Reform	347,000
Niger	HIV/AIDS Prevention and Care	625,000
Niger	Private Irrigation Promotion Phase II	370,125
Nigeria	Lagos Urban Upgrading Project	1,982,000
Nigeria	National Urban Water Sector Reform Project	1,209,800
Nigeria	States Governance and Capacity Building	1,470,000
Nigeria	Universal Basic Education	716,000
Rwanda	HIV/AIDS	683,900
Rwanda	Institutional Reform	370,000
Sierra Leone	Health Sector Support Project	426,300
Sierra Leone	HIV/AIDS Multi-Sector Response Project	494,267
Sierra Leone	Rehabilitation of Basic Education	543,975
Tanzania	Multi-sectoral AIDS	546,600
Tanzania	Soil Fertility Re-capitalization and Agricultural Intensification	253,750
Togo	HIV/AIDS Emergency Response	427,350
Uganda	Poverty Reduction Support II	451,250
Zambia	Poverty Reduction Support Credit I (PRSCI)	670,000
Zambia	Support to Water Reform	830,720
Zambia	Support to Economic Expansion and Diversification (SEED) Tourism	435,250
AFRICA REGION TOTAL		21,244,352

East Asia and Pacific Region

Country	Project	Amount (US\$)
Cambodia	Legal and Judicial Reform	250,000
Cambodia	Provincial and Peri-Urban Water Supply and Sanitation Project	540,000
China	Basic Education in Western Areas	707,000
China	Chongqing Urban Environment	324,500
China	Ertan II: Income Generation and Poverty Alleviation	543,000
China	Hebei Urban Environment	361,000
China	Integrated Sheep Development	721,600
China	Liao River Basin Project Phase II (LRBP II)	740,000
China	Zhejiang Urban Environment Project	787,500
Indonesia	Coral Reef Rehabilitation and Management II	731,000
Indonesia	Decentralized Agricultural and Forestry Extension	363,500
Indonesia	Eastern Indonesia Region Transport	580,000
Indonesia	Improving Decentralized Management of Health Work Force and Services	790,925
Indonesia	Urban Local Governance Reform Project	1,288,500
Lao P.D.R.	Second Health Project	731,015
Mongolia	Financial Capacity TA	245,900
Philippines	Laguna de Bay Environment and Watershed Management	988,400
Philippines	Rural Power	600,000
Philippines	SZOPAD Social Fund II	1,044,520
Solomon Islands	Fourth Education Project	126,330
Thailand	Education Management Development Project	450,000
Vietnam	Natural Disasters Mitigation Project	750,400
Vietnam	Water Supply Development Project	964,350
EAST ASIA AND PACIFIC REGION TOTAL		14,629,440

South Asia Region

Country	Project	Amount (US\$)
Bhutan	Bhutan Education Program	412,500
India	Andhra Pradesh Rural Poverty Reduction	500,000
India	Andhra Pradesh Urban Poverty Reduction	779,000
India	Gujarat Emergency Earthquake Reconstruction Program Phase I	334,000
India	Gujarat Emergency Earthquake Reconstruction Program Phase II	788,600
India Development	Karnataka Integrated Health, Nutrition and Family Welfare Services	680,000
India	Maharashtra Rural Water Supply and Sanitation II	420,000
Sri Lanka	Tertiary Education Reform	867,500
SOUTH ASIA REGION TOTAL		4,781,600

Europe and Central Asia Region

Country	Project	Amount (US\$)
Armenia	Business Linkages	392,200
Armenia	Health System Optimization Project	492,000
Armenia	Education Quality and Relevance	370,250
Azerbaijan	Environmental Investment and Management Project	498,500
Belarus	TB/AIDS	595,000
Bosnia-Herzegovina	Small-Scale Commercial Agriculture Development - Agriculture II	300,000
Bulgaria	Unified Revenue Agency	306,000
FYR Macedonia	Health Sector Development Project	488,800
FYR Macedonia	Social Protection Implementation Project	397,320
Georgia	Social Investment Fund II	427,000
Georgia	Social Protection Reform	410,000
Kyrgyz Republic	Community Investment Project	490,210
Lithuania	Housing	502,000
Lithuania	Pension Reform Implementation Loan (Social Protection)	693,700
Moldova	Water Supply and Sanitation Project	461,100
Poland	Agriculture Competitiveness	376,555
Romania	Rural Education	462,540
Turkey	Social Risk Mitigation	580,000
Ukraine	Programmatic Adjustment Loan II	446,200
Ukraine	State Tax Administration Modernization	131,000
Yugoslavia	Private and Financial Sector Structural Adjustment Credit	814,000
Yugoslavia	Trade Facilitation Project	328,380
EUROPE AND CENTRAL ASIA TOTAL		9,962,755

Middle East and North Africa Region

Country	Project	Amount (US\$)
Algeria	Solid Waste Management	565,588
Djibouti	National AIDS Control	271,000
Egypt	Irrigation and Drainage Management Project	445,000
Egypt	Second Matrouh Resource Management Project	360,400
Iran	Low-Income Housing	498,200
Jordan	Second Public Sector Reform	509,600
Morocco	Social Development Agency	347,200
Syria	Barada-Awaj Basin Integrated Water Management Project	618,150
Tunisia	Municipal Development III	399,500
Tunisia	North-West Mountainous Areas & Forestry Development Project	448,600
West Bank and Gaza	New-Northern Area Water Supply and Sanitation Improvement	232,676
Yemen	Groundwater and Soil Conservation Project	331,750
MIDDLE EAST AND NORTH AFRICA REGION TOTAL		5,027,664

Latin America and Caribbean Region

Country	Project	Amount (US\$)
Argentina	Secondary Education IV	607,600
Argentina	Third Provincial Reform Adjustment Loan - Catamarca	365,350
Bolivia	Decentralized Energy, Information and Communications Technology for Rural Transformation	750,000
Brazil	Maranhao Rural Education	200,000
Brazil	Paraiba Basic Education Quality Improvement	254,900
Colombia	Agricultural Technology Development and Transfer	450,000
Colombia	Productive Partnership for Peace	90,000
Colombia	Structural Fiscal Adjustment	600,000
Ecuador	Indigenous and Afro-Ecuadorian Peoples Development	233,000
Ecuador	Rural Poverty Alleviation and Local Development	102,400
Honduras	Natural Disaster Mitigation	315,000
Jamaica	Social Safety Net Project	130,000
Mexico	Environmental Support Loan	500,840
Mexico	Health System Reform II	795,566
Mexico	Rural Microfinance Capacity Building	614,610
Mexico	Urban Micro-business Project	358,750
Nicaragua	Off-grid Rural Electrification for Development	446,400
Nicaragua	Sustainable Forestry Investment Promotion	300,000
Panama	Social Investment Fund	139,000
Paraguay	Secondary Education Reform Project	540,000
Peru	Justice Services Modernization	500,000
Peru	Programmatic Social Reform Loan II	653,000
Peru	Rural Education and Teacher Development Program	408,900
Venezuela	Basic Education Improvement	479,200

LATIN AMERICA AND CARIBBEAN REGION TOTAL 9,834,516

A.2

JAPAN STAFF AND CONSULTANT TRUST FUND (JSCTF)

Large-Scale Activities Approved in FY01

Country/ Region	Name	Amount (US\$)
Global	Integrating Gender into World Bank financed Transport Programs	538,000
Regional	Gas Trade Study and Request for Expression of Interest	303,000
Bulgaria	Third Finance and Enterprise Sector Adjustment Loan	199,000
Ecuador	Rural Development and Poverty Alleviation	987,000
Global	Applying IT to Road Transport in Developing Countries	705,000
Seychelles	Economic Reform and Private Sector Development (dropped in Fiscal 2002)	695,000
Total		3,427,000

A.3

SPECIAL PROGRAMS IN FY01

Japan-World Bank Partnership Grants

Project	Yen (million)	US\$
Learning Across Borders: Capacity Building of NGO/CSOs in Asia Pacific		820,250
WB/J Partnership Fund: Annual Global Development Conference (Promotional Outreach)	1.33	
Global Development Awards and Medals Program		500,000
Annual Global Development Conference		350,000
Others		38,150
TOTAL		1,708,408

Other Special Programs

Program	US\$
Cities Alliance Trust Fund	1,000,000
Consultative Group to Assist the Poorest	300,000
Guarantee Trust Fund	1,300,000
Public-Private Infrastructure Advisory Facility	2,000,000
Russian Federation: ODS Production Closure	1,000,000
TOTAL	5,600,000

The Technical Assistance Program of the PHRD Fund extends untied grants to meet the technical assistance and human resource development needs of developing countries. The World Bank acts as trustee and administrator of PHRD grants and channels grant funds to the recipient or beneficiary. Administration of the grant and execution of the technical assistance activity are carried out according to the terms and conditions of a formal grant agreement between the Bank and the recipient government. The Resource Mobilization and Cofinancing Vice Presidency of the Bank is responsible for the overall management of technical assistance grants. In administering the grants, it cooperates closely with the Bank's six regional vice presidential units, which are responsible for the Bank's operational programs in its member countries, including task management responsibility for each technical assistance grant.

Governance

The PHRD Coordination Committee is a senior-level joint Japan-World Bank body with broad representation that meet at least twice a year to formulate PHRD funding policies and program priorities. A special Monitoring and Evaluation Unit was established in 2000 in the Resource Mobilization and Cofinancing Vice Presidency's Trust Funds and Cofinancing Department at the World Bank to intensify supervision, oversight, and accountability of technical assistance activities.

Donor Coordination

The World Bank has improved the accessibility and dissemination of information on PHRD operations in Japan. Data on approved PHRD grants and other pertinent information on the program is made available on the PHRD website, a section of the World Bank's Web page. Since 1997 PHRD Annual Reports have been translated into Japanese and made available to the public. Starting in 1998, the World Bank also has been conducting periodic seminars to familiarize the Japanese consulting industry with the operations of PHRD and the World Bank. There are regular meetings between Japanese private sector associa-

tions, including those representing the consulting industry. A consultant in the World Bank's Tokyo Office acts as the liaison between the Japanese consulting industry and the World Bank's operational units. These initiatives are significant steps in an ongoing process to disseminate information on PHRD in the donor country and to help ensure greater participation of the business community in the PHRD-funded program. It also demonstrates the Japanese government-World Bank partnership's strong commitment to make PHRD an important and transparent instrument of Japan's development leadership in poverty alleviation.

Grant Application and Review Process

Upon receiving the Japanese government's announcement of the funding, RMC notifies the six regional vice presidential units of the availability of funds. These units are invited to prepare and submit funding proposals. They are represented to RMC by their regional cofinancing coordinators in matters relating to PHRD technical assistance grants. The proposals for grant funding are prepared by the task teams and are initially reviewed by departments in the regional vice presidential units, including sector managers, and cleared by the respective country directors. The proposals are then reviewed by each regional cofinancing coordinator. Based on a careful review of the region's priorities, the coordinators submit their regions' package. Proposals for PHRD grants undergo a rigorous and transparent screening process to ensure the selection of only high-priority operational activities that meet the PHRD Fund's objectives and selection methodology and are identified through the country assistance strategy process.

This regional screening of proposals is followed by an independent review of the proposals by RMC. RMC seeks to ensure that the submitted proposals are for the preparation of priority projects in the Bank's lending program, are reasonably costed in compliance with established Bank norms, and are consistent with the donor's and the Bank's policy, sector objectives, and selection criteria for fund-

ing. Finally, RMC submits the total package of Bank-wide funding proposals for the tranche to the Japanese authorities for their review and approval. RMC conveys the Japanese authorities' decisions on the package of proposals to the regions and other Bank offices involved in grant implementation, including the Accounting, Loan, and Legal Departments.

Organizational Arrangements

Transparency during the entire process of selecting and evaluating proposals for PHRD grants and executing the grant-funded activity is further strengthened by the internal organizational arrangements within the Bank. In addition to RMC and the regional vice presidential units, which are primarily responsible for grant administration, several other Bank units are concerned with the management and administration of PHRD grants.

The Legal Department prepares grant agreements, coordinates the document review and clearance process. The Loan Department disburses the grant funds into a special account managed by the recipient, disburses payment requests, and ensures the integrity of the financial management. The Accounting department responsibilities include

accounting for the funds and financial reporting. Other Bank staff, such as procurement specialists and the Human Resources Group (personnel), may also have responsibilities in the oversight of selection of services and goods. For large Bank-executed contracts only, the General Services Department prepares contracts, and coordinates the bidding of firms. Finally, field staff in the Bank's resident missions often carry out important support and monitoring responsibilities in the course of their operational duties.

Monitoring Performance and Evaluating Results

Bank policy recognizes the need to assess how well each grant-funded technical assistance activity meets its stated development objectives. Accordingly, performance monitoring during delivery of the technical assistance, including annual status reports, is mandatory for all PHRD grant-funded activities. An evaluation on completion is also mandatory for PHRD-funded activities of \$1 million or more. Regional vice presidential units carry out a systematic annual review of their entire trust fund portfolio, which includes monitoring the progress of PHRD grant-funded activities and evaluating them on completion.

FY02 POLICY GUIDELINES AND PROGRAM ALLOCATION

In FY02, PHRD program policy guidelines and operating procedures are being streamlined through the introduction of an Annual Policy Document agreed with Japan in September 2001. The policy document sets out the terms for the program throughout the year, and includes the following criteria:

Objective. To provide technical assistance grants to recipient countries or their agencies to, help prepare or implement Bank-financed projects or programs. Grants approved under the program are subject to the criteria set forth in these Guidelines.

Focus. Technical Assistance grants would maintain a poverty focus. Final submission to the Japanese authorities for each allocation for project preparation grants, will have the following priorities: at least 35 percent of the total amount requested will be for IDA Countries, and at least 35 percent of the total amount requested will be for Asian Countries.

Priority Areas and Activities. Grant funding proposals may be submitted for the following areas:

(i) Proposals for technical assistance to support the preparation of projects in the Bank's lending program. Priority areas include: (a) Education, Health, Nutrition, Water and Sanitation, Social Protection, and Social Development; (b) Environment, Resettlement, Environmental Action Plans; (c) Participatory Community Development, NGOs, and Civil Society Involvement; (d) Women in Development (WID) Initiatives and (e) Promotion of Innovative Uses of Information Technology for Bridging the Digital Divide. Upper-middle income² countries may submit proposals only in Priority Areas and Activities. Proposals for low

middle income and low-income countries may be submitted for any sector.

(ii) Proposals for technical assistance to support preparation of projects that would use the Community-Driven Development (CDD) approach enhancing community organizations' control over decisions in managing internal resources and external matching grants. Proposals under this category may be for any sector and for both low- and middle-income countries.

(iii) Proposals for project implementation activities, which have not been included under a Bank-financed Project in the following areas: (i) environmental issues; (ii) involuntary resettlement issues; (iii) translation of documents into local languages; (iv) enhancement of the role of women in development; and (v) promotion of innovative uses of information technology for bridging the digital divide.

Amount. Submissions of grant proposals to the Government of Japan must abide by the funding ceilings agreed between the Government of Japan and the Resource Mobilization and Cofinancing Vice Presidency (RMC). RMC will invite proposals from the Bank's Regional Vice Presidential Units informing them of the total amount available and the notional allocations for the Regions. The maximum amount for individual project preparation grants is 5 percent of the proposed Loan/Credit amount (1:20 ratio)³. Proposals must be carefully prepared in consultation with the recipient. Evidence of client endorsement must be provided with each proposal. Supplementary grants for project preparation may be considered up to a cumulative 5 percent of the value of the proposed Loan/Credit amount, for additional work not previously foreseen, through the submission of a new proposal.

2/ As defined in the World Development Report 2000/2001

3/ Changes in the ratio of Grant Amount to Loan or Credit Amount during grant implementation is allowed as long as the recipient can provide a satisfactory explanation.

Funding Proposal. Grants are approved by Japan on the basis of a standard One-Page Funding Proposal, which becomes the legally binding document with respect to the donor. The Proposal will contain the Project Development Objectives and Key Performance Indicators, the grant objectives and its Expenditure Categories.

Supplementary Information. The Proposal attaches supplementary information (Detailed Background Information) which lists the grant components and respective grants outputs with a detailed budget, as well as a checklist. Up to 10 percent of the grant amount may be included for studies to be determined during grant implementation which would be necessary to advance the overall development objectives of the grant. The TTL monitors grant outputs and submits a semi-annual Grant Status Report documenting progress and agreed changes. Requests must be in line with the Country Assistance Strategy objective(s). The follow-on Project must be in the Bank's lending program.

Checklist. All questions must be answered. Country risks (political, social, etc.) associated with the proposed grant/project need to be clearly identified, and risk mitigation actions must be explained in the checklist. Preference will be given to proposals which: demonstrate country ownership of the technical assistance (for example through cost sharing and recipient endorsement of proposed grant activities); support projects with prospects of cofinancing with Japanese agencies (such as JBIC); and promote collaboration with local and international NGOs (preferably Japanese NGOs) and civil society organizations.

Eligible Expenditures. Eligible expenditures include: (i) consultant services essential to carry out the project preparation, including technical experts, studies, surveys, feasibility designs, environmental and social impact assessments, economic and financial analysis, project management and administration experts, and grant audits; (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. Proposals for project preparation can include capacity building activities if they are essential for project preparation. Workshops, local consultations and training costs may be included if the requests clearly demonstrate these activities will enhance the quality of project preparation/implementation.

Ineligible Expenditures. The following expenditures are ineligible: study tours, foreign training, implementation of pilot programs, civil works, purchase of vehicles, salaries for civil servants in recipient countries, and Bank staff (open-ended, term, and seconded staff) salaries or travel expenses.

Schedule. PHRD grant proposals would be submitted to Japan three times in a year (see below). GOJ would confirm its decisions (approved or rejected) on proposals within four weeks from submission.

Grant Execution Arrangements. Grants for Project Implementation would be recipient-executed, without exception. Project Preparation Grants would normally be executed by the recipient's project implementing agency; however, the Bank may waive the requirement for recipient execution based on the written request from the recipient Government in accordance with Bank policy (see OP/BP 14.40). Grant closing date for project preparation grants would be the same as the expected Approval Date of the ensuing Bank-financed project. Grant implementation periods for project preparation may continue up to six months after the Project Approval Date, as long as it is no later than the expected date of Effectiveness of the follow-on Loan/Credit, to complete ongoing contracts signed before the closing date for the grant. Any exceptions would need to be fully justified and would require RMC's clearance. RMC clearance is also required of all grant closing date extensions: extensions will normally only be granted if the Project Board/ Approval date slips and work is still needed to be

completed, or to complete contracts awarded before the original closing date subject to a satisfactory explanation. The total term of the grant should not exceed four years from grant approval date. The Bank, through the designated Task Team Leader of the project, would carry out its fiduciary responsibilities for grant supervision, with due attention to economy and efficiency, and in accordance with the standards applicable to Bank Loans/IDA Credits.

Progress Reporting. Task Team Leaders will be responsible for preparing semi-annual Grant Status Reports, rating the status of grant implementation, documenting the acquisition of consulting services or other grant-financed inputs, as well as completion of deliverables. In addition, a final progress report will be prepared documenting actual cumulative inputs and outputs through the grant implementation period.

Reallocation of Funds (Expenditure Categories). Reallocation of grant funds would be carried as follows. Under no circumstances, the total amount for all non-consultant cost expenditure categories can exceed 10 percent of the grant amount:

- (i) For reallocations up to 30 percent of the amount for an approved expenditure category, TTLs should seek advice from Legal and the Loan Department (for recipient-executed grants) in case an amendment is required to the grant agreement. A request does not need to be submitted to RMC.
- (ii) For reallocation of funds to new eligible expenditure categories (see above), a request

must be submitted to the Country Director for approval. The request should be cleared with RMC, Legal and the Loan Department (recipient-executed grants).

(iii) For reallocations of funds greater than 30 percent of the amount for an approved expenditure category, a request must be submitted to RMC for submission to the Government of Japan. GOJ would provide its approval/rejection within two weeks from receipt of the request from RMC.

Changes in Scope of Grant/Project. Where a change is needed in the Technical Assistance supported by the Grant or the Project Development Objectives, the Legal Department should be consulted if any amendments/approvals are required as described below:

- (i) For small changes in the scope of a technical assistance component (a change up to 30 percent of the amount for a component as budgeted in Detailed Background Information is considered to be small), TTLs should seek advice from Legal in case an amendment is required to the grant agreement for approval by the Country Director. A request does not need to be submitted to RMC.
- (ii) For significant changes in the scope of the Technical Assistance, the request must be approved by the Country Director. The request should be cleared with RMC and Legal. Significant changes are defined as: (a) a change of more than 30 percent in the amount of a component; or (b) adding a new component.
- (iii) For significant changes in the

FY02 PHRD TECHNICAL ASSISTANCE Program Allocation.

The FY02 allocation of \$111 million, to be approved through three rounds during the fiscal year, is as follows:

Allocations by Area	Amount (US\$ million)
Project Preparation	100
Project Preparation Using the Community-Driven Development Approach	6
Project Implementation In Priority Areas	5

Development Objectives of the Bank-funded Project, a request must be submitted to RMC for submission to the Government of Japan. GOJ would provide its approval/rejection within two weeks from receipt of the request from RMC.

Grant Cancellation Policy. The balance of grants are subject to cancellation under the following circumstances: (i) the Project has been dropped (signed contracts can be paid with RMC's approval); (ii) the Project is presented to the Board or Approved; (iii) the grant agreement has not been signed 12 months after approval of the grant; and (iv) no implementation progress including zero disbursements for six months after signature of the grant agreement. RMC may clear exceptions on the basis of a satisfactory explanation.

Visibility. The Bank will encourage signature ceremonies for PHRD grants in the field, with the inclusion of Japanese embassy officials. It will also encourage Bank staff in the field to invite local and international press to these ceremonies. Staff should inform RMC at least ten days in advance of the signing ceremony. The Bank will also make efforts to expand the visibility of the PHRD Fund through continued widespread distribution of the PHRD Annual Report, inclusion of PHRD information in relevant Bank documents and occasional information sessions on PHRD for Japanese NGOs and the private sector in Tokyo.

Maintenance of Documentation. Operational departments will keep copies of documentation, related to PHRD grants, for example, Terms of Reference and contracts for consultants, reports and other outputs prepared by consultants, status reports, etc.