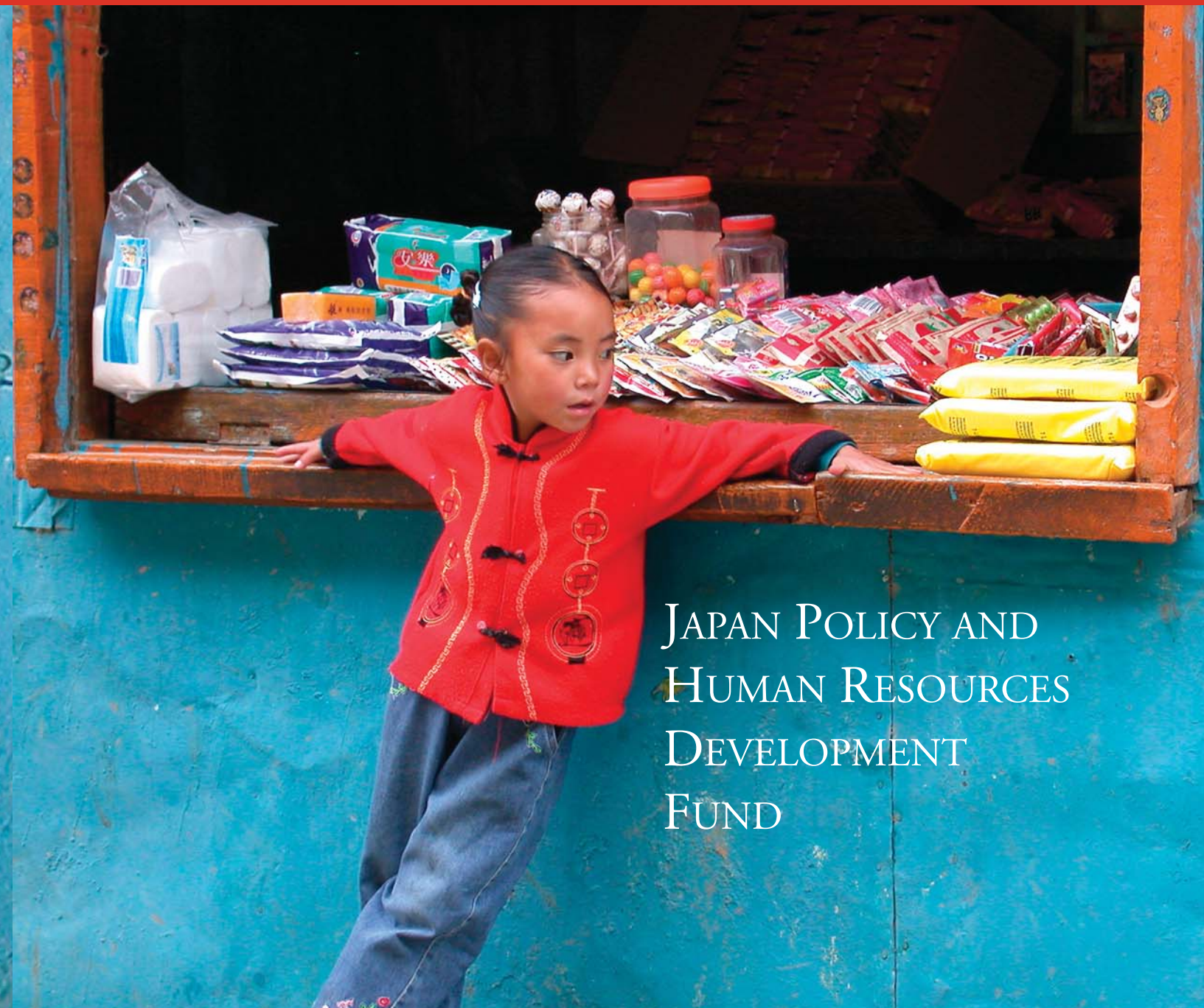




THE WORLD BANK
Concessional Finance and Global
Partnerships Vice Presidency

ANNUAL REPORT 2003



CONCESSIONAL FINANCE AND
GLOBAL PARTNERSHIPS
TRUST FUND 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

JAPAN POLICY AND
HUMAN RESOURCES
DEVELOPMENT
FUND



THE WORLD BANK
Concessional Finance and Global
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ANNUAL REPORT 2003



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Cover photo by Massimo Marlo.

FY03 PROGRAM HIGHLIGHTS

Trust funds help the Bank leverage its poverty reduction programs by funding key activities supporting development operations, promoting innovation and strengthening the capacity of the Bank's development partners and clients. The Policy and Human Resources Development Fund (PHRD) is a key instrument in the World Bank's trust fund portfolio. Now in its thirteenth year of operation, the PHRD Fund continues to help World Bank clients effectively manage their own development process.

The impact of PHRD grants remains high. However, some areas: grant processing, implementation, and realignment of the selection criteria have created some procedural difficulties for the Bank's clients. In FY03, a number of performance improvement measures put in place during FY02 helped streamline the grant approval process, simplify grant proposals and increase the quality-at-entry of PHRD proposals.

For the Technical Assistance Program, the core of the PHRD Fund, allocations increased by \$9.9 million over FY02 levels. The number of grants approved in the

“We intend to actively extend our support in these areas through our trust funds at the World Bank. That is, we plan to expand the functions of the Policy and Human Resource Development (PHRD) Fund and the Japan Social Development Fund (JSDF), to strengthen support for institutional and capacity building.”

—Statement by the Hon. Masaru Hayami, Governor of the Bank of Japan, World Bank Group Annual Meetings 2002–2003



A PHRD Grant Signing Ceremony in Colombia. From left to right, Mr. Jairo Arboleda, Mr. Luis Alfonso Hoyos, Mr. Alberto Chueca, Mr. Santiago Montenegro, Ambassador Wataru Hayashi, Ms. Eri Tobinaga, and Mr. Takahiro Asano.

three Technical Assistance windows, Project Preparation, Project Implementation, and Climate Change, increased from 97 in FY02 to 116 in FY03. In FY02, PHRD supported the preparation of about 48 percent of the projects approved by the Board. In FY03, this percentage dropped dramatically to 28 percent.

Clients, who are also the recipients of the funds, still have a high demand for PHRD grants. Because of some of the requirements associated with preparation of funding requests and subsequent management of the grants, PHRD grant processing can take a long time: on average it takes about 36 months from the time a grant proposal is approved to its closure.

The World Bank and the Government of Japan continue to make efforts to simplify and streamline PHRD. The PHRD operational framework was revised for FY04 to better reflect the priorities of the World Bank and Japan.

An important innovation of the PHRD Fund approved in FY03 is the availability of grants to cofinance institutional capacity building activities of World Bank-financed Projects for IDA/IDA-blend countries. The purpose of the new program is to strengthen institutional capacity and facilitate the implementation of key policy reforms and good governance initiatives. The grants help meet the funding needs of countries for contracting technical assistance where borrowing for such assistance may be unaffordable given the recipient's budgetary constraints and borrowing limitations.

Continuing with work begun in FY02, the Bank is currently implementing trust fund reforms to ensure the grants are responsive to the development objectives of our clients. The Bank is also working to im-

prove the overall management and control framework. Reform is not always an easy process. It demands reflection and a shared commitment to learning, flexibility, transparency and efficiency. The Government of Japan shares the Bank's commitment to finding innovative and effective ways to improve the overall impact of PHRD.

The PHRD Fund provides recipient countries with much-needed technical assistance, capacity building and human resources development support. The Government of Japan continues to be a strong development partner of the Bank. Both are committed to helping support programs that are having a significant impact on the lives of the world's poor and to achieving the Millennium Development Goals.



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ACRONYMS AND ABBREVIATIONS

APL	Adaptable Program Loan
CAP	Country Action Proposal
CCIG	Climate Change Initiative Grants
CDD	Community-Driven Development
CDF	Comprehensive Development Framework
CDS	City Development Strategy
CEPF	Critical Ecosystem Partnership Fund
CFP	Concessional Finance and Global Partnerships Vice Presidency
CGAP	Consultative Group to Assist the Poorest
CTF	Consultant Trust Fund
GOJ	Government of Japan
HIPC	Heavily Indebted Poor Countries
ICT	Information and Communication Technologies
IDA	International Development Agency
JICA	Japan International Cooperation Agency
JJ/WBGSP	Joint Japan/World Bank Graduate Scholarship Program
JSCTF	Japan Staff and Consultant Trust Fund
LAB	Learning Across Borders – Capacity Building for Asian NGOs
NGO	Non-governmental organization
ODA	Official Development Assistance
OVP	Operational Vice Presidency
PHRD	Japan Policy and Human Resources Development Fund
PPIAF	Public-Private Infrastructure Advisory Facility
PRSP	Poverty Reduction Strategy Papers
PRSTF	Poverty Reduction Strategy Trust Fund
RCMS	Recipient-Centered Monitoring System
TA	Technical Assistance
VPU	Vice Presidential Unit
WBI	World Bank Institute



PHRD PROGRAM PERFORMANCE IN FISCAL YEAR 2003

The PHRD Fund was created in 1990 through a joint agreement between the World Bank and the Government of Japan. The Fund is based on a commitment to alleviate poverty, build the necessary foundation for sustainable development, and create a close development partnership. In FY03, PHRD continued to support a wide variety of activities mainly through:

1. Contributions to ongoing programs such as the World Bank Institute (WBI), the Poverty Reduction Strategy Trust Fund (PRSTF), the Information for Development Program (infoDev), and the Heavily Indebted Poor Countries (HIPC) Debt Initiative, and
2. Contributions to programs funded solely by Japan such as the Technical Assistance (TA) Program, the Joint Japan/World Bank Graduate Scholarship Program (JJ/WBGSP), the Staff Grants Program, and the Consultant Trust Fund (CTF).

Contributions¹ by Japan in FY03 to these programs amounted to \$115.6 million² (Figure 1). In addition, the PHRD Fund has made special allocations³ to global and regional programs including Cities Alliance, Public-Private Infrastructure Advisory Facility (PPIAF), the Critical Eco-systems Partnership Fund, and the Consultative Group to Assist the Poorest (CGAP).

FY03 has been a year of innovation for the PHRD Program. In FY03, Japan and the Bank agreed to ex-

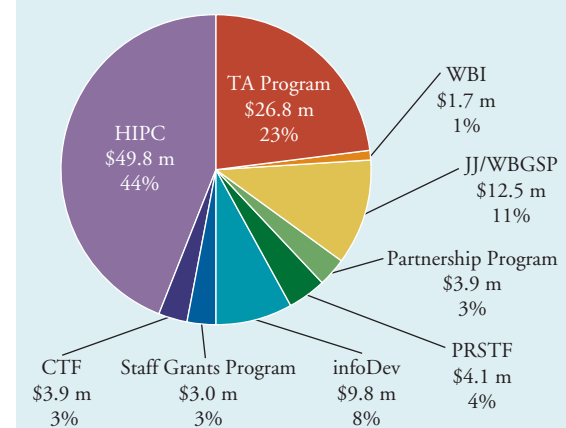
1. Contributions refer to Japan's annual financial contribution to the PHRD Fund.

2. All figures are reported in US dollars.

3. Allocations refer to the funds approved by Japan to fund specific grant proposals and other programs shown in Figure 1.

plore changes in the criteria for PHRD project implementation grants and began discussions on the establishment of a new "co-financing program" under PHRD. It was agreed that the implementation program would focus on capacity building for agencies that were having difficulties managing ongoing IDA-funded projects. The availability of grants for Project Co-financing for Institutional Capacity Building would help co-finance capacity building included in the Project Appraisal Document, with the grant funding the technical assistance and training costs of a component. These grants would be available to IDA/IDA-Blend countries for which borrowing for technical assistance work may be unaffordable, and where the technical assistance would facilitate the implementation of project activities and policy reforms.

Figure 1: FY03 New Contributions by PHRD Program US\$115.6 million (millions of US\$ and by percent of total contributions)



During FY03, the Concessional Finance and Global Partnerships (CFP) Vice Presidential Unit (VPU) started work on a proposed pilot recipient-centered monitoring system (RCMS), which will be piloted for PHRD grants. The design of this pilot RCMS, which was integrated into the Bank's new Client Connection Web System, will be validated with implementing agencies during FY04 in the following selected countries—Cambodia, Ethiopia, Indonesia, Pakistan, Peru, Philippines, Sri Lanka and Yemen.

PHRD TECHNICAL ASSISTANCE PROGRAM: BUILDING CAPACITY OF CLIENTS TO DESIGN AND IMPLEMENT DEVELOPMENT PROGRAMS

The PHRD Technical Assistance (TA) Program is a unique program funded solely by the Government of Japan to help World Bank clients countries prepare and implement development projects financed by the Bank (Figure 2). Through the PHRD TA Program, the PHRD portfolio of grants supports approximately 31 percent of the projects in the Bank's pipeline, some 218 preparation grants in total.

The PHRD Technical Assistance Program supports institutional capacity building and the design and preparation of World Bank operations. Three proposal submission Rounds were held in FY03, and 116 TA grants, totaling \$71.5 million, were approved. (Annex 1, List of Projects receiving grants).

Figure 2: Regional Distribution of Technical Assistance Grants by Total Allocation, FY03
US\$71.5 million (millions of dollars and percent of total allocations)

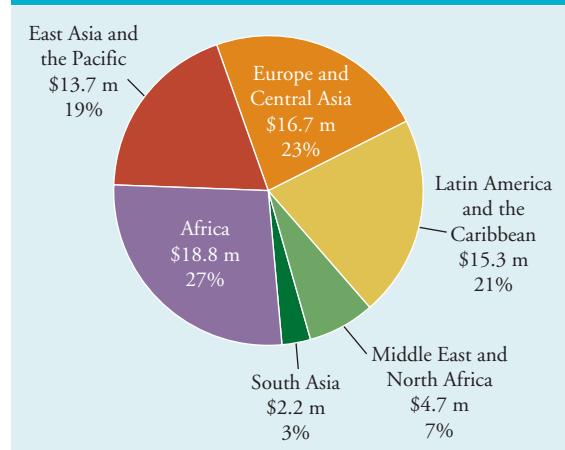
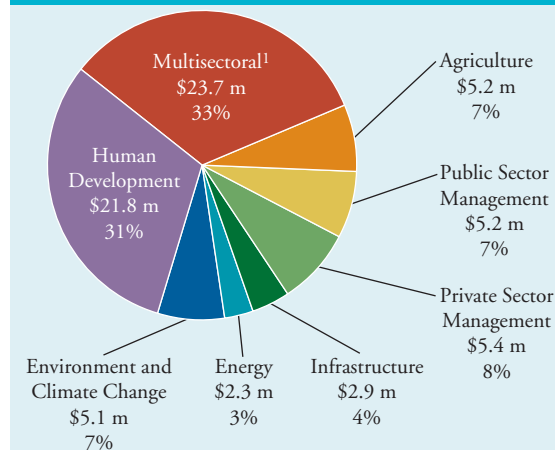


Figure 3: Sectoral Distribution of Technical Assistance Grants by Total Allocation, FY03
US\$71.5 million (millions of dollars and percent of total allocations)



1. Multisectoral include poverty reduction, community development, employment creation, Disaster Vulnerability Reduction, Peace & Development, Programmatic Adjustment Loan, Social Investment and Real Estate Cadastre projects.

In FY03, the Africa, Europe and Central Asia and the Latin America and Caribbean regions led PHRD TA grant allocations, followed closely by the East Asia and the Pacific regions. Human development and multisectoral programs accounted for the largest percentages of PHRD TA grants in FY03.

The regional and sectoral diversity of PHRD TA Grants in FY03 highlight the Program's flexibility in supporting capacity development and ownership of programs for sustainability, poverty reduction, and growth promotion.

In line with the Bank's operational policy, some 93 percent of the grants approved in FY03 will be recipient-executed—up from 90 percent in FY02. Those grants which were approved for Bank execution included emergency assistance programs like the Africa HIV/AIDS projects, which are on a special fast-track schedule, as well as some of the multi-country grants for the Caribbean islands for which there are synergies to be derived from clustering the technical assistance services. About 78 percent of the grants approved in FY03 for recipient execution will involve NGOs and civil society in their execution.

Grant proposals are prepared specifically for: a) Project Preparation; b) Capacity Building for Project Implementation; and c) Climate Change Initiatives. Of

Box 1: At the Regional Level, Grants Mirrored the Overall PHRD TA Portfolio

Africa—The Region had 29 grants totaling \$18.8 million, and accounting for 27 percent of total FY03 allocations for the TA program. Grants in the region were focused on Human Development and Multisectoral issues, covering topics such as health and education. Five grants were awarded specifically to combat AIDs and HIV in Rwanda, Mali, Mauritania and the Democratic Republic of Congo.

Latin America and the Caribbean (LAC)—The LAC Region had several follow-on grants in FY03, with four supporting Human Development issues and one for a Rural Municipalities Project. The region as a whole had 25 grants totaling \$15.3 million and making up 21 percent of the TA Grants portfolio. Human Development and Multisectoral had the most grants, though Public Sector Management also had a strong presence with grant covering programs such as Judicial System Modernization and E-Governance.

Middle East and North Africa—Of the 7 grants totaling \$4.7 million for this region, three went to Turkey and two to Jordan. Projects were for Climate Change as well Education and Health reform, and one addresses Istanbul Seismic Risk Mitigation and Emergency Preparedness.

Europe and Central Asia (ECA)—Of the 32 grants for this region, totaling \$16.7 million, three were for Climate Change. The remaining ECA grants emphasized Human Development and Multisectoral issues such as education and health. Eighteen countries in the region were Recipients of PHRD TA Grants in FY03.

East Asia and the Pacific (EAP)—EAP's 18 grants, totaling \$13.7 million, were split between the sectors, albeit with the highest number of grants supporting Human Development and Multisectoral projects. Projects ranged from Farmer Empowerment to Rural Water Supply and Sanitation, and included Health, Education and other topics. Vietnam received 6 of the 18 grants, while Indonesia received 5.

South Asia—The South Asia region was awarded 5 grants for a total of \$2.2 million. Two of India's three grants were for the preparation of Rural Water Supply and Sanitation Programs. Sri Lanka and China were the other Recipients for this region.

the approved Technical Assistance (TA) grants in FY03, 90 percent support preparation of Bank funded projects, while 4 percent support project implementation activities and 6 percent support climate-change initiatives.



Grants in the East Asia and the Pacific region make up 21 percent of the FY03 Technical Assistance portfolio. Photo by Massimo Marolo

(a) Project Preparation Grants

Project preparation grants finance technical assistance needed by recipient countries and their project implementation agencies to help design and prepare Bank-financed projects or programs for implementation. Of the approved Technical Assistance (TA) grants in FY03, 104 grants totaling \$64.7 million support preparation of Bank funded projects (see Annex 1).

In FY03, amongst other things, project preparation grants will support a Community-Driven Development Project, projects for Poverty Reduction in Cambodia, Niger, Mongolia, Honduras and Sri Lanka, and numerous grants for education, health and the environment. This sampling of grants illustrates the program's ability to effectively respond to the needs of the developing world.

(b) Project Implementation Grants

The PHRD Technical Assistance Program continued its support of Bank operations under implementation with the approval in FY03 of seven project implementation grants amounting to \$2.2 million. These grants

are working to strengthen the capacity of borrower agencies to address weaknesses identified well into implementation. The grants are being utilized in a variety of sectors, including human development, public sector management, and multi-sectoral programs. The grants approved in FY03 are listed in Box 2.

(c) Climate Change Initiative Grants

The Climate Change Initiative Grants (CCIG) Program, currently in its second year of operation, was established by the Government of Japan with a \$5 million contribution in April, 2002. The program is designed to provide much-needed assistance to developing countries in dealing with the contributors to global warming. Grants work at both the policy level, supporting the inclusion of climate change concerns in the development planning process, and at the ground level demonstrating effective climate change initiatives such as carbon sequestration and alternative fuel sources such as wind and geothermal energy, and supporting the preparation of larger energy efficiency operations.

The Government of Japan continued its support of the program in FY03 with a \$5 million contribution. During the fiscal year, five new Climate Change grants were approved, amounting to \$4.6 million (see Box 3).

STREAMLINING THE PHRD FUND

In FY02, performance improvement measures were put in place to streamline the PHRD TA program grant ap-

Box 2: Project Implementation Grants Approved in FY03

Bolivia

Institutional Reform Project—\$290,328

Bosnia-Herzegovina

Basic Health Project—\$227,000

Education Development Project—\$166,617

Tajikistan

Lake Sarez Risk Mitigation—\$85,500

Nicaragua

Second Rural Municipalities Project—\$257,360

Madagascar

Second Health Sector Support Project—CRESAN II—\$659,450

Moldova

Health Investment Fund—\$495,900

Box 3: Climate Change Grants Approved in FY03

Belarus

Social Infrastructure Retrofitting Project—\$996,559

Costa Rica

Carbon capture and development of environmental markets in indigenous cocoa agroforestry systems in Costa Rica—\$850,000

Hungary

Study on Bio-coal Briquette to Reduce CO₂ and SO₂ Emissions—\$795,000

Jordan

Sustainable Development of Renewable Energy Resources and Promotion of Energy Efficiency—\$1,000,000

Moldova

Community forest development—\$919,900

proval process, simplify grant proposals and increase the quality-at-entry and quality during implementation. Despite these efforts, in FY03, the time required to approve and implement PHRD TA program did not decrease.

In FY02, PHRD supported the preparation of about 48 percent of the projects approved by the Board. In FY03, this percentage dropped to about 28 percent. The processing of PHRD grants can take a long time: on average it takes about 36 months from the time a grant proposal is approved to its closure. Given the importance of PHRD project preparation grants—74 percent of PHRD grants have led to Bank financing—the Bank is working with Japan to simplify PHRD procedures and to speed of project preparation in general.

Based on the lessons learned in FY03, the selection criteria for PHRD grants are being revised to better reflect the new priorities articulated in the GOJ's Official Development Assistance (ODA) Charter revised in August 2003. Furthermore, simplifications are being introduced to improve grant implementation (Table 1). The program will move to annual status reporting instead of semi-annual reporting and steps will be taken to simplify grant application forms to enable quick reviews.

The FY04 Technical Assistance Policy Document (Annex 2) defines the program guidelines and grant approval criteria that will guide the administration of the program for the coming year. It is hoped that the Doc-

Table 1: PHRD Procedural Issues, Effects and Proposed Improvement Measures

Problems/Issues	Effect	Proposed Improvement Measures
Timing of PHRD grant cycle and project preparation cycle need to be further aligned.	Projects not prepared in a timely fashion.	Predictable and regular calls for proposals.
Grants focused on predetermined inputs, instead of outcomes and impact.	Difficult to measure results and lack of needed flexibility.	Grant proposal document will focus on strategic context and outcomes of grant.
Level of detail in grant applications requires significant time for both preparation and review.	Delays in grant approvals and implementation creating significant pressures on Bank TTLs.	Grant application streamlined.
	Excessive burden on TTLs to prepare grant application.	
Insufficient amount of time to complete all grant activities given approval and start-up delays.	Not all planned activities are implemented.	Allow adequate time for completion of grant activities.
Excessive signatory requirements delay grant start-up.	Costly and burdensome processing requirement for Bank and Client.	Standardized legal documents.
Grant beneficiaries cannot come up with counterpart funds required for some grant activities.	Planned activities are delayed or dropped, decreasing effectiveness of grant.	Authorize grant funds to be used for full payment of grant costs.

ument will increase the efficiency and effectiveness of the program and result in an increase in the number of high quality proposals that are approved in the future.

PHRD HUMAN DEVELOPMENT PROGRAM

WORLD BANK INSTITUTE: SUPPORTING KNOWLEDGE AND LEARNING AGENDA

The World Bank Institute (WBI) is responsible for promoting capacity enhancement for development, while serving as a broker, facilitator, and aggregator of global knowledge and learning. Specifically, WBI helps clients upgrade their skills and acquire global knowledge from multiple sources, adapt knowledge to local situations, and apply lessons learned to their own institutions and policies.

PHRD contributions play an important role in helping WBI meet its capacity enhancement goals. Such funds are used to support WBI activities which are designed, developed, and delivered by WBI and its partner institutions. Furthermore, the partnership forged through the PHRD funding between Japan and WBI places strong emphasis on collaborating to meet mutual development objectives, drawing on respective intellectual comparative advantages in given areas.

During FY03, Japan contributed new funding of \$1.7 million for training and capacity building programs offered by WBI. This new contribution is earmarked for programs in FY04. PHRD allocations for WBI programs in FY03 were \$3.3 million, funding ongoing programs from previous fiscal years. These funds were carried forward from FY02 as there were no allocations in FY02. The FY03 allocation accounted for approximately 12 percent of overall available donor funds in WBI.

In FY03, while making significant internal adjustments in order to focus even more closely on client country needs and meeting challenges in the external environment—including SARS and geopolitical conflicts—WBI delivered 715 learning activities (a 28 percent increase from FY02) and reached more than

WBI Facts in Focus

- WBI delivered 715 learning activities (28 percent increase from FY02) and reached more than 58,000 participants (21 percent increase from FY02).
- Eighty-four percent of clients gave WBI programs an overall rating of useful or very useful.

58,000 participants (21 percent increase from FY02). Eighty-four percent of clients gave their WBI programs an overall rating of useful or very useful.

JOINT JAPAN/WORLD BANK GRADUATE SCHOLARSHIP PROGRAM: TRAINING PROFESSIONALS TO LEAD AND IMPLEMENT DEVELOPMENT EFFORTS

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 World Bank member countries. WBI complements its training programs through the management of the JJ/WBGSP, which is solely sponsored by the Government of Japan.

In 2003, by selecting 312 scholars to receive scholarships, the Program more than doubled the number of recipients from 2002. This large increase was possible due to the Government of Japan's continued commitment to the program. In FY03, GOJ contributed a total of \$12.5 million to the program, a \$2.5 million increase from FY02 levels.

The selected scholars came from 96 World Bank Member countries including WBI Priority countries. Over 60 percent of the scholars in the Regular Program came from backgrounds where the parents had education levels of high school or lower. The percentage of women awarded scholarships in 2003 reached 35 percent.

Box 4: Regional Distribution of Scholarship Applicants

Africa—60 percent

The majority of applicants come from countries such as Nigeria, Tanzania, Kenya and Uganda.

South Asia—12 percent

Individuals from Bangladesh, India, Indonesia, Pakistan and Sri Lanka submit the majority of applications.

Africa and South Asia are followed by East Asia and the Pacific, Latin America and the Caribbean, Middle East and North Africa and Europe and Central Asia.

JJ/WBGSP Fact in Focus

Since its establishment in 1987, the program has awarded 2,155 scholarships as a result of the processing of almost 42,000 applications for study at universities in member countries.

With a few exceptions, the number of applicants from each region has increased steadily, with the largest number of applicants from the Africa region.

The majority of scholars (53 percent) studied economics, development studies, public policy, and management areas; followed by environment (16.7 percent); and health/childcare and gender studies (13.5 percent).

PARTNERSHIP PROGRAMS

JAPAN AND WORLD BANK PARTNERSHIP PROGRAM: PARTNERING WITH THE INTERNATIONAL COMMUNITY

The Japan and 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. To date, Japan has contributed \$19.4 million to the program.

In FY03, Japan approved three grants amounting to \$654,120. Grants receiving funding included two programs with a special focus on Japan and countries in the Pacific, and one program in Vietnam (Box 5).

STAFF GRANT PROGRAM: UTILIZATION OF JAPANESE EXPERTISE AND EXPERIENCE

The Staff Grant Program, previously administered jointly with the Japan Consultant Trust Fund, can finance both open-ended term appointments of Japanese nationals appointed to the Bank, with 100 percent of funding available only for the probationary period, and term appointments, with 50 percent support coming from the program. The Bank is required to hire staff according to World Bank rules. In FY03, the program funded seven staff with disbursements of about \$1 million.

Box 5: Japan–World Bank Partnership Program Grants Approved in Fiscal Year 2003**Support to the Vietnam Development Information Center—\$130,000**

The grant is supporting activities to prepare a Development Information Center including upgrading the video-conferencing technology and equipment and purchasing books, CD ROMs, and resources for the library facility and the funding of distance learning seminars, courses and other activities related to Japan and its partnership with Vietnam.

International Financial Institutions International Career Forum 2003—\$95,770

The grant financed a career forum held in 2003 to enhance the pool of potential candidate's for the Bank Group's recruitment in the future.

Learning Across Borders Phase Two—\$428,350

To follow on the workshop series, "Learning Across Borders (LAB): Capacity Building of Japanese and other Asian Pacific NGOs," held in 2001, this grant is funding a second phase involving both on-the-job training for selected NGOs through an internship program and skill building in participatory methodologies. Activities include a Pilot Internship Program and training programs in CDD methodologies.

SUPPORT TO GLOBAL PROGRAMS: PARTNERSHIPS TO PROMOTE PARTICIPATION, SHARING KNOWLEDGE, AND MOBILIZING RESOURCES AT A GLOBAL OR CROSS-COUNTRY LEVEL

CRITICAL ECOSYSTEMS PARTNERSHIP FUND

The Critical Ecosystem Partnership Fund (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.

Since beginning operations in 2001, the CEPF has focused on grant programs in the following areas: (i) Madagascar; (ii) the Upper Guinean Forest ecosystems in West Africa; (iii) the Vilcabamba-Amboro Corridor in the Andes in South America; (iv) the Atlantic Forest (Brazil); (v) Cape Floristic Region (South America); (vi) Choco Darien (Western Ecuador);

(vii) Mesoamerica and (ix) Sundaland (Indonesia). Grants totaling \$14 million for 87 projects have been approved.

CITIES ALLIANCE

The Cities Alliance was launched in 1999 with initial support from the World Bank and the United Nations Centre for Human Settlements (UN-Habitat), the political heads of the four leading global associations of local authorities and 10 governments—Canada, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, the UK and the US. Japan is a founding member of the Cities Alliance Consultative Group, committing \$4 million during the Group's first four years of operation with the objective of scaling up the impacts of successful approaches to urban poverty reduction.

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) where local stakeholders define their 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.

Box 6: Approved Poverty Reduction Strategy Activities

Currently, the approved PRS activities cover a wide range of capacity building areas:

Capacity Building Area	Benefiting Countries
Strengthening analytical capacity, participation, ownership, policy development, economic growth, and institution building in the PRS process	Armenia, Albania, Cape Verde, Cote d'Ivoire, Comoros, Djibouti, Eritrea, Georgia, Kyrgyz Republic, Lesotho, Malawi, Moldova, Serbia and Montenegro, Yemen
Capacity building for strengthening monitoring and evaluation	Bosnia-Herzegovina, Honduras, Mauritania, Pakistan, Tajikistan, Vietnam
Capacity building for decentralized community-based participatory planning and budgeting	Uganda

The Government of Japan's generous contributions to the Cities Alliance for City Development Strategy (CDS) activities in Asia have produced some important initial impacts, particularly in the two countries with national CDS programs, the Philippines and Indonesia. The Philippines has had a very active CDS program over the past few years, implemented by the League of Cities of the Philippines, supported by Japan, and involving no less than 40 secondary cities. The President of the League of Cities reports that "[m]ore than 500 priority programs and projects have resulted from the CDS." The Government, with support from a Japan PHRD grant, is now starting to prepare a City Development and Investment Project that is envisaged to assist urban local governments to implement their development strategies.

In Indonesia, the Cities Alliance Program has supported the Government's decentralization efforts, including the institutionalization of poverty-centered CDS as one of the primary tools for prioritizing urban investments. The government and the World Bank intend to use the priorities established through participatory CDS processes in at least seven cities to inform urban investments to be made in 30 cities through a US\$100 million World Bank investment.

Asian CDS activities planned for the coming year include a study to better understand CDS impacts, and a CDS Conference on "Improving quality, impact and sustainability of urban investment and poverty reduction."

POVERTY REDUCTION STRATEGY TRUST FUND

The Poverty Reduction Strategy Trust Fund (PRSTF) is a multi-donor trust fund that supports capacity build-

ing activities in low-income countries that undertake poverty reduction strategies. The PRSTF strengthens the preparation and implementation of poverty reduction strategy papers (PRSPs), which are produced by the countries themselves, and become the basis for debt relief under the HIPC Initiative and for concessional lending by the Bank and IMF. PRSPs identify the key obstacles to poverty reduction and lay out a plan to overcome them, including mechanisms to monitor progress.

The value of activities approved as of the end-FY03 by the respective in-country steering committees amount to US\$10 million. Cumulative disbursements from program inception amount to \$0.619 million. Disbursements are expected to pick up during the next fiscal year (FY04).

INFORMATION FOR DEVELOPMENT PROGRAM

The Information for Development Program (*infoDev*), is a multi-donor grant facility that supports innovative projects that demonstrate the development opportunities offered by information and communication technologies (ICTs). The *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 support from the Government of Japan, *infoDev* launched a new flagship initiative called the 'Incubator Initiative' aimed at fostering entrepreneurship and private sector development in developing countries. This initiative is 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-sized ICT-enabled enterprises in developing countries aimed at promoting economic growth and competitiveness.

Given the national objectives and priorities, and recognizing the varying levels of private sector development, the Incubator Initiative has taken into account a comprehensive framework that will be adaptable to the specific needs and opportunities of different countries. Activities and deliverables will be designed as modular components of a global program. Under the Incubator Initiative, *infoDev* is working with governments, private enterprises and investment banks as well as universities and research centers in developing countries.

HIPC TRUST FUND

The Heavily Indebted Poor Countries (HIPC) Debt Initiative is a comprehensive approach to reducing the external debt of the world's poorest, most heavily indebted countries, and represents an important step forward in placing debt relief within an overall framework of poverty reduction. HIPC Trust Fund has signed new

contribution agreements with 14 donors amounting to US\$906 million in FY03. These donors included the African Development Bank (US\$26 million), Canada (US\$51 million), Switzerland (US\$35 million), Finland (US\$6 million), France (US\$21 million), United Kingdom (US\$15 million), Greece (US\$2 million), IBRD (US\$240 million), Iceland (US\$1 million), Japan (US\$104 million), NDF (US\$5 million), Norway (US\$29 million), Russian Federation (US\$10 million), and the United States (US\$361 million). In FY03, Japan allocated \$50 from PHRD out of the total Japanese contributions of \$104 million to the HIPC Trust Fund.

From inception of the HIPC Initiative through June 30, 2003, IDA has provided about US\$2.3 billion in debt relief to qualifying countries. The HIPC Trust Fund is reimbursing IDA for debt relief that it provides to these countries. Funding for this has primarily come from IBRD net income transfers to the IDA component of the HIPC Trust Fund. Total net income allocations to the HIPC Trust Fund to date are US\$1.64 billion.



FINANCIAL PERFORMANCE OF THE PHRD FUND FISCAL YEAR 2003

Since the start of the new millennium, the Government of Japan has contributed \$389.3 million to the PHRD Fund (Figure 4). In FY03, the Government of Japan continued its generous support of PHRD programs with new contributions amounting to \$115.6 million. These programs include the (i) Technical Assistance Program, (ii) World Bank Institute (WBI) Training, (iii) Joint Japan/World Bank Scholarship Program, (iv) Japan/WB Partnership, (v) Poverty Reduction Strategy Trust Fund (PRSTF), (vi) Information for Development Program (*infoDev*), (vii) Staff Grant Program, (viii) Consultant Trust Fund, and (ix) the HIPC Trust Fund.

A total of \$139.1 million was allocated to various PHRD programs during the fiscal year, excluding transfers to global and multi-lateral initiatives (Table 2). This is a decrease from FY02 when PHRD received \$130 million in new contributions and allocated \$172.5 million.

FINANCIAL PERFORMANCE BY PHRD PROGRAM

TECHNICAL ASSISTANCE PROGRAM

In FY03, The Technical Assistance Program experienced the most significant decrease in new contributions. The PHRD Technical Assistance Program received \$26.8 million in new contributions, \$11.3 million less than FY02 levels. However, in FY03, a total of \$71.5 million were allocated. These figures show an upswing in demand for PHRD grants, reversing the trend of the last several years (Figure 5).

WORLD BANK INSTITUTE TRAINING PROGRAM

During FY03, Japan contributed new funding of \$1.7 million for training and capacity building programs offered by WBI. This new contribution is earmarked for programs in FY04. PHRD allocation for WBI programs in FY03 was \$3.3 million. This allocation accounted for approximately 12 percent of overall available donor funds in WBI. Total disbursements during this period were approximately \$1 million.

In FY03, WBI delivered 715 learning activities (28 percent increase from FY02) and reached more than 58,000 participants (21 percent increase from FY02).

Figure 4: Total Contributions to the PHRD Fund, FY2000–03, in millions of US dollars

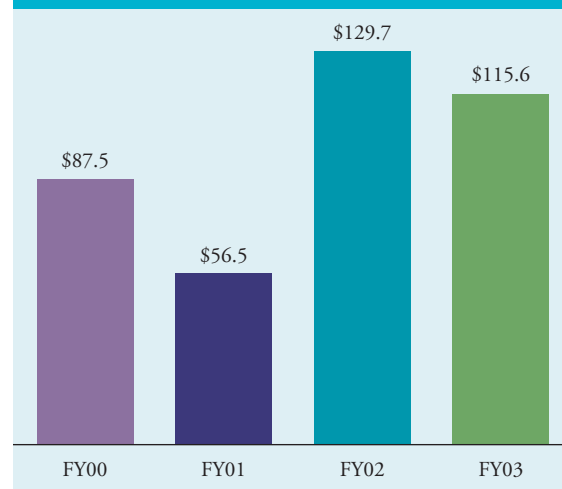


Table 2: PHRD Fund Total Contributions and Allocations: Fiscal Years 2002 and 2003 (millions of USD)

	FY02	FY03
Contribution ¹	\$130	\$115.6
Allocation/Approvals ²	\$172.5	\$139.1

1. Contribution refers to Japan's annual financial contribution to the PHRD Fund.
2. Allocation refers to the finds approved by Japan to fund specific grant proposals and other programs shown in Figure 2.

JOINT JAPAN/WORLD BANK GRADUATE SCHOLARSHIP PROGRAM

In FY03, the Government of Japan contributed a total of \$12.5 million to the JJ/WBGSP, a \$2.5 million increase from FY02 levels. The program was able to award scholarships to 312 scholars in a variety of regions around the world, more than doubling the number of recipients from 2002.

JAPAN/WORLD BANK PARTNERSHIP PROGRAM

In FY03 Japan continued its generous support of the partnership program with a \$3.9 million contribution, making the total amount of funding provided to the Partnership Program \$19.4 million. Three grants amounting to \$654,120 were approved in FY03, amounting to a 77 percent decrease from FY02 approval levels. Approximately, \$2 million was disbursed.

POVERTY REDUCTION STRATEGY TRUST FUND

In FY03, Japan contributed \$4.1 million to the PRSTF, making the total amount of funding provided to the Fund \$10 million. The value of activities approved as of the end-FY03 by the respective in-country steering committees amount to US\$10 million. Cumulative disbursements amount to \$0.619 million.

INFORMATION FOR DEVELOPMENT PROGRAM

Concerning the financing of the Incubator Initiative of the Information for Development Program (*infoDev*), Japan made an additional contribution of \$9.8 million. This additional contribution increased the total funding through PHRD to \$16.3 million.

STAFF GRANTS PROGRAM

The Staff Grants Program, new in Fiscal Year 2003 due to the closing of the Japan Staff and Consultant Trust Fund, received \$3.0 million in new contributions.. A total of seven grants totaling about \$1 million were approved in FY03. Disbursements were \$233,000.

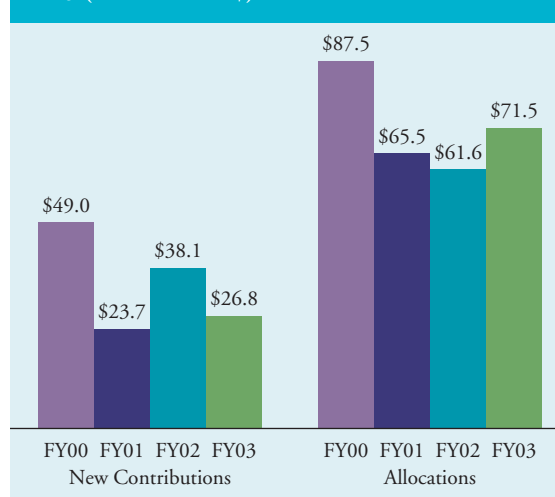
CONSULTANT TRUST FUND

Reform of selected trust fund programs, including CTF, was implemented at the start of FY03, with three broad goals: (a) better alignment of trust fund goals with the Bank's strategic priorities and resource allocation; (b) strengthened controls and accountability; and (c) simplification of processes and conditions to improve manageability. At the start of FY03, donors agreed, under CTF reforms, to a set of standardized requirements. In FY03, Japan made new contributions of \$3.9 million. Japan allocated \$12.9 million to the new CTF program. Disbursements stood at \$5 million under the old CTF program.

HIPC TRUST FUND

New contributions by Japan to the HIPC Trust Fund totaled \$49.8 million. These funds were transferred from PHRD bringing the total amount to date of \$118.7 million.

Figure 5: New Contributions and Allocations for the Technical Assistance Program, FY00 through FY03 (millions of US\$)





PHRD CASE STUDIES

As part of the review of the PHRD, Bank staff undertook a series of field missions in FY02 to selected countries currently implementing PHRD TA grants. The purpose of the missions was to better understand the experiences of PHRD grant recipients and clients in the design, execution and monitoring of PHRD TA grants. Through a consultative interviewing process, grant recipients discussed their experiences in designing, implementing and managing PHRD grants and provided important insights into the strengths and challenges of the program. The following case studies detail the results of consultations with the staff of three TA grant implementing agencies; the Yemen Groundwater and Soil Conservation Project, the Ethiopian Roads Sector Development Project and Sri Lanka Health Sector Development Project.

YEMEN GROUNDWATER AND SOIL CONSERVATION PROJECT

Background

The Republic of Yemen was formed in May, 1990 through the unification of the northern and Southern segments of Yemen. It currently has a population of about 17 million people, over 75 percent of which live in rural areas. Irrigated agriculture provides most rural income (nearly 85 percent of the value of crop produc-

“Without PHRD grant resources, we would not have been able to design a quality project.”

—Staff member, Ministry of Agriculture and Irrigation (MOAI), Yemen



The Republic of Yemen PHRD Project Preparation Team. From the front row, Ali al Oqaili, Sadek al Nabhani, Khaled al Silwi, Abdo Fadl, Abdulbasit A. Rab, Nabila Rajeh, Jumana M. Ali, Sultan al Barakani, Moneer Alwan, Abdulkarim al Sabri, Hamoud al Rubaidi, and Abdulrahman Sharaf.

tion, amounting to about 8 percent of total GDP). Scarce and diminishing supplies of fresh water are estimated at 125 cubic meters of water per person per year. This compares with the Middle East and North Africa average of 1,250 cubic meters and a worldwide average of 7,500 cubic meters per person per annum. According to approximations, 85 percent of water is used for agricultural purposes while most cities are running critically short of potable water supplies. It is estimated that the capital city Sana’a is due to run out of water within the next 20 years. Yemen is quite clearly a water scarce country.

The objective of the Groundwater and Soil Conservation Project is to strengthen sustainable agriculture through improved piped irrigation conveyance and localized on-farm irrigation systems; small spate works; watershed management works; and pilot activities for

the participatory management of selected aquifers by water user associations in conjunction with improved groundwater monitoring and regulation. To help in the preparation of the project, a PHRD grant was awarded to the Government of Yemen for a total of \$331,750.

Grant Performance

The PHRD TA grant for the preparation of the Yemen Groundwater and Soil Conservation Project was approved by Japan on June 29, 2001. The grant was provided to the Ministry of Agriculture and Irrigation (MOAI), the entity charged with overseeing the implementation of the grant. The grant financed five activities:

1. ***Agricultural and Engineering Study*** to assess and design agricultural improvements, groundwater conveyance and irrigation systems, local irrigation schemes, terrace rehabilitation needs, and watershed management, all of which would form the basis of project activities;
2. ***Financial and Economic Study*** to determine the economic feasibility of the project activities, including financial farm models;
3. ***Institutional and Social Study*** to assess and design participatory aquifer management and the role of local public institutions, covering also gender and poverty aspects of the project;
4. ***Environmental Study*** to assess the impact of the proposed investments and the design mitigation measures on water use and groundwater resources; and,
5. ***Preparation of Project Implementation Plan*** consolidating the design recommendations of all studies.

Recognizing its own limitations and lack of resources to effectively prepare the project, the government requested the PHRD grant from Japan. The



It is estimated that Sana'a is due to run out of water within the next 20 years. Photographer Bill Lyons

technical knowledge offered by the experts in this critical sector was greatly valued by the client. The team charged with preparing the project indicated that one of the important benefits of the grant was the client's ability to develop working relationships with staff of the Ministry of Environment and the National Water Authority. Armed with credible experts working in their team, the MOAI was able to partner with these ministries and jointly adopt mitigation measures to prevent soil degradation and promote water conservation. The grant provided access to experts in the agriculture and water sectors who would otherwise not be available to the recipient, helped to bridge the knowledge gap between the agencies, and forged cross-agency relationships.

The grant also provided a link to prospective beneficiaries of the project activities by providing technical assistance for stakeholder consultation. Before the PHRD grant, the Ministry had been unsuccessful in preparing projects with stakeholders. Involving stakeholders through the grant helped alleviate this problem, and contributed to the successful development of partnerships. The Bank-funded project will lead to progressive reduction in the rate of groundwater exploitation, use of modern irrigation schemes, rehabilitated terraces for soil and water conservation, and improved water sector management based on capacity building. In addition, the participatory nature of the project will strengthen the capacity of community groups to better manage and conserve water and soil resources.

The grant also facilitated the successful preparation of engineering designs, economic, environmental and institutional analysis key to project design, a public awareness campaign, and a social assessment including women's participation in irrigation activities. These studies contributed to the detailed definition of the project, its structure and activities, and its technical and financial viability. The Bank appraised the project and is recommending an IDA credit of \$40.0 million out of a total project cost of \$46.8 million.

As the MOAI was experienced in working with Bank-financed projects, it was able to apply this expertise to help with smooth implementation of the grant. The project was approved by the Board in February 2004. Thereafter, during project implementation, the team will continue to benefit from the knowledge gained from the experience of implementing the PHRD grant. The Yemeni team noted that in the past, most grants (trust funds) had been Bank executed and national staff had not benefited from capacity building that takes place when they contract the work, manage the consultants, and disburse the funds. Thus, the team recommends that grants should be government exe-

cuted to strengthen their capacity and swiftly move into implementation of the project, including procurement and accounting.

ETHIOPIA ROADS SECTOR DEVELOPMENT ADAPTABLE PROGRAM LENDING CREDITS

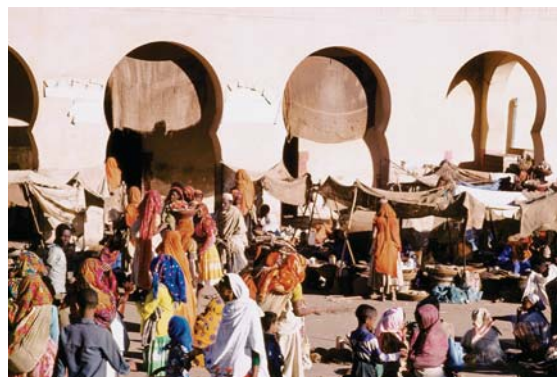
Background

The Government of Ethiopia has placed increased emphasis on improving the quality and quantity of the country's road infrastructure as an integral part of its economic development program and poverty alleviation strategy. The problems of the Ethiopian road network are twofold: lack of coverage and low standards. To address these issues, the Government of Ethiopia formulated a 10-year Road Sector Development Program (RSDP) which began implementation as a two-phased effort in 1997.

The first phase of the development program has culminated into some important improvements. The share of federal roads in good condition has improved from 14 percent in 1995 to 25 percent in 1999. There was also a decline in the share of farms that were estimated to be more than a half a day walk from an all-weather road from 75 percent in 1996 to 60 percent in 2000. Despite these improvements, road density in Ethiopia remains one of the lowest in Africa and continues to have a dramatic impact on the economic development of the country. The Government of Ethiopia secured a PHRD Technical Assistance grant to support the preparation of the Ethiopia Roads Sector Adaptable Program Loan (APL) to continue the implementation of the RSDP.

Grant Performance

The PHRD grant for the preparation of the Ethiopia Roads Sector APL1-2 was approved by Japan on January 24, 2002, for a total of US\$677,270. The grant benefited the Ethiopian Roads Authority (ERA), which was charged with design and future project implementation on the project. The grant financed three activities:



Road transport is important for supporting social and economic growth and meeting poverty alleviation objectives. Photographer Ray Witlin

1. **Resettlement Action Plans** for six regional roads;
2. **Road Corridor Community Development Plans** to identify local communities affected by the roads and assess the needs generated by the investments to be incorporated into community master development plans; and,
3. **Poverty Impact of Transport Operations** to enhance the social development contribution of new roads and alleviate poverty and improve gender equity.

The grant was instrumental in the elaboration of resettlement plans, the design of compensation plans, and the assessment of the social impact of the investments. These social development issues are not traditionally addressed in roads projects which tend to focus on the engineering aspects of a typical transport infrastructure project. Thus, the grant provided important funding to not only address the social issues related to the project, but also brought a totally new area of knowledge to the more traditional profile of transport engineers in the recipient implementing agency.

The team recognized that the grant facilitated the acquisition of knowledge and skills in new areas, mainly environmental and social impact. Traditionally the Bank and clients carried out economic and technical analysis which would be the basis for approval of a World Bank funded Project. The grant proved to be invaluable to facilitate the introduction of social concerns into the project design features. It would have been difficult for the recipient to anticipate or conceive preventive measures to mitigate the negative social or environmental impact of the project, or ways to enhance the social and environmental benefits.

One of the issues that emerged was the spread of HIV/AIDS through the opening of road corridors. With proper planning, the spread can be prevented or

“The grant allowed us to acquire knowledge on social impact assessments and become active participants in resolving issues.”

**—Bekele Negussie, Project Team
Member, Ethiopian Road Authority**

mitigated. Thus, the project would include appropriate educational and awareness programs in the exposed communities.

Workshops on social aspects of transport operations were also financed by the grant. These workshops contributed to the understanding by various stakeholders and beneficiaries of the social safety features that would be attached to the development of roads, and their contributions to community development and poverty alleviation.

Although the Ethiopian Roads Authority (ERA) was experienced with implementing Bank-financed projects, the grant implementation did undergo delays, and thus flexibility for content and extended implementation was essential. The team appreciates the funding for technical studies that led to benefits that otherwise would not have been possible. The ERA team was proud to have acquired expertise that they can apply to their work in the sector. Obtaining this expertise gave the team the confidence of having cutting edge sector knowledge.

The second APL is scheduled for Board approval on July 2004. The grant will continue to fund the remaining technical assistance for the six roads, mainly components (2) and (3).

SRI LANKA HEALTH SECTOR DEVELOPMENT PROJECT

Background

Sri Lanka is a high performer in health status terms. The social indicators including health are better than many low-income and lower-middle income countries. The key challenge remains the unfinished agenda of old maternal and child health problems, such as maternal and child malnutrition—the only indicator among the MDGs where Sri Lanka is lagging behind. Sri Lanka also faces the health challenges of a rapidly changing age distribution. An increasing population is suffering from non-communicable chronic diseases such as heart disease and diabetes.

The health system in Sri Lanka consists of public and private health care services. The public sector delivers both inpatient and outpatient services, as well as preventive and promotion activities. Private health care services largely consist of ambulatory services provided by full-time private practitioners, government medical staff working privately and pharmacies. There is a small, but growing, private hospital sector. Though renowned for its achievements in the provision of health care, Sri Lanka is today grappling with a host of new challenges. These include: demographic and epidemiological transitions and the resultant surge in the numbers afflicted

“The PHRD grant formulated the thinking process—this was an important aspect to determine the new directions for the Health sector. And it promoted a collaborative effort between the Government, WHO, Japanese agencies and the World Bank.”

—Dr. Sarath Samarage, Director,
Organization and Development,
Ministry of Health

with non-communicable diseases; an expanding middle class population with increased expectations demanding increased investment in curative care of a higher quality; and, the informal cost sharing in the public sector for drugs, diagnostics and supplies which impact the poor. It is estimated that around 50% of health expenditure for out-patients care is now private and mainly out-of-pocket expenditures.

The specific objectives of the World Bank support to Sri Lanka include: (i) improving the balance between policy and strategy by increasing the focus on prevention and better addressing both the continuing problems (infant and maternal mortality, communicable diseases, malnutrition) and new and emerging issues; (ii) reducing inequalities in access to public resources for health and health outcomes by further strengthening basic health services and increasing resources allocated to the districts and peripheral services; (iii) promoting program synergy and convergence at the district, provincial and central level; (iv) improving the planning, budgeting and management mechanisms at the central and provincial levels by shifting the focus from inputs to outputs and outcomes; and (v) supporting innovation, notably towards introducing alternative financing mechanisms, improving efficiency in both curative care and preventive services, and improving



Though renowned for its achievements in the provision of health care, Sri Lanka is today grappling with a host of new challenges.

Photographer Yosef Hadar



Sri Lanka health sector stakeholder meeting financed by the PHRD grant.

strategies and interventions in favour of the most vulnerable groups and the disabled.

Grant Performance

The PHRD grant, approved in December 1999 for an amount of \$570,000, supported the Ministry of Health's (MoH) preparation of the Health Development Project. The specific objectives of the grant were to develop a strategy and assistance plan to enhance the performance of the health sector and supplement and develop local capacity to produce a Project Implementation Plan. The technical assistance focused on the following components: (i) engagement of the major stakeholders who actively participated in developing and disseminating a health sector strategy; (ii) analysis of information to inform policy makers and strengthen management and operational procedures; (iii) assessment of the health care system; and (iv) design of institutional, financial and other arrangements as well as of a monitoring and evaluation system.

The Grant was delayed by over one year. This was due to the Bank and the Government reassessing the need for IDA to support the sector. Following intensive dialogue, it was decided that IDA would continue to support the sector, with a sector-wide program to support health reforms. PHRD activities picked up starting in March 2002 and most of the work originally planned was completed. The recipient agency indicated

that the PHRD grant was implemented well and featured split-execution. It played a critical role in: (i) formulating the health care strategy; (ii) Ministry of Health capacity building; and (iii) project design and administration. Six thematic groups were set up to facilitate planning and implementation at the grassroots level: (i) support services; (ii) public sector; (iii) private sector/NGO provision; (iv) common public-private sector issues; (v) human resources; and (vi) sector finance. A core team of nine international consultants made short visits to Sri Lanka to facilitate the development of the sector strategy. Local consultants provided support to the project preparation unit and undertook specific studies. The grant also helped develop the Logical Framework for the Project

The grant essentially financed the analytical and empirical work for the health sector reforms in the country. In addition, it financed consultations among stakeholders (government, development partners, civil society) about the health sector reform agenda in Sri Lanka. The outcome of the grant was a well-formulated analytical approach for project preparation and a consistent investment and implementation plan. Overall, MOH found the PHRD grant to be invaluable for formulating health sector strategy for Sri Lanka within the context of the country's 'Vision 2010' statement. The team also commended the contribution of Bank staff which, they felt, improved all aspects of project design. However, the team felt that MOH should have been more involved in the selection of consultants. The implementing agency also indicated that payments to consultants were delayed because of the slow processing in Washington. They urged that the Bank look into decentralizing processing of payments to the country offices.

During the implementation of the grant, Japan International Cooperation Agency (JICA)—which is actively involved in the health sector—emphasized the need for a collaborative effort between the government, Japanese agencies and the World Bank. Stakeholders involved in the plan for utilizing the PHRD grant and JICA had several rounds of meetings with topics including the adjustment needed between the health strategy funded by PHRD and the Master Plan developed by JICA. The same consultants whom the government earlier contracted through the PHRD grant were used by JICA. This ensured collaboration between the PHRD studies and the work undertaken by JICA.

The Health Sector Strategy and the Health Master Plan were approved by the National Health Council in September 2003. The Sri Lanka Health Sector Development Project is to be financed by an IDA Grant of \$60 million to be approved by the Board in FY04.

“JICA and the Bank enjoy a strong relationship. The work in the health sector is a good practice of a collaborative effort between the various partners.”

—JICA staff, Sri Lanka office



LIST OF APPROVED PHRD GRANTS IN FY03

AFRICA REGION			
Country	Project	Amount (US\$)	Grant Purpose
Benin	National Community-Driven Development Project	602,198	Project Preparation
Benin	Poverty Reduction Support Credit II (PRSCII)	783,200	Project Preparation
Burkina Faso	Public Sector Reform Capacity Building Program	473,950	Project Preparation
Democratic Republic of Congo	Multisectoral HIV/AIDS Project	998,624	Project Preparation
Democratic Republic of Congo	Private Sector Development and Competitiveness	864,175	Project Preparation
Democratic Republic of Congo	HIV/AIDS and Health Project	628,575	Project Preparation
Egypt, Ethiopia, Sudan	Integrated Development of the Eastern Nile (IDEN)	1,503,036	Project Preparation
Ethiopia	Capacity Building of Civil Society	500,000	Project Preparation
Ethiopia	Rural Capacity Building and Market Development Project (RCBMDP)	759,500	Project Preparation
Gambia	Community Based Rural Development Project	467,500	Project Preparation
Ghana	Village Infrastructure Project II	350,790	Project Preparation
Ghana	Water Sector Restructuring Project	572,680	Project Preparation
Kenya	Medical Supplies Sector Reform Project	426,000	Project Preparation
Lesotho	Education Sector Development Project II	357,600	Project Preparation
Madagascar	Second Health Sector Support Project—CRESAN II	659,450	Project Implementation
Madagascar	Community Nutrition Program Phase III	431,200	Project Preparation
Mali	Competitive Agricultural Products Export	548,750	Project Preparation
Mali	Agricultural Competitiveness and Diversification	370,500	Project Preparation
Mali	Multisector HIV/AIDS Project	750,725	Project Preparation
Mauritania	Multisector HIV/AIDS and Endemic Diseases Control	547,140	Project Preparation
Mauritania	Second Mining and Hydrocarbons Sector	394,600	Project Preparation
Mauritania	PRSC Capacity Building Project	549,825	Project Preparation
Niger	Poverty Reduction Support Credit I	676,000	Project Preparation
Rwanda	Decentralization and Community Development	725,000	Project Preparation
Rwanda	Urban Infrastructure and Employment Creation	453,540	Project Preparation
Rwanda	Great Lakes Initiative on HIV/AIDS (GLIA)	555,775	Project Preparation
Rwanda	Transport Sector Development Project	904,050	Project Preparation
Sierra Leone	Infrastructure Development Project	1,184,100	Project Preparation
Uganda	Private Sector Competitiveness Project II	750,000	Project Preparation
African Region Total		18,788,483	

EAST ASIA AND PACIFIC REGION

Country	Project	Amount (US\$)	Grant Purpose
Cambodia	Poverty Reduction Support Credit	496,000	Project Preparation
Indonesia	Nutrition Project - Micronutrient Deficiency Control	696,500	Project Preparation
Indonesia	Strategic Roads Infrastructure Project (SRIP)	1,132,650	Project Preparation
Indonesia	East Java Development Reform	627,000	Project Preparation
Indonesia	Farmer Empowerment through Agriculture Technology and Information	791,600	Project Preparation
Indonesia	Recovery Support for Conflict Ridden Areas	503,950	Project Preparation
Lao PDR	Southern Provinces Rural Electrification II	1,316,679	Project Preparation
Mongolia	Poverty Reduction Support Credit II	635,800	Project Preparation
Papua New Guinea	Proposed Smallholder Agriculture Development Project (SADP)	430,550	Project Preparation
Philippines	Second Women's Health and Safe Motherhood	1,341,380	Project Preparation
Philippines	City Development and Investment Project	980,000	Project Preparation
Timor-Leste	Transition Support Program—Policy Development and Pro-Poor Budgeting	441,475	Project Preparation
Vietnam	Mekong Health Support	551,155	Project Preparation
Vietnam	Rural Water Supply and Sanitation	1,192,013	Project Preparation
Vietnam	Vietnam ICT Development	603,000	Project Preparation
Vietnam	Health Fund for the Poor	491,800	Project Preparation
Vietnam	HIV/AIDS Prevention	542,000	Project Preparation
Vietnam	Second Higher Education	913,750	Project Preparation
East Asia and Pacific Region Total		13,687,302	

EUROPE AND CENTRAL ASIA REGION			
Country	Project	Amount (US\$)	Grant Purpose
Albania	Third Irrigation and Drainage Rehabilitation Project	432,750	Project Preparation
Azerbaijan	Energy Project	600,000	Project Preparation
Belarus	Social Infrastructure Retrofitting Project	996,559	Climate Change
Bosnia-Herzegovina	Basic Health Project	227,000	Project Implementation
Bosnia-Herzegovina	Education Development Project	166,617	Project Implementation
Bosnia-Herzegovina	Education Restructuring Project	381,887	Project Preparation
Bulgaria	Programmatic Adjustment Loan II	455,000	Project Preparation
Bulgaria	Programmatic Adjustment Loan (PAL) III	495,000	Project Preparation
Bulgaria	Rural Development	891,620	Project Preparation
Georgia	Rural Development Project	667,600	Project Preparation
Hungary	Study on Bio-coal Briquette to Reduce CO2 and SO2 Emissions	795,000	Climate Change
Kazakhstan	Agricultural Post Privatization Assistance Project II	680,050	Project Preparation
Kyrgyz Republic	Natural Disaster Mitigation Project	477,950	Project Preparation
Kyrgyz Republic	Rural Education Project	358,220	Project Preparation
Latvia	Education Improvement Project II	291,800	Project Preparation
Latvia	Third Programmatic Structural Adjustment Loan (PSAL III)	412,500	Project Preparation
Macedonia	Real Estate Cadastre and Registration	447,550	Project Preparation
Macedonia—Former Yugoslav Republic of	Combined Heat and Power Project	535,000	Project Preparation
Moldova	Social Investment Fund II	578,700	Project Preparation
Moldova	Community forest development	919,900	Climate Change
Moldova	Health Investment Fund	495,900	Project Implementation
Poland	Health II	380,000	Project Preparation
Poland	Social and Environmental Mitigation of Coal Restructuring	399,040	Project Preparation
Poland	Rural Development II	628,725	Project Preparation
Romania	Health Sector Reform APL2	521,000	Project Preparation
Tajikistan	Lake Sarez Risk Mitigation	85,500	Project Implementation
Ukraine	Third Programmatic Adjustment Loan	700,430	Project Preparation
Ukraine	Pension Reform Implementation	881,700	Project Preparation
Uzbekistan	Health Project II	493,550	Project Preparation
Yugoslavia	Public Expenditure Capacity Building Project	491,640	Project Preparation
Yugoslavia	Montenegro Health Care System Improvement Project	450,000	Project Preparation
Yugoslavia	Real Property and Cadastre Project	382,400	Project Preparation
Europe and Central Asia Total		16,720,588	

LATIN AMERICA AND THE CARIBBEAN REGION

Country	Project	Amount (US\$)	Grant Purpose
Bolivia	Institutional Reform Project	290,328	Project Implementation
Brazil	Upgrading and Integrated Development of Low-Income Urban Areas in the State of Bahia—"Viver Melhor II"	990,000	Project Preparation
Brazil	Second Programmatic Human Development Sector Reform Loan (HD PSRL II)	583,220	Project Preparation
Brazil	Amazonas Integrated Development: Health, Water and Sanitation Project	958,500	Project Preparation
Chile	Infrastructure for Territorial Development	698,000	Project Preparation
Colombia	Sustainable Development Structural Adjustment Loan	550,000	Project Preparation
Colombia	Disaster Vulnerability Reduction Project	1,060,000	Project Preparation
Colombia	Peace & Development Project	539,330	Project Preparation
Colombia	Programmatic Financial Sector Adjustment Loan	875,000	Project Preparation
Colombia	Second Programmatic Labor and Social Sector Reform Loan	700,000	Project Preparation
Costa Rica	Carbon capture and development of environmental markets in indigenous cocoa agro-forestry systems in Costa Rica	850,000	Climate Change
Ecuador	Second Indigenous and Afro-Ecuadorian Peoples Development Project (PRODEPINE II)	602,280	Project Preparation
Ecuador	Programmatic Human Development Reform Loan II	892,750	Project Preparation
El Salvador	Second APL Education Reform	400,000	Project Preparation
Guyana	Poverty Reduction Support Credit II	595,500	Project Preparation
Honduras	Judicial Modernization Project	375,000	Project Preparation
Honduras	Poverty Reduction and Local Development project	590,000	Project Preparation
Mexico	Community access to justice in state level	480,000	Project Preparation
Nicaragua	Second Rural Municipalities Project	257,360	Project Implementation
Nicaragua	Nicaragua PRSC	400,000	Project Preparation
Peru	Sierra Area Development Project	1,100,000	Project Preparation
Peru	Agricultural Research and Extension Project—APL II	442,540	Project Preparation
St. Vincent & the Grenadines, Grenada, St. Lucia	E-Governance and Public Sector Modernization	321,800	Project Preparation
Uruguay	Health Sector Development II	446,800	Project Preparation
Venezuela	Rural Development Project	350,000	Project Preparation
	Latin America and the Caribbean Total	15,348,408	

MIDDLE EAST AND NORTH AFRICA REGION

Country	Project	Amount (US\$)	Grant Purpose
Jordan	Amman Development Corridor	485,000	Project Preparation
Jordan	Sustainable Development of Renewable Energy Resources and Promotion of Energy Efficiency	1,000,000	Climate Change
Jordan	Public Sector Reform Loan III	459,288	Project Preparation
Tunisia	Second Higher Education Reform Support Project	482,000	Project Preparation
Turkey	Health Sector Reform	800,000	Project Preparation
Turkey	Istanbul Seismic Risk Mitigation and Emergency Preparedness (ISRMEP)	927,500	Project Preparation
Turkey	Programmatic Public Sector & Social Security Reform Adjustment Loan (PSAL)	534,200	Project Preparation
Middle East and North Africa Total		4,687,988	

SOUTH ASIA REGION

Country	Project	Amount (US\$)	Grant Purpose
China	Yangtze/Pearl River Watershed Rehabilitation Project	500,000	Project Preparation
India	Tamil Nadu Empowerment and Poverty Reduction Project	485,900	Project Preparation
India	Maharashtra Rural Water Supply and Sanitation Project	300,000	Project Preparation
Sri Lanka	Rural Poverty Reduction Initiative	518,000	Project Preparation
India	Tamil Nadu Rural Water Supply and Sanitation (RWSS)	415,000	Project Preparation
South Asia Total		2,218,900	



PHRD TECHNICAL ASSISTANCE GRANTS PROGRAM FY04 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/IDA-blend 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 in support of projects or programs in 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 countries.⁴
 - (ii) For **upper-middle income countries, Project Preparation** proposals would be eligible only to support the following priority areas: (a) Education, Health, Nutrition, Water and Sanitation, Social Protection, Social Development and Environment; (b) Participatory Community Development, NGOs, and Civil Society Involvement; (c) Women in Development Initiatives; and (d) projects targeted at groups or areas that are clearly disadvantaged in terms of poverty indicators that are in line with the MDG indicators.
 - (iii) For **IDA/IDA-blend and lower-middle income countries, Project Implementation** proposals in support of ongoing projects (about 12 months under implementation) to address weaknesses in the capacity of implementing agencies. Proposals must clearly identify the implementation capacity problems that will be rectified by the technical assistance grant.
 - (iv) 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. Proposals must be linked to Bank-financed operations or activities supported by the Prototype Carbon Fund (PCF), the BioCarbon Fund (BCF), and the Global Environment Fund (GEF), or other environmental funds managed by the World Bank.
 - (v) Proposals for **Cofinancing of Institutional Capacity Building** components of World Bank-financed Projects for IDA/IDA-blend countries, to strengthen institutional capacity and thus facilitate the implementation of project's key policy reforms and good governance initiatives. The grants would meet the funding needs of countries for contracting technical assistance where borrowing for such assistance may be unaffordable given limited budgetary constraints and borrowing limitations. Separate operating guidelines have been agreed for this program.
4. **Amount.** Submissions of grant proposals to the Government of Japan must abide by the funding ceilings agreed between the Government of

4. As defined in the World Development Report 2002.

Japan and the Concessional Finance and Global Partnerships Vice Presidency (CFP). CFP 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.

5. **Funding Proposal.** The Proposal will contain the **Project** Development Objectives, and the **Grant** objectives and its Expenditure Categories. Proposals may normally not exceed US\$ 1million, and contributions are approved based on a single application per operation, with no availability of supplementary increases.
6. **Approval of Proposals.** Grants are approved by Japan on the basis of a standard One-Page Funding Proposal. All grant proposals must be in line with the Country Assistance Strategy (CAS) objectives for the sector. In the case of project preparation proposals, the follow-on Project must be listed in the IBRD/IDA Lending Program Summary in the CAS or the CAS Update or equivalent document (such as the Transitional Support Strategy in the case of post-conflict countries) which is endorsed by the Bank's Board of Directors).⁵
7. **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 an annual Grant Status Report documenting progress and agreed changes.
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 on proposals within four weeks from submission where GOJ is satisfied with the contents of the application. In case GOJ requires clarifications the final decision on the proposal may take longer.
11. **Grant Execution Arrangements.** Grants for Project Implementation, Climate Change, and Cofinancing must 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). Exceptions to the policy may be considered for preparation grants supporting emergency operations, HIV/AIDS projects in LICUS countries and post conflict countries. Grant closing date for project preparation grants would be the same as the expected 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

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

- fully justified and would require CFP's clearance. CFP 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.** For the purposes of monitoring the development outcomes the grant agreement will be the binding document. Task Team Leaders will be responsible for preparing 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 at completion documenting actual cumulative inputs and outputs through the grant implementation period.
 13. **Reallocation of Funds.** Reallocation of Funds expenditure categories, including dropping or adding new eligible categories (see paragraph 10 above) will be approved by the Bank in accordance with its procedures for amending grant agreements. Consistent with the intent of the Technical Assistance Program under PHRD, under no circumstances will the total amount for non-consultant expenditure categories exceed 10 percent of the grant amount.
 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 CFP.
 - (ii) For significant changes in the scope of the Technical Assistance, the request must be approved by the Country Director. The amendment to the grant agreement should be cleared with the Sector Manager, CFP 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 changes in the Development Objectives of the Bank-funded Project, a request must be submitted to CFP which will determine if approval is required from the Government of Japan. If the request is submitted to the GOJ, it would provide its approval/rejection within four weeks from receipt of the request from CFP.
 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 CFP'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. CFP may clear exceptions on the basis of a satisfactory explanation.
 16. **Visibility.** It is desirable that the Japanese Embassy is informed about a proposal at the time of submission and after the approval of the grant. Prior information sharing will help expedite the grant approval process. The Bank will also 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 aim to inform CFP 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.
 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.

FY04 PHRD TECHNICAL ASSISTANCE AND COFINANCING GRANT PROGRAM ALLOCATION

The FY04 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
Cofinancing	40
Total Amount	150

SCHEDULE PROPOSED FOR FY04 PHRD TECHNICAL ASSISTANCE AND COFINANCING PROGRAM

Round Announcement:	Date of Submission to Japan:
September 2003	October 2003
October 2003	January 2004
February 2004	April 2004