

JAPAN POLICY AND
HUMAN RESOURCES
DEVELOPMENT
FUND



THE FACES OF THE PHRD: PARTNERS IN DEVELOPMENT

“It is difficult to imagine how the first IDA investment in the health sector in Tajikistan could have been carried out efficiently, according to schedule, and meeting institutional standards, without the support of the PHRD grant which was made available to the team. The grant enabled consultants to be engaged to assist and advise the national staff, to build up capacity in the newly created Project Unit, and to ensure that the proposed project could be appraised and then implemented according to plan.”

— Michael Mills
Program Team Leader



Tajikistan Health Team: Michael Mills, Program Team Leader, Human Development Sector and Dr. Makhbuba Sheralieva, Health Project Manager, Ministry of Health, Dushanbe, Tajikistan



Task Team Leader, Sari Söderström with task team members, members of the borrower's Project Management Office, and the mayor of Qingshui County in Gansu Province, China

“We prepared this grant during the project identification process and worked with locals to define exactly what PHRD should finance and how it should be implemented. This grant was extremely successful and created a lot of ownership which can help during the project.”

— Sari Söderström
Task Team Leader

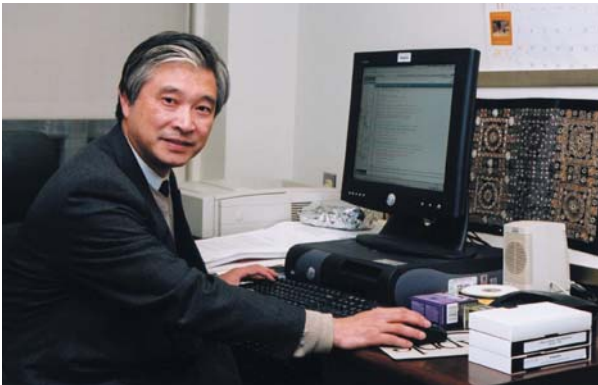
JAPAN POLICY AND
HUMAN RESOURCES
DEVELOPMENT
FUND



VICE PRESIDENT'S LETTER

"Institutions don't appear overnight or are fully grown; they need catalysts to build momentum and scale up."

— World Development Report, 2003



The overwhelming consensus in the development community is that capacity development and ownership of programs is a necessary precondition for sustainability, reducing poverty, and promoting growth. This point was clearly made during the recent United Nations Conference on Financing for Development in Monterrey, Mexico, maintaining that the Millennium Development Goals could not be realized without societies being able to direct their own development process. Until government institutions, civil society organizations, and individuals have both the skills and the opportunity to direct their own development, poverty will continue.

Developing this capacity is not a one-way, supply-driven process. It is a symbiotic exchange of knowledge, skills and opportunities. It is listening, responding, adapting and enabling. It is the creation of an environment in which these assets can be effec-

tively and transparently applied. It must be driven by demand, by the desire to achieve measurable results and by a shared commitment to equity and alleviating poverty. These are a few of the necessary prerequisites for effective development and are the principles that guide the Policy and Human Resources Development Fund (PHRD), one of the largest grant facilities in the World Bank designed to alleviate poverty by developing capacity.

In fiscal year 2002, the PHRD Fund continued its work in building capacity and increasing project preparedness in client countries. Some of the highlights of FY02 are outlined below:

- The Technical Assistance program continued to be the largest grant program supported by PHRD. In FY02, 97 Technical Assistance grants were approved, amounting to \$61.6 million.
- The PHRD Fund supported an increasing number of new and innovative programs in FY02, each designed to address a specific emerging development challenge. This support demonstrates both the flexibility of the PHRD Fund and its commitment to effectively respond to the ever changing needs of the developing world.
- Overall, contribution levels increased from FY01 levels, enabling the PHRD Fund to increase its support in a diversity of areas.

- With the support of PHRD, WBI provided training to more than 48,000 participants, and the Joint Japan/World Bank Scholarship Program provided 130 scholarships.

FY02 was also a year of listening, learning and improving for PHRD. RMC worked to address the concerns raised about the processes and procedures in relation to PHRD grants. The new procedures implemented during FY02 and currently under implementation in FY03 will streamline the PHRD grant processes and improve the overall effectiveness of the Fund. These improvement measures have already had an impact on PHRD performance, as demonstrated by a 42 percent increase in Technical Assistance grant submissions in FY03 Round 1, as compared to Round 1 of this fiscal year.

As part of the writing of the FY02 Annual Report, we engaged a number of Bank Task Team Leaders, managers, and grant recipients. Excerpts of these interviews are included as part of this report. Many of the issues raised are important in the future development and

improvement of the PHRD Fund and we believe the steps taken during FY02 to improve PHRD processes and procedures have been responsive to our clients. Additional measures are being taken as part of an FY03 performance improvement initiative to streamline procedures, increase communication and collaboration with our partners, and become a more effective development fund.

Finally, one of the strengths of the PHRD Fund is its ability to create strong partnerships in development—partnership between the Government of Japan and the World Bank, partnerships between the World Bank and its clients, and partnerships within client countries. These partnerships within and outside the Bank were further strengthened this year to the benefit of all. We look forward to a continuing partnership with the Government of Japan, our numerous partners and our clients to broaden our impact in the years to come.



TABLE OF CONTENTS

Chapter 1: The Objectives of the PHRD Fund	1
Chapter 2: A Catalyst for Development	3
Chapter 3: PHRD Challenges and Performance Improvement Measures	10
THE PHRD PORTFOLIO — FISCAL YEAR 2002 PERFORMANCE	
Chapter 4: Enhancing Project Design and Improving Performance - PHRD Technical Assistance for Project Preparation and Implementation	15
Chapter 5: The PHRD Human Development Programs – The World Bank Institute and the Joint Japan/World Bank Graduate Scholarship Program	22
Chapter 6: Responding to Crises and Emerging Development Challenges Critical Ecosystems Partnership Fund, <i>infoDev</i> , Development Gateway, Cities Alliance, Japan Climate Change Initiative, Japan Post Conflict Fund	28
Chapter 7: Japan – World Bank Partnership Program	35
Chapter 8: PHRD Special Programs Japan Staff and Consultant Trust Fund, African Capacity Building Foundation, Russia Financial Institutions Development, MIGA	36
Chapter 9: Financial Performance of the PHRD Fund by Program: FY02	40
ANNEXES	
Annex 1: List of Approved Technical Assistance Grants in FY02	44
Annex 2: Administration of Japan PHRD Grants Program	48
Annex 3: PHRD FY03 Annual Policy Document	50

For more information on the Japan PHRD Program, and to view abstracts of the current grants portfolio, please visit the World Bank's website at www.worldbank.org/rms/tf



ACRONYMS AND ABBREVIATIONS

ABCF	African Capacity Building Foundation
CDD	Community-Driven Development
CDF	Comprehensive Development Framework
CEPF	Critical Ecosystems Partnership Fund
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
ICTs	Information and Communications Technologies
<i>infoDev</i>	Information Development Program
JJ/WBGSP	Joint Japan/World Bank Graduate Scholarship Program
JPCF	Japan Post-Conflict Fund
JSCTF	Japan Staff and Consultant Trust Fund
JSDF	Japan Social Development Fund
LAB	Learning Across Borders – Capacity Building for Asian NGOs
LICUS	Low Income Countries Under Stress
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
TTL	Task Team Leader
WBI	World Bank Institute

THE OBJECTIVES OF THE PHRD FUND

“A key element of development effectiveness is the enhanced capacity of developing countries to formulate, execute and evaluate their own development strategies...the donor community needs to move away from providing technical cooperation and toward enhancing local capacity, replacing knowledge transfer with knowledge acquisition, generation, and application. ”

— James D. Wolfensohn

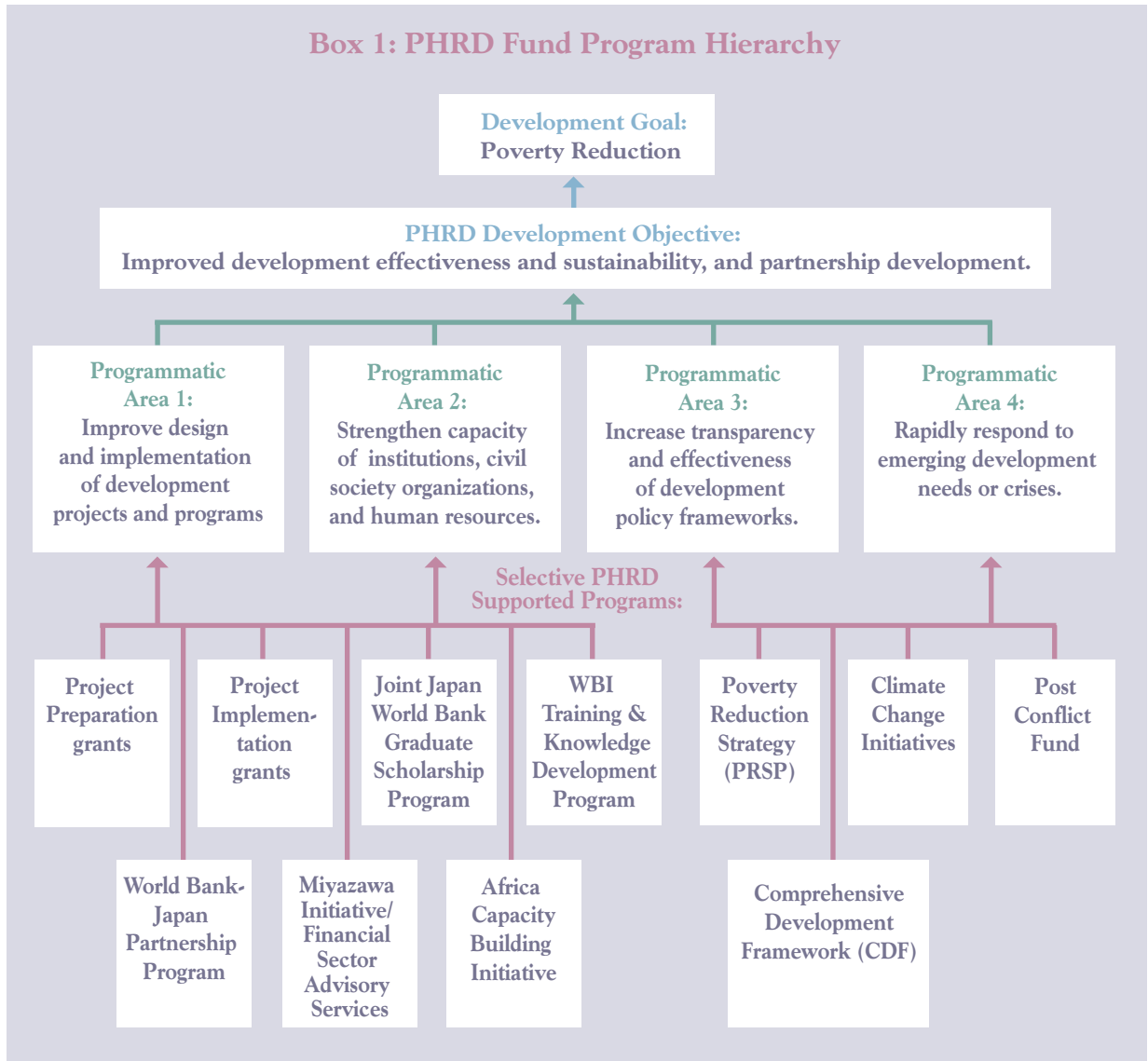
The PHRD Fund was created in 1990 through a joint agreement between the World Bank and the Government of Japan out of a commitment to alleviate poverty, build the necessary foundations for sustainable development, and create a close development partnership. At its inception, the PHRD Fund, and its predecessor the Japan Grant Facility founded in 1988, recognized that without sufficient skills, knowledge, and know-how, underdeveloped countries would continue to struggle in their development process. In order to be successful, PHRD approaches the capacity building process holistically, focusing not just on institutional development, but on the individuals, organizations, and policies that are the building blocks of strong institutions.

To best respond to these distinct segments of a developing society, PHRD defined four areas that would serve as a guide for the activities supported by the Fund: development of institutions, civil society, and human resources; improved program design and implementation; increased transparency and effectiveness of policy frameworks; and rapid response to crises and emerging development needs. These four “pillars of development,” each designed to improve development effectiveness and sustainability, and, in the long term, contribute to poverty alleviation, have shaped PHRD programs for the last 15 years. (Box 1, PHRD Fund Program Hierarchy).

As Box 1 demonstrates, the PHRD Fund supports a variety of programs, some working in only one development area (the Japan Post Conflict Fund), others having impact across multiple areas (Technical Assistance grants). When taken together, these programs work in concert to build the foundations for a well-developed national capacity and create a basis on which effective development can take place. This comprehensive approach to development is one of the most important and successful features of the PHRD Fund and demonstrates the Government of Japan’s commitment to equity, inclusion, and the transfer of skills, knowledge and experience to all levels of a developing society. The number and diversity of programs supported by PHRD is a testament to this commitment.

“The overall impact of the PHRD Fund is greater than the sum of the impact of its separate grant programs. In several countries visited by the PHRD Monitoring Unit evaluation team, scholars from the Joint Japan/World Bank Graduate Scholarship program oversee investments prepared with PHRD grants by local specialists, trained in the World Bank Institute training programs, together with consultants financed from the grants. The scholarships, training and technical assistance activities of the Fund have a cumulative effect in these countries.”

—PHRD Evaluation Report



1. A number of special programs responding to emerging development issues received support through transfers from PHRD in FY02. These programs which also contribute to the objectives of the Fund include: the Development Gateway, the Consultative Group to Assist the Poorest (CGAP), Cities Alliance, the Public-Private Infrastructure Advisory Facility (PPIAF), and the Critical Ecosystems Partnership Fund.

THE PHRD FUND - A CATALYST FOR DEVELOPMENT

“Institutions don’t appear overnight or are fully grown; they need catalysts to build momentum and scale up.”

— World Development Report, 2003

STRENGTHENING BANK-COUNTRY PARTNERSHIPS AND EMPOWERING RECIPIENTS

The use of grants financed from trust funds in the development process is not new. The PHRD Fund has been supporting grants since 1988 and other grant facilities have been operating for years. Today, grants are being increasingly viewed as effective instruments that can achieve small to medium scale results quickly while building the foundations for the successful implementation of larger development initiatives. Because of their focus on achieving results on a smaller scale, grants can better deliver tangible outcomes in the short-term while broadening the scope of future development operations. As grants can be prepared relatively quickly, they can be more immediately responsive and encourage innovation. And because they are more focused, they are more conducive to creating development partnerships. Grants act as catalysts, working to achieve short-term results on a small to medium scale so that larger scale projects can be effectively implemented and longer-term results realized.

The World Bank and the Government of Japan recognized early the catalytic role of grants in the development process. In the last five years, the PHRD Fund has contributed more than \$575.7 million to development (Figure 1). These contributions represent a significant amount of funding provided by a single donor to a trust fund administered by the Bank. During this time, the PHRD Fund has had many successes, con-

Figure 1: Total Contributions to the PHRD Fund, FY98-02, in millions of US dollars

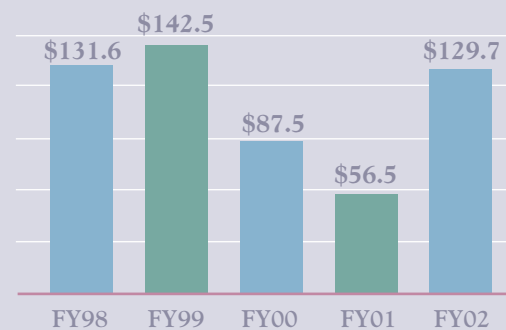
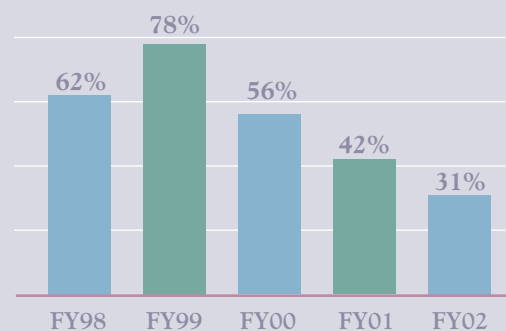


Figure 2: Percentage of PHRD Funds for the Technical Assistance Program, FY98-02



fronted many obstacles, and faced challenges. Through this process, the PHRD Fund has remained committed to its original objectives while being flexible in its approach. PHRD has provided funding to potential Bank borrowers to acquire the necessary technical

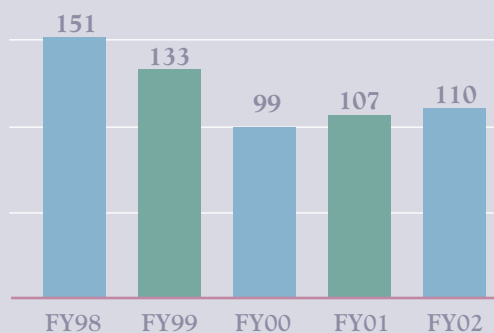
assistance to prepare Bank operations, complimenting the Bank's work; effectively responded to development crises and emerging development challenges; and has encouraged partnerships between and among formal and non-formal development institutions and organizations to provide an effective and coordinated response. The partnership between the Government of Japan and the Bank has significantly strengthened and enabled the PHRD Fund to be a true catalyst for development. These are the achievements of the PHRD Fund and are what differentiates it from other trust funds in the Bank.

ACHIEVEMENTS OF THE PHRD FUND

I. PREPARING LARGE SCALE DEVELOPMENT PROJECTS

Over the last 15 years, the majority of PHRD funds – 70 percent amounting to \$1.6 billion – have been spent helping World Bank client countries prepare and implement large-scale development projects financed by the Bank. Since its inception, 1,150 PHRD Technical Assistance grants have helped more than 140 countries in the preparation of 1,060 World Bank supported projects, amounting to \$95 billion in Bank lending. This is by far the most significant support for project preparation provided by any grant facility operating in the Bank. The total approved Bank-financed projects for 2002 which were prepared with PHRD grants is 110 (Figure 3).

Figure 3: Number of Successfully Negotiated Bank Projects Prepared with PHRD TA Grants, FY 98-02



While Technical Assistance grants have supported a diversity of sectors (figure 4), the Fund has placed a special focus on the Human Development Sector (education, health, and social protection), and water and sanitation and basic infrastructure. This focus responds to a shift in Bank programmatic areas, a changing development landscape and to the recognition that investments in social development make significant contributions to poverty alleviation.

In addition to the focus on development, the PHRD Fund is one of the few trust funds in the Bank that places a special emphasis on participation, ownership and Community Driven Development (CDD). The PHRD Fund also encourages grant recipients to be

Figure 4: TA Cumulative Allocations by Sector, FY98-02

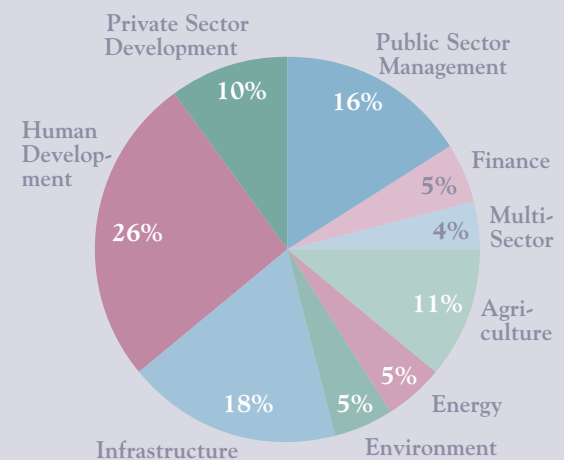
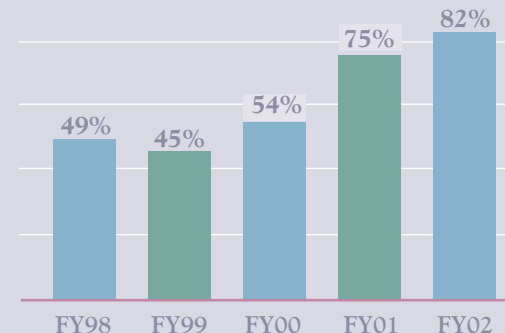
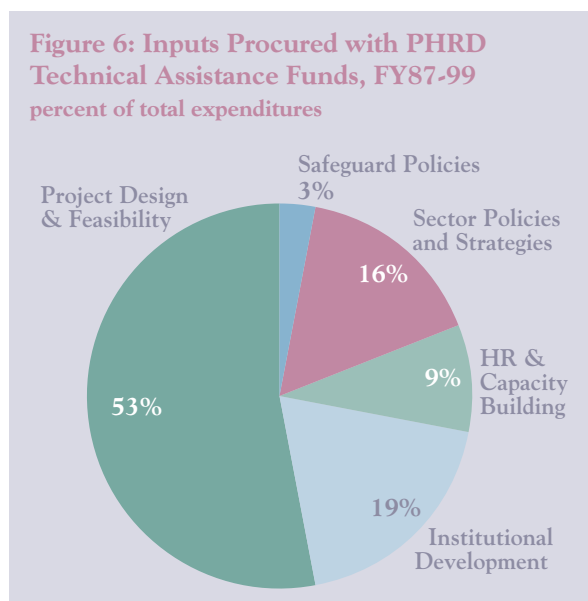


Figure 5: Share of Recipient Execution of Technical Assistance Grants, FY98-02





responsible for grant execution, building the capacity of local resources and institutions not just through the provision of technical assistance inputs, but through transferring the authority and responsibility for the project preparation process to recipient country institutions and individuals (figure 5).

The PHRD Fund is the only trust fund in the Bank that provides comprehensive project preparation support in which untied funds allow recipients to design a comprehensive package of technical inputs and then select competitively the highest quality expertise available to provide that assistance. Other programs and agencies provide grant money for capacity building and technical assistance activities, but these funds are often contingent upon a number of requirements that are tied to particular donor objectives and constraints. PHRD is much more flexible than these trust funds, creating more opportunity to apply funds where they are most needed in order to be effective.

In addition to providing untied grants for the preparation of World Bank-assisted investments, PHRD has strengthened recipients' policies, institutions, and capacity, resulting in investments that have high development effectiveness and quality and that contribute to poverty alleviation and sustainable development (figure 6).

II. SUPPORTING EMERGING DEVELOPMENT CHALLENGES WITH INNOVATIVE PROGRAMS

The PHRD Fund has been a leader in funding new and innovative programs designed to respond to emerging development challenges. PHRD's flexibility enables it to support initiatives that employ new and innovative approaches to emerging development problems, learning from past development practices and experiences and applying new approaches to the specific challenges facing developing countries today. Last year, the PHRD Fund provided significant support to the following innovative programs:

The Climate Change Initiative under the PHRD Fund provides grants to recipient countries' government entities to support the inclusion of climate-change concerns in the country's development planning process and prepare and implement Bank-financed projects which support reduction in emission of green-house gases and promote energy efficiency or adaptation to the adverse impact of climate change, in concert with economic growth and eradication of poverty. *PHRD contribution in FY02: \$5 million.*

The Critical Ecosystems Partnership Fund (CEPF) is a joint initiative between Conservation International (CI), an international environmental NGO, the Global Environment Facility (GEF), and the World Bank. The CEPF will contribute to the conservation of 21 critical ecosystems around the world — the most biologically rich and currently under great threat — mainly through small grants to local community groups, civil society organizations, NGOs and private companies. *PHRD contributions to date: \$5 million.*

Cities Alliance was created to foster new tools, practical approaches and knowledge-sharing to promote local economic development and to address urban poverty. The program is working to create a global alliance of cities and their development partners to improve the living conditions of the urban poor through the development of City Development

Strategies and city-wide and nation-wide slum upgrading projects. *PHRD contributions to date: \$2 million.*

Development Gateway promotes the use of information and communication technology for poverty reduction and sustainable development in order to help countries overcome the digital divide through practical and dynamic programs. The flagship program is the “Development Gateway,” a comprehensive on-line portal which offers users access to development information, resources, and tools, providing a space to contribute knowledge and share experiences. The Gateway helps users navigate the growing amount of information available online, and empowers virtual communities of learning to address key development issues. *PHRD contributions to date: \$5 million.*

The Information for Development Program (infoDev) is a multi-donor grant facility that supports innovative projects demonstrating the development opportunities offered by information and communication technologies. With PHRD funding, *infoDev* is launching a new flagship initiative – the ‘Incubator Initiative’ – aimed at fostering entrepreneurship and private sector development in developing countries. This initiative will be dedicated, over an initial three-year period, to the establishment of a network of incubators to facilitate the emergence and development of small and medium size information technology enterprises in developing countries. *PHRD contributions to date: \$6.5 million.*

III. RESPONDING TO CRISES

At its inception, the PHRD Fund was designed to be a flexible funding instrument that could effectively and rapidly respond to civil strife crises and emerging development issues and challenges. Once the decision is made to provide crisis support, funds can be allocated fairly quickly to provide support when it is most needed.

Restoring stability, rebuilding physical assets and providing basic social development quickly and effectively are the keys to enabling countries out of conflict. Since the first contribution in 1996, the Japanese

Government has contributed \$92.5 million to post-conflict reconstruction assistance through the Japan Post Conflict Fund (JPCF). The JPCF has helped break the cycle of conflict in war-torn countries through grants designed to provide social services to people in need, reconstruct roads and critical infrastructure, promote economic rehabilitation, and create institutional capacity in countries struggling with development issues arising from civil war and conflict.

The **Miyazawa Initiative** was established to address country specific problems related to the Asia financial crisis including financial and corporate sector reform. Nearly \$28 million was approved under PHRD for grants in China, Korea, Indonesia, Philippines, Thailand and Vietnam in support of the Miyazawa Initiative. Through the implementation of various PHRD grants, these five countries, most dramatically affected by the Asia financial crises, restructured their corporations, tightened banking regulations, and improved bankruptcy procedures and accounting standards. The special allocation, in the framework of the Miyazawa Initiative, provided \$18 million for financial restructuring, training, and regulatory reform. Another

Box 2: Impact of Japan Post-Conflict Fund Programs

Bosnia–Herzegovina - shelters for 6,500 displaced persons constructed; roads, bridges, tunnels, water supplies, and power systems rehabilitated.

Tajikistan - schools rehabilitated.

Rwanda - roads, bridges, schools, and irrigation and power systems rehabilitated.

Cambodia - schools, clinics, roads, and culverts repaired in the extremely poor northwest region devastated by conflict.

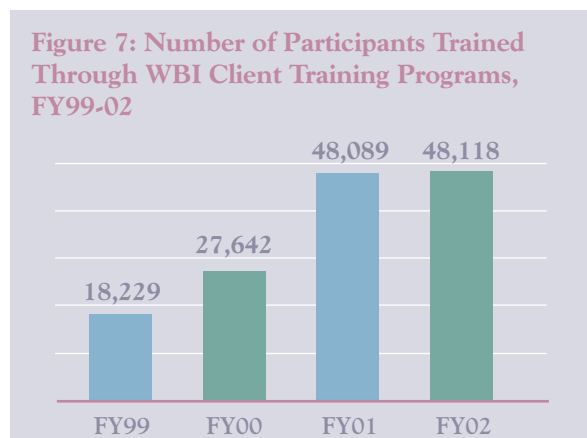
Timor Leste – A transfer of \$14.1 million from PHRD to the Bank’s Trust Fund for Timor Leste was made in FY00, followed by a transfer of \$9.8 million in FY01 to help fund community-based reconstruction activities. *FY02 contributions total \$2 million.*

\$10 million was allocated for similar purposes under the separate Financial Sector Program for the same countries and China.

IV. ENABLING SKILL DEVELOPMENT, KNOWLEDGE SHARING AND EDUCATIONAL OPPORTUNITIES

In the last five years, PHRD has contributed \$54.9 million to support training and educational programs through the World Bank Institute and the Graduate Scholarship Program. An additional \$8 million has been contributed to other training and HR development programs through special grants.

An estimated 143,000 public and private sector officials from 150 countries have acquired knowledge about development policies, approaches, and practices in World Bank Institute (WBI) training programs (Figure 7). The PHRD Fund is the largest donor contributor to WBI programs, comprising an average of 19 percent of total donor contributions for the last five years. PHRD contributions to WBI finance capacity building activities and other related special capacity building activities, including the Study of Japan’s Development Management Experience. PHRD’s funding of WBI Training Grants totals to nearly \$33 million since 1991.



“Since August 1998, you have supported 27 students from Ethiopia, Kenya, Malawi, Sierra Leone, Sudan, Tanzania and Uganda. Most of these students have graduated and returned to their countries and places of work. There is great promise that they will henceforth contribute more effectively towards the development of their countries. Already, within a relatively short time, some of them have been promoted in their jobs while others have moved to more productive ones... On behalf of Makerere University, I would like to put it on record that we have greatly benefited from this assistance.”

— Dr. J. Ddumba-Ssentamu
 Director, Economic Policy Management Programme, Institute of Economics, Makerere University, Uganda

WBI training programs are designed to fill specific knowledge gaps in developing countries that are central to poverty reduction and sustainable development. Training programs address development in every sector, from education to banking and finance and, more recently, include non-sector specific topics in community development, inclusion and empowerment. One of the reasons for WBI’s success, and the impact of PHRD funds to WBI, is that they target every layer of a developing society: government, policy makers, institutions, NGOs, civil society leaders and individuals. Their training approach is a demand-driven and comprehensive one, building skills and experience at all levels of a society to ensure the development process is as inclusive as possible. The results of WBI programs for FY02 are detailed in Chapter 5 of this report.

The Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP) is one of only two graduate and post-graduate level scholarship programs in the Bank. The Program awards scholarships to individuals from World Bank member countries to help create an international community of highly trained professionals working in the field of economic and social development. The World Bank and the Government of Japan require the scholars to return to their home countries

on completion of their study programs and apply their enhanced knowledge and skills to contribute to the development process in their respective regions and communities. The educational process supported by this program is not simply focusing on educational attainment, but on the application of that education to countries' development process.

Since the program's creation in 1988, the Government of Japan has contributed about \$111 million to the scholarship program. These funds have covered tuition, subsistence and travel costs for scholars, and the costs of program management. The Regular Program has awarded 1,842 scholarships, selected from nearly 39,000 applicants. In addition, 649 scholarships have been awarded in the various JJ/WBGSP Partnership Programs for a total of 2,491 awards.

V. FACILITATING STRATEGIC PLANNING AND PARTICIPATORY APPROACHES IN POVERTY REDUCTION

Building capacity at any level of a society involves more than transferring skills and knowledge. It must also provide opportunities for these skills to be effectively applied in the development process. In order to be sustainable, responsive and effective, the development process of any country must be driven by a well-conceived development strategy. Those charged with designing, implementing and evaluating this strategy need tools and training if they are to be successful. The PHRD Fund provides significant support to programs designed to assist developing countries in formulating, implementing and evaluating their own development strategies, including the development of Poverty

Reduction Strategy Papers and Comprehensive Development Frameworks.

Poverty Reduction Strategy Papers (PRSP) describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF). *The PHRD Fund has contributed \$10 million to the PRS TF.*

The Comprehensive Development Framework (CDF) is an approach by which countries can achieve more effective poverty reduction. The CDF establishes mechanisms to bring people together and build consensus, forge stronger partnerships that allow for strategic selectivity, reduce wasteful competition, and emphasize the achievement of concrete results. *To date, the PHRD Fund has contributed \$3 million to support these efforts.*

QUANTITATIVE ACHIEVEMENTS OF THE PHRD FUND

PERFORMANCE INDICATORS DEMONSTRATING IMPACT

Overall, the quantitative achievements of the PHRD Fund over the past 15 years demonstrate the tremendous reach PHRD programs have had throughout the developing world and the impact they have had on developing capacity and creating the foundations for sustainable development. These quantitative indicators are featured in Box 3.

Box 3: PHRD Fund Achievements: Quantitative Indicators



PHRD CHALLENGES AND PERFORMANCE IMPROVEMENT MEASURES

“I am pleased to know that Japan endorsed the recent trust fund policy reforms proposed by the Bank, including changes to the CTF program to align trust funded activities with Bank priorities. I am also pleased that Japan has agreed on a results-oriented approach for other PHRD activities and has shifted to streamlined and simplified procedures for grant implementation.”

— James D. Wolfensohn

The World Bank and the Government of Japan have jointly managed the PHRD Fund for 15 years. While the objectives of the Fund have remained constant, Japan and the Bank have worked to continuously adapt and improve the Fund’s operating policies and procedures to be both responsive to its clients while enabling the effective implementation of grants. As demonstrated by the comments of PHRD Fund managers and clients included in this report, the PHRD Fund is vital to building the national capacity of developing countries and to preparing larger investment operations. It is the only trust fund in the Bank that provides this kind of comprehensive support and has proven to be effective in facilitating the effective preparation and implementation of development projects, quickly responding to development crises, building human resources and institutions, and affecting policy reform and development.

These achievements have not been without challenges. As PHRD is a facilitator and not an implementer, the program can only guide the grant implementation process by setting guidelines and policies that are conducive to effective implementation and management. At times, these guidelines conflict with on-the-ground realities experienced during implementation. The challenge has been to create a good balance between accountability on the one side, and flexibility and responsiveness on the other. These challenges, and the numerous performance improvement measures implemented by the Government of Japan and the World Bank designed to address these issues, are discussed below.

CREATING ACCOUNTABILITY WHILE REMAINING FLEXIBLE AND RESPONSIVE

Each national country environment is unique and presents a distinct set of challenges to grant implementation. Delays in procurement and disbursement are fairly common as is the need to amend grant implementation plans and activities to adjust to a changing environment and new developments. One of the challenges PHRD managers have had to face is creating a balance between PHRD policies, procedures and approval processes and the need for flexibility and adaptation to country developments. World Bank Task Team Leaders, one of the

“We must continue to explore new value-added directions for Bank-administered Japanese trust funds. This requires keeping PHRD grants at the cutting edge of development to meet the changing nature of development priorities. At the same time we need to explore further simplification in grant processing for efficient and effective use, without compromising on our fiduciary responsibilities.”

—Sajjad Shah
Japan Trust Funds Administrator



clients of PHRD, cite rigidity as one of the difficult features of PHRD grants. While TTLs believe that the PHRD Fund must set particular guidelines and policies to drive the implementation process, they feel some of the procedures are not always conducive to the changing nature of developing country environments and, therefore, not always responsive to the needs of grant recipients. PHRD Fund managers have made many efforts to streamline the application, approval and amendment processes for PHRD grants and these efforts have improved the process, but many TTLs believe additional work needs to be done to be truly responsive to clients' needs. These specific issues will be discussed in more detail in the next chapter of this report.

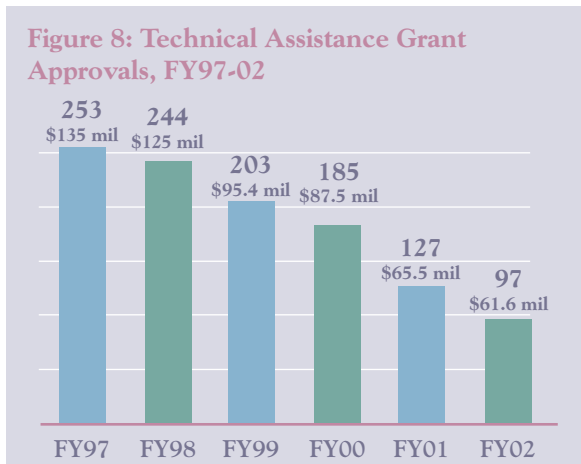
DECREASE IN DEMAND FOR TECHNICAL ASSISTANCE GRANTS

Demand for PHRD Technical Assistance grants has declined in recent years. Between FY97 and FY01, the

The World Bank Japan Trust Funds Team, photographed at the World Bank Headquarters in Washington, D.C. (by Michele Iannacci, Bank Photographer).

number of approved PHRD grants dropped by about 50% (figure 8). This reduction in the demand is due to a number of contributing factors:

- PHRD has improved quality control, accountability, and greater recipient ownership/execution to continue to improve grant performance and benefits — factors which have contributed to greater selectivity in the use of PHRD grants as staff are already over-burdened with regular Bank portfolio responsibilities.
- A reduction in the World Bank lending program and the shift to provision of non-lending support to clients.
- Task Team Leaders (TTLs) and managers are generally more reluctant to apply for trust funds after the CTF audits and given the level of complexity of managing grants.



- TTLs have concerns over lags between grant approvals and grant agreement signings, slow disbursements, and the frequent need to extend grant closing dates.
- Inadequate counterpart funding.
- Lack of proper match between Regional and PHRD priorities.
- Fast track project preparation.

While the number of applications received in FY03 Round 1 increased significantly, it is important for PHRD managers to recognize the contributors to decreased demand and, where possible, address them proactively.

PERFORMANCE IMPROVEMENT MEASURES

To respond to the challenges of the PHRD Fund and, based on lessons learned from reviews of active grants, the managers of the PHRD Fund have implemented a

number of performance improvement measures to address some of the main concerns raised by their clients. Specifically, over the past two years, a Seven-Point Agenda was implemented to further improve the effectiveness of both the PHRD Fund and the JSDF. Improvement measures have included:

- Dissemination of PHRD Guidelines and Operating Policies, and conducting workshops for grant proposal preparation and implementation of PHRD grants (FY2001).
- Proposals focus on outputs and deliverables (FY2001)
- Limit the term of grants to a maximum of 4 years (initiated September 2000).
- Streamlined procedures for submission of proposals, grant reallocations, and extensions (FY2001).
- Require evidence of client ownership — signed client letter (February 2001).
- Approval of Annual Policy Document by the donor applicable to the allocation for the fiscal year (from July 2001).
- Increased frequency of calls for proposals through introduction of a third round (FY2001).
- Reduction in time for donor approvals (FY2002).
- A one-page streamlined request form outlining the overall development objectives and the main expenditure categories, transcribed into the grant legal agreement (March 2001, Revised September 2001).

Additional operational issues and performance improvement measures are detailed in Box 4 on the following page.

Box 4: PHRD Operational Issues and Performance Improvement Measures FY02

Operational Issues/Challenges	FY02 Improvement Measures
Focus on outcomes and results, instead of detailed inputs.	The grant funding proposal has been further simplified by eliminating superfluous information and shortening the checklist required by Japan. The key binding elements of the proposal are the development objectives and the main expenditure categories that go into the agreement.
Project preparation is a dynamic process – making changes to grants difficult.	The project development objectives and grant expenditure categories are the main binding features of the grant.
Restructuring of grants requires donor approval.	<p>The Bank and the Government of Japan have simplified the amendment process, which is now more responsive to the need for rapid approvals of changes.</p> <p>Changes in the technical assistance components can be cleared internally at the Bank to meet the Project Development Objective outlined in the one-page funding proposal.</p>
Not all activities required for preparation can be identified so early in the project preparation process.	In the grant proposal, up to 10 percent of the grant amount may be included for unidentified technical assistance which may be necessary to advance the overall development objectives of the grant.
PHRD supports consulting services, difficult to promote beneficiary involvement.	Up to 10 percent of non-consultant costs may be requested. Proposals may include consulting services to promote beneficiary participation.
For minor changes, task teams still require approvals.	Changes of up to 30 percent in grant components/expenditure items may be approved by TTL: total non-consultant costs cannot exceed 10 percent.

THE PHRD PORTFOLIO FISCAL YEAR 2002 PERFORMANCE



TECHNICAL ASSISTANCE FOR PROJECT
PREPARATION AND IMPLEMENTATION

WORLD BANK INSTITUTE

JOINT JAPAN/WORLD BANK GRADUATE
SCHOLARSHIP PROGRAM

JAPAN POST CONFLICT FUND

INNOVATIVE AND RAPID RESPONSE
PROGRAMS

SPECIAL PROGRAMS

ENHANCING PROJECT DESIGN AND IMPROVING PERFORMANCE: PHRD TECHNICAL ASSISTANCE FOR PROJECT PREPARATION AND IMPLEMENTATION

“By failing to prepare you are preparing to fail.”

—Benjamin Franklin

“PHRD is the single most important trust fund in the Bank.”

—World Bank Regional Cofinancing Coordinator

The PHRD Technical Assistance Program for Project Preparation/Implementation (TA) has been and continues to be a primary instrument for institutional capacity building and investment operation design in the World Bank. No other trust fund exists in the Bank that supports the breadth of project preparation activities with the degree of flexibility and specificity as PHRD. The general consensus in the Bank and in recipient countries is that PHRD TA grants are invaluable to the effective preparation of investment operations and have significant impact on the capacity of recipients/counterparts, the level of local ownership of the project, and the quality of the project design. PHRD grants develop the capacity, skills, and knowledge of local recipients through technical assistance that enables them to work jointly with WB teams to better understand the particular development environment in which they are operating, explore alternative approaches to development issues, and design a more responsive and targeted investment operation.

While there is little doubt that TA grants have an enormous impact on project preparation and performance, Bank staff members find PHRD TA grant processes and procedures somewhat cumbersome

and, at times, unresponsive to the project preparation cycle and the needs of clients. This is in part due to the need for accountability and compliance with the Bank’s operating procedures for loans and credits. PHRD is not alone in this characterization. Trust funds in general are considered to be excessively difficult to apply for and manage, especially if amendments to grants are required. Grant recipients are less critical of PHRD processes and procedures and generally believe the benefits of TA grants far outweigh any procedural difficulties.

“The Bank’s clients are mainly public sector entities of developing countries which lack resources, knowledge, and behaviors to develop and implement successful government policy and services programs for their citizens. The PHRD Fund is a jewel in that it provides those resources not otherwise available to developing countries, and arms them with knowledge and skills to design and implement Bank-financed operations. A unique feature of PHRD grants is that funds are untied, and allows the recipient to also tap local experts from the private sector, and this further increases local ownership and leadership along with higher chances for success.”

—Patricia Kleysteuber
Senior PHRD Officer

IMPACT OF PROJECT PREPARATION/IMPLEMENTATION TECHNICAL ASSISTANCE GRANTS

ON RECIPIENTS – THE PROJECT – THE BANK TASK TEAM

According to Bank staff and grant recipients alike, PHRD TA Grants have a dramatic impact on all aspects of the project preparation process. Three areas of impact are considered to be the most dramatic and important for the development process: (1) the increased capacity of counterparts in project design, management, and implementation; (2) the provision of much needed technical inputs to inform the project design and create a solid technical basis for project implementation; and (3) the increased level of ownership of the project by counterparts, implementers, and stakeholders. Each of these areas of impact contribute to a better quality project design and a development environment that is more conducive to change. Capacity, ownership, and technical feasibility – these are the ingredients for a successful development project.

“I started with people who had little (professional management) knowledge but had dedication and commitment to learn, and the experience was just astonishing. With PHRD support, they have learned so much about this new business opportunity (energy efficiency) and are becoming quite professional.”

—World Bank Task Team Leader
Europe and Central Asia Region

IMPACT ON RECIPIENTS – THE MANAGERS OF DEVELOPMENT

The majority of Bank staff and grant recipients alike believe the level of preparedness of grant recipients and executing agencies is consistently low before the implementation of a TA grant. Knowledge and skills are lacking in long-term strategic and project planning,

“The best activity where the recipient benefited the most from the grant was the public participation process, something they had never done before. Through the consultation, the entity identified the key concerns and recommendations of interest groups that should be included into the project design...they now understand how to incorporate local concerns into the design, to be able to listen to NGOs and other groups and consider them part of their stakeholders. I think that is positive.”

— World Bank Task Team Leader, ECA Region

procurement processes, financial accounting standards, and effective management and administrative processes. Technical inputs such as sector analyses, policy frameworks and business plans are often non-existent. Development models and reform processes that have been successful in other countries are unfamiliar. Experience with the process of consultation with experts, institutions, and stakeholder is extremely limited. One of the strengths of the TA grant program is that it enables the Bank and grant recipients to collaboratively design a comprehensive project preparation package of inputs to address these and other challenges that might be present in a particular country environment. Through the financing of human resources development, technical assistance, studies, public



PHRD grant manager presenting project design for Croatia Energy Efficiency project in Dubrovnik. A PHRD TA Grant financed project preparation work.

Box 5: TA Grant in Focus: Preparation of Croatia District Heating and Energy Project

“PHRD helped us better understand what can be done to improve energy efficiency and how our project could have the most impact in this area. We prepared a business plan for HEP-ESCO (Croatian Electric Utility Company - Energy Efficiency Corporation), which was a new and very useful process for us, and we worked to develop the most effective design for the project. This would not have happened without the PHRD.”

— Gordana Lucic
Project Manager, HEP ESCO Team, Croatia

The PHRD TA Grant for the Croatia District Heating and Energy Project supported the preparation of this national energy efficiency project. The grant financed four major components; the development of a fiscal business plan for the newly developed Energy Efficiency Corporation, the development of an initial investment project, the implementation of a public participation program, and project preparation and capacity building development for clients. During implementation, the grant was amended to include a social assessment and affordability study.

The ESCO team managed the grant in its entirety. Activities were implemented collaboratively with local and international consultants and the resulting products included a comprehensive Business Plan for ESCO, eight pre-feasibility studies, market studies, an inventory and assessment of potential local partners and an analysis of the legislative framework. Out of the eight pre-feasibility studies, two were selected for further study and resulted in one being developed into an investment grade audit. Two areas of focus were selected as part of the project, a street lighting project and an energy efficiency improvement project for high schools. The project was designed to enable these focus areas to become models for the rest of the country. The ESCO capacity building and Business Plan development process resulted in ESCO being officially established and registered, meeting one of the critical conditions for appraisal.

As the proposed project would affect a number of different interest groups in Croatia, a public participation program was incorporated into the grant activities. A local consultant was hired and worked with the ESCO team to facilitate a total of nine Round Table discussions, involving government, NGOs, industry representatives, suppliers, the media, and financial institutions.

“This was something completely new for us, and very useful. We had the chance to meet with a number of different people, present our project to them and ask for their inputs into the project. We will use this information during the project and we think it will be very important to the success of the project.”

— Gordana Lucic
Project Manager, HEP ESCO Team, Croatia

Through the participation program the ESCO and Bank teams identified the key concerns of project stakeholders and the input and recommendations of these various groups were then reflected in the final design of the project. The results were also included as part of the Environmental Management Plan, required by the Bank.

“The success of the PHRD-funded activity in Croatia is due to the dedication, commitment and ownership of my client team... I acted as a facilitator, and they acquired the knowledge and the capacity to move forward with the project preparation. The Project Manager always reminded me of HEP-ESCO’s motto which is ‘step-by-step’, reflecting the strategy and practical need to progressively gain experience, build solid capacities, and deliver a range of services to the ESCO customers.”

—Rachid Benmessaoud
WB TTL for Croatia Energy Project

information/communications activities and other inputs, the Bank and grant recipients can effectively prepare both the players and the playing field in which the future development project is to be implemented.

The “on-the-job” training that is provided by TA grants is commonly viewed as the most effective method to address skill deficiencies and build capacity in areas that are immediately applicable to recipient work. PHRD grant managers, most often the future managers of the project, gain direct experience in project planning methods, managing consultant teams, and learning to apply the Bank procurement and disbursement procedures on a smaller scale. This experience builds their capacity to apply these important skills on a much larger and more complex scale and the skills learned during this process are required if project implementation is to be effective and the project benefits sustainable at an institutional level.

In addition to technical and project cycle management skills, TA grants finance a number of public involvement activities that provide grant recipients with experience in incorporating local concerns into the project design and engaging a diversity of groups in the project from the start. These practices are new to most grant recipients and enable them to think more holistically about the development process while providing them with much needed input from a variety of interest groups. The public consultation and educa-

“After many failed judicial reform efforts, Peruvians have now started a completely different reform that involves the three Branches of Power and civil society in a fully coordinated effort. PHRD has been a key instrument to support a fully participatory process in the development of a joint strategy that is consistent with the priorities of the majority of the population — prompt and effective justice services, accessible to the poorest groups (in particular, women and indigenous peoples).”

—David Varela

Task Team Leader
Justice Services Modernization Project
Latin America & Caribbean Region

tional processes also benefit the project by informing a wide audience about the objectives of the project and how the expected benefits will impact different social groups.

These experiences taken together increase the level of institutional ownership of the project preparation process and the future investment project because the future implementers of the project are making many of the decisions that will shape their own development. By empowering clients with skills and the authority to make decisions, commitment and ownership is increased over quick lending results. This has far reaching benefits, not just for a single project, but for the development process as a whole.

“The PHRD grant laid the foundation for real capacity building to take place. We did the assessments and created the plans during the grant period. Now the government can use those plans to develop capacity where it is most needed and will have the most impact.”

—Task Team Leader, Africa Region

IMPACT ON THE DEVELOPMENT PROJECT

PHRD TA grants have two clear objectives – facilitate the preparation of identified World Bank financed projects and build capacity for implementation. All of the activities financed by a TA grant should be contributing to the development of a high quality project design. Bank Task Teams and grant recipients agree that PHRD TA grants dramatically improve the quality of the project design – project objectives are more achievable and measurable, activities are well targeted, there is a clear monitoring plan, and there is a more thorough assessment of local risks that may affect project implementation. A number of World Bank reports demonstrate that the higher the quality at entry and greater level of ownership, the more effective the development project.

The products developed as a result of the preparation process have a tremendous impact on the effective

Box 6: TA Grant Outcomes

PHRD TA Grants help recipients in numerous ways, including:

- Explore the views of potentially affected or concerned stakeholders through consultation, workshops and other participatory approaches.
- Examine the severity of the underlying sector problems, and acquire modern management skills.
- Examine policy options for solving the project issues and develop policy reforms.
- Explore scientific/technical methodologies (feasibility studies).
- Finance environmental and social impact assessments, and needs assessments.
- Establish Financial Management Systems and develop international accounting standards.
- Draw up implementation plans, procurement schedules, and monitoring indicators.

implementation of the development project. Studies, surveys, technical analyses, information system designs, social assessments, HR development plans, these are just a few examples of the products developed with PHRD funding which serve as the technical foundations on which the development project is based. Additionally, PHRD TA grants provide much needed training to those charged with implementing the future project, preparing the way for more effective project management and implementation.

In those grants that included participatory activities as part of the preparation process, both TTLs and grant recipients believed the stakeholder engagement process greatly benefited the project by educating a greater number of stakeholders about the project activities and benefits while creating an opportunity for them to provide input into the design, creating a greater degree of ownership and a better quality design.

Box 7: TA Grant in Focus

Preparation of Benin HIV/AIDS Project for Abidjan-Lagos Transport Corridor

The objective of the project is to increase access to HIV/AIDS prevention services along the Abidjan-Lagos transport corridor, with particular attention to migrants and populations living in the border areas.

The PHRD TA grant to support project preparation is financing the following components:

1. Preparation of a common HIV/AIDS prevention policy.

This component will define the common policy to be adopted for the implementation of the project by comparing the content of the national HIV/AIDS program of each of the five countries to define the common scope of intervention by the project, the adoption of common slogans and logos in both English and French as well as in the local languages. A workshop will also take place to discuss and adopt the coordinated policy by the representatives of the five countries and of key stakeholders, such as the representatives of local communities, private sector transport company senior management, and NGOs currently in operation at the proposed project sites.

2. Preparation of a project implementation manual.

This component supports the preparation of the project implementation manual that governs the management of the project and the specified roles and responsibilities of the involved parties. The manual will describe the selection criteria for eligible activities, guidelines for the cost estimate for the eligible activities, procurement methods, disbursement methods, standard contract clauses, monitoring and evaluation methods with performance indicators and auditing methods.

3. Elaboration of the three-year work program.

This component will help define the scope of work of the prevention campaign activities site by site. It also assesses the capability of the existing health facilities to participate in voluntary blood testing and counseling activities combined with the training of their staff for that purpose.

IMPACT ON THE WORLD BANK TASK TEAM

From the technical standpoint, TA grants have significant positive impact on the Bank Task Team. Project preparation processes are complex, time consuming, and require a tremendous amount of technical analysis and know-how. Grant recipients require varying degrees of assistance from the Task Team, especially early in the grant cycle, e.g. managing procurement processes and understanding Bank procedures. World Bank project processing requirements are also significant for the TTLs. PHRD TA grants provide the much needed assistance, enabling TTLs and recipients to hire the highest quality consultants to carry out the work of preparation. In this arrangement, the consultants do the technical work and develop the outputs, grant recipients become the preparation managers, guiding the work of consultants and ensuring high quality outputs are developed on schedule, and the TTL becomes the facilitator, guiding the preparation process and preparing for negotiations and loan approval by the Board.

“PHRD is critical to developing quality project design. Through the implementation of the grant, the original concept for the project completely changed and we ended up splitting the project into two separate projects. I later applied for a PHRD grant to support the newly identified project as well. PHRD provides a great opportunity to look at alternative approaches and to maximize the project potential.”

—Task Team Leader, East Asia and Pacific Region

In addition to much needed resources, TA grants provide the Bank team with the opportunity to test the original development hypothesis more thoroughly and investigate alternative approaches to development issues. This process only deepens the Bank’s understanding of the distinct development factors of a particular country, leading to a more targeted and achievable response and improving the quality of the project design and the implementation process.

TECHNICAL ASSISTANCE GRANT IMPLEMENTATION CHALLENGES

All TTLs interviewed believe grant implementation procedures to be the most challenging aspect in utilization of the grant funds. The timing of the PHRD grant cycle, as shown in Diagram 1, does not correspond, and is not always responsive, to the project preparation cycle of the Bank (identification, preparation, pre-appraisal, appraisal, negotiation). Several instances were cited by TTLs that the PHRD grant for the project was not active until the team was about to go through appraisal due to delays in approval by the donor and processing the trust fund effectiveness.

“We have a Bank project cycle, which is most of the time determined by the client’s urgent needs and a Board date which drives the scheduling. When grant funding does not come on time to start the activities to mobilize consultants, it delays the whole preparation process. This is a real problem.”

—Regional Coordinator, The World Bank

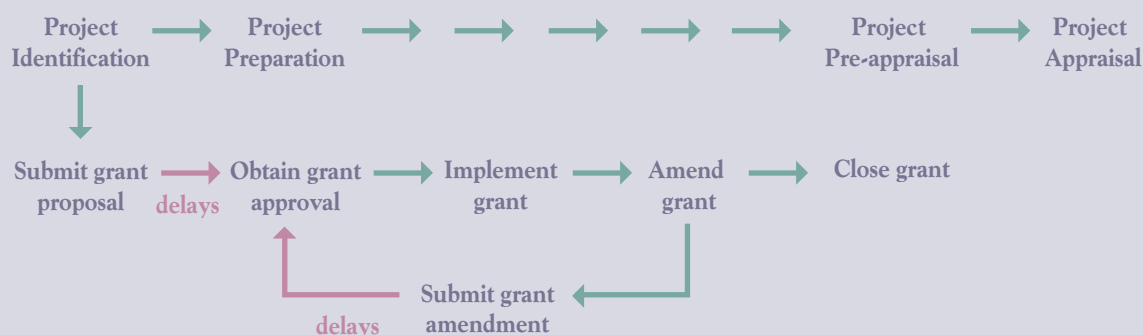
The difference in timing between the project preparation process and the TA grant process is considered to be the greatest challenge for TTLs and grant recipients in grant implementation. All preparation phases are scheduled back from the Board date. When a TA grant is not approved quickly, or if the funding is delayed, preparation activities cannot start and consultants may not be mobilized (Diagram 2). This can create delays in the project preparation process. As the Board date for the project is fixed and TA grants close by that time, a delay in grant funding can cause grant recipients to lose a portion of grant funds because there is insufficient time to implement some of the preparation activities. This process can be detrimental to the project preparation process for both the Bank and the grant recipients.

A related challenge is the need to provide a significant level of detail about the design of the future development project and the specific preparation activities required at such an early stage in the preparation cycle.

Diagram 1: Technical Assistance Grant Project Cycle



Diagram 2: Delays in the Grant Approval and Implementation Process



At this early stage, after just one identification mission, TTLs find it difficult to know exactly what specific resources will be procured as part of preparation, often being in the situation where they are making a number of assumptions that do not always remain true. This is to be expected to some degree and would not be problematic to grant implementation if the amendment process were streamlined. Delays in grant amendment approvals have significant impact on grant implementation because they hold up a number of preparation activities being implemented. TTLs and grant recipients agree that developing an activity plan is an important part of the TA grant application and is a necessary part of the process. Although the plan is considered to be a flexible road map, amending the plan can be time consuming to the Bank and recipient.

Becoming familiar with Bank procedures is the greatest implementation challenge mentioned by grant

recipients, especially for procurement and disbursement. TTLs agree with this assessment, believing that the procurement requirements of a \$500,000 grant need not be as detailed as those for a \$50 million investment operation.

As described in Chapter 3 of this report, the World Bank and the Government of Japan have put in place new procedures to respond to some of the obstacles associated with the effective implementation of PHRD TA Grants. These include streamlining the proposal process, working to quickly respond to grant amendment requests, and decreasing the up-front time required to gain grant approval. These steps have been successful in improving the efficiency and effectiveness of the PHRD Fund’s processes and procedures. Additional measures will be taken in FY03 to continue to streamline procedures and improve program effectiveness.

THE PHRD HUMAN DEVELOPMENT PROGRAMS

“The mind is not a vessel to be filled, but a fire to be ignited.”

—Plutarch

“Where demand for knowledge is great—as expressed in country assistance strategies developed by the Bank and its members—there WBI now focuses its expertise, nimbly and responsively.”

—James D. Wolfensohn

THE WORLD BANK INSTITUTE AND THE JOINT JAPAN WORLD BANK GRADUATE SCHOLARSHIP PROGRAM

WBI OVERVIEW

The World Bank Institute (WBI) supports the Bank in meeting its operational and corporate priorities—especially the Millennium Development Goals—aimed at poverty reduction and sustainable development worldwide. WBI’s thematic capacity-building programs, aligned with the World Bank’s corporate priorities, support the Bank’s knowledge agenda by providing courses, seminars, and policy advice on issues central to poverty reduction and sustainable development. Box 8 presents highlights of the programs to which the PHRD provided funding in FY02.

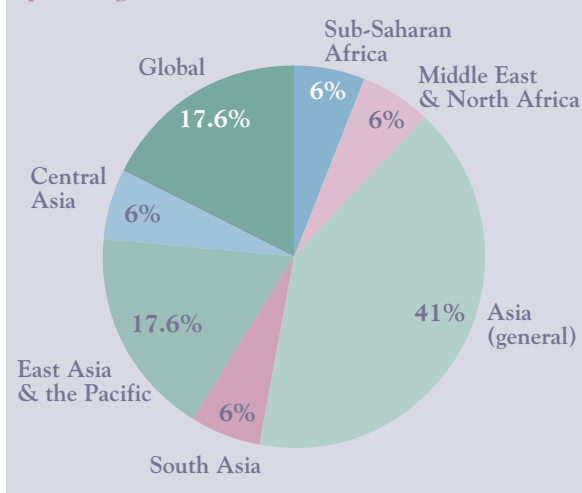
PHRD IMPACT ON WBI PROGRAMS

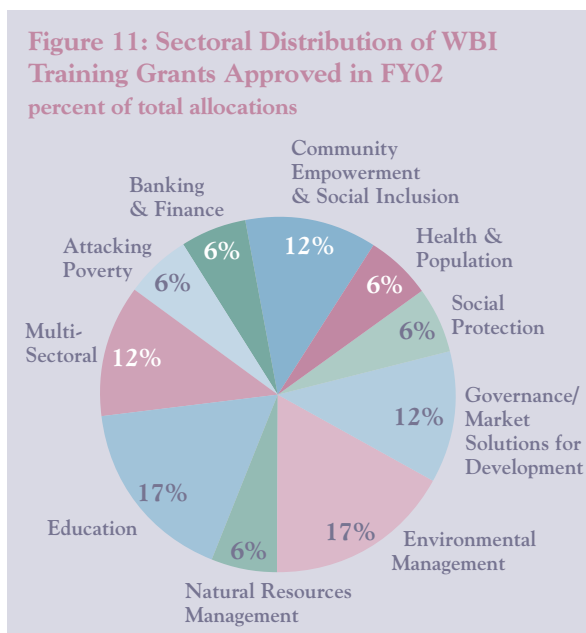
The Government of Japan, through the PHRD Fund, has and continues to be the largest single donor for WBI programs. Through the PHRD WBI Training Grants, the Government of Japan contributed

\$1.8 million in FY02, which accounted for approximately 15 percent of total donor contributions to WBI for the fiscal year. In addition, there were ongoing programs from FY01 that were carried forward to FY02 in the amount of \$2.4 million.

In FY02, WBI delivered nearly 600 learning activities (214,115 client training days) and reached more than 48,000 participants in 150 countries through collaboration with more than 160 partner institutions. Even under the constraints of a reduced budget and in the midst of a realignment, WBI exceeded its plan. Although the budget has decreased by 10 percent in real terms over the past three years, the number of

Figure 10: Regional Distribution of WBI Training Grants Approved in FY02
percentage of total allocations





offerings has increased by 39 percent. Trust Fund allocations, especially those from the PHRD Fund, have enabled WBI to significantly extend its reach. The percentage of offerings of WBI products in Africa increased by 7 percent and in East Asia by 3 percent.

A FOCUS ON ASIAN COUNTRIES

Although WBI is a global unit, 71 percent of programs approved by Japan in FY02 are for Asian countries, of which 17.6 percent are specifically targeted to East Asia, which is the region identified by the Japanese public as being the most important for Japan. In addition, Asian countries are often represented at the global programs. PHRD funding enables WBI to substantially reach countries in Asia. The regional distribution of WBI Training Grants approved in FY02 is presented in Figure 10.

In the case of the sectoral distribution, all programs support one or more identified themes (social sectors, environment, finance), with the highest concentration in the social sectors, including community empowerment and social protection (41 percent), and environment and natural resource management (24 percent). Six percent of the programs specifically address poverty issues. Figure 11 provides the sectoral

breakdown of the programs approved in FY02 as percentage of the total allocation.

IMPLEMENTATION PARTNERSHIP WITH JAPAN

Ninety-four percent of the programs approved in FY02 make use of the Japanese resource persons or institutions which provide invaluable inputs to WBI activities to enhance the training content, incorporating Japanese as well as East Asian development experiences. These inputs provide a valuable sense of perspective that WBI would not have otherwise been able to acquire.

THE BRAIN TRUST PROGRAM: SHARING SUCCESSFUL ASIAN DEVELOPMENT EXPERIENCES

The Brain Trust Program, solely funded by the PHRD WBI Training Grants, is a special program established by the Government of Japan and managed by WBI. The Program conducts comparative studies on Japanese and East Asian development management experience and benefits a large number of people in our client countries through its publications and knowledge dissemination activities. The research findings and policy lessons which come out of the studies carried out by the Program provide important policy lessons and guidelines for policymakers in developing countries. The Program also promotes the exchange of ideas among Japanese and non-Japanese scholars, technical experts and policy makers. The cumulative contribution to the Program since its inception has reached \$4 million.

The major dissemination activities in FY02 include a half-day seminar on small and medium-sized enterprises, communities and markets, and local government development in Japan, a day-long event entitled “Rethinking the East Asian Miracle”, and a seminar on environmental management in Japan. In addition Japanese experience was shared within the Bank through a series of seminars on comparative institutional analysis; Japanese economic development;

Box 8: FY02 Highlights of WBI Programs Funded by Japan PHRD WBI Training Grants

Reporting on Water, a Key Environmental Issue

One of the ongoing programs funded by the PHRD is the Water Resources Management Program. Water issues are among the leading topics of public debate in many countries. Although articles on water appear daily, much of the information is inaccurate or biased. Journalists who really understand the implications of water policy can play an important role in building consensus among policymakers, NGOs, and the public at large.

In preparation for the upcoming Third World Water Forum, WBI is cooperating with the governments of Japan and the Netherlands on a two-year global learning initiative for journalists. The program familiarizes journalists with policy issues to build a climate for discussion and debate of water issues at the local, regional, national, and international levels. Issues include pricing, equity, and sustainability in the provision of water supply and sanitation services. Activities financed by PHRD support include face-to-face workshops, distance learning, field visits, electronic discussions, and web-based activities. Global and regional electronic networks of professionals reporting on water will foster dialogue among journalists and provide a channel through which to supply journalists with information on the management of water resources.

“The most useful aspects of the workshop were a clear outline of the indirect costs that are paid by the poor, discussion of the institutional issues, and pointers on the specific questions applicable to parties involved in public-private partnerships.”

—Catherine Richards
the Middle East Economic Digest

Decentralization: Intergovernmental Relations

Dissemination of the Japanese model for achieving intergovernmental reform, funded by PHRD, has been highly successful and valued by participants. The pur-

pose of the dissemination is to present and discuss the Japanese experience of controlled decentralization of the government – known as the “integrationist” model – for its potential as a framework for guiding the intergovernmental reform in many other East Asian as well Central Asian countries. The convergence of the high interest in East Asia and Central Asia for carrying out intergovernmental reform and the fact that Japan has made a transition from a highly centralized unitary system to an “integrationist” model makes this topic especially relevant, credible, and timely.

The purpose of the dissemination activities is not to promote the Japanese model of intergovernmental relations as no one model fits all circumstances, but to present the Japanese experience as a potential framework for guiding the reform process in East Asian and Central Asian countries. Some of these countries are facing many of the same challenges in decentralization that Japan faced over the past half-century.

Clean Air Initiatives for Asian Cities (CAI-Asia)

PHRD-WBI Training Grants, have provided substantial support for the Initiative for several years. CAI-Asia is a regional partnership of cities, national government agencies, private sector companies, NGOs, academia, international development agencies, and foundations. It was established to address air quality issues in Asia.

Through regional policy dialogues and workshops to share knowledge and experiences, a network of over 500 CAI professionals was formed and the coordinating committee of CAI-Asia was created. The former has greatly promoted the communications and knowledge-sharing among people and institutes and the latter formed by cities and organizations is gradually taking the leadership of the CAI-Asia and responsible for the direction and work program of CAI-Asia. CAI-Asia has been quickly emerging as a leading, highly visible and active regional network in the area of air quality management.

Box 8, continued

Corporate Governance and Social Responsibility

Part of WBI's commitment to knowledge sharing is helping to promote business ethics and good governance within client countries. By aiding the private sector in adopting international business ethics principles and governance, it is attacking corruption and forging partnerships to aid in the improvement of the investment climate.

The Philippines is one of good examples to illustrate the impact the program has on participating countries. Over 3,000 people representing public and private sector, civil society, academia, and young generation have been involved in various training and capacity building activities of this program. The cooperation with the Philippines started in October 1999 with activities related to corporate governance and the establishment of the Institute of Corporate Directors (ICD). In October 2000, the Institute of

Directors in East Asia Network (IDEA.net) was launched. In December 2000, in order to expand the coverage of the reform agenda, the Institute for Solidarity in Asia (ISA) was founded

By June 2001, the Government of the Philippines adopted the corporate governance agenda for 2002-2004 which was drafted by ICD. Furthermore, ICD led other members of IDEA.net in the formulation of Guidelines for Proper Corporate Governance Practices which were endorsed by APEC for voluntary adoption at the Shanghai Ministerial Meeting. In December 2001, the Office of the President conducted a National Socio-Economic Summit, which highlighted and adopted the recommendations for governance reform made at the November 2001 ISA-ICD conference. In January 2002, the Governance Advisory Council submitted a Governance Reform Agenda to the President of the Philippines.

and “Development with Alternative Strategic Options: Another View on the Poverty Reduction Drive and Beyond.”

STRENGTHS AND CHALLENGES OF THE PHRD FUND

According to WBI staff members, one of the strengths of the PHRD is that the funds it provides are flexible and can be used to support a number of different types of development programs. This flexibility differs from other WBI donor funds, many of which have numerous restrictions on the way funds may be allocated.

This strength, however, presents a challenge for WBI Task Team Leaders and managers. While the criteria for the use of PHRD funds for WBI is fairly broad, TTLs site this as a primary reason for grant proposals being either rejected or delayed. Because the criteria set forth by the Government of Japan is so broad, TTLs find it difficult to know what types of activities Japan

defines as priority. Additionally, grant proposals submitted to the Government of Japan vary greatly in terms of objectives and activities, complicating the approval process.

Another strength of the PHRD funded WBI activities is that they fill an important gap in development programs targeting Asia. No other donor contributor has Asia as its geographic focus. PHRD support provides much needed assistance to these countries and does so effectively.

As with the PHRD Technical Assistance program, PHRD processes and procedures are perceived as challenging for WBI staff. Grant proposals are perceived as being activity-based, requiring an excessive level of detail. It is recommended that proposals be more programmatic-based and should correspond to a distinct set of programmatic targets established jointly by the Bank and the Government of Japan.

Finally, the grant approval process is perceived as excessively lengthy and not responsive to the WBI

training cycle. The WBI grant proposals for FY02 were not approved on time. If the impact of PHRD contributions to WBI is to remain significant, the approval process must be streamlined to be more responsive to WBI work plans and implementation processes

WBI and the Government of Japan have taken measures to address some of these challenges. WBI has appointed a Senior Advisor to represent WBI in Japan, stationed in the World Bank Tokyo Office starting FY03. The appointment was made in line with WBI's new strategy to integrate with operations, focus on country needs, customize capacity building products for clients countries in Asia, and to decentralize its operations. This position also responds to the requirements of the Tokyo Office, which aims at strengthening the Bank's relationship with Japanese development stakeholders.

COMPLEMENTING TRAINING WITH GRADUATE STUDIES: THE JOINT JAPAN/WORLD BANK GRADUATE SCHOLARSHIP PROGRAM

OVERVIEW

The Joint Japan/World Bank Graduate Scholarship Program, JJ/WBGSP, provides opportunities for graduate studies leading to a master's degree in development-related fields for mid-career professionals from the World Bank member countries. WBI complements its training programs through the management of the Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP), solely sponsored by the Government of Japan.

Since its establishment in 1987, the program has awarded 1,843 scholarships as a result of the processing of 39,000 applications for study at universities in member countries. In addition, scholarships have been awarded to 648 participants for study at the various Partner Institutions. In 2002, the Program awarded 189 scholarships to scholars from about 86 countries with emphasis on Low Income Countries Under Stress (LICUS).

The World Bank and the Government of Japan require that scholarship recipients return to their home country or work on development after their studies, thereby ensuring that the knowledge and skills they receive during their programs contribute to development in their respective regions and countries. The Program alumni come from Central Banks, ministries and civil service departments and institutions, including universities and schools, that actively participate in the development process in their countries. With an 80% rate of return to their home countries (76%) or to another developing country (4%), the JJ/WBGSP scholars create a community of well-trained cadre who are highly positioned in policy-making circles.

REGULAR PROGRAM

In fiscal 2002, the Regular Program provided 130 scholarships, from nearly 2,723 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 2002 Africa submitted about 57 percent of total applications followed by South Asia with 13 percent of total applications. Africa continues to receive the most scholarships (30%). East Asia received the next highest number of scholarships with 20%. Latin America and the Caribbean followed with 15%.

With the exception of the Africa and South Asia Regions, the number of applications received from other regions has been below desired levels. The Scholarship Program has initiated efforts to increase the number of applications from the Middle East and North Africa Region, which has traditionally had the lowest number of submissions of all regions. In fiscal year 2000, the Scholarship Program disseminated application materials directly to renowned institutions and NGO's in the education field. Since 2001, the application forms in four languages have been available on the JJ/WBGSP website and applicants can also apply online.

PARTNERSHIP PROGRAM WITH UNIVERSITIES

The JJ/WBGSP supports eleven Partnership Programs in universities around the world. These programs enable scholars to receive specialized training in key areas of development, such as economic policy management or infrastructure management. All Partnership Programs lead to a Masters degree. Applicants are selected on the basis of achieving gender and geographic balance as in the Regular Program.

The programs developed at McGill University in Canada and Université d'Auvergne-CERDI in France have been transferred to four African universities under the sponsorship of JJ/WBGSP and the African Capacity Building Foundation (ACBF). The francophone programs are being held at Cocody University in Cote d'Ivoire and Yaounde II University in Cameroon and are of 15 months duration including three-month internships. The Anglophone program at Makerere University in Uganda and the University of Ghana are of 18 months duration and also include 3-month internships. Both programs lead to Masters degrees in Economic Policy Management. Five additional partnership programs are on-going at four Japanese universities – University of Tsukuba (policy management), Yokohama National University (infrastructure management and public policy and taxation), Keo University (tax policy and management), and GRIPS,

National Graduate Institute for Policy Studies (Public Finance). The Japanese university programs differ from the other Partnership Programs in that they are open only to scholars selected and supported by JJ/WBGSP. A partnership program begun at Harvard University in 1999 provides a Master of Public Administration in International Development. The program lasts 21 months including a three-month internship. JJ/WBGSP plans to sponsor a maximum of 15 new scholars each year. The Program in Economic Policy Management at Columbia University lasts 14 months including the 3 months for the internship.

A Tracer Study conducted during fiscal 2000 reported that 97 percent of scholarship recipients obtained the degree for which the scholarship was given. Eighty-five percent of the recipients are meeting the program's objectives either by working in a developing country or in an international aid agency. JJ/WBGSP alumni are highly placed in public service in their home countries, where they contribute to human resource development, capacity building, and poverty reduction in the developing world. Examples include Milen Veltchev, the Minister of Finance in Bulgaria who was voted the 'Best Finance Minister in Europe' in 2001, and Abdoulaye Abdoukader Cisse, the Minister of Trade, Industry and Handicrafts in Burkina Faso who received his Ph.D from the University of Toulouse while on scholarship.

RESPONDING TO CRISES AND EMERGING DEVELOPMENT CHALLENGES

“We must adjust to changing times and still hold to unchanging principles.”

*— Former president Jimmy Carter
in his Noble Peace Prize acceptance speech*

INNOVATIVE AND RAPID RESPONSE PROGRAMS

Today’s world is an uncertain and ever-changing place. Poverty, starvation, illiteracy, environmental degradation, violent conflict, HIV/AIDS; these are just some of the problems that shape today’s development agenda and require urgent and innovative action. The PHRD Fund recognized early on that to be effective as a catalyst for development and change, it must be flexible, innovative and rapid in its response to emerging crises. Today, the PHRD Fund is one of the largest trust fund supporting innovative programs designed to respond to newly emerging development challenges and to rapid response programs helping countries out of crisis.

INNOVATIVE PROGRAMS RESPONDING TO EMERGING DEVELOPMENT CHALLENGES

Environmental destruction - urban poverty - the digital divide - global warming

An innovative program is not defined by the development problem to which it is responding, but by the way this response is conceived, implemented and evaluated. Innovative programs stress the means by which development outcomes are achieved, and not just the outcomes themselves. Creating partnerships, funding non-formal organizations, enabling the participation of a diversity of stakeholders, decentralizing implementation, leveraging the funds of other development organ-

izations, implementing small-scale pilot projects; these processes characterize innovative programs and set them apart from traditional development projects. The PHRD Fund provided significant funding to five innovative programs in FY02; the Critical Ecosystems Partnership Fund, *infoDev*, the Development Gateway, the Cities Alliance and the Climate Change Initiative.



Deforestation is one of the major threats to natural habitats around the world, due to outdated agricultural practices and logging.

CRITICAL ECOSYSTEMS PARTNERSHIP FUND (CEPF)

The earth’s biological and environmental diversity is under ever increasing threat. The destruction of natural habitat and species continues at ever increasing rates, with little understanding of the long-term consequences for our own survival. The Critical Ecosystems Partnership Fund (CEPF) takes aim at this global problem by providing timely, strategic assistance for conservation work in the planet’s most biologically rich and threatened ecosystems. The CEPF is a partnership between the World Bank, the Global Environment Facility (GEF), Conservation International (CI) and

other institutions to create a new biodiversity funding instrument that combines technical and financial strength, field knowledge, administrative agility and flexibility, and a knowledge system to facilitate information communication. The combination of these strengths allows CEPF to provide a significant total amount of targeted funding in small- to medium-sized field projects in a more streamlined fashion than has been possible to date.

The CEPF is innovative in its approach and has adopted a new strategy for project delivery that attempts to overcome typical obstacles and delay through a non-traditional set of working arrangements between the Bank and NGOs. CEPF makes grants to the leading international, national, regional and local NGOs and other conservation-oriented stakeholders in the world's most critically threatened ecosystems in Bank client countries.

In FY02, Japan officially joined the World Bank, GEF, MacArthur Foundation, and Conservation International as a full donor partner of the CEPF. The arrangement for the administration of the contribution between the Government of Japan and the World Bank was signed on June 12, 2002 at the 3rd Donor Council Meeting in Washington. Japan's contribution includes the amount of \$5 million as an initial contribution. It is expected the initial disbursement of \$5 million will be made in early 2003.

INFODEV

The Information for Development Program (*infoDev*), is a multi-donor grant facility that supports innovative

projects which demonstrate the development opportunities offered by information and communication technologies (ICTs). *infoDev*'s mission is to promote the application of these technologies and the sharing of best practices for social and economic development, with a special emphasis on the needs of the poor in developing countries.

With the support of a \$6.5 million grant from the PHRD Fund, *infoDev* is launching a new flagship initiative - the 'Incubator Initiative' aimed at fostering entrepreneurship and private sector development in developing countries. This initiative will be dedicated to the establishment of a network of incubators to facilitate the emergence and development of small and medium size ICT enabled enterprises in developing countries. *infoDev* will work with governments, private enterprises, investment banks as well as universities and research centers in developing countries.

The Initiative is designed as a three-year program, aimed at promoting economic growth and competitiveness through the following objectives:

- Improving performance in existing incubators in developing countries, achieving higher 'survival rates' of incubated companies, growth and sustainability.
- Promoting a synergetic approach focused on the needs of incubators in developing countries, based on improved knowledge, networking and capacity building.
- Seizing new opportunities offered by the more advanced use of ICTs within incubators, assessing incubators' strategies and processes.
- Fostering entrepreneurship and competitiveness in developing countries, supporting the analysis and testing of new incubator approaches, and the dissemination of best practices in this field.

As part of Phase I of the Incubator Initiative, by July 1 2002 the Request for Proposals for the establishment of the *infoDev* Incubator Support Center (iDISC) was

Box 9: Activities of the Incubator Initiative

Activity 1: Creation of the *infoDev* Incubator Support Center (iDISC)

Activity 2: Support to existing incubators in developing countries.

Activity 3: Technical Assistance and support for new and start-up incubators.

published on the *infoDev* website and broadly disseminated through the *infoDev-1* distribution list and several international electronic lists or global reach. The deadline was September 2, 2002.

Forty-six proposals for the establishment of the *infoDev* Incubator Support Center (iDISC) were received from all regions, including 31 proposals from 20 developing countries. This list was published on the *infoDev* website, and the proposals were screened according to the criteria in the RFP. Fifteen proposals were short-listed for Panel Review. Following presentations by the three finalists, the Panel selected the joint proposal from Association of Science Parks and Business Incubators (ANPROTEC, Brazil) and the International Business Incubator (IBI, USA). The panel agreed that although the three finalists were strong and very competent candidates, the proposal from ANPROTEC-IBI fulfilled all the criteria defined in the RFP and provided the best and most cost-effective combination of long-term and proven expertise on supporting business incubation in developing country settings and international networking capabilities for assisting the target beneficiaries in developing countries.

Terms of Reference of the contract for the establishment and operation of the iDISC are being drafted and the contract/agreement is expected to be signed by early January.

As part of Phase II of the Incubator Initiative, the call for proposals has been announced. This round is expected to allocate between 15 - 25 grants to incubators in developing countries, one grant per country.

THE DEVELOPMENT GATEWAY

The Development Gateway promotes the use of ICT for poverty reduction and sustainable development in order to help countries overcome the digital divide through practical and dynamic programs. The flagship program is the "Development Gateway," a comprehensive on-line portal providing users with access to development information, resources, and tools, providing a space to contribute knowledge and share experiences. The Gateway helps users navigate the

growing amount of information available online, and empowers virtual communities of learning to address key development issues. The PHRD Fund contributed \$5 million in FY02.

Development Gateway supports four programs:

The Development Gateway portal, a key initiative of the Foundation. An interactive portal facilitating access to information and knowledge on development and poverty reduction, the Gateway works in partnership with the public and private sectors and civil society, providing a space where people can share experiences on development. Among other resources, the Portal offers information on major development topics, an extensive online directory for information on development projects and activities (AiDA), a global online marketplace (dgMarket), and links to a growing network of national portals (Country Gateways). The Portal also features data and statistics for more than 200 countries and a bookstore with a wide range of publications on development.

A network of Research and Training Centers with hubs in the developing world, to exchange ideas and test ICT applications that will benefit the poor. Under this program, support is provided for testing applications to help agricultural communities obtain information on market prices; developing and disseminating databases of basic medical knowledge; and the development of cyber kiosks for rural communities. The Government of India has identified the National Centre for Software Technology as a node of the Research and Training Network. The NCST will focus on research activities related to software development, working closely with the Indian Institute of Technology – Mumbai. This center was launched in September 2002.

The Government of the Republic of Korea has identified the Korea Information Society Development Institute to provide training, focusing on e-government and ICT policies. The center was launched on November 13, 2002, and the first training course will be held in December 2002.

The Governments of Pakistan and Rwanda have both expressed interest in hosting a Research and Training Center, and discussions are underway. China's contribution to the Foundation includes the establishment of a Research and Training Center with a particular focus on distance learning. This center will focus on developing cutting edge distance learning technologies, connecting people within China and with the rest of the world.

An ICT Development Forum for debate and knowledge sharing on key ICT issues, promoting partnerships and synergies between civil society and the public and private sectors. The ICT Development Forum will bring together a cross section of leaders and entrepreneurs to help find ICT solutions to address poverty and address issues of connectivity. The first of these events is expected to be held in May 2003 in Germany.

The Foundation also offers a **Grants and Investments Program** to support ICT projects and programs at the local, national, regional, and global levels, which are helping to overcome the digital divide. Under the scope of this program, the Foundation allocated in May 2002 US\$1.25 million to help Country Gateways begin to offer the services outlined in their business plan. In August, 2002, the Foundation made the first disbursement to MIGA for the FDI Exchange in the amount of US\$200,000.

CITIES ALLIANCE

It is estimated that 2 billion people will be added to the world's population over the next 30 years. Ninety-eight percent of this expansion will take place in developing countries and much of this increase will be in urban areas. The Cities Alliance is working to respond to this emerging challenge before it reaches crisis proportions. The program seeks to create a global alliance of cities and their development partners committed to improve the living conditions of the urban poor through immediate and tangible action in two key areas:

- City development strategies (CDS) which link the process by which local stakeholders define their



A slum outside of Mexico City.

vision for their city, analyze its economic prospects and establish clear priorities for actions and investments, and

- City-wide and nation-wide slum upgrading to improve the living conditions of at least 100 million slum dwellers by 2020 in accordance with the Cities Without Slums action plan.

The Alliance membership currently includes Japan and nine other donor Governments, the World Bank, Asian Development Bank, UN organizations, and the major international associations of local authorities. The Alliance is not a program with separate implementation capacity but rather a strategic partnership to improve the coherence and impact of the Members' urban development cooperation activities.

Cities Alliance members approved nearly \$15 million in funding allocations for 20 activities in 10 countries during FY02 in its two areas of focus –city development strategies (CDS) and slum upgrading. Included were new CDS programs in six countries:

- City-regional development strategies (CDSs) in the poorest regions of Western China, and in Rio Grande do Sul state of Brazil;
- CDSs for the capital cities of Addis Ababa (Ethiopia), Kingston (Jamaica) and Aden (Yemen); and,
- CDSs for three local governments in Burkina Faso.

In addition, \$500,000 was allocated, through earmarked funding from PHRD, for an initiative to build

Heavy industry is one of the major contributors to pollution.



networks of Asian cities to share knowledge and experiences to facilitate development and implementation of their development strategies. Titled, “City Networking and Investment Marketplace Development in Asia,” this initiative builds on FY01 PHRD funding that supported national CDS programs in The Philippines and Indonesia.

Alliance members also joined the efforts of local authorities that are moving to meet the impact targets of the Alliance’s “Cities Without Slums Action Plan,” which has been adopted as a Millennium Development Goal (Target 11). Leading the way was São Paulo (Brazil), one of the largest cities in the world, which is using Cities Alliance funds to design a large-scale upgrading program targeting 790,000 residents in its most violent and deprived slums (linked to \$189 million in investments from city resources). The Alliance also supported the efforts of the Kenyan Government to formulate a national slum upgrading policy and to begin design of an upgrading program for Nairobi. The city of La Paz (Bolivia) and four cities in Mozambique received Alliance support to improve slum conditions in flood prone areas, and several slum upgrading initiatives in three different Indian states. In addition, the Alliance approved US\$10 million to establish a Community-Led Infrastructure Finance Facility (CLIFF), which will support the efforts of organizations of slum dwellers to improve their housing and sanitation conditions.

JAPAN CLIMATE CHANGE INITIATIVE GRANTS (CCIG)

About 80 percent of greenhouse gas emissions from human activities are related to the production and use of energy—and particularly the burning of fossil fuels;

the bulk of the remaining 20 percent is associated with agriculture and changes in land use, such as deforestation. Overall, reducing the threat of climate change will require large reductions in greenhouse gas emissions. Developing countries need assistance on how to reconcile economic growth, primarily fueled by coal, oil, and gas, with protecting the environment.

The objective of Japan Climate Change Initiative Grants (CCIG) Program is to provide grants to recipient country’s government entities to:

1. support the inclusion of climate-change concerns in the country’s development planning process; and,
2. prepare and implement Bank-financed projects which support reduction in emission of greenhouse gases and promote energy efficiency or adaptation to the adverse impact of climate change, in concert with economic growth and eradication of poverty.

The Government of Japan contributed \$5 million in April, 2002 to support the Climate Change Program. Seven Climate Change grant funding proposals were approved for \$4.3 million in October 2002 and represent about 85 percent of the \$5million allocation for the Climate Change Program (see Box 10).

The approved Climate Change programs fall into three categories:

1. Carbon Sequestration Pilots: Grants which assess the financial, institutional or social design of afforestation projects for carbon sequestration – the lessons learnt from these grants would facilitate the design and replication of carbon sequestration activities through the Clean Development Mechanism (CDM) and Joint Implementation instruments of the Kyoto Protocol (JI-KP).
2. Mainstreaming of Energy Efficiency and Renewable Energy Investments: Grants which facilitate the mainstreaming of renewable-energy and energy-efficiency investments – the outputs of these grants would provide technical demonstration or information on viabil-

“For Kiribati, climate change is not just an environmental problem, it is putting our very survival at risk. While we cannot stop it, we can try to minimize the risks we face, by adapting to the changing circumstances. To implement such changes, we need a good understanding of the way climate change affects us and the options we have to deal with it. But we also need to understand how these risks affect our local communities, and how we can help them cope with adverse climatic circumstances. The PHRD grant allows us get the right expertise and organize those consultations, so that we will be equipped to select the best adaptation investments. And even better, by the time we start the actual investments, the public consultations and increased understanding will already be paying off in terms of increased awareness of the climate risks that we already face, here and now.”

— Sofia Bettencourt
Task Team Leader

ity which would enable replication and scale-up of renewable energy and energy efficiency activities.

3. Preparatory Work for Adaptation Operations – Grants that carry out the preparatory work for subsequent climate-change adaptation operations – grant outputs would determine the design of projects that address adaptation to the adverse impacts of climate change.

CRISIS RESPONSE – THE JAPAN POST CONFLICT FUND

Conflict is a major constraint to development with critical impact on physical, economic, and social capital, as well as the social fabric of the countries involved. During 1990-2002 alone, there were 56 major armed conflicts in 44 different locations in the world, exacerbating poverty and disrupting development efforts.

Japan began its support for post conflict activities with its announcement in early 1996 at a G7 meeting in Paris of its intention to contribute up to \$50 million to help in the reconstruction of Bosnia. The contribution

was made through a new window of PHRD, the Post-Conflict Reconstruction Assistance Program. The Post Conflict Reconstruction Assistance Program became the Japan Post-Conflict Fund (JPCF) in FY99 and is co-administered by the Post Conflict Fund Secretariat in the Post Conflict Unit and RMC.

Since the first contribution in FY96, the Japanese Government has contributed \$92.5 million to Post-Conflict Reconstruction Assistance activities.

Beginning in FY00, post conflict support has been limited to support the reconstruction of East Timor (its new name is Timore Leste). Japan’s PHRD funding for the East Timor grants was approved in two phases. The first phase was approved in January 2000 for \$2 million to support the initial work required as the multi-donor East Timor Trust Fund was not established at that time. The \$2 million grant from the JCPF assist with the East Timor Community Empowerment and Local Government Project to familiarize the East Timorese with the democratic principals of participation and representation. In the second phase, funds were transferred from PHRD to the multi-donor TF for East Timor. PHRD transferred \$14.1 million in FY00 and an additional \$9.8 million in FY01. In FY02, Japan allocated an additional \$2.1 million for East Timor. This means a total of \$28 million has been allocated/transferred to the East Timor Trust Fund.



The Kiribati Climate Adaptation Working Group and stakeholders designing the various project elements, jointly with the Bank’s project preparation mission led by Sofia Bettencourt, South Tarawa, Kiribati.

Box 10: FY02 Climate Change Grants Approved October, 2002

(I) CARBON SEQUESTRATION PILOTS

Bulgaria: Forest Fuel Switch Pilot (\$891,660)

This proposal seeks to support pilot afforestation in order to assess the viability of carbon sequestration. The outputs of the project would help in the design of carbon-sequestration projects within the JI-KP framework.

Romania: Public outreach and support program for climate change mitigation through afforestation (\$503,340)

The proposal seeks to support afforestation projects so as to evolve an institutional model for social participation. This model would facilitate replication of afforestation projects within the JI-KP framework.

Mexico: Marketing Sequestered Carbon from Mexican hillside shade coffee (\$625,600)

The proposal seeks to establish the viability of supporting the shift to hillside grown coffee through the additional revenue generated from carbon sequestration within the CDM framework. The outputs would facilitate the replication of this activity which promotes carbon sequestration and sustainable development.

(II) MAINSTREAMING OF ENERGY EFFICIENCY & RENEWABLE ENERGY INVESTMENTS

China: Wind Farm Performance Improvement Program (\$494,530)

The proposal seeks to support a pilot to improve the technical and commercial performance of wind-

farms in China. The pilot would demonstrate interventions which enhance windfarm electricity production and economic viability, and thus promote their replication.

Czech Republic: Energy efficiency and renewable energy Projects selection, methodology development and awareness program (\$350,500)

This proposal seeks to create and strengthen the capacity to identify, prepare and process climate-change mitigation projects within the JI-KP framework. It would enable the country to take advantage of carbon financing to mainstream renewable energy and energy efficiency.

Bulgaria: Sustainable Use of Geothermal Resources (\$770,000)

The proposal seeks to pilot geothermal energy projects utilizing JI-KP resources. The pilots would create the transactional experience necessary to replicate such projects.

(III) PREPARATORY WORK FOR ADAPTATION OPERATIONS

Kiribati: Adaptation Project Preparation (\$645,580)

The proposal seeks to support the Government to adapt to climate change and sea-level rise through mainstreaming adaptation in national economic planning. The project would also support the preparation of a pilot adaptation project to reduce vulnerability to climate change, climate variability and sea-level rise.

CHALLENGES OF POST CONFLICT ASSISTANCE

In a time of crisis, government authorities are faced with a number of challenges that affect the provision of an effective and coordinated response. At times, the coordination of international assistance creates a new set of distinct challenges and the Government of

Japan and the World Bank are jointly working to make it easier for recipient governments to apply for, receive and disburse post conflict grant money. These measures will increase disbursement rates and enable a more effective response on the ground when it is most needed.

JAPAN – WORLD BANK PARTNERSHIP PROGRAM

The Japan – World Bank Partnership 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. Funds support the Joint Japan-World Bank Study of East Asia's Future Development Prospects to strengthen the Japan-

World Bank intellectual partnership through the exploration of both growth and governance in East Asia under conditions of rapid regional as well as global integration. To date, Japan has contributed \$15.5 to the program.

In FY02, Japan approved six grants for \$2.8 million (see Box 11).

Box 11: Partnership Activities Approved: FY02

- | | |
|--|--|
| 1. Japan-World Bank Policy Dialogue Enhancement Support - \$385,000 | 4. Establishment of a Japan-World Bank Public Outreach Support Fund - \$258,000 |
| 2. Global Development Awards - \$500,000 | 5. Strengthening of Partnership between the World Bank and the Japanese Private Sector, Phase II - \$172,800 |
| 3. Promotional Activities for the Japan Social Development Fund Review Meeting in Tokyo - \$25,830 | 6. Joint Japan- World Bank Study of East Asia's Future Development Prospects, Phase II and III - \$1,500,000 |

PHRD SPECIAL PROGRAMS

The PHRD Fund supports a number of Special Programs designed to address a variety of capacity building, knowledge sharing and policy development areas. These programs include the Japan Staff and Consultant Trust Fund (JSCTF), the Africa Capacity Building Foundation, and the Russia Financial Institutions Development program. The PHRD Fund provides financial support to these programs through the approval of specific grants developed by government institutions and development stakeholders, including Non-Governmental Organizations (NGOs). The grants approved for each program in FY02 are detailed below.

According to the PHRD Monitoring Unit, between FY88 and FY99, Japanese consultants have contributed an estimated 3,000 man-months of expertise to the World Bank.

As part of the JSCTF program, five grants were approved in FY02 amounting to \$1.8 million (see Box 12).

In FY02, and as part of the Consultant Trust Fund reform process, the JSCTF was adapted to be more in line with the overall objectives of other trust funds in

THE JAPAN STAFF AND CONSULTANT TRUST FUND

CREATING OPPORTUNITIES FOR JAPAN-WORLD BANK COLLABORATION

The purpose of the Japan Staff and Consultant Trust Fund (JSCTF) is twofold:

1. Compliment the Bank's activities in economic and sector work, lending development, project appraisal and supervision; and,
2. Provide opportunities to the Japanese consulting industry to gain exposure to the Bank's work to exchange experience and expertise and create greater development collaboration.

Box 12: FY02 JSCTF Large Scale Activities Approved in FY02

China - Policy Advice on Implementation of Clean Coal Technology (CCT) Projects: \$493,600

China - Review of Legal Framework of Coal Sector: \$337,800

China - Second Anhui Highway Project – Preparation: \$187,850

Global - Engendering Information and Communication Technologies (ICT) - Sector Work: \$460,100

Turkey - Energy and Environment Review-Special Studies: \$346,980

the Bank and to move more towards a standardization of processes and procedures. Starting in FY03, the Japan Consultant Trust will be managed outside the PHRD Framework. The major changes to the new CTF program are:

- To simplify the application process, operational managers have been delegated to responsibility to approve CTF assignments which are less than \$100,000. Proposals over this threshold would be submitted to the donors in two rounds during the year.
- Requirements and conditions of different donors have been simplified: donors can now choose to select between Country/Region and Sector/Theme only, instead of varying requirements of the past.
- All CTFs are 100% tied to the hiring of donor nationals or firms; however, up to 25% of a contract value can be sub-contracted to non-nationals by a firm registered or incorporated in the donor country,
- Planning for CTFs would be done up-front by operational units who would also ensure that activities are aligned with Bank strategic priorities.

THE AFRICA CAPACITY BUILDING FOUNDATION

BUILDING CAPACITY SUSTAINABLE FOR POVERTY REDUCTION IN AFRICA

The African Capacity Building Foundation (ACBF), based in Harare, Zimbabwe, is an independent, capacity-building institution established in November 1991 through the collaborative efforts of three multilateral institutions (the African Development Bank, the World Bank, and United Nations Development Program), African Governments and bilateral donors. The establishment of ACBF was a response to the severity of Africa's capacity problem and the challenge to invest in indigenous human capital and institutions in sub-Saharan Africa. The initiative

strengthens government capacities in policy analysis and development management by training mid-level managers in economic ministries throughout Sub-Saharan Africa.

In FY02, five grants were approved for a total of \$4.1 million. A description of each grant is included in Box 13.

RUSSIA FINANCIAL INSTITUTIONS DEVELOPMENT

SUPPORTING RESTRUCTURING AND FINANCIAL MANAGEMENT

In FY02, the PHRD approved a \$1.2 million grant to provide technical assistance support for the development of financial institutions in Russia. The Russian Federation: Financial Institutions Development Project (FIDP) follows two main programs supported by PHRD: the Financial Institutions Development Program (\$21 million) and Privatization Implementation Assistance (\$15 million), which were both closed in December 2000.

The Russian Federation: Financial Institutions Development Project (FIDP) aims to provide key elements of support to the Financial Institutions Development Program. The proposed grant includes components in the areas of bank restructuring, monitoring and supervision, legal support, intermediation and risk management, and strategic planning.

THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

PROMOTING FOREIGN DIRECT INVESTMENT INTO EMERGING ECONOMIES

Through a special contribution under the Miyazawa initiative, MIGA continued its program to Enhance Flows of Foreign Direct Investment to Asia. MIGA's

Box 13: African Capacity Building Foundation Grants Approved in FY02

Kenya – Strengthening Corporate Governance and Social Responsibility \$1 million

The grant intends to promote good corporate governance in Kenya as a means of enhancing private sector development through capacity building, training and exchange of good practice. Primary activities funded by PHRD include: (a) training, to include workshops, seminars, conferences for the private sector, public sector and civil society; (b) core program activities through consultancy and other professional services that promote good governance, highlight best practice, and provide for the creation of public awareness; and (c) regional seminars and exchange programs.

Kenya – Strengthening Institute of Policy and Analysis Research (IPAR) \$500,000

The Institute of Policy Analysis and Research (IPAR) was established in 1994 as an autonomous policy think tank with the main goal of strengthening policy analysis and research in Kenya. With the support of the PHRD grant, IPAR will be strengthened through the provision of the following activities: (a) Training, workshops, seminars and an internship program supporting expanded capacity in economics, policy, and development; (b) field research activities, with IPAR hosting Visiting Fellows who will undertake research and training activities. The duration of the fellowship will depend on the candidates' research program; and (c) the acquisition of new computers, books, journals and training materials.

Namibia – Strengthening Namibian Economic Policy Unit (NEPRU) \$612,616

The grant aims to strengthen NEPRU through the provision of a number of capacity building activities including: training and career development, including support for specialized studies and short term courses through seminars, workshops and confer-

ences; research activities including local and regional conferences, seminars and workshops; and information dissemination, including acquisition of library materials, as well as computer upgrading.

Nigeria – Strengthening Development Policy Center (DPC) \$1 million

With the support of the PHRD grant, the DPC, a government entity established in 1994 with the purpose of developing and disseminating alternative policy options to Nigerian stakeholders, will carry out research and training in areas agreed with major stakeholders that include the government, the private sector and civil society. Grant activities include: (a) training in areas of budget analysis, poverty and public expenditure, decentralization, public sector performance and private sector development; (b) research and policy analysis in areas such as technology policy change, consultations and poverty reduction, legislative-executive relations and economic integration; and (c) outreach and dissemination.

South Africa – Empowering Civil Society in South Africa – South African Non-Governmental Organization Coalition (SANGOCO) \$1 million

The objective of the SANGOCO project is to empower civil society in South Africa and contribute to the orientation of development policies and program for the eradication of poverty in South Africa and the improvement of the quality and quantity of resources allocated to poor communities. Primary activities to be funded with PHRD grant resources will include a “War on Poverty” Campaign, empowerment of the NGO Network and institutional development activities including the training of SANGOCO staff, a seminar series and exchange program for experience sharing and developing research capacity in the national Secretariat and support for provincial offices.

efforts under this initiative focused on technical assistance as well as raising awareness of its guarantees program. The technical assistance goals include developing and implementing targeting strategies to mobilize and promote investment opportunities; identifying and fostering sectors with solid potential for investment promotion; and devising targeted work programs.

Other key objectives involve assisting in the development and implementation of information technology tools and promotional materials. In FY02 activities carried out under the initiative took place in the Republic of Korea, the Philippines and Thailand. MIGA's pro-

gram, which was due to conclude in FY02, was extended through March of FY03.

FY02 marked the conclusion of MIGA's flagship Promote Africa Program. This three-year initiative established the first field presence for the Agency and facilitated sustained and immediate technical assistance delivery to this priority region. Transitional PHRD funding received in the first quarter served as bridge between the formal conclusion of the Promote Africa program in August 2001, and the establishment of a MIGA field office in Johannesburg in January 2002. Evaluation of the program's effectiveness and developmental impact was also begun in FY02.

FINANCIAL PERFORMANCE OF THE PHRD FUND BY PROGRAM: FISCAL YEAR 2002

PHRD TECHNICAL ASSISTANCE PROGRAM

In FY02, 97 TA grants were approved, amounting to \$61.6 million, a decrease of 30 grants and \$4 million from FY01.

REGIONAL DISTRIBUTION (TABLE 1)

The Africa Region experienced the most significant increase in PHRD grants over FY01, with a 4 percent increase. TA grants in the Eastern and Central Asia region decreased by 5 percent from FY01 levels.

- **Africa** - 33 grants totaling \$22.3 million amounting to 36.18 percent of the portfolio.
- **East Asia and Pacific** – 20 grants totaling \$14.1 million amounting to 22.9 percent of the portfolio.
- **South Asia** – 2 grants totaling \$2.2 million amounting to 3.6 percent of the portfolio.
- **Europe and Central Asia** – 23 grants totaling \$12.3 million amounting to 19.9 percent of the portfolio.
- **Middle East and North Africa** – 5 grants totaling \$2.8 million amounting to 4.5 percent of the portfolio.

Figure 12: Regional Distribution of Technical Assistance Grants

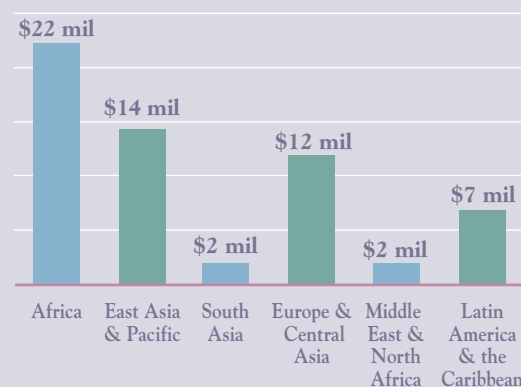


Figure 13: Sectoral Distribution of Technical Assistance Grants

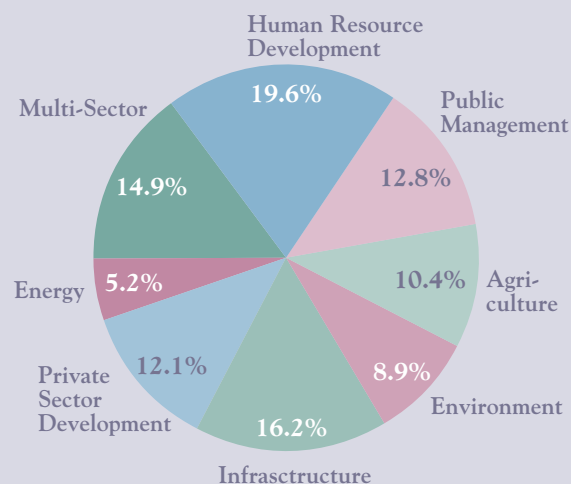


Table 1: Regional Distribution of Technical Assistance Grants by Round, FY02

Region	Round 1: Number of Grants	Amount (\$ millions)	Round 2: Number of Grants	Amount (\$ millions)	Round 3: Number of Grants	Amount (\$ millions)	Total: Number of Grants	Amount (\$ millions)	Total (%)
Africa	13	7,874,183	7	4,710,177	13	9,712,063	33	22,296,423	36.18%
East Asia and Pacific	9	6,145,790	5	3,871,030	6	4,112,200	20	14,129,020	22.93%
South Asia	2	2,192,000	0	0	0	0	2	2,192,000	3.56%
Europe and Central Asia	5	2,275,380	10	4,973,545	8	5,044,735	23	12,293,660	19.95%
Middle East and North Africa	1	399,800	2	1,365,795	2	1,059,550	5	2,825,145	4.58%
Latin America and the Caribbean	5	2,544,400	6	3,324,348	3	2,023,300	14	7,892,048	12.81%
Total	35	21,431,553	30	18,244,895	32	21,951,848	97	61,628,296	100.00%

- **Latin America and the Caribbean** – 14 grants totaling \$7.9 million amounting to 12.8 percent of the portfolio.

SECTORAL DISTRIBUTION

The energy and human development sectors had the most dramatic decrease from FY01 levels, each decreasing by 9 percent. The private sector development and public sector management sectors experienced the most significant increases from FY01, each with 8 percent and 6 percent respectively (Figure 13).

WBI AND JOINT JAPAN WORLD BANK GRADUATE SCHOLARSHIP PROGRAM

WORLD BANK INSTITUTE

- FY02 PHRD contributions to WBI Training Program: \$1.8 million, a 28 percent decrease from FY01 levels.
- In FY02, WBI delivered nearly 600 learning activities (214,115 client training days) and reached more than 48,000 participants in 150 countries

through collaboration with more than 160 partner institutions.

- WBI proposals submitted to PHRD for funding were not approved in FY02, delaying the results of PHRD-funded WBI activities.

JOINT JAPAN/WORLD BANK GRADUATE SCHOLARSHIP PROGRAM

- FY02 PHRD contributions to JJ/WBGSP: \$10.2 million, a three percent decrease from FY01 levels.
- The Regular Program provided 130 scholarships, from nearly 2,723 applicants.
- Africa submitted about 57 percent of total applications followed by South Asia with 13 percent of total applications.
- Africa continues to receive the most scholarships (30%). East Asia received the next highest number of scholarships with 20%. Latin America and the Caribbean followed with 15%.

INNOVATIVE PROGRAMS AND RESPONDING TO CRISES

- The Government of Japan contributed US \$31.5 million to support recently developed innovative programs designed to address particular development challenges with new approaches. These special allocations supported the following innovative programs.
- The Development Gateway (US \$5 million);
- Poverty Reduction Strategy Papers (US \$10 million);
- *infoDev*'s "Incubator Initiative" (US \$6.5 million);
- Critical Ecosystems Partnership Fund (US \$5 million);
- Climate Change Initiative (US \$5 million).

CRISIS RESPONSE PROGRAMS

- The Government of Japan contributed \$2 million for the reconstruction of East Timor.

PARTNERSHIP PROGRAM

In FY02, Japan approved six grants for \$2.8 million.

PHRD SPECIAL PROGRAMS

THE JAPAN STAFF AND CONSULTANT TRUST FUND

As part of the JSCTF program, five grants were approved in FY02 amounting to \$1.8 million.

THE AFRICA CAPACITY BUILDING FOUNDATION

In FY02, five grants were approved for a total of \$4.1 million.

RUSSIA FINANCIAL INSTITUTIONS DEVELOPMENT

In FY02, the PHRD approved a \$1.2 million grant to provide technical assistance support for the development of financial institutions in Russia.

ANNEXES



ANNEX 1
LIST OF APPROVED TECHNICAL
ASSISTANCE GRANTS IN FY02

ANNEX 2
ADMINISTRATION OF JAPAN PHRD
GRANTS PROGRAM

ANNEX 3
PHRD FY03 ANNUAL
POLICY DOCUMENT

LIST OF APPROVED TECHNICAL ASSISTANCE GRANTS IN FY02

AFRICA REGION		
Country	Grant Name	Amount (US\$)
Benin	HIV/AIDS Project for Abidjan - Lagos Transport Corridor	\$440,440
Burkina Faso	Poverty Reduction Support Credit III (PRSC)	\$357,010
Burkina Faso	Transport Sector	\$850,000
Chad	Agricultural Services and Producer Organization	\$440,000
Congo	Urban Water Supply	\$800,000
Cote d'Ivoire	Multi-sector HIV-AIDS	\$1,000,000
Eritrea	Water Resources Development	\$725,175
Ethiopia	Water Supply and Sanitation	\$657,200
Ethiopia	Pastoral Community Development	\$426,690
Ethiopia	Poverty Reduction Support Credit (PRSC1)	\$825,977
Ethiopia	National Information and Communication Technology (ICT) Capacity Building	\$969,595
Ethiopia	Education Sector Development Program II	\$800,000
Ghana	Public Sector Management Reform II	\$772,567
Ghana	Poverty Reduction Support Credit	\$603,812
Kenya	Lake Victoria Environmental Management Project (LVEMP)/Kenya - Phase 2	\$639,214
Kenya	Privatization and Private Sector Competitiveness	\$846,000
Madagascar	Second Mining Sector Reform	\$715,000
Madagascar	Third Environment Program Support	\$698,700
Malawi	Third Social Action Fund (MASAF 3)	\$386,680
Malawi	Multi-Sectoral AIDS Program (MAP)	\$700,000
Nigeria	Lagos Metropolitan Development	\$650,000
Nigeria	Niger Delta Institutional Strengthening and Development	\$675,000
Regional	West Africa Power Market Development	\$829,900
Rwanda	National Water Resource Management	\$1,015,450
Sao Tome and Principe	Social Sector Support	\$449,700

AFRICA REGION, CONTINUED		
Country	Grant Name	Amount (US\$)
Sierra Leone	Institutional Reform and Capacity Building (IRCB)	\$770,220
Tanzania	Lake Victoria Environmental Management Project (LVEMP)/ Tanzania - Phase 2	\$719,689
Tanzania	Poverty Reduction Support Credit 2	\$362,481
Uganda	Capacity and Performance Enhancement Program	\$378,114
Uganda	Third Poverty Reduction Support Credit (PRSC3)	\$779,500
Uganda	Lake Victoria Environmental Management Project(LVEMP)/ Uganda - Phase 2	\$689,239
Ethiopia	Road Sector Development Program Phase 2	\$677,270
Gambia	Third Education Sector Program Phase II	\$645,800
AFRICA REGION TOTAL		\$22,296,423

EAST ASIA AND PACIFIC REGION		
Country	Grant Name	Amount (US\$)
Cambodia	Basic Education	\$386,600
China	Gansu and Inner Mongolia Poverty Reduction	\$557,250
China	Hunan Urban Development	\$1,268,500
Indonesia	Urban Water Supply (Adaptable Program Loan)	\$910,000
Indonesia	Kabupaten Governance Reform Initiatives	\$669,500
Indonesia	Kecamatan Development II	\$401,000
Indonesia	Sustaining Microfinance	\$500,000
Lao PDR	Land Titling II	\$613,000
Mongolia	Second Ulaanbaatar Services Improvement	\$970,000
Mongolia	Poverty Reduction Support Credit	\$592,000
Philippines	Diversified Farm Income and Market Development	\$828,340
Philippines	Health Sector Reform	\$1,032,100
Philippines	Judicial Reform Support	\$298,500
Philippines	Urban Shelter and Community Infrastructure Learning and Innovation Loan (LIL)	\$250,000
Philippines	Public Sector Strengthening Loan	\$1,093,800
Samoa	Second Infrastructure Asset Management	\$477,600
Tonga	Tonga Health Sector	\$349,300
Viet Nam	Public Financial Management Reform	\$742,880
Viet Nam	Urban Upgrading	\$998,150
Viet Nam	Rural Energy II	\$1,190,500
EAST ASIA AND PACIFIC REGION TOTAL		\$14,129,020

SOUTH ASIA REGION

Country	Grant Name	Amount (US\$)
Bangladesh	Health and Population Sector Program	\$1,500,000
Pakistan	Sindh Structural Adjustment Credit	\$692,000
SOUTH ASIA REGION TOTAL		\$2,192,000

EUROPE AND CENTRAL ASIA REGION

Country	Grant Name	Amount (US\$)
Albania	Institutional Strengthening and Environmental Remediation	\$250,020
Albania	Poverty Reduction Support Credit II	\$499,900
Armenia	Fifth Structural Adjustment Credit (SAC5)	\$400,000
Armenia	Utility Restructuring	\$500,000
Azerbaijan	Rural Infrastructure (AZRIP)	\$562,450
Bulgaria	Forestry	\$564,270
Bulgaria	Rural Finance Adaptable Program Loan	\$562,705
Croatia	Social and Economic Recovery	\$425,360
Georgia	Public Sector Management Reform	\$490,000
Kazakhstan	Forestry Reform and Rehabilitation	\$410,600
Kazakhstan	Ust-Kamenogorsk Environmental Remediation	\$860,700
Kyrgyz Republic	Financial Sector and Business Development (FINBUS)	\$700,000
Moldova	TB/AIDS	\$370,000
Russia	Customs Reform	\$633,000
Slovak Republic	Social Development Fund	\$327,280
Turkey	Renewable Energy	\$483,000
Ukraine	Statistical System Modernization (MOST)	\$169,500
Ukraine	Social Protection Reform Administration	\$457,900
Ukraine	Equal Access to Quality Education	\$768,400
Uzbekistan	Public Finance Management Reform	\$500,000
Yugoslavia	Serbia Health	\$500,000
Yugoslavia	Second Private and Financial Sector Adjustment Credit	\$1,451,000
Tajikistan	Rainfed Agriculture Development	\$407,575
EUROPE AND CENTRAL ASIA REGION		\$12,293,660

LATIN AMERICA AND CARIBBEAN REGION

Country	Grant Name	Amount (US\$)
Brazil	Integrated Water Management and Basic Services for the Poor in the Sao Paulo Metropolitan Region	\$860,000
Colombia	Higher Education Financing Reform	\$300,000
Costa Rica	Ecomarkets	\$302,250
Grenada	OECS Education Development	\$151,400
Guyana	Poverty Reduction Support Credit (PRSC)	\$330,000
Mexico	Second Air Quality and Transport	\$1,310,000
Mexico	Water and Sanitation Modernization	\$799,310
Nicaragua	Sustainable Forestry Investment Promotion 2 (PROFOR2)	\$650,000
Nicaragua	Rural Microfinance Development	\$563,638
Panama	Sustainable Management In Agricultural Landscapes in Panama's Canal Watershed	\$361,750
Venezuela	Agricultural Extension	\$240,400
Colombia	Department of Cundinamarca Cundinamarca Education Quality Improvement	\$300,000
Guatemala	Basic Health for Vulnerable Groups	\$1,043,300
Paraguay	Financial Sector Adjustment Loan	\$680,000
LATIN AMERICA AND CARIBBEAN REGION TOTAL		\$7,892,048

MIDDLE EAST AND NORTH AFRICA REGION

Country	Grant Name	Amount (US\$)
Algeria	Rural Employment 2	\$399,800
Iran - Islamic Republic of	Solid Waste Management	\$883,750
Morocco	Integrated Forestry Development	\$482,045
Tunisia	Export Development II	\$498,250
Yemen - Republic of	Second Basic Education Expansion (BEEP-II)	\$561,300
MIDDLE EAST AND NORTH AFRICA REGION		\$2,825,145

ADMINISTRATION OF JAPAN PHRD GRANTS PROGRAM

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 activities 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 the program. In administering the program, 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 that meets 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 associations, 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 approval of the funding allocations, 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 presented to RMC by their regional cofinancing coordinators in matters relating to PHRD technical assistance grants. The proposals for

grant funding are prepared by the project 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 included in 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 funding. 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 and 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 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.

PHRD FY03 ANNUAL POLICY DOCUMENT

JAPAN PHRD TECHNICAL ASSISTANCE GRANTS PROGRAM FY03 POLICY GUIDELINES AND PROGRAM ALLOCATION

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

2. 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% of the total amount requested will be for IDA Countries, and at least 35% of the total amount requested will be for Asian Countries.

3. 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 for lower and lower-middle income countries¹. For upper-middle income countries, proposals would be eligible only to support the following priority areas: (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 Initiatives; and (e) Promotion of Innovative Uses of Information Technology for Bridging the Digital Divide.

- (ii) Proposals for *Climate Change Initiatives*, for which separate operating guidelines have been agreed, may support the acquisition of knowledge in assessment of the impact of local green house gases (GHG) emissions in the recipient country, and to support initiatives, including pilot activities, for the reduction of GHG emission as developing countries increase energy production to improve standards of living and promote industrial growth.
- (iii) For *IDA and lower-middle income* countries, proposals for *Project Implementation* for capacity building activities for recipient countries in support of ongoing Bank-financed Project(s) with an aim to achieve smooth implementation of the Project(s).

4. 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.

¹ As defined in the *World Development Report 2002*

5. 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, the grant objectives and its Expenditure Categories.

6. Supplementary Information. The Proposal attaches supplementary information (*Detailed Background Information*) which lists the grant components and respective grants outputs and key performance indicators 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.

7. 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.

8. 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% 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. Changes in Scope of Grant Components or 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 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.

15. 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.

16. 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.

17. 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., in accordance with the Bank's document retention policy.

FY03 PHRD TECHNICAL ASSISTANCE PROGRAM ALLOCATION

The FY03 allocation, to be approved through three rounds during the fiscal year, is as follows:

Allocations by Area	Amount (US \$ million)
Project Preparation	95
Climate Change Initiatives	5
Project Implementation	10
Total Amount	110

SCHEDULE PROPOSED FOR FY03 PHRD TECHNICAL ASSISTANCE PROGRAM

Round Announcement	Date of Submission to Japan:
October 2002	December 2002
January 2003	March 2003
April 2003	June 2003

THE FACES OF THE PHRD: PARTNERS IN DEVELOPMENT



*Croatian Energy Efficiency Project Team, led by Ms. Gordana Lucic, and team members:
Goran Slipac; Jasmina Fanjek; Hrvoje Glamuzina; Goran Labar; Branimir Steko; Sonja Boji*

“PHRD moves from a supply driven situation where the Bank provides all the know how, to a demand driven one, where the client defines what is to be done. It puts us into much more of a role of project facilitator than a developer.”

— Rachid Benmessaoud
Task Team Leader, ECA Region



RESOURCE MOBILIZATION AND COFINANCING
TRUST FUNDS OPERATIONS
PHRD PROGRAM

THE WORLD BANK 1818 H STREET, NW WASHINGTON, DC 20433 USA

EMAIL: PPROGRAM@WORLDBANK.ORG

WWW.WORLDBANK.ORG/RMC/PHRD/PHRD.HTM